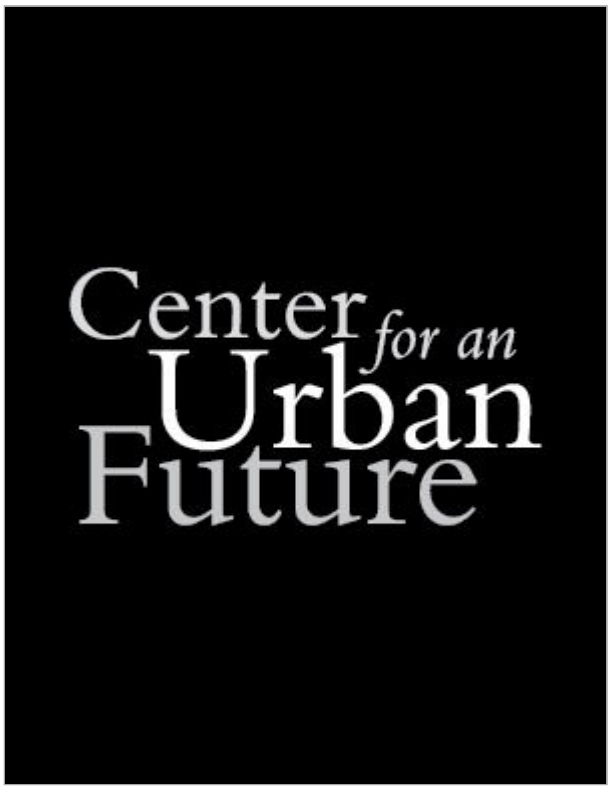


Commentary/Op-Ed - November 2004

Q&A with Kenneth Knuckles

In the first edition of this new monthly online feature, CUF Research Director Jonathan Bowles talks with Upper Manhattan Empowerment Zone CEO Kenneth Knuckles about development plans in Harlem, proposed expansion at Columbia University and the future of economic development in New York City.

by Jonathan Bowles

Harlem is awash in plans for new commercial development, from Columbia's expansion into Manhattanville and the construction of a Marriott Hotel on 125th Street to the arrival of the community's first auto dealership in 50 years. With so many projects on tap, the Center for an Urban Future's Jonathan Bowles recently sat down with Kenneth Knuckles, president and CEO of the Upper Manhattan Empowerment Zone, to talk about the proposed developments and other issues facing a community that is undergoing rapid transformation while still suffering from disproportionately high unemployment. In addition to his role with the Empowerment Zone, Knuckles is also a member of the City Planning Commission. He previously served as commissioner of the city's Department of General Services during the mayoral administration of David Dinkins, and as a vice president at Columbia University. He has headed the Empowerment Zone since early 2003.

CUF: There are so many developments under way in Harlem. What are you most excited about?

KN: I'm excited first and foremost about the interest that now is focused on Harlem. I think market forces have discovered what those of us who have been around Harlem for a long time have already known: its strategic location, its excellent transportation and excellent housing stock. You have an underserved market and you have an underutilized workforce. I think all of those things argue for the kind of interest you see in Harlem. There's been a lot of housing development over the last several years, much of it subsidized with city, state and federal money, and that's a good thing. At the empowerment zone, we see as our mission supporting the housing development that is going on, all of which is needed, with commercial and retail projects that will serve these thousands of people who are now returning in many instances or for the first time coming to upper Manhattan.

CUF: In the past, was there not enough focus on commercial, job-generating projects?

KN: No, there was not. I think the significance of the Harlem USA project is that it sent a signal to the larger investment community that upper Manhattan and 125th street was a good place to invest. Aside from the brands it brought—like Modell's and Old Navy and the Magic Johnson Theater—it produced 300 jobs. These are customer service jobs, low barrier entry jobs that a lot of people from this community could access. Subsequent to that, you saw the development of Gotham Plaza and Harlem Gateway. Those projects, I contend, would not have come about if not for Harlem USA.

CUF: So it's kind of like what Disney did for 42nd street?

KN: That's exactly right. It was a catalyst for the subsequent development. We provided roughly 20 percent of the financing for Harlem USA. Our $11.5 million leveraged an additional $50 million for that project. In the case of Gateway and Gotham Plaza, I believe we lent between $2 and $3 million to each project. That was cheap capital that probably in the absence of which, those projects wouldn't have happened. I know that's the case with Harlem USA.

CUF: What else is happening?

KN: The auto mall is a very significant project as well. It is in East Harlem and it will be the first new auto dealership north of 96th street in 50 years when it opens in 2005. It will employ 250 people. At the urging of Congressman Charlie Rangel, Potamkin has agreed to provide space for an automotive technical center that would use an outside technical school to train residents of East Harlem and Upper Manhattan to obtain those jobs. Automotive technician jobs are highly skilled positions to have. When we were doing the research for this project and making our determination to fund it, I visited the Potamkin Auto Center down on 57th street. The average salary down there is well in excess of $40,000 a year, so that will be very meaningful to residents of upper Manhattan. And there is the potential for upward mobility.

CUF: What about fears that development in Harlem won't result in jobs for people in the community?

KN: It's a concern. One of our primary planks in our investment strategy is workforce development. We're going to work with the one stop employment shop that's run by the Department of Small Business Services up here on 125th street and we're going to make sure [that] wherever we invest our capital—be it in an auto mall or in a retail facility or a hotel—there will be corresponding job training, so that those people will be in a position to obtain those jobs. Moreover, anyone that obtains funds from the Empowerment Zone must have a job quota. So you cannot get our funds unless you make a commitment to hire upper Manhattan Empowerment Zone residents.

CUF: In the past, was workforce development not part of these economic development projects?

KN: They were. There were several different initiatives that the zone had funded, and I would describe them as having mixed success. STRIVE, in East Harlem, did very well as did the East Harlem Community Corporation. Some did less well. We think with a finite period and a finite amount of resources, we do better by focusing on having job training directly related to where the jobs are going to be. And it ought to be hand in hand with our investment strategy. Again, if we're going to create a hospitality environment here, then we need people who are trained in that area, so they can obtain the jobs rather than having folks come from outside to get those jobs. So our workforce development will focus on the job creation areas that are brought about by our investment.

CUF: Is Columbia's planned expansion a good thing for Harlem?

KN: Under the right set of circumstances, that expansion could be of great benefit to upper Manhattan. I think it's a real potential. Manhattanville, at least that portion that’s west of Broadway, is analogous to midtown west. It is underdeveloped. It is mostly small one-story and in some cases two-story manufacturing businesses. I think there may be 1000, maybe 1500 jobs there. To the holder of the job, that's a vital job. But I think there's a greater economic development potential there, and

the burden of Columbia is to demonstrate to the community that this expansion will not come at the expense of the surrounding community.

CUF: What needs to happen?

KN: Columbia has to be sensitive to, and facilitative of, relocation efforts. It's got to work with the businesses that are there. But Columbia has at least three things to offer its neighbors: procurement opportunities, its spending power and jobs. It's the single largest employer in upper Manhattan. I want to work with Columbia around workforce development. Columbia is made up of more than professors. There are technical jobs, there are facilities-management jobs, and there are administrative jobs that people from the surrounding community should have access to. We need to find a way to break down the barriers.

In fairness to Columbia, they've been open to this. I think they recognize the need to bring greater levels of assurance to surrounding communities that their expansion does not mean the marginalization of the surrounding communities. I think they can provide jobs, I think they can provide opportunities for local entrepreneurs. They should find a way to work with entities like us to invest in projects in a reasonable kind of way that benefit the surrounding community.

CUF: Why is there so much opposition?

KN: Unfortunately, there are still echoes of 1968, and what we know now, with years of hindsight, was a misguided attemptto expand into Morningside Park. But I can say, that starting with George Rupp [predecessor to Columbia president Lee Bollinger], Columbia has made it a real priority to be better neighbors. I think that they understand the issues, which certainly couldn't be said of the situation in 1968. I just think they've got to continue to dialogue with community leaders and elected officials, and at the end of the day make a commitment to doing tangible things.

CUF: One aspect of Columbia's expansion involves the creation of labs for biomedical research. Could this lead to growth in biotechnology jobs in upper Manhattan?

KN: I think it could, because that corridor that they're looking at, the upper reaches of it, at 133rd street, goes right to the southern edge of City College. So you have there, in even closer proximity than now, two major universities. I would think that businesses like biotechnology and other kinds of technology that benefit by being in proximity to universities would be attracted to it. You could have a technology corridor there, right up Broadway, that could yield significant benefits.

CUF: Are there still untapped opportunities in Harlem?

KN: There certainly are. The anchor projects have been very successful and we want to do more of them because they create jobs and are catalysts for development around them. But we also are going to focus a lot of energy on small business development. Small businesses make up the backbone of the economy up here. So we are going to provide technical assistance to these businesses to the extent that they need it and we're going to do a kind of equitable lending, which is to say that we're going to take each business and partner with it and hopefully structure a lending scenario that recognizes their strengths and shores up their weaknesses.

CUF: Is this a new focus on small businesses?

KN: It was there before, but one of the constant complaints of the local community is that the Zone was only concernedabout big projects. That's not true in terms of the expenditures we've made. We've given millions of more dollars in grants than we have in loans. But perception is reality to many people. They see the Harlem USA's, these big projects. They don't hear about the smaller projects, which are the typical projects that we do. The critique on the small business-lending program before was that it takes two dollars to lend a dollar. It's so labor intensive; that's why banks don't do it. But we've got to do it. We're a lender of last resort. But we have to also enable these businesses to be ready to go to conventional lending sources after they leave us. That's why we will bring essentially the same critique that a conventional lender would, but the bar would not

be quite as high.

Because we want viable businesses, they've been in existence, they've demonstrated that the businesses can exist, but they haven't been able to move to the next level. The BRISC (Business Reinvestment Service Center) is really set up to get people capital in the short term and enable them to do the subsequent borrowing and expansion through convention lending sources. The other thing that we're going to do for small businesses is micro-lending. We're doing that as we speak, working with Accion. We started in mid summer a program over in East Harlem. They've done probably 12 to 15 loans already, generally on the average of less than $10,000 per loan.

CUF: Is there an untapped opportunity for cultural entrepreneurship in Harlem?

KN: I think Harlem's context in the larger economy of New York City is culture. One of the things we intend to do through our investments is re-establish Harlem as a cultural corridor. That's the aim of bringing a hotel up here, that's the aim of the investments we've made in restaurants up here. Virtually of the new restaurants over the last several years—Bayou, Amy Ruth's, Londel's, Revival—have all received Empowerment Zone funding. We believe that there's significant cluster potential up here for just those types of businesses: media, entertainment, fashion, cultural products. We just passed at our Empowerment Zone board meeting a $1 million loan to a business called Nubian Heritage over on 126th street and Fifth Avenue. This comes on the heels of a prior loan of a little less than $400,000.

This is an entrepreneur that offers Afro-American-centered cultural products, books, cosmetics, DVDs, hair products. This is a fellow who started out selling incense and oils to the street vendors that you see along 125th street and out in Brooklyn. The conventional lending sources didn't understand who would buy their products. There are not many banks today that could really understand an economy that's based on the sale of incense and oils. But he's built that business, which he started 10 years ago, into a $10 million platform. That's a business that is prototypical of the kind that we believe we're going to see more of in Harlem. We're looking to help bring that about.

CUF: Do you see these opportunities in these creative areas beyond just retail establishments?

KN: Absolutely. Nubian Heritage started in Brooklyn. They have a store around Union Square and in Queens and now this store. They sell nationally. So yes, we think this is the beginning, at least in the case of Nubian heritage, of having real growth potential. But we see others. There's a great cutting-edge advertising company up here called New America. They're up here on 125th Street. We hope to work with them to expand.

Harlem's brand is sold all over America, is sold all over the city. What we need to have is more of the people selling thebrand of Harlem to be in Harlem. We need more commercial office space for that reason.

CUF: How do you nurture the next Nubian Heritage or New America?

KN: That's why we have a small business-lending program. That's why we have a micro lending program. But we also need to send a message to these entrepreneurs, to publicize what we're doing with Nubian Heritage, to let people know that a New America type of company is here in upper Manhattan. Harlem has always been known for culture. Now that the economic fortunes have turned, we've got to make sure that when people come to the Apollo there are more restaurants for them to go to, there's more shops like Nubian heritage where they can buy cultural artifacts and more businesses that are cultural in character that will bring people to Harlem. The tourism interest is here. What we need is more in the way of cultural infrastructure so people will have an even greater reason to come up.

CUF: When you talk about cultural infrastructure, what are the first couple of things that need to be done?

KN: We need to strengthen the 9 or 10 primary institutions that we have here. We have invested funds in several of those organizations and we're going to continue to work with them. There is a second layer of mid-sized organizations, like the

Mama Foundation, the Classical Theater of Harlem; the Hadley Players there are 200 to 300 small artistic groups here in Harlem of varying kinds of artists. If we continue to build on the critical mass that we already have, then Harlem will once again be known as this cultural corridor—that when people come to New York City, they come primarily to see Broadway plays and come to Harlem.

There's only one place like this. I say Harlem because it's well known. But there's East Harlem, which has a tremendous cultural potential. The birthplace of Latin music as we know it, wonderful kinds of cuisines. We're working with a cross section of community and business leaders over there, to take 106th street, which is a glorious street from Fifth Avenue to the river, and create a cultural corridor through lighting and signage and trying to create an environment where we can bring more restaurants over there. You have El Museo del Barrio, the [Julia de] Burgos Cultural Center. You have these wonderful assets that have to be built upon.

CUF: It seems that there are a lot of neighborhoods, whether it's Washington Heights or East Harlem, that have unique cultural assets that people still don't know about. Have we as a city not promoted these neighborhood assets to the extent we should?

KN: We need to do a better job. We work very closely with the Greater Harlem Chamber of Commerce, the Washington Heights Chambers of Commerce. We need to have an overall marketing strategy that really takes into greater account these various assets that we have here. I'm a member of NYC & Company; from our urging and the urging of others, they have made a greater effort to include upper Manhattan in their marketing tools. But the primary responsibility lies with us. That's one of the things we really need to improve, and we intend to.

CUF: What would you suggest to city and state economic development officials?

KN: I think we've got to stop defining economic development as only meaning midtown Manhattan, lower Manhattan andnow downtown Brooklyn and Long Island City. I think there's a recognition of that, but I would certainly want upper Manhattan—as a cultural economy and a place where you have two major universities—to be seen as part of the economic equation. We need to look at economic development more broadly and look at the assets that the entire city offers.

CUF: Why hasn't that been the case historically in New York?

KN: I think we were still operating on assumptions that took root in the early 20th century about where business was. Business was downtown. Neighborhoods were uptown. 42nd Street was where plays were. Now midtown Manhattan consists of far more than just theaters. We're looking at Long Island City now as a fourth business district. What has forced us, I think, to change the way we look at these things is market forces. We've simply run out of space.

CUF: Is it a matter of equity or opportunity?

KN: It is both. But it is really now opportunity. The reason why Harlem is hot is because the market forces are almost saturated below 96th street.

CUF: Some say the Empowerment Zone was slow in getting out the gate. Why was that and what are you doing differently?

KN: In fairness, we have the benefit of seven years of operation. So when I came in, in early 2003, I had the opportunity to look at the Zone's operation from its very inception, which started in 1996. The pact [for creating the Zone] was made initially by Charles Rangel, Mayor Dinkins and Governor Cuomo. Well, two of those three parties changed. Suffice it to say, there had to be a workout period. So, it took two years to get the Zone up and running. And it was unique. There had never been, nor has there been since, an urban investment act of anything like this.

There was also the question, and this is a very big issue, of expectations. This is a community that had been

undercapitalized, underemployed, still has employment issues. So there's a great deal of expectation. You talk about $300 million coming into a community like upper Manhattan and the south Bronx. That raises lots of expectations. So I think [former Upper Manhattan Empowerment Zone CEO] Debbie Wright obviously had to put the operating structure together and she had to deal with a lot of these expectations as well as the political waters that had to be smoothed. Well, that's happened now. We have good working relationships with both the Bloomberg administration and the Pataki administration, and there's a collective sense that now is the opportunity to get things done. I have the benefit of being here when there is this collective sense of mission to get things done.



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