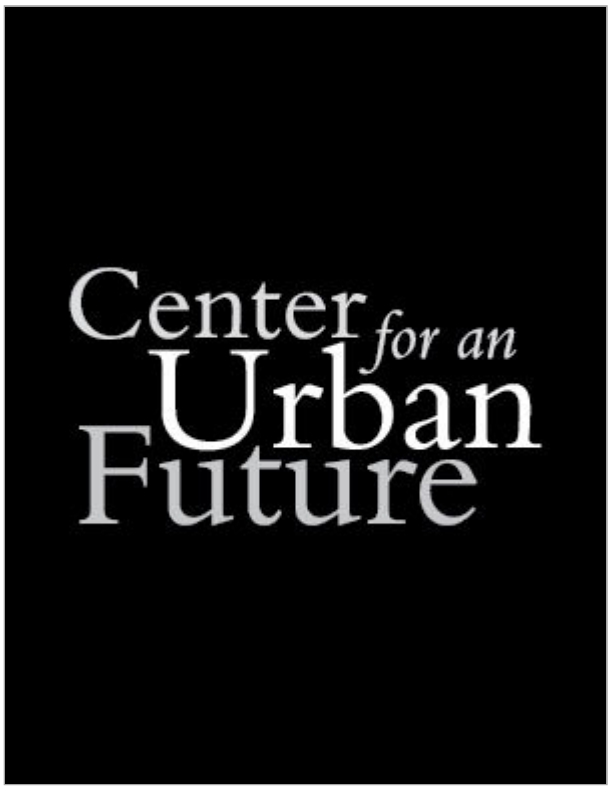


Testimony - June 2005

Testimony: Giving Small Firms the Business

In this testimony before the City Council, CUF research director Jonathan Bowles argues that the proposal to redevelop the Bronx Terminal market is one of many city-sponsored projects in which a significant number of small businesses are being displaced.

by Jonathan Bowles

Good afternoon. Thank you for inviting me to testify today. My name is Jonathan Bowles and I am the research director ofthe Center for an Urban Future, an independent and non-partisan policy think tank that issues studies on economic development and job creation strategies in New York City. We have focused significant attention on the importance of small businesses to the city's economic future, and a recent report that I authored referenced the city's proposal to redevelop the Bronx Terminal Market.

I believe that there are clearly positive aspects to the Bloomberg administration's attempt to redevelop the Bronx Terminal Market. The administration deserves credit for wresting control of the site from longtime owner David Buntzman, who let the market deteriorate and exploited the merchants that operated there. No other administration over the last few decades was able to do this. And based on recent conversations I have had with local economic development experts in the Bronx, I also believe the area could benefit from more diversified retail options, which the administration's proposal would provide.

My problem is that the Bloomberg administration apparently didn't even consider renovating the produce market, or keeping the more than 20 merchants that had managed to persevere at the facility. Instead, without public bidding and with no meaningful input from the merchants and the community, it turned over the property to a developer with close ties to Deputy Mayor Dan Doctoroff who plans to build a million square foot retail complex with the help of lucrative city incentives.

The contracting process here raises troubling questions, but I'm most concerned that the administration is giving little thought to—and showing little regard for—the impact of several of their development proposals on small businesses. The problem is that the Bronx Terminal Market project is just one of many projects that involve displacement, and it is one of many instances where structures that can house small businesses are being converted into other uses.

For instance, the city's plan to rezone 175 blocks in Greenpoint and Williamsburg will likely push out more than 100 woodworking companies, specialty food manufacturers and other industrial businesses that are located in the rezoned district. According to the New York Industrial Retention Network (NYIRN), these companies employ roughly 2,800 people. Meanwhile, the Bloomberg administration has implemented or is in the process of executing at least five other rezoning plans that convert manufacturing neighborhoods to residential or office districts-—putting thousands more blue collar jobs at risk.

There are indications that other neighborhoods may be next. In Red Hook, many local businesses and residents saw the administration's 2003 decision to hire a consultant to determine the best future use for six piers as a naked attempt to replace several businesses along the neighborhood's working waterfront-—including an active container port that employs roughly 500 people-—with luxury condos or other non-industrial uses. Other proposals, like Bruce Ratner's plan to build a Nets arena and Columbia University's Manhattanville development, would displace several firms as well. Already, the city's once significant flower market has largely been uprooted from its longtime home on Sixth Avenue in Manhattan, and many companies in the city's toy industry may soon be forced out of their current location in the Flatiron district.

Facing a colossal housing shortage and the long decline of manufacturing employment, the city is right to rezone industrial areas that are no longer full of businesses, including much of the Greenpoint and Williamsburg waterfront. But if the administration is even asking whether there are significant negative cumulative impacts from all of the projects it is pursuing, such deliberation has been kept well out of the public eye.

It is important to note that even if manufacturing jobs continue to decline, New York will need to retain a sufficient stock of commercial buildings that are ideal for distributors, artisans, architects, graphic designers, animators, software developers and other entrepreneurs that can't afford—-or don't want—Class A office space.

As it is, dozens of commercial buildings from lower Manhattan and TriBeCa to Long Island City and Red Hook have been converted to other uses in the last few years, and there is much evidence that small businesses in a number of different industries are being squeezed by the dwindling amount of reasonably priced real estate.

It would help if the administration was actively working to address the space issues facing so many small businesses. I do congratulate the administration for creating Mayor's Office of Industrial and Manufacturing Businesses, but there is little evidence that the administration has given a priority to the important task of spurring the development of new facilities for small businesses. Indeed, the administration was quick to kill a worthy project in College Point, Queens-—a distribution center for 180 small businesses—-when faced with opposition from local politicians.

It goes without saying that small businesses are critical to New York City's economy: companies with fewer than 100 employees account for 98 percent of all businesses in the city. In the years to come, though, small businesses will be even more of a growth engine for the city. After all, in today's global economy, large corporations are increasingly merging, outsourcing and downsizing. Nationally, the U.S. Small Business Administration reports that small firms today generate between two-thirds and three-quarters of the net new jobs being created nationwide.

The city needs to give more recognition to small businesses and forge a strategy that deals with these important space issues. This could include turning over vacant city-owned commercial properties throughout the five boroughs to non-profits and private-sector developers interested in redeveloping those facilities for small business tenants. The deal the Dinkins administration made with the Greenpoint Manufacturing and Design Center is a great example. And there are at least a handful of government-owned properties around the five borough that fit this bill, such as the former FDA building in Sunset

Park.

The city also should consider incorporating vendors like the one in the Bronx into their development projects. In some instances, as the Chelsea Market development in Manhattan has shown, the presence of wholesale businesses can add life to a development and serve as a magnet for additional development.

The city must also commit to fund infrastructure improvements to parts of city-owned industrial facilities, like the Brooklyn Army Terminal, that still aren't inhabitable. For instance, the city renovated one of the huge industrial buildings at the Army Terminal in the 1980s and that building today is 97 percent occupied, mostly with small and mid-sized wholesale and distribution firms. Yet, there remains at least one other large facility at the Army Terminal complex that is vacant. It still needs significant infrastructure investment to allow the facility to be occupied.

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