

**OPEN FOR BUSINESS:  
A NEW STATE GOVERNMENT APPROACH TO ECONOMIC DEVELOPMENT  
New York City Regional Economic Development Council**

**Small Business Development Work Group  
Tuesday, September 20, 2011, 9 a.m.  
Empire State Development Corporation**

**Meeting Summary**

Facilitator

Dr. Suri Duitch, CUNY

Attendees

Executive Director Joe Tazewell, ESD

Jay Hershenson, CUNY

John Eddy, Steiner Studios

Dean Balsamini, SBDC at College of Staten Island/CUNY

Andy Manshel, Greater Jamaica Development Corporation

Zayne Abdessalam, Retail, Wholesale, and Department Store Union

Carol Conslato, Queens Chamber of Commerce

K.Y. Chan, GM Printing

Lili Lynton, New York City Investment Fund

Peter Spinella, New York City Hispanic Chamber of Commerce

Dr. Alfred Ntoko, representing Dr. Marcia Keizs, CUNY

Geoff Kravitz, Staten Island Chamber of Commerce

Steve Hindy, Brooklyn Brewery

Oliver Lednicer, Manufacturer's Association of New York

Carl Hum, Brooklyn Chamber of Commerce

Stuart Schulman, Field Center, Baruch College/CUNY

Jane Schulman, LaGuardia Community College/CUNY

Leah Archibald, EWVIDCO

Amanda Daly, CUNY

Jack Friedman, Queens Chamber of Commerce

Jukay Hsu, Coalition for Queens

Nancy Carin, Business Outreach Center Network, Inc.

John Moye, New York State Department of Labor

Marion Phillips III, ESD

Facilitator Suri Duitch reminded the group that the council is in the middle of its planning process and needs to submit a strategic plan by November 14. The first set of applications through the Consolidated Funding Application (CFA) process is due October 31. Several conversations about broad goals and strategies have been completed, and today the group must get specific about small business development. The projects or ideas suggested will be considered through criteria already discussed, including their multi-region impact, their impact on populations in economic distress, and their potential for university partnerships. Projects can be submitted through the CFA; those that are not currently ready for funding

can be included in the five-year plan. This group's discussion will be reported back to the council at the October 4 meeting. Staff will then begin a preliminary outline of a strategic plan.

She asked what specific policies or incentives are most productive for small business development and should be included in the strategic plan.

- The Brooklyn Navy Yard was mentioned as a model of an industrial park with a creative business component. (It was also noted that the Navy Yard is not an incubator per se, but it does provide a refuge for industries having difficulty finding a location in the right zone.) The city and state could develop similar plans for Queens and the Bronx, perhaps utilizing a brownfield location. Discussion followed that an essential ingredient of the Navy Yard is ownership, which drives the decision-making. Finding a location with sufficient space is key; the Navy Yard has a variety of building types and space to expand laterally.

Additionally, in creating an incubator, a university tie-in is critical, as that addresses training and workforce development needs. LaGuardia Community College has a design incubator and has found that funding an incubator can be difficult; attention has to be paid to how much to charge for space and how to identify what makes businesses ready for growth.

It was also noted that small businesses cannot locate far from their customer base. It was suggested that they may need to rely on other entities (e.g., nonprofits that focus on business) to do the homework and make the right businesses aware of possibilities.

It was pointed out that the development of the Navy Yard took time. The challenge for the group is to find a balance between projects that need long-term investment and those ready to take the next step.

- It was also suggested that affiliations with universities is important to small business development.
- Converting available properties was also suggested, especially as prices drop in this market.
- Small-scale manufacturing for recycling was suggested. A previous work group talked about the fact that recycling opportunities are going to New Jersey. There is land around Hunts Point that could be used, and such a project would have an impact on other regions.

A small business owner addressed the need for access to capital; even businesses that have a record of success can suffer in a weak market. Dutich asked if the council should propose creating pools of capital or a different regulatory environment. It was noted that all of the city's economic planning focuses on reducing costs, not helping businesses develop top-line growth. All businesses want to increase sales, not just reduce costs. (Disagreement with this point was later expressed; reducing the cost of doing business was considered most important.)

### **Minority and Women Business Enterprises (MWBE)**

The need for reform of the MWBE program was brought up, with mention of Comptroller John Liu's report card on the small number of city contracts MWBEs are granted. It was noted that 80 percent of the population is in the MWBE category, but only 20 percent are getting contracts. Most MWBEs need capital and technical assistance. The contracts have a high bonding requirement, which is prohibitive for small businesses. There should be better promotion, compliance, and enforcement of MWBE programs.

The certification issue was also discussed. MWBEs have to be in business for a certain amount of time to get certification. But younger companies not ready for certification should also be supported; this would

encourage immigrant business. There should also be a mechanism whereby the city and state nurture MWBEs after certification. It was noted that this is related to the city's Locally Based Enterprise program and that this is a leadership issue. The Navy Yard has a high rate of utilizing MWBEs and LBEs and is a model for procurement. MWBEs must be made a priority by the city and state.

It was also noted that the goals of the MWBE program have to be balanced with the realities of the marketplace. It was suggested that the council focus on low-hanging fruit. If the strategic plan is focused on large sectors, many MWBEs will then be included.

### Access to capital

- It was noted that access to capital is the toughest problem government has in helping businesses; it is critical but also mission impossible. Banks are not going to lend businesses money until they don't need it. It was suggested that the federal government must address the problem.
- The city has been compiling a list of recommendations to address the issue (example: amending the SBA guarantee). Perhaps the council could focus on advocacy of such efforts and propose a variety of recommendations to the administration through its plan.
- It was also noted that there are some state resources available, which may provide the council an opportunity to help shape selected programs. For example, the state is getting some federal funding to support, among other things, early-stage businesses with equity capital. The council could suggest where that seed-stage capital should be directed.
- It was suggested that access to capital is beyond the council's scope. In some industries, such as high tech, capital requirements are relatively low, and capital is available. The council should consider what it can support with the relatively small amount of \$40 million available.
- It was also pointed out that many small businesses have no idea how to access capital, so any plan must include educational services to help them navigate the landscape.
- Supporting alternative lenders was discussed, including the Grameen Bank and other micro-lenders. Their use in the city may rise as the market drives people to be more entrepreneurial. Micro-lenders often have clients and capital, but need help in management and technical support.
- Dutch suggested a principle was emerging that the state should not invest in individual companies but should direct funding to intermediaries. No disagreement was stated.

### Sectors

Suggestions for major sectors in the city that should be addressed in the strategic plan included:

- Sectors unique to the city, including import/export, finance, airports, and food processing. (There was discussion about whether exporting requires government assistance; it was suggested that an educational process could be useful.)
- Transportation was suggested, particularly the quality of airport facilities and the need to provide small businesses with locations near airports.
- Recycling could be a good growth—and green—business in areas that have rail access; exporting would then also be addressed. The city already has the raw materials (e.g., old rugs).
- While other manufacturing is on the decline, food manufacturing is not. It offers opportunities for growth, especially for immigrant communities.

- Health care and the health industry should be in the plan, including the pharmaceutical industry—there are many generic manufacturers in the city. It was also noted that health care is the largest industry on Staten Island.
- Food, fashion, film, tech, and the arts are all sectors that are rich in the city.
- Design. The Center for an Urban Future just completed a study on the design sector, which supports other sectors. Perhaps design extension services could serve the industry as a whole.
- Assistance in navigating government and regulation is needed. The city's New Business Acceleration Team for the restaurant industry was mentioned as a model. In response to a question from Duitch—about whether the plan should endorse assistance with bureaucracy, rather than reduction of bureaucracy—it was clarified that better interagency coordination was the goal.
- Within the child care sector, home care is expanding; it offers a business opportunity and meets a great need in the city.
- The maritime support industry is unique to New York City.
- The tech industry has one of best ratios of investment to growth. The council could leverage its funding to assist existing projects, such as the applied science center.

In response to Duitch's question about addressing other parts of the city, including distressed communities, the following points were raised:

- A map of brownfield locations would be helpful.
- Shipping is a great barrier to business. It's cheaper to ship from Utica to DC (no federal excise tax on exports) than from Williamsburg to Port Elizabeth (tolls). It was also noted that the tolls in Staten Island pose huge barriers.
- Expansion and retention of existing businesses are critical.
- Transit is a key to supporting work centers outside of Manhattan. The importance of having high-end customers and company CEOs near work centers was also noted.
- Universities and hospitals (anchor institutions) should spend more locally. The location of anchor institutions is key; CUNY, for example, has great placement of its colleges. It was suggested that academic institutions be encouraged to be more engaged as development partners, perhaps by offering a pool of competitive funding for real estate development. It was also noted that academic institutions do not provide all of the necessary training; the Consortium for Worker Education, for example, offers local training and job assistance.

Duitch concluded by reviewing major themes that emerged and inviting the addition of important issues that had not been raised:

- Space (Need for more projects that follow an incubator concept and reach across all five boroughs)
- MWBE
- Access to capital
- Specific sectors
- Applied sciences campus (with small business angle)
- Brownfields (proximity to higher education and transit)
- Leadership as a key to the Navy Yard's success
- Policy initiative to encourage academic centers to do procurement through local businesses
- Co-op programs at universities linked up with local businesses
- Near-term economic benefits as a criterion for projects
- Educational training for small businesses