

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON ECONOMIC  
DEVELOPMENT

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City Hall

B E F O R E: DANIEL R. GARODNICK  
Chairperson

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Vincent Gentile  
Julissa Ferreras  
Karen Koslowitz  
Mark Weprin  
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A P P E A R A N C E S

COUNCIL:

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A P P E A R A N C E S (CONTINUED)

Zack Smith  
Chief Operating Officer  
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Makayla Crater  
New York City Economic Development Corporation -  
Industrial Initiatives

Dean Bodner  
New York City Economic Development Corporation -  
Asset Management Dept.

David Ehrenberg  
CEO & President  
Brooklyn Navy Yard Development Corporation

Laura Imperiali  
Director of Government Affairs  
Tully Construction and Willets Points Asphalts

Debra Meslow  
Director of Business Expansion and Retention  
Long Island City Partnership

Adam Friedman  
Director of Pratt Center for Community  
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## A P P E A R A N C E S (CONTINUED)

Melissa Chapman  
Vice President, Government and Community  
Relations  
Brooklyn Chamber of Commerce

CHAIRPERSON GARODNICK: [Gavel]. Good morning everyone. Welcome, welcome to the Economic Development Committee of New York City Council. Today is Thursday, April 24, 2014. My name is Dan Garodnick and I have the privilege of chairing this committee. I am joined today, Council Members Donovan Richards and Ruben Wills.

Today, we will be taking a closer look at the Brooklyn Navy Yard, which happens to be in Council Member Steve Levin's district. The Brooklyn Navy Yard is a 300 acre industrial park on the Brooklyn waterfront. It is owned by the City of New York and managed by the not for profit, Brooklyn Navy Yard Development Corporation.

The navy yard was used during the American Revolution and was officially purchase by the United States government in 1801. Its productivity peaked during World War II where it employed almost 70,000 workers. The navy yard closed as a naval facility in 1966 and in 1967 the City of New York assumed ownership and reopened it as an industrial park. The City's 1992 comprehensive waterfront plan designated the navy yard as a significant maritime and industrial area. Indicating the land use and public

investment strategies should support and promote working waterfront uses.

However, it was not until 2001 that we saw a significant investment from the City. Since 2001, the navy yard has received more than \$250 million from the City of New York. That money combined with an additional \$400 million in private investments, has allowed the Navy Yard Development Corporation to rebuild streets, maintain graving docks, restore piers and restore more than 40 buildings.

Because the property is owned by City and the City has demonstrated a commitment to keeping it as a manufacturing site, companies can sign leases and lay down roots with fewer fears that the space will be rezoned.

Currently the navy yard holds over 330 companies and is at 100% of its capacity. Over 7,000 people are employed by companies at the navy yard, up from 3,600 in 2001. Earlier this week, I had the pleasure of touring the navy yard along with some of my colleagues, including Council Members, Levin, Gentile and Weprin. We were all impressed by the vibrancy of the navy yard and the variety of products that are being produced there. So we thank you Mr.

Ehrenberg for hosting us and I also note that I did a run along the East River on the Manhattan side this morning. I took a different perspective of it over there as I frequently do.

The navy yard is unique among manufacturing site in the city as it is operated by a non-profit, as noted before, The Brooklyn Navy Yard Development Corporation, instead of directly by the City's Economic Development Corporation. The Brooklyn Navy Yard Development Corporation is run by a President and CEO appointed by the Mayor and a board, also appointed by the Mayor. Revenue generated by the navy yard is managed by the Development Corporation, whereas revenue generated by other city maintained industrial spaces is returned to EDC. Last year, then mayoral candidate, Bill de Blasio, pointed to the navy yard as a model for non-profit industrial development that has provided industrial space and resources for companies and entrepreneur. There is some question about whether other sites, like the Brooklyn Army Terminal and Bush Terminal should follow a similar model. Of course, we have been great success in the navy yard, but understand that EDC has some concerns about changing the management

structure of other sites. We look forward to continuing this conversation and learning more today about the difference and strengths of each plan

Today we will hear from the City's Economic Development Corporation, from the Navy Yard itself and also from advocates. We hope to learn about the navy yard's success and what it indicates about manufacturing in New York City. Whether we can expect more growth in this sector and what the city can best do to support the growth of industry.

We are also interested to hear what makes the navy yard unique among manufacturing sites and what, if anything can be replicated elsewhere.

Finally, we hope to better understand the relationship between the Navy Yard Development Corporation and the EDC.

So with that, let me welcome Council Member Mark Weprin and I would like to turn the microphone over to Zack Smith of EDC and he can introduce the whole team and go ahead and get started Mr. Smith. Welcome.

ZACK SMITH: Good Morning, Chairman Garodnick and members of the committee on Economic Development. My name is Zack Smith and I am the

1  
2 Chief Operating Officer at New York City Economic  
3 Development Corporation. I joined by colleagues  
4 here. To my left, from EDC, Makayla Crater  
5 (phonetic), from our industrial desk, Dean Bodner  
6 (phonetic, from our Asset Management Team and Joe  
7 Colletti (phonetic), from our Government and  
8 Community Relations Team.

9 Thank you for inviting me to speak with you  
10 today about the Brooklyn Navy Yard and other  
11 industrial assets across New York City. I am pleased  
12 to be here to address the importance of utilizing  
13 city assets such as the Brooklyn Army Terminal, among  
14 others, to promote the continued revitalization of  
15 our city's industrial landscape and to position New  
16 York City further as a major center of modern  
17 manufacturing. After my remarks we will be happy to  
18 take any questions you may have.

19 Manufacturing is a vibrant and crucial  
20 segment of New York City's economy. Between 2011 and  
21 2012 the sector enjoyed its highest annual growth in  
22 three decades, today accounting for about 13% of  
23 private sector employment. Much of this growth can  
24 be attributed to the great success of industrial  
25 centers like the Brooklyn Navy Yard and the Brooklyn



1 Army Terminal where small manufacturers are thriving.  
2 Today we are seeing impressive growth in both the  
3 number and strength of small manufacturing companies,  
4 many of which are making significant innovations in  
5 industries that range from medicine to media to  
6 fashion. Many of these companies have located at the  
7 Brooklyn Army Terminal or BAT as we call it. A city  
8 owned facility managed by New York City EDC in the  
9 Sunset Park Section of the Brooklyn waterfront, which  
10 has become a critical source of quality industrial  
11 jobs. Since the city purchased BAT from the federal  
12 government in the 1980s, EDC and its predecessor  
13 agencies have transformed approximately 3.1 million  
14 square feet of space of that into a modern subdivided  
15 campus that is equipped for modern industrial uses.  
16 We are proud of the fact that of the useable 3.1  
17 million square feet at BAT, 99% is currently occupied  
18 by more than 100 companies that employ approximately  
19 3,500 people.

21 Companies based at BAT include, Uncommon  
22 Goods, an online retailer of gifts and accessories  
23 that employs more than 120 people full time and 600  
24 people seasonally. In addition, famed chocolate  
25 manufacturer, Jacques Torres recently established his

global production headquarters in 40,000 square feet at BAT, which will employ up to 60 people.

These are just two notable examples of the types of businesses that call the Brooklyn Army Terminal their home, but there are many more that represent all corners of the industrial sector. BAT offers these companies an affordable place to locate with good loading capacity and a well maintained and secure facility and access to public transit and outside parking as well. It is for these reasons that we see a high demand for additional space at BAT and also why we have become more selective about which new tenants we lease to there, with an increased focus on job intensity and job quality. There are, in fact, hundreds of thousands of square feet in buildings at BAT that are currently unoccupied. But in order to make the space habitable for industrial or commercial use, substantial capital investments must be made in remediation and life safety systems such as fire alarms, and elevator as well as new window, bathrooms, HVAC systems, lobbies, corridors, and entrances. We have therefore made this part of our capital new needs request.

1  
2 Along those lines, New York City EDC has  
3 also decided to invest some of its own funds to  
4 remediate and restore for lease a 55,000 square foot  
5 long dormant building at BAT historically known at  
6 the Administrative Building, which we plan to make  
7 available for light manufacturing businesses.

8 Without new city capital funding however, the large  
9 majority of vacant space at BAT will remain vacant.

10 The Brooklyn Army Terminal is just one of  
11 several key industrial assets that EDC manages on  
12 behalf of the city. EDC utilizes the revenue  
13 generated by assets like BAT not only to invest and  
14 expand these assets, but also to fund a broad  
15 spectrum of programs and services that also directly  
16 grow the city's economy, including many programs and  
17 investments that support the industrial sector in all  
18 five boroughs. In addition, EDC is required to  
19 return a portion of its net income back to the city  
20 and does not have the ability to redirect these funds  
21 back into the industrial assets in their entirety.

22 Workforce training and development is a  
23 priority at EDC, at all EDC industrial assets and  
24 something we are looking to strengthen and expand.  
25 We are currently working with the Southwest Brooklyn

Industrial Development Corporation to help train and place individuals in skilled jobs available at businesses at BAT. EDC's industrial desk is actively studying and identifying new ways in which we can support industrial businesses in filling their talent needs. We are in the process of developing ways that the city can offer attractive training and skilled development programs that are nuanced and customized to businesses' operational needs. This program would serve both existing and new employees.

Although BAT is a self-contained industrial campus engaging the surrounding community is also important to its success. In addition to workforce programs, we plan to grow our community outreach efforts in a number of ways, including a forthcoming partnership that will facilitate public tours and highlight exciting advances in manufacturing at BAT and the important role it has played in our city's history.

BAT is one of several industrial properties that EDC manages on the South Brooklyn waterfront, which is also home to Bush Terminal, South Brooklyn Marine Terminal, the Sunset Park Materials Recycling Facility and other privately owned industrial

1  
2 complexes. These sites are connected by a rail and  
3 freight infrastructure that increased the efficiency  
4 and utility of all the properties together. More  
5 broadly, EDC's industrial desk is currently leading a  
6 comprehensive review of all of our industrial asset  
7 in order to insure that these properties fully  
8 support the needs of this vital sector, by creating a  
9 coordinated strategy to help these city managed  
10 assets operate at their full potential. We seek to  
11 create space for good paying industrial jobs, promote  
12 the strategic growth of our industrial tenants and  
13 ultimately, bolster the city's economy as a whole.

14 As I mentioned, we would be happy to take  
15 any of your questions.

16 CHAIRPERSON GARODNICK: Great. Well thank  
17 you very much for your testimony. I note that most  
18 of it deals with a related subject and may actually  
19 help formulate some our questions here about the  
20 differences, say between the Navy Yard and BAT or  
21 Bush or any of the other assets that you cited in  
22 your testimony. But, before we get into that, let me  
23 refocus you on the navy yard for a moment.

24 It appears to be something which has  
25 brought agreement that it has had a lot of success.

1  
2 TO what does EDC attribute the success of the  
3 Brooklyn Navy Yard, you can also answer as to BAT too  
4 if that's your preference, but help us understand  
5 what you think is the real source of the success for  
6 the navy yard.

7 ZACK SMITH: Well, I would answer that in  
8 a couple ways. One is, I think that the success  
9 you've seen at the navy yard is also the type of  
10 success that I spoke about in my testimony for assets  
11 like the Brooklyn Army Terminal and at times, and I  
12 say that because we see some of the same types of  
13 tenants that are, that the navy yard takes credit  
14 for. We also have at the Brooklyn Army Terminal; I  
15 think that speaks to a larger trend that you see in  
16 the city, in terms of small manufacturers, wanting  
17 smaller space than the 100,000 square foot floor  
18 plates. So we are both taking advantage of that  
19 growth in that sector. But I think in terms of  
20 differences between the navy yard and the Brooklyn  
21 Army Terminal. Besides another obvious one which is  
22 location. Brooklyn Navy Yard is closer to Manhattan,  
23 its closer to the bridges, and it may be  
24 geographically desirable in ways that the Brooklyn  
25 Army Terminal isn't. The real difference I think is

1 in just the model under which it operates. The  
2 Brooklyn Navy Yard, ummm, generates revenue, that for  
3 the most part stays within the Brooklyn Navy Yard.  
4 You'll hear from David Ehrenberg. He can tell you a  
5 little more about that in his testimony, but  
6 comparing that to the Brooklyn Army Terminal and  
7 really for any of the other industrial assets that  
8 EDC operates such as the Hunts Point Markets or the  
9 Cruise Terminals. We generate revenue from those  
10 facilities. A good portion of it we pay to the city,  
11 umm in the form of PEG payments and other payments.  
12 So we share the revenue back to the city and then we  
13 use the revenue, not just to maintain those same  
14 facilities but to do programs. Programs that I  
15 mentioned in my testimony, like workforce programs,  
16 programs that I know the Council cares a lot about,  
17 in terms of creating incubators and other programs  
18 that stimulate economic development in the city. And  
19 so the navy yard, they capture the revenue and they  
20 invest back into business at the navy yard and the  
21 revenue that we create goes to a lot of other places  
22 in addition to back into the facility.

24 CHAIRPERSON GARODNICK: Okay, thank you.

25 The part of your answer which I think goes to the

1  
2 attribution of success, I think is the growth of  
3 smaller manufacturing, if I heard you correctly. Is  
4 that fair?

5 ZACK SMITH: Yes.

6 CHAIRPERSON GARODNICK: Do you, do you...

7 What about the existence of capital funds  
8 from the city to help rehabilitate either of these  
9 sites? Is that a factor for EDC, you think, in the  
10 success of either?

11 ZACK SMITH: Yes. I believe it is and  
12 again, David can speak to the funding that they  
13 receive or don't receive from the city. We receive  
14 some capital funds, city capital funds for BAT.  
15 We've received some over the years for things like  
16 elevators. But for the large part, it's the revenue  
17 that we generate from that facility and others. I  
18 mentioned strategic investment we are making in a new  
19 opportunity at BAT and that is to use EDC funds to  
20 make available an entirely new building. It's a free  
21 standing building, the Administration Building at  
22 BAT. But the opportunities there are really limited,  
23 because as I said, there are a lot of competing  
24 interests for our own capital, the capital that we  
25 generate from these assets.



CHAIRPERSON GARODNICK: So the structure of all of this, it's a stranger dynamic than we usually see over here. Obviously, we have EDC which its own sorta beast. You have the Brooklyn Navy Yard Development Corporation which is its own sort of beast. All roads lead back to the Mayor of course, there are distinctions and differences between the sites and the management of the sites and how the dollars flow, etc. But when it comes to allocating capital funds, to either, BAT or the Navy Yard, presumably those initiatives are coming. I would have thought they were coming from EDC, but perhaps they are only coming from EDC, sort of as a request or as a plan for the army terminal but not for the navy yard. Is that accurate?

ZACK SMITH: EDC makes capital requests for its facilities and I imagine the navy yard makes its own requests, should they have any for additional city capital beyond that which they can utilize.

CHAIRPERSON GARODNICK: So, EDC has a billion dollars in its capital program for fiscal year 2015?

ZACK SMITH: None of that is anticipated to be for the Brooklyn Navy Yard.

CHAIRPERSON GARODNICK: Okay that's only for other assets and things that are more directly under EDC's either control or participation. Is that fair?

ZACK SMITH: Absolutely.

CHAIRPERSON GARODNICK: So something like Cornell, Technion or any of the other projects that you all are involved in or Willets or anything. Even though there are other entities that are taking the lead in developing them, they still would fall within your per view per the billion dollars in capital? Is that right?

ZACK SMITH: Right. Again, there's nothing in our capital plan that pertains to the Brooklyn Navy Yard, you know, to my knowledge. I think, however, and we can clarify this for you after the hearing. In terms of our overall nominal budget, any funds that go to the navy yard, for operations or for otherwise, or for maintaining the streets and things like that, where they may get support from the city. It might be listed under our budget, but it doesn't. We really don't touch that money, we don't oversee it, and we don't make decisions about it. So if it's included in that billion that it's just nominal.

CHAIRPERSON GARODNICK: Understood. It strikes me as an odd framework for the city to have multiple industrial parks even in the same borough, umm, where some of them are getting capital funds through some direction of government and some of them are getting capital funds through another direction of government. What's the rationale for why EDC perhaps is not, you know, there may be an obvious answer to this, and you'll forgive it as an innocent question, as to why EDC is not responsible for directing capital funds to the navy yard.

ZACK SMITH: There's probably a whole history there on how the navy yard was set up and established and certainly there's a long history of how EDC was set up and they're really in a lot of ways different organizations. As I said, the Brooklyn Navy Yard is focused on economic development at the navy yard. EDC is focused on economic development in all five boroughs. And in ways beyond just serving the industrial sector that the navy yard is involved in. But, I think perhaps, I didn't emphasize enough in my testimony is the degree that we are coordinating with at a policy level with David and his team at the Brooklyn Navy Yard.

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2 As you my know, David Ehrenberg, who ran  
3 one of our large divisions at EDC, so we know David  
4 well, but even if we didn't we'd work very closely  
5 with him in terms of a shared focus and in terms of  
6 sharing information about the types of tenants we are  
7 seeing and attracting and sending either other's way  
8 when that's appropriate, and talking about the  
9 capital projects that we're involved in at our  
10 respective campuses. So there is a high level of  
11 coordination but as I said, two separate  
12 organizations with slightly different focuses and  
13 responsibilities.

14 CHAIRPERSON GARODNICK: Since you raised  
15 the issue about the difference in the model of  
16 operations. Let's talk about that for a second. So  
17 the navy yard as its separate, mission driven, not  
18 for profit, takes the revenues from rents, directs  
19 them back into the navy yard, for the other city  
20 assets, like BAT or for Bush or for any of the others  
21 that you mentioned. The city takes the revenue,  
22 gives some back to the city and redirects some back  
23 into those assets? Correct?

24  
25

1  
2 ZACK SMITH: Into those assets and also  
3 into scores of other programs, that don't generate  
4 direct revenue, per se, but that are...

5 [Interpose]

6 CHAIRPERSON GARODNICK: Other things that  
7 support their success

8 ZACK SMITH: Their success and our mission  
9 to deliver economic development on behalf of the  
10 city.

11 CHAIRPERSON GARODNICK: So my question for  
12 you is, is there room for more models like what they  
13 have over at the navy yard or does EDC believe that  
14 that is an outlier, but what should be done in every  
15 other circumstance, to the extent that there are  
16 other analogs to be created down the line, that they  
17 should be EDC managed, not mission driven, not... I  
18 don't know, there all sorta mission driven. The  
19 mission being directing funds directly right back  
20 into that asset. To the extent that EDC does have a  
21 position, what is EDC's position?

22 ZACK SMITH: I think EDC's position is that  
23 there are consequences, both good and bad to for  
24 instance, adopt a purely navy yard model for  
25 industrial assets like the Brooklyn Army Terminal.

1  
2 The Brooklyn Army Terminal spins off a lot of revenue  
3 as I mentioned, that we are required to give back to  
4 the city, at the city's behest and also that fund  
5 some really spectacular programs that we have  
6 testified in other hearings about, that I know there  
7 is a lot of interest in among city council. Programs  
8 that get people to work, that create entrepreneurial  
9 opportunities for low income individuals. As I said,  
10 there's scores of them, so I think that's something  
11 that needs to be considered if you talk about truly  
12 applying so called, Brooklyn Navy Yard, type model to  
13 a place like the Brooklyn Army Terminal.

14 Now the other thing I wanted to mention was  
15 that yes, EDC has an overall mission that spans all  
16 five boroughs and isn't just about the industrial  
17 sector. But, more and more we are looking at  
18 successfully industrial assets like the Brooklyn Army  
19 Terminal and again, the Brooklyn Army Terminal, is  
20 really just one of several EDC assets along the South  
21 Brooklyn waterfront. We are looking at how we can  
22 manage those in a more mission driven way. Even  
23 though some of the revenues spins off and goes other  
24 places there are ways to really tighten the focus to  
25 make the campus more closely knit. To attract even

1  
2 stronger tenants, tenants who employ even more people  
3 and pay them even better wages. So there is still a  
4 lot of work to be done there, a lot of lessons to  
5 learn, so to speak, from the Brooklyn Navy Yard that  
6 can be applied without creating mini navy yards all  
7 across EDC's portfolio.

8 CHAIRPERSON GARODNICK: Do you think that  
9 we presently have enough space between the navy yard,  
10 the army terminal, Bush, which seem to be the three  
11 closest analogs, you can correct me if I'm wrong, to  
12 be able to accommodate growth in the small  
13 manufacturing sector in New York, or do you think  
14 that we need to be exploring other geographic areas  
15 for which this concept could be replicated?

16 ZACK SMITH: I think that's a good question  
17 and there's probably certain type of space in certain  
18 areas of the city, that we wish we had more city  
19 property in, for industrial. That being said, umm,  
20 as I mentioned in my testimony, just at the Brooklyn  
21 Army Terminal alone, we have, let's call it, a half a  
22 million square feet of building, that's not occupied  
23 because it's what we call raw, it isn't occupiable,  
24 and so I think we have the space, to meet the demand,  
25 but it's going to take a lot of capital investment to

1  
2 make that property habitable. And David can speak to  
3 his, any vacancies that he has, but what we're seeing  
4 is strong demand, limited space, but I think we have  
5 the land. I think in some respects we have the  
6 building, ummm and we're just looking to free up that  
7 space, umm, by making strategic investments.

8 CHAIRPERSON GARODNICK: In one second, I'm  
9 gonna go to Council Member Wills, but the last  
10 question from me for the moment. When I hear about  
11 the 100% occupancy at the navy yard and at BAT, to me  
12 that is very good news and also very bad news at the  
13 same time. Obviously, we want it to be at capacity,  
14 but to the extent that there is not the space for  
15 these companies to grow, they either need to not grow  
16 or move somewhere that is elsewhere and even maybe  
17 not New York. So that's the reason why I ask that  
18 last question and it sounds to me from your answer  
19 and we'll also ask Mr. Ehrenberg, his perspective.  
20 It sound like you think that by capital improvements  
21 of existing space at the current, whether their EDCs  
22 or Navy Yard Development Corporation, we can  
23 accommodate the growth that is necessary, rather than  
24 say, opening up new areas that may be more difficult  
25 to cobble together. Is that a fair?



1  
2 ZACK SMITH: I think it's somewhere in  
3 between and both. I think we have a lot of space  
4 that we can tap into through development, but you  
5 know, I also think that, ummm, creating more city  
6 owned industrial space, ummm, may not be the best  
7 option. There's a lot of private space that we could  
8 help activate to accommodate these types of business.  
9 And you see a lot of that just in Sunset Park as  
10 well, and Industry City for instance, which is a  
11 privately owned set of buildings, umm, where, umm, a  
12 lot of space is becoming available and on the market  
13 for these types of businesses. And they're  
14 attracting a lot of them as well. It's not just you  
15 know, the only industrial space isn't just at the  
16 navy yard or places like BAT, umm, they are in our  
17 industrial business zones and a lot of that is  
18 privately owned. We're focused on that as well. We  
19 know that the only answer isn't to make city owned  
20 space available. And so we're very much focused on  
21 that as well.

22 CHAIRPERSON GARODNICK: I will come back to  
23 that in a second. Let me go Council Member Wills.  
24 Council Member, the floor is yours.  
25

1  
2 COUNCIL MEMBER WILLS: Good morning,  
3 gentlemen and gentlewoman. Thank you, Mr. Chair. I  
4 just had a couple of quick questions. In your  
5 testimony you said that between 2011 and 2012 the  
6 sector enjoyed the highest annual growth in three  
7 decades. Can you just explain to us what would be  
8 the contributing factors to that?

9 MACAYLA CRATER: Hi my name is Makayla  
10 Crater (phonetic). I run the industrial initiatives  
11 at New York City EDC. So, we did, actually, late  
12 last year a short report on the manufacturing sectors  
13 specifically to try to understand what the state of  
14 manufacturing here in New York City is. And in that  
15 report we identified that data point and what we've  
16 had to glean from that research and review of data  
17 was that, you know, there's basically with this  
18 recession sorta stabling off, a lot of firms that are  
19 growing, and or just stabilizing, so overall the  
20 trend has been very negative when it has comes to  
21 jobs and job creation and basically what we saw was  
22 just a stability in a way that we haven't seen in New  
23 York City for quite some time. So, to what we sort  
24 of attribute is to is a number of things; one,  
25 businesses are feeling more secure, therefore,

1  
2 they're investing in themselves and they are  
3 investing in hiring people. The market is improving,  
4 they're doing and having more opportunities to meet  
5 new customer and expand their businesses.

6           So it's a little bit of many things that  
7 just let to that stability. The hope, of course, is  
8 that this next year we'll see the same positive  
9 trend. But you know it's one year or a one year  
10 period in which has been, unfortunately several  
11 decades of not such positive numbers.

12           COUNCIL MEMBER WILLS: The testimony also  
13 included the two businesses, Jacques Torres, who does  
14 the chocolates, which are delicious. That's a plug  
15 for them. And Uncommon Goods, and those are two  
16 notable, you said they were two notable uses. But is  
17 it because that Uncommon Goods has 120 fulltime  
18 people and that Jacques Torres's global production  
19 uses 40,000 square feet of those. Are those the  
20 highest in each respective category, and that's why  
21 we're using them as examples?

22           DEAN BODNER: Good Morning, I'm Dean Bodner  
23 with EDC's Asset Management Department. As far as  
24 job intensity, there are other businesses, for  
25 instance Reeva Jewelry which is 40,000 feet and has

1  
2 over 200 employees. There are USA Made Textiles is  
3 another new tenant we brought in recently in 35,000  
4 feet and they're up at about 125 jobs right now and  
5 growing. I mean our goal is to find more job  
6 intensive users out there and that's what we've  
7 demonstrated recently.

8 COUNCIL MEMBER WILLS: When the companies  
9 come in and the space that they acquire from you, or  
10 lease from you. Is that space, do they have  
11 projections for growth, so that they can grow into  
12 the space. Like, if they have a 100 employees coming  
13 in, the space allows them for some type of growth, or  
14 is it something where they would have to add space  
15 later? How do they usually to their projections  
16 coming in?

17 DEAN BODNER: You know. It depends. Most  
18 people who assume that they're only gonna have 20 to  
19 30 jobs are not going to take a 40,000 square foot  
20 space.

21 If someone who is moving in and looking to  
22 take one of the larger spaces, has the idea of  
23 growing. Most of them are coming from a smaller  
24 space and they have a proven track record and are  
25 customer based and then from there, most of the

spaces at BAT range from 20 to 40,000 feet which are large footprints for manufacturing in this economy. And so, companies, this is probably their second or third upgrade as far as space.

DEAN BODNER: But what we do, as part of our process when we meet new tenants, we ask them what their growth projection are, and so we are interested in how they are going to start in the space and how they're gonna grow in the space. Some of them take options to expand if there's adjacent space that may be coming available in the future. So we're very much not just looking at numbers in the moment, in terms of employment and growth, but we really spend a good amount of time talking to tenants about their grow plans and strategies.

COUNCIL MEMBER WILLS: The 3,500 employees umm, that you have listed, does that include the 600 seasonal?

ZACK SMITH: That's a weighted average with the 600 seasonal.

COUNCIL MEMBER WILLS: Okay. An the space that you're looking at in the Administration Building, are you looking to do that space as 55,000

square feet for one company, or is that going to be subdivided?

DEAN BODNER: You know, yeh.

COUNCIL MEMBER WILLS: I'm trying to find a question for Lou. Because Lou is here all the time, right? We just saw him yesterday, so I'm trying to find something for you to answer too.

[Laughing]

ZACK SMITH: With the Administration Building, to answer your question, we're not sure yet. Its space, that, we could probably find one tenant for, a light manufacturer that needs all that space, but our approach to the building will probably be with some flexibility so that for instance it could be divided into three spaces. We're not sure yet. We want some flexibility there. We want to see what the market brings and so it could be either.

COUNCIL MEMBER WILLS: We have a company in my district that is looking to move so that we can use the space, so we would like to have a conversation with you about that.

ZACK SMITH: Yeh, sure. We'll follow-up and we can have Dean reach out to them.

DEAN BODNER: I'll give you my card on the way out.

COUNCIL MEMBER WILLS: Thank you, but we have to go to another hearing, so I'll get it afterwards. Thank you very much.

ZACK SMITH: And David will give you his card too, so we can compete for them.

[Laughing]

COUNCIL MEMBER WILLS: Thank you Mr. Chair.

CHAIRPERSON GARODNICK: Thank you. And now we'll go to Council Member Richards:

COUNCIL MEMBER RICHARDS: Just two quick questions. Thank you for your testimony.

Just wanted to know, so I see that you guys have, you say, 600 people are hired seasonally, 120 people full time. How many of those individuals are local residents, from that particular area?

ZACK SMITH: We'll have to get back to the committee on that but I would say a majority are coming from the Sunset Park neighborhood.

COUNCIL MEMBER RICHARDS: Do you know their percentage?

ZACK SMITH: We'll have to ask and get back to you.

1  
2 COUNCIL MEMBER RICHARDS: And then how many  
3 MWBEs are also included in the navy yard or do you  
4 guys do outreach to bring people in, or? I'm just  
5 sort of trying to figure that out.

6 MAKAYLAH CRATER: We can double check them  
7 to see how many of the tenants at BAT specifically,  
8 or even look more broadly at other assets. How many  
9 are MWBEs. Certified either on the city level or  
10 state level, but more broadly one of the things that  
11 we do at EDC is do connect existing businesses and  
12 our assets to resources and programs that help  
13 businesses into the MWBE programs to develop their  
14 capacity. So it's something that we make sure that  
15 we inform business of other resources and this gets  
16 to the larger programming that Zack mentioned is  
17 that, you know, our larger strategy is to insure that  
18 we see growth in all of our businesses across the  
19 city and that's why we make sure we connect those  
20 businesses to the other resources that we have.

21 COUNCIL MEMBER RICHARDS: So you do  
22 workshops, or ...

23 MAKAYLAH CRATER: Exactly, we partner with  
24 SBS as well as we have our own existing MWBE programs  
25 at EDC.



COUNCIL MEMBER RICHARDS: Okay great. So I would just hope that we are connecting them to greater opportunities as well as they obviously grow in capacity at the navy yard. So I am looking forward to getting that information. Thank you.

Jim.

CHAIRPERSON GARODNICK: Thank you Council Member Richards. Let me just round up the questions here, then we're going to go to Mr. Ehrenberg of the Navy Yard. Let's talk about the non-city industrial spaces for a second.

The ways and the tools that the city has to support those entities that exist out there, what are the tools in our toolbox?

ZACK SMITH: I'll again hand it over to Makayla.

MAKAYLAH CRATER: Umm. So I can touch more specifically on some of the programs and sort of the department I sit in as to what's in the tool box.

So I sit within a group called Center for Economic Transformation, in that space. I have responsibility on the industrial policy and program also referred to as the industrial desk. And also a

series of initiatives called Income Mobility Strategies. So that's just on...

[Interpose]

CHAIRPERSON GARODNICK: Can you just speak up just a little bit? Hold the microphone a little closer.

MAKAYLAH CRATER: No problem.

CHAIRPERSON GARODNICK: The Center for Economic.

MAKAYLAH CRATER: Transformation. That is the team and department I sit within. We have a series of initiatives and programs that we implement to serve a variety of sectors across the city's economy. So I can speak specifically about two of those area and sectors, but there's a full deck of different opportunities, including the fashion section, Cleantech, the bioscience space as well as entrepreneurship. But I'll speak more specifically on the two areas that I have the great knowledge of because I run.

The first is the industrial sector so we have a number of initiatives, we actually have 22 initiatives what we have been implementing for the last several years to help industrial business grow.

1  
2 This includes one program called the Industrial  
3 Growth Initiative where we help existing industrial  
4 firms develop growth plans to implement, because many  
5 industrial companies don't have, while they want and  
6 inspire to grow, they actually don't have a plan to  
7 do so and is a plan in which they go for free. They  
8 get the training for free but at the end of it, the  
9 best plans receive additional money anywhere in the  
10 range between \$50,000 to \$100,000, for the top three  
11 plans. And we're actually gonna be finishing this  
12 current program in the next month.

13 We also have a program focus called Next  
14 Top Maker. It's to help many of the new  
15 manufacturers across the city. They want to  
16 manufacture their product here in the City but they  
17 are having difficulty finding affordable space or  
18 places to prototype or do short runs of  
19 manufacturing. So that program is really targeted to  
20 that sorta new emerging cadre of entrepreneurs to  
21 help them develop their businesses.

22 We also have, what we refer to, it's more  
23 strategic, if you will. But we have an industrial  
24 advisory council to various business leaders to help  
25 inform the policies and to help us shape the

1  
2 framework for how we address these business's needs.  
3 So that's just few highlights of the 22. There are  
4 more and we can follow-up and give you more  
5 documentation on that.

6           On the other side of the income ability  
7 strategies, this is more targeted to job seekers and  
8 low income individuals who are disconnected to the  
9 workforce and umm. We've been running a series of  
10 pilot initiatives, these include training folk who in  
11 the digital economy to learn about micro-tasks and  
12 basically giving them skills to do their micro-tasks  
13 and get paid out for them. So this has touched at  
14 least 400 individuals in the past year. We also have  
15 a program for immigrants who have professional  
16 degrees from their country of origin and connecting  
17 them to job opportunities in those fields of study  
18 that unfortunately, this country doesn't necessary  
19 recognize.

20           So these are a lot of discreet, unique  
21 programs that essentially we try to think outside the  
22 box to implement to connect different folks in New  
23 York City to job opportunities and for those who are  
24 running businesses to grow their businesses.  
25

CHAIRPERSON GARODNICK: Great. Thank you.

Let me note that Council Member Baron has joined us.

The point about the 22 initiatives, I've heard this

number before, and I don't know all of them, you've

given a few highlights, which we appreciate. It's my

understanding, that the funds that were in the city

budget, was a relatively small number, was \$1.1

million for industrial business zones, that was taken

out by the last administration and kept out by this

administration. The rationale was, the existence of

all these other programs that EDC is running, is that

a fair statement?

MAKAYLAH CRATER: I wouldn't call it a

fair statement. I think it's a little more

complicated than that.

CHAIRPERSON GARODNICK: Try me.

MAKAYLAH CRATER: Essentially, those funds

that you refer to, I believe, are in reference to the

industrial providers, many of whom we've actually

mentioned we work with Southwest Brooklyn, for

example, they are one of the groups that are on that

list of industrial providers. Those contracts are

managed by SBS, umm, and so as part of the 22

initiatives, the industrial services contracts with

1  
2 these various non-profits across the city, umm, that  
3 was not necessarily part of the 22, it was a program  
4 that actually started long before the 22 initiatives.  
5 And it's frankly a program in which, you know, the  
6 city as a whole has recognized that in order to  
7 support industrial companies we really need to umm  
8 connect those companies to the groups on the ground  
9 who know them best. And so that is some groups like,  
10 Advitco (phonetic), Sobro (phonetic), Station Island  
11 EDC, Long Island City Partnership, Bocknet  
12 (phonetic), and I think I mentioned Southwest  
13 Brooklyn. So those groups have been contracted via  
14 SBS to provide services, umm and currently there is  
15 no money in the budget for that. I believe that  
16 there is hope that resources will be found and my  
17 understanding is that other groups within the  
18 Administration are talking to Council right now to  
19 figure out a solution there.

20 CHAIRPERSON GARODNICK: Thank you. Back to  
21 the BAT return funds to the city question, or BAT  
22 generating revenue that EDC is returning to the city.  
23 How much money is that through EDC returning to the  
24 city each year?

1  
2 ZACK SMITH: Well, I don't know if I can  
3 give you the exact figure because the revenue from  
4 BAT is joined with revenue from other facilities.  
5 And other revenue that EDC generates and umm, as you  
6 may remember from our president's budget testimony,  
7 the city asked for a PEG payment from EDC, each year  
8 and so that's the form of the payment in large part.  
9 We have other umm, payment obligations, to the city  
10 through our master contract with the city but I will  
11 say that EDC generates approximately, last year at  
12 least \$11 million net revenue from BAT. But again,  
13 that's compiled with other revenues and from that PEG  
14 payment that is made to the city.

15 So there's no way to put my finger on it.

16 CHAIRPERSON GARODNICK: Understood. So,  
17 \$11 million is what is generated?

18 ZACK SMITH: What we call our net revenue  
19 from BAT.

20 CHAIRPERSON GARODNICK: Not all of that is  
21 going back to the city, but that's the net revenue?

22 ZACK SMITH: Correct.

23 CHAIRPERSON GARODNICK: Last question from  
24 me and then we're gonna go to Council Member Barron.  
25 The navy yard has taken advantage of identifying

1  
2 funds from outside sources like the EB5 program.  
3 Give us a sense of EDC's view on the use of that  
4 program in this context. Whether EDC encourages  
5 that, what steps you take to be able to promote that  
6 program?

7           ZACK SMITH: We haven't participated in  
8 that directly as a corporation. There is probably a  
9 number of reasons for that. There may be legal  
10 reasons, but I'm not necessarily versed in them. But  
11 just as a general matter, umm given our obligations  
12 to the city to make payments, which change from year  
13 to year, at the behest of the city and the budget  
14 office, umm and given our broader responsibility to  
15 fund programs and to pay maintenance on a number of  
16 facilities, we generally don't look to finance  
17 projects through mechanisms like EB5. We see it at  
18 the navy yard and David can speak to it. And we see  
19 it a lot in our development partners, are private  
20 development partners in our EDC projects. So it's  
21 become a somewhat popular tool, but it's not one that  
22 we've done ourselves.

23           CHAIRPERSON GARODNICK: Thank you. Council  
24 Member Barron.



1  
2 COUNCIL MEMBER BARRON: Thank you Mr.  
3 Chair. Thank you to the panel for coming. I just  
4 have a brief question about the Brooklyn Navy Yard.  
5 I had the pleasure of growing up in public housing  
6 directly across the street from the Brooklyn Navy  
7 Yard, which at that time was called Four Greenhouses.  
8 It's now Ingersoll, and another development name. At  
9 that time it was, in fact the ship yard and my father  
10 worked there for a period of time, painting some of  
11 the ships. As this project is going forth at the  
12 Brooklyn Navy Yard and the question may have been  
13 asked. What outreach has been done to that  
14 neighboring community, there's the Farragut Projects  
15 on one end and there is the Brooklyn Ingersoll houses  
16 on the other end and it's a very economically  
17 depressed community. What outreach has done  
18 specifically to those neighborhood that are literally  
19 across the street and what has been the result of  
20 that outreach? That's the first question.

21 ZACK SMITH: Council Member Barron, I know  
22 you just came in a few minutes ago, but just for  
23 clarification, I'm from the New York City Economic  
24 Development Corporation and you will be hearing from  
25

David Ehrenberg from the Brooklyn Navy Yard. He just heard your question...

COUNCIL MEMBER BARRON: Okay.

ZACK SMITH: But he can answer it during his testimony.

COUNCIL MEMBER BARRON: Well then I have a second question for you. As you're talking about this economic development, and talking getting a workforce, have you considered ways in which you can partner with the Department of Education so that students in middle school and going onto secondary school can be trained during the school day in these kinds of skilled professions? Have you considered working with the DOE to design a plan that you could establish those kinds of programs?

ZACK SMITH: we are interested in working with the DOE and any other city agency that will help contribute to our workforce training efforts. But I'll have my colleague address that question more specifically.

COUNCIL MEMBER BARRON: Thank you.

MAKAYLAH CRATER: Hi, Makayla Crater, and I run the city's industrial initiatives at New York City EDC. So was have had a few conversations with

1 several folks within the Department of Education.  
2 Specifically, the CTE schools, about how to create  
3 better linkages between those schools to our  
4 industrial sector and industrial businesses. This  
5 includes apprenticeship type programs and training  
6 programs, where those students would be placed, umm,  
7 within the business so they get hands on training,  
8 which is one of the critical things that our  
9 businesses need. But beyond that issue, I think  
10 you're talking about or touching on is really about,  
11 how do we make our curriculum more relevant so that  
12 our students in school learn about the career  
13 pathways that are created by these good paying jobs,  
14 and that's something where I think there is a lot of  
15 good area and opportunity grow and to address and as  
16 Zack mentioned, is something that we are very  
17 interested in doing.

19 COUNCIL MEMBER BARRON: So, does it  
20 currently, exist or is it something that you are  
21 exploring?

22 MAKAYLAH CRATER: With the piece about  
23 curriculum development and modification, at least  
24 from where we sit at EDC, those specific  
25 relationships don't exist right now, between what

1  
2 we're doing with a more direct business interactions  
3 with younger age groups in great levels, but in terms  
4 of the CTE side, that does happen, that does exist.

5 COUNCIL MEMBER BARRON: And where does that  
6 exist, in which locations, in which schools?

7 MAKAYLAH CRATER: We can get back to you on  
8 that.

9 COUNCIL MEMBER BARRON: I'd appreciate it.

10 MAKAYLAH CRATER: Specifically, currently  
11 working with SBS's program. So we program with SBS,  
12 the agency and I will work with them to get you that  
13 list of schools.

14 COUNCIL MEMBER BARRON: Okay, thank you.

15 CHAIRPERSON GARODNICK: Thank you Council  
16 Member Barron. We've been joined by Council Member  
17 Ferrerras. And with that, we thank EDC With your  
18 final comment, go ahead.

19 JOSEPH COLLETTI: This is Joe Colletti,  
20 EDC, I just wanted to make sure on the record of  
21 formally inviting the committee to come see BAT and  
22 Bush Terminal. I know you saw Brooklyn Navy Yard, so  
23 we'd love to take you around and schedule that with  
24 you as well.  
25

CHAIRPERSON GARODNICK: We will formally and on the record accept your invitation and we look forward to scheduling it very, very soon. Thank you for that, and thank you all.

We are now going to invite up David Ehrenberg from the Brooklyn Navy Yard. Mr. Ehrenberg, we thank you for your patience, arguably we should have started with you, but we like to afford the administration the courtesy of kicking it off. Umm, so whenever you are settled and ready, we'd love to hear from you.

DAVID EHRENBURG: Good morning. Thank you for the opportunity to testify about the navy yard. My name is David Ehrenberg, I am the President and CEO of the Brooklyn Navy Yard Development Corporation which the chair explained earlier, is an independent not for profit corporation. I and the Board of Directors are directly appointed by the Mayor. The property of the Brooklyn Navy Yard is owned by the city. We have a 99 year lease of which we have 97 years remaining to manage it on behalf of the city. I had the pleasure of presenting before the Economic Development and Waterfront Committees, umm, in November, after I had just been on the job for two

1 months. I have not been at the yard for eight months  
2 or so and what I have learned in those six  
3 intervening months, frankly, is that while the navy  
4 yard has enjoyed extraordinary success over the last  
5 10 years, the real story of the yard is the untapped  
6 potential to drive further job creation, further  
7 workforce development and further partnerships with  
8 our local community. I'll be talking about that.

10 I want to start though, ummm, ah, focusing  
11 on the strategy and vision for the yard and the kinda  
12 keys to our model that have created the success that  
13 we have seen over the last 10 years or so. To boil  
14 down the navy yards mission is in kinda three steps.  
15 These are not in order of priority, they are as how  
16 we are gonna see the logical steps of our mission.

17 The first is that we maintain and create  
18 affordable space for job intensive businesses. We  
19 then provide business support services and an  
20 environment that encourages those businesses to  
21 expand and expand mostly by hiring more people.  
22 We're not so interested in whether they are  
23 increasing revenues, although we want our businesses  
24 to be successful, we we're looking for is jobs, jobs  
25 and jobs.

1  
2 And finally, and most importantly, we then  
3 run a very robust set of programs, to match and train  
4 the local residents and New York residents in  
5 general, for those job opportunities at the yard. We  
6 really see that as absolutely central to our mission.  
7 As with the Brooklyn Army Terminal, currently 100% of  
8 our 3.5 million square feet that's occupiable is  
9 leased. The yard is currently home to 330 businesses  
10 that employ 7,000 people. That is up from 3,600 a  
11 little bit more than 10 years ago, and is up from a  
12 low of 800 just a few decades ago.

13 By adding more than 2 million square feet  
14 to our portfolio in the next couple of years, and  
15 these are projects that are either actively under  
16 construction right now or which we fully expect to be  
17 under construction in the next couple of months.  
18 We'll be adding somewhere between 5,000 and 7,000  
19 jobs to the yard, bringing our total up to around  
20 12,000 jobs.

21 At the core of what we do, is our  
22 commitment to bridging our economic development and  
23 workforce development initiatives. That's absolutely  
24 key to our model. This is underscored through the  
25 work of our employment center, though really

permeates every leasing decision, every management decision, every capital decision that we make at the yard.

In the past two years, our fulltime stall at our employment center, which total about 13 people that we either directly employ, or that we house from our partners, have placed 450 local residents into jobs at the yard. In jobs that average over \$12.00 per hour. For those individuals who are not quite prepared for current jobs or future opportunities at the yard, we provide both hard and soft skills trainings.

When the committee took a tour of the yard, you actually saw one of those trainings going on in our employment center. We do that in partnership with some of the best workforce development programs in the city. While we are always mindful though of our local community, so last year, umm, Council Member Barron asked the question about our outreach to local NYCHA, umm complexes. We are surrounded by umm three NYCHA complexes, Ingersoll, Walt Whitman and Farragut houses. Last year, 25% of the individuals placed from our employment center were NYCHA residents. Not necessarily those three



1  
2 complexes but the vast majority were from those  
3 three. 10% were veterans, I'm sorry, 15% were  
4 veterans and 10% were people who were formerly  
5 incarcerated. We are constantly looking to  
6 strengthen those relationships with NYCHA. We've  
7 worked with the tenant association with NYCHA Central  
8 and we try to work very closely with them.

9           The employment center also runs a couple  
10 other critical programs. On the tour I described  
11 this as multiple onramps to careers. Direct  
12 placement or trainings isn't going to address the  
13 needs of every job seeker, it's not going to address  
14 the needs of every business. So we also run a very  
15 intensive internship program where we partner with  
16 Q&E with the Department of Education, umm and also  
17 bring just one very robust program ourselves, last  
18 year we placed just under 200 individuals in  
19 internships at the yard. The vast majority of those,  
20 we actually paid the site bids ourselves. Q&E pays  
21 their own site bids and they get some college credit  
22 as well.

23           And then finally, also to address the  
24 question asked by Council Member Barron, we also  
25 partner, I'm sorry, those internships are mostly at

1  
2 the high school and college level. We also partner  
3 with the Department of Education, we have created one  
4 curriculum which is a social studies curriculum where  
5 we basically, we did this with the Brooklyn  
6 Historical Society, where we effectively used the  
7 yard as a tapestry to discuss issues of American and  
8 New York history. We are in the process of  
9 developing a stem curriculum, which we expect will be  
10 rolled out this coming September on a trial basis and  
11 then will be available to teachers across the city  
12 shortly thereafter. Thus far, we've had 6,000  
13 students who have participated in the first of those  
14 curriculums.

15           Because of the rapid employment growth and  
16 greening of the yard and the focus on workforce  
17 development, we've already become a national model  
18 for sustainable urban industrial development. And  
19 while there are many factors that have contributed to  
20 the success and I would be remiss if I don't point  
21 out the major one, which is our incredible staff at  
22 the navy yard, many of whom have been there for  
23 decades and have been the yard through its hardest  
24 times and now are very much responsible for the  
25

1  
2 renaissance. They are really three core parts to our  
3 model.

4           The first is public ownership and not for  
5 profit management. This was mentioned and it's  
6 certainly true at BAT, the fact that we are owned by  
7 the city and run by mission driven not for profit,  
8 means that our tenants don't have to worry about  
9 being chased or priced out of our property, unlike in  
10 many other areas of the city that are zoned  
11 industrial. That means that they have the confidence  
12 and long term stability to invest in their space,  
13 their equipment and their workforce. This is  
14 evidenced by the fact that in the last 10 years,  
15 there has been \$750 million of private investment in  
16 the yard. And that is a number that we expect to  
17 actually reach \$2 billion dollars of private  
18 investment in the next few years.

19           The other one which was discussed at  
20 length, is in my testimony, but I'll kinda skip over  
21 it, is the dedicated funding, the fact that we have  
22 our revenues and are able to reinvest that into our  
23 buildings and programs on a year by year basis. One  
24 thing I wanna point out, the \$200 million of city  
25 capital and matched by about \$50 million in State and

1  
2 Federal money that's been invested in the yard has  
3 been really focused on our basic infrastructure.  
4 Because we are a private lease hold, technically we  
5 are responsible for everything inside the walls of  
6 the yard. So street, paving, sewers, the electrical  
7 distribution system and our waterfront are our  
8 responsibility. We actually plow our own streets.  
9 Our basis deal with the city has been that those  
10 investments that anywhere else in the city, the city  
11 itself would make, in its paving of streets, or the  
12 subsurface, sewer work, the city helps defray those  
13 costs. The long term goal is that we're self-  
14 sufficient and can actually pay our own costs of  
15 paving our streets, but right now we're not there.

16 But umm, that \$200 million dollars of city  
17 money has not gone into building out our buildings.  
18 The one core element of our model that wasn't  
19 discussed is, and I think frankly may be the most  
20 important, is our onsite management. I sit at the  
21 yard, I'm at the yard every day, I eat my lunch at  
22 the yard and that provides us real time feedback from  
23 our tenants, from their employees, from our local  
24 partners, from our workforce development partners,  
25 from the local community and the local electeds. Our

entire organization from our leasing team to our maintenance staff, to the employment center to the executive staff, is focused every day on making the yard better for its tenants, and employees. Because it is a little bit trite, but frankly, it's where we spend most of our waking hours. As I often say, a project that we'll talk about is our Building 77. It's a million square feet of building. It's a million square foot building that is currently unoccupiable, I am obsessed by getting that building right. Because it is, among other things, it's the first thing I see as I drive to the yard in the morning, I look out my window and there it is every day, and as I drive home at night every day, I look in my rearview mirror and it's the last thing I see of the yard. And I think that that is a critical difference, the EDC and I have the utmost respect for what they do, they do work across the city and I was there and when I was there I worked at Hunts Point, I worked at Steward Park, I worked on the Applied Sciences, I worked on projects in Staten Island and there's also just general policy goals. We are singularly focused on one set of assets, one set of communities.

1  
2           So that gives us, realtime feedback and a  
3 real time knowledge of just, a lot of boring stuff  
4 that goes into running an industrial park, that now I  
5 am steeped in and the one exception that I would take  
6 to Zack's testimony is that while I believe that we  
7 are enjoying our 100% occupancy is partially enjoying  
8 the revitalization of an industry in New York and in  
9 Brooklyn in particular. We led that revitalization.  
10 We proved a model, you know these things are driven  
11 by international economics and consumer preference,  
12 but we proved a model that is now being adopted by  
13 the Pfizer Building, by the Federal Building, by a  
14 number of people who we are now competing with and we  
15 think that that is a great testament. We're thankful  
16 for the competition, because it means more jobs for  
17 Brooklyn, but it was our staff, and because of the  
18 local knowledge who looked and saw, these are the  
19 tenants that are coming to us, they are no longer  
20 demanding 50,000 square foot floor plates, they are  
21 demanding 3,000 square foot floor plates, and we  
22 started subdividing our buildings, way before anybody  
23 else in this market was doing that and that really  
24 lead to the revitalization of an industry in large  
25

part in the city, which is now dominated by small firms. The yard was at the forefront of that.

So speaking about our upcoming projects, the support of City Council is going to be absolutely critical to the success of several recent projects. Building 92 which is where we started our tour, which houses among other things, our employment center. The Council was absolutely critical in getting that project done and the reconstruction of the Building 128 Complex the Green Manufacturing Center which is our most active construction project right now. And we hope that the next great partnership with council will be on our Building 77, that million square foot building.

The Green Manufacturing Center is a 250,000 square foot, \$60 million adaptive reuse project that is currently under construction and should be completed within a year. When complete that building will house 700 to 800 new jobs with two of our, two of the three wings of that building will actually house our current tenants, who will be consolidated from multiple spaces that they've grown into over the course of 10 or so years, they'll be consolidating their operations into about 60,000 and 80,000 square

1 feet respectively in this building. One of those is  
2 Crye Precision, a developer of high tech body armor  
3 and camouflage for the federal government and the  
4 other is New Lab which is an incubator for product  
5 designers that will have shared workspace for  
6 engineers and product designers and also share  
7 equipment. And finally we are in negotiations for  
8 the third wing with another existing yard tenant to  
9 take an additional 60,000 square feet.  
10

11 Umm, another question that came up is  
12 around MWBE's. The yard is constantly looking for  
13 ways that we can maximize our local community  
14 economic development umm, impacts for Building 92 and  
15 Green Manufacturing Center and all other recent  
16 projects at the yard, we set very aggressive MWBE  
17 participation targets and we've exceeded those  
18 targets in every case. Those were upwards of 40%,  
19 MWBE in terms of a total amount of our contracts,  
20 something that we are very, very, proud of.

21 Our next major project, is the massive  
22 reconstruction of Building 77 which is underway, and  
23 we expect to be completed by the end of 2015. This  
24 is a transformative project for the yard and frankly  
25 for Brooklyn as well and to some extent the city,



1  
2 it's a million square foot historic asset at the  
3 center of the Brooklyn Navy Yard and we're going to  
4 convert it into a thriving manufacturing and  
5 technology based company, a space for technology  
6 companies. This will support at least 1,500 jobs, so  
7 roughly a 25% increase in the intense jobs at the  
8 yard and umm, this is the project that, as I  
9 mentioned I and my team are, kinda constantly focused  
10 on getting right.

11 Building 77 will have Jack Bash LLC which  
12 is another yard tenant, as an anchor tenant. They  
13 are taking four floors of the building. It's a \$77  
14 million project ready project. We've already secured  
15 \$66 million of funding for it through BNYDC's equity,  
16 along that we secured off our cash flow, so we  
17 pledged future cash flows to secure a \$40 million  
18 loan and will be using historic tax credits as well.  
19 There's currently a financial shortfall though of \$11  
20 million which we are working very hard to close.  
21 We've requested this amount from the Borough  
22 President and City Council. It would be a  
23 combination of the two, we're looking to for the \$11  
24 million, over a couple of fiscal years and we hope  
25 that with continued support from the council, we are

going to be able to activate this unusual building and create thousands of new jobs that thanks to the employment center we're going to be able to make accessible to a wide variety of Brooklynites.

With that I am happy to take questions.

CHAIRPERSON GARODNICK: Thank you very much Mr. Ehrenberg. Let me note that we've been joined by Council Members, Lander and Gentile and umm. Let me just start, just one point of clarification. Building 77, is that the u-shaped building or is that the...

[Interpose]

DAVID EHRENBURG: No that's the Green Manufacturing Center. Building 77 is the taller building without windows at the base and...

CHAIRPERSON GARODNICK: The navy personnel formerly at the top?

DAVID EHRENBURG: Yep, exactly.

CHAIRPERSON GARODNICK: Clearly visible from the Manhattan side of the...

DAVID EHRENBURG: Absolutely. It is, ahh, getting that building right is important, not just on job creation, and it is also the most visible element of the yard.

CHAIRPERSON GARODNICK: So let's talk for a moment about the question about 100% capacity, which is as we've noted both a blessing and a curse here. It sounds like the navy yard is well on its way to expanding its capacity needs and also in other areas they are doing the same. The strategic goal for the navy yard, you noted that there's going to be more than two million square feet of space in the next few years that will add opportunities for growth, opportunities for employment. What is... Give us the 5 to 10 year concept for the navy yard. Is it two million square feet in the next three years and then 10 million feet in the next 10 years? What is the concept? Do you have the space?

DAVID EHRENBERG: We have the space, we have the land to develop. Umm, the simple answer and I don't mean this to be a cop out, is we haven't done a 10 year plan, because of the nature of our business is that we can't predict what's going to be happening four years from now, we can't predict whose going to be in the market looking for space. And so, we kinda take it as it comes. That said, we do try to look out and plan to have opportunities to jump on when those opportunities present themselves. So in the

1  
2 next few years we will be delivered the Green  
3 Manufacturing Center which is 250,000 square feet and  
4 about 700 to 800 jobs. Then, the next project that  
5 will roll online is the million square foot building.  
6 That's 1,500 jobs if not significantly more. The  
7 next project which we'll be releasing an RFP for in  
8 the coming months, is our Admirals Row Project, which  
9 is primarily a supermarket and retail facility and  
10 the only retail that we're allowing on the yard.  
11 Something we worked very closely with, with our local  
12 council members at the time. This is the corner  
13 that's closest to the three NYCHA housing complexes  
14 and qualifies as a food desert. However, up above  
15 the supermarket we will have approximately 200,000  
16 square feet of additional industrial space. That  
17 will be delivered three to four years from now. So  
18 we've got a kinda steady diet of additional space  
19 coming online that we'll be tenanting over the next  
20 five years or so. And that's the number that we  
21 believe along with a couple other projects gets us to  
22 that 12,000 job mark. The other project, the largest  
23 project is Steiner Studios where we are helping them  
24 to expand, they are doing that construction  
25

1  
2 themselves based on lease obligations they're going  
3 to have to us.

4           After five years, we have further  
5 development sites and we are consistently talking  
6 internally, talking with potential partners about how  
7 to develop those sites. We don't have a plan say,  
8 six years from now we will deliver this building,  
9 because we got a bunch of buildings coming online  
10 over the next five years and we don't know what the  
11 market will demand in six years. So we want to lay  
12 the ground work for the opportunity, but we are not  
13 dictating what those development parcels will  
14 actually, necessarily six years from now.

15           CHAIRPERSON GARODNICK: And the \$11 million  
16 that you're seeking from Borough President Council,  
17 so you're looking for that as a capital allocation  
18 for the nuts and bolts of the building?

19           DAVID EHRENBURG: That's right.

20           CHAIRPERSON GARODNICK: And not as a loan,  
21 but as a grant?

22           DAVID EHRENBURG: That's right.

23           CHAIRPERSON GARODNICK: Help us understand,  
24 in light of the structure that exists, you have  
25 entities that are fully managed by EDC and those

1  
2 which are private not for profit mission driven  
3 appointed by the mayor, etc. Should the city be  
4 considering a loan in that context as opposed to a  
5 grant? Because it seems like, with the revenue that  
6 you have, you are able to borrow considerable funds,  
7 up to sixty some odd million dollars, umm. Help us  
8 understand the rationale.

9           DAVID EHRENBERG: Right. So. I think that  
10 the simple answer is that industrial development is  
11 financially difficult. The rent is particularly for  
12 a mission driven not for profit where we are not, we  
13 have rent guidelines and we try to get reasonable  
14 rents from tenants, but we are not trying to squeeze  
15 out every dollar from our tenants because we are  
16 focused on the type of tenants that we recruited. If  
17 we went to the top of the market, it would have not  
18 been the job intensive industrial users that we focus  
19 on. So the \$11 million is effectively the financial  
20 gap that we can't close through loans, our own equity  
21 and the other programs that we use consistently like  
22 historic tax credits, new markets tax credits, and  
23 the like. So that is kind of the gap filler. We are  
24 constantly looking for ways to leverage our cash  
25 flows so that we bring more space online. In the

1  
2 logic, that then that space creates additional  
3 revenues and we get back to the same place, if not  
4 better. This \$11 million really is that which right  
5 now we don't have, umm, the financial capacity to  
6 raise in the private market ourselves.

7 CHAIRPERSON GARODNICK: Now let me ask the  
8 obvious but uncomfortable question that I still don't  
9 completely understand; which is the relationship  
10 between the Navy Yard Development Corporation, EDC  
11 and the Mayor. When President Kimble testified at  
12 the end of last year, he spent a fair amount of his  
13 testimony explaining why it was important for EDC to  
14 have the management and control over the other  
15 assets, because they take this broader perspective  
16 economic development interests which makes some  
17 sense.

18 But, you are appointed by the Mayor and  
19 your whole board is appointed by the Mayor. So it  
20 seems to that if the Mayor were looking to exercise  
21 priorities and everybody serves with the will of the  
22 Mayor too. So if the Mayor were looking to exercise  
23 broader economic development priorities, he could do  
24 it at the navy yard too presumably. What is the  
25 relationship between the Navy Yard Development

Corporation and the Mayor and/or EDC as a practical matter going forward?

DAVID EHRENBERG: So we all report to the same Deputy Mayor and ultimately to the same Mayor. Umm, so I think that the core of the difference isn't what our mission is, it's the management and just the ability to ahh, use our revenues to maximize our assets. Umm, we are highly coordinated with the city. The ability to use our own funding allows us a degree of flexibility that is critically important. Again, industrial asset management isn't the most glorious of things, we just had a steam pipe that exploded, and needed to spend not insignificant money to put in a new technology system to insure that that didn't happen again. And that we didn't need to go through the city capital budget process, we had some money on our balance sheet, and we went ahead and we did that and that was a decision, frankly I made over weekends, since the steam pipe exploded on Saturday and I talked to the team that Saturday, and said Monday we are making this investment to make sure this never happens again.

So umm, the short answer, off your question a little bit, we all are focused on maximizing the



1  
2 employment opportunities at our assets and we are all  
3 part of the same team. So, I don't think there  
4 really is a substantive distinction that we're going  
5 on a mission driven basis over here and EDC is going  
6 over there. We both operate under a different set of  
7 limitations, that I think largely flow to our use of  
8 money.

9 CHAIRPERSON GARODNICK: Understood. And  
10 he's not here for me to ask him, but I will ask him  
11 separately. I think part of the rationale is in the  
12 testimony from the end of last year was, let's say  
13 there's a concentration green related businesses at  
14 the navy yard which is a great a good thing and part  
15 of the mission of the navy yard to be able to  
16 effectuate. That may not be what EDC is looking at  
17 more broadly for the rest of the city. They may want  
18 to see other smaller manufacturing opportunities  
19 offered in the army terminal or at Bush. My question  
20 is really, if everybody were running at 100% of their  
21 capacity and the Mayor wished to encourage particular  
22 industries into the navy yard. Presumably there's no  
23 wall there and you're reporting to a deputy mayor,  
24 who would at least give some direction.

25 DAVID EHRENBERG: Absolutely.

CHAIRPERSON GARODNICK: Let me go to Council Member Lander, who I know either has questions or comments and welcome Council Member Lander.

COUNCIL MEMBER LANDER: Thank you very much, Mr. Chairman and for convening the hearing and for taking people on the tour of the navy yard. I have been privileged to go a lot of times. I'm sorry I missed your tour, but I do feel it was a great thing to bring people to and to welcome David to this hearing and I praise your leadership. I was amongst the people that thought, that Andrew Kimble would be a very hard act to follow, and you are doing a great job at it.

DAVID EHRENBERG: Thank you.

COUNCIL MEMBER LANDER: So it's great to see the model continuing to grow and flourish. It's great to see how far we've come on this idea that the navy yard should be the model for strengthening the city's industrial assets. I think the questions the chair is asking about what the structure is, about how to make it happen are all the right question, we don't have all the answers to, but we are a far cry from where we were when it seemed like people

1  
2 wondered why the navy yard was doing what it was  
3 doing. So to have it be so clearly a model for what  
4 we want locally with city owned industrial assets and  
5 a model nationally for how manufacturing can grow and  
6 flourish is really just a change from where we were  
7 when we started thinking about these things, so  
8 credit to you and to the whole navy yard team for  
9 being out in front.

10 I actually want to ask you about an area  
11 that you didn't address in testimony. I know you  
12 focused sensibly on the city owned and controlled  
13 assets, but one thing I also know that you're out in  
14 front of and thinking about is the non-city owned  
15 industrially zoned land, which the navy yard hasn't  
16 historically engaged with, and we want to think about  
17 within our overall industrial strategy. That's  
18 something you can't possibly achieve except in land  
19 that the city owns and controls and what you've shown  
20 there with mission driven not for profit public  
21 private partnership is great. We also want to do  
22 more to make sure that the privately owned  
23 industrially zoned land that we have, we are also  
24 getting the most from, that we're not losing it, and  
25 you know, in my neighborhood, in Kiwanis, we're

losing it to hotels, big box stores, self-storage, office, amusements, shuffleboard, who knew.

So, and I know even some of the areas around the navy yard are under some of the same pressures and I just wonder if you would offer, I know these are preliminary thoughts, I'm asking kinda a general question. What are you seeing as important in the relationship between the navy yard and nearby privately owned land and challenges, or lessons or things we want to take from the navy yard experience as we think about what do to in those spaces?

DAVID EHRENBERG: I would say I definitely do not have the answers at this point. To frame your question, I would refer back to the \$2 billion of private investment that we expect on the navy yard, we already have \$750 million, we expect that number to grow to \$2 billion and that, I don't actually have this number, but I would imagine that that rivals the private investment in industrial properties around the city. And so the stability is absolutely essential. For the Green Manufacturing Center, the u-shaped building, we're offering 39 year leases, because our tenants will be making very significant investments in the highest end equipment available to

1 manufacturers in the world and those are lease terms  
2 that are very hard to come by even in IBZs. But,  
3 your point is, that's a function of our model in the  
4 mission driven not for profit and the public  
5 ownership it is also the case that the majority of  
6 the industrial employment in the city is on private  
7 property, and so getting, you know strengthening the  
8 IBZ rules I think is absolutely essential. The  
9 competing uses, you know my son went to a birthday  
10 party in Kiwanis at a rock climbing wall in an  
11 industrial building, he loved and it's a great  
12 amenity and it's not an industrial use.  
13 Strengthening the IBZs I think is absolutely  
14 essential. You know, this is something that we've  
15 talked about and that there are hard balances to  
16 strike here where the city obviously is looking to  
17 add an enormous amount of umm, additional affordable  
18 housing, and that is absolutely essential. Our  
19 feeling is that mixed use zoning has not performed as  
20 well as it should, that it is really ended up being a  
21 transitional zoning tool and figuring out how to have  
22 your cake and eat it too, is something that we are  
23 thinking about hard. But at this point, don't  
24 honestly have the answer.  
25

1  
2 COUNCIL MEMBER LANDER: So I just want to  
3 underscore three things all of which I find very  
4 encouraging in that answer; one, the idea of  
5 strengthening the IBZ projections, the second of a  
6 harder look at how to make mixed-use zoning work and  
7 the third the engagement of the navy yard and the  
8 city's industrial assets as part of the conversation  
9 about the privately owned space all seem to me to be  
10 very welcome. They don't solve the problems, but I  
11 think they're as we think about what the lessons are  
12 for moving forward, a lot of them obviously for the  
13 city owned assets, but this is a promising area that  
14 we should focus on. Thank you.

15 COUNCIL MEMBER GENTILE: CEO Ehrenberg, our  
16 Chair has stepped out for a minute, so I'm just going  
17 to take the opportunity to ask a few questions.  
18 Thank you again for taking the time to conduct a  
19 tour, the other day. It was informative. The only  
20 disappointing aspect was that Mr. Drucker wasn't  
21 available, and he's here now but he walked out of the  
22 room.

23 [Laughing]

24 DAVID EHRENBURG: He was on a well-deserved  
25 vacation.

COUNCIL MEMBER GENTILE: I'm sorry?

DAVID EHRENBERG: He was on a well-deserved vacation.

COUNCIL MEMBER GENTILE: Yes Yes, okay, great. I'm not sure I missed most of your testimony, so I am not sure if you talked about EB-5 work visas. I'm not clear how that, how that works. It is that the foreign investor invests in a business at the navy yard and brings in workers?

DAVID EHRENBERG: EB-5 is the program that we've leveraged about \$100 million for our Green Manufacturing Center and Building 77. It's the core of the financing that lets those projects move forward. The way that program works, and I am not an expert on the visa side of the program, though I know a bit about it is that an intermediary solicits investments from international individuals. They invest in our building projects, the intermediaries. The intermediary takes a whole bunch of individual investors. I think about \$500,000 per investor. Gathers those together, so there were 2,000 of those investors in our project, I think I got the amount of zero's right. They all contribute \$500,000 and then the intermediary lends us the money to build our

1  
2 buildings, that's all on the logic that as we then  
3 build the buildings, significant numbers of jobs are  
4 created and there's a complicated math that the  
5 intermediary has to go through with us and with  
6 treasury, I believe it, to insure that enough jobs  
7 are being created through our projects to legitimize  
8 the number of visas that are being provided to the  
9 ultimate investor.

10 COUNCIL MEMBER GENTILE: So they're local  
11 business, but have the foreign investors?

12 DAVID EHRENBERG: It's us. It's the  
13 intermediary and then they're lending to us. So it's  
14 not our tenants who are getting money from the  
15 foreign investors, it's effectively our building  
16 projects that gain access to those.

17 COUNCIL MEMBER GENTILE: And how much is  
18 that investment up to now?

19 DAVID EHRENBERG: So we have leveraged just  
20 about \$100 million of funding that repaid one loan we  
21 had on our most recently completed new building.  
22 That was about \$20 million, called the Perry  
23 Building. And then about \$40 million each for our  
24 two current development projects, which as I said  
25 create the kind of core of the financing for those



1  
2 projects which we've then augmented with our own  
3 equity and then other sources.

4 COUNCIL MEMBER GENTILE: Is that something  
5 that's been replicated in other IBZs?

6 DAVID EHRENBERG: I do not know of other  
7 industrial projects that are using the EB-5 programs.  
8 Steiner Studios separately borrowed from EB-5.  
9 They're the only other industrial entity that I know  
10 of who have borrowed, it's mostly been retail and  
11 commercial projects, to my knowledge.

12 COUNCIL MEMBER GENTILE: Interesting. It's  
13 an interesting aspect to what goes on there. I just  
14 a final question and my thought the other day, when I  
15 was there, at the navy yard, was that you're the  
16 incubator for so many small businesses and once  
17 they're up and running and you told us of the ones  
18 that have been very very successful, like the armor,  
19 What's it called?

20 DAVID EHRENBERG: Crye Precision.

21 COUNCIL MEMBER GENTILE: Right. They've  
22 become so successful, they need more and more space.  
23 I'm just curious, what is it that keeps those very  
24 successful businesses there as opposed to moving  
25 maybe to a different jurisdiction that has a

1  
2 different tax structure for businesses. What keeps  
3 them there? Is the IBZ and what you offer? Is it  
4 the waterfront? What is it that keeps those very  
5 successful businesses there?

6           DAVID EHRENBERG: I think partially it's  
7 that it is the navy yard and the fact that our rents  
8 are cheaper than elsewhere. You know, in the garment  
9 center, factory rents are pushing \$50 to \$60 now and  
10 you know, that's a function of private ownership of  
11 those building and the building owners seeking the  
12 highest rents that they can get. It's very hard to  
13 run a factory paying \$50 a square foot. Our rents  
14 are well less than half that amount. SO we provide a  
15 stable environment where companies feel that they can  
16 stay and grow. And honestly, part of it is just,  
17 it's Brooklyn and New York and a lot of corporate  
18 business decisions are dictated by where the  
19 principal wants to live and that certainly is an  
20 aspect of the general economic renaissance of New  
21 York that we are taking advantage of or finding  
22 advantage in. Umm, but, you know, I also think that  
23 we have a number of businesses that have grown over  
24 time that really do feel like we've supported them  
25 through their infancy when they had hard times, you

1  
2 know, after Sandy hit, we did things that no landlord  
3 in this city would have done. And they are for  
4 profit companies so I hate to, I don't want to over  
5 sell this, but I do think our tenants feel ownership  
6 in the yard and want to stay at the yard because they  
7 buy in to the model and they believe in it and we've  
8 done right by them as they grew and were flexible  
9 with them when they lost a critical, umm, piece of  
10 their business, or whatever it was, and umm, that  
11 buys some goodwill, that I think does dictate, to  
12 some extent their business decisions.

13 COUNCIL MEMBER GENTILE: It certainly is a  
14 very unique interesting atmosphere. When you're  
15 there, you sense that even though we were there after  
16 hours, so to speak, but you still sense that. So  
17 that is very unique and certainly you are to be  
18 congratulated with everyone there and it's something  
19 that I think umm sort of is the wave of what we  
20 should be looking for the future. Thank you.

21 CHAIRPERSON GARODNICK: Thank you Council  
22 Member Gentile. And Mr. Ehrenberg, we want to thank  
23 you for your help in educating this committee both  
24 earlier this week and today. We are very impressed  
25 with what's going on at the navy yard and also very

1  
2 impressed with you. So we thank you for that and  
3 with that we're going to move onto our next panel.  
4 We have Adam Friedman of the Pratt Center, we have  
5 Deborah Meslow of the Long Island City Partnership,  
6 and we have Melissa Chapman of the Brooklyn Chamber  
7 of Commerce and Laura Imperiali of the Queens  
8 Chamber. And Tully tool. So come on up.

9 [Pause]

10 CHAIRPERSON GARODNICK: Laura would you  
11 like to start since you're sitting at the end over  
12 here and closest to the mic.

13 LAURA IMPERIALI: Good morning chair and  
14 members of the Economic Development Committee, my  
15 name is Laura Imperiali, I am the Director of  
16 Government Affairs for Tully Construction and Willets  
17 Points Asphalts. We are located in College Point and  
18 Flushing, New York. I also serve on the Board of  
19 Directors of the Queens Chamber of Commerce and I am  
20 also the chair of their Industrial and Manufacturing  
21 Committee. I am here today to testify on behalf of  
22 the Queens Chamber to give voice to our members and  
23 to represent the interest of the industrial business  
24 community in Queens.  
25

1  
2           So I want to thank you for holding this  
3 important oversight hearing today on the Brooklyn  
4 Navy Yard and whether this is a model for the  
5 expansion of New York City's Industrial Sector. I  
6 believe that answer to be yes, absolutely, but we  
7 need to recognize what made the navy yard successful.

8           First, the navy yard was sited and  
9 developed on city owned land and is operate by a very  
10 successful and strong development corporation and the  
11 City and State have maintained strong support of the  
12 navy yard by providing hundreds of millions of  
13 dollars towards it development and expansion efforts  
14 over the past 30 or so years. In order to replicate  
15 this model the city and state will need to make  
16 similar financial commitments and will require  
17 locating land that would be dedicated to industrial  
18 development. A parallel track for the city should be  
19 to look at already existing resources such as the 22  
20 industrial business zones and various industrial and  
21 corporate parks in New York City for areas of new  
22 investment. I personally would recommend that the  
23 city take a look at the College Point Industrial Par  
24 and Willet Point, now that the original development  
25 has switched over to CitiField.

Strengthening these area of business will lead to increased sector growth and increased job creation. What is equally important is the preservation and possible creation of new M-zone land. Currently manufacturing districts make up 15% of New York City's overall land. So why is manufacturing and industry important to the city's economy? Some notable statistics and these statistics are taken from NYC EDC's New York City crafted reports, an excellent report. I'm going to submit this with testimony.

Some notable statistics are regarding the current industrial sector in New York City. The industrial sector makes up 10.7% of total gross city product. It accounted for 13.5% of private employment and industrial occupations provided a range of salaries from approximately \$36,000 to \$88,000. One last point I would like to make is that the flip side of the affordable housing discussion should be the creation of well-paying jobs with low barriers to entry. Many of the industrial sectors are just those jobs. There has been a strong linkage for, or there has to be a stronger linkage in the public policy arena regarding the ability to afford

1  
2 to live in New York City and access to those good  
3 well-paying jobs.

4 So while creation of affordable housing is  
5 critical in New York City, equally so is the  
6 retention and growth of industry and manufacturing in  
7 New York City.

8 Thank you for the opportunity to testify  
9 before you today.

10 CHAIRPERSON GARODNICK: Thank you very  
11 much. Go ahead.

12 DEBRA MESLOW: Good morning and thank you  
13 for the opportunity to speak. My name is Debra  
14 Meslow and my title at the Long Island City  
15 Partnership is Director of Business Expansion and  
16 Retention. However, I am also one of those infamous  
17 boots on the ground people otherwise known as IBSP.  
18 The Long Island City Partnership, [cough], excuse me,  
19 was started as the Long Island City Business  
20 Development Corporation in 1979 and is the umbrella  
21 neighborhood improvement and economic development  
22 company for all of Long Island City.

23 We've been successfully working with  
24 industrial businesses for over 35 years. We first  
25 oversaw Long Island City's in place industrial park,

the largest of the IBSP and now oversee the Long Island City Industrial Business Program which replaced the IBIP program in 2006.

We applaud the city's great success at the Brooklyn Navy Yard, however, we will caution against viewing it as the model through which to address all industrial businesses. The industrial business sector is extremely diverse, much more so than people realize. Companies are in different types of locations in parts of the city based on their individual needs. I can speak most familiarly to Long Island City's 2,000 industrial businesses and the 4,300 the industrial businesses the partnership serves in Western Queens. Most of these are here first and foremost because of our unique location on the transportation grid and plentiful skilled local workforce. But even though these two issues are relevant to all our businesses and cannot be met by a navy yard type approach, the diversity of companies evident in Long Island City, would not allow for any one size fits all solution.

Examples include, Brooks Brothers which has 215 employees manufacturing all Brooks Brothers' ties and includes 85 employees whose job it is to do



1  
2 clothing alteration for their retail locations. DKN  
3 Ready Mix, a City and State certified WBE concrete  
4 manufacturer. Shapeways, largest 3D printer, whose  
5 Long Island City facility handles all the  
6 manufacturing for their North American and Canadian  
7 order. One Time Food, which manufacture four million  
8 fortune cookies daily. We also have our own, it's a  
9 lot I know.

10 [Laughing]

11 DEBRA MESLOW: Four million. We also have  
12 our own chocolate company. It's not Jacques Torres,  
13 but it's Chocomize, and we actually help them do  
14 their reverse commute for New Jersey to Long Island  
15 City. About 90 artists and manufactures also call  
16 Long Island City home, including the Glass Whisperer,  
17 Michael Davis, whose stained and blown glass is known  
18 worldwide and world renowned furniture maker Dakota  
19 Jackson.

20 The city should help the navy yard to grow,  
21 however, we need to continue to help private  
22 companies located in private properties in the IBZs  
23 and throughout the city. Industrial companies are in  
24 every borough. Some are on the grid and some are  
25 off. All are located where they are, due to their

1 individual needs, be it availability of real estate,  
2 transportation, workforce, proximity to similar or  
3 contrary companies or even accessibility to their  
4 supply chain. Industrial businesses provide good  
5 jobs for New Yorkers. Most industrial jobs in Long  
6 Island City are held by residents of the five  
7 boroughs. Most importantly, they pay an average of  
8 \$51,000 per year, enough to support a middle class  
9 family compared to retail jobs which pay about  
10 \$36,000. We cannot treat these industrial companies  
11 which are located throughout the city as a single  
12 entity, with similar needs just because they are  
13 labeled industrial.

15 I thank you for your time and look forward  
16 to working with you in the future to continue to  
17 explore new and better ways to support industrial  
18 businesses in New York City. Thank you very much.

19 CHAIRPERSON GARODNICK: Thank you and your  
20 points are very well taken. Adam.

21 ADAM FRIEDMAN: Good morning. I'm Adam  
22 Friedman. I'm the Director of the Pratt Center for  
23 Community Development. I'm also a member of the  
24 Board of Directors of the Navy Yard. I'll do my best  
25 to summarize the testimony that you have. A lot of

1  
2 it has already been referenced to, or similar points  
3 made. I did want to point out at the beginning  
4 though, I think Council Member Wills has a question  
5 about, what's the prescription for the future, what  
6 is growth looking like?

7           There's a recent study, I think out last  
8 week, by CUNY, the Market Labor Research Center, and  
9 they said that the manufacturing sector grew by 2,300  
10 jobs over the past year. Which is a real turnaround  
11 and in fact I think is a higher absolute number than  
12 financial services. Ha! Shows them.

13           Um, so I appreciate the opportunity to  
14 testify this morning and that you've undertaken what  
15 is wrestling with, one of the greatest challenges, I  
16 think in economic development policy, which is how do  
17 you have manufacturing, which provides very good  
18 quality jobs that pays on average more than \$50,000 a  
19 year where there's a career path. But is used to  
20 paying very low land costs and New York City, no  
21 matter what we do, is a high cost environment. So  
22 how do we reconcile that?

23           We undertook this study, The Pratt Center,  
24 the navy yard about three years ago, which had  
25 clearly established itself as a success. The

question was why? How had it become successful?

It's not the only strategy. As you heard earlier, we should look at zoning, we should look at what the industrial business zone providers do. But it's one particular strategy that we think could be ramped up. Umm, so I would just say that in subsequent hearings we should look very closely at zoning and the other types of incentives that we provide.

What we try to do in the navy yard in distilling the essential ingredients, the attributes, we came down to these sort of eight factors, some of which have been alluded to and just summarized on the second page there. I want to point out, you don't see businesses being subsidized here. You know, navy yard is not a cheap place. I would argue it's actually premium and kind of pushing the market and they're able to do that by providing a better quality product and these eight items, I think define, what goes into a better quality product. The space, I think they combined to provide two things, security and engagement. That the space is managed by a nonprofit organization that has, as its mission, the growth of industrial jobs, that the land is publically owned and will not be sold or rezoned.

1  
2 That the rent revenue is reinvested back in to the  
3 maintenance and expansion and the mission of the non-  
4 profit, and that the area looks and feels industrial.

5 All combined a message to tenants, you are  
6 safe, you can stay, and you can reinvest here and  
7 grow. And that economic security is decisive to the  
8 business decision about investment and that's what  
9 leads to growth. You know, contrast that with just  
10 any typical M-zone where the manufacturer is being  
11 harassed by ticketing agent, where there's non-  
12 industrial uses encroaching and it sends the opposite  
13 message.

14 The second advantage, is the level of  
15 engagement. You know, we as a matter of policy, want  
16 to provide more employment opportunities for New York  
17 City residents. Let me just tell you that when you  
18 approach a business talking about referrals around  
19 employment, that is a loser. You know, you cannot  
20 start a conversation there. You have to build a  
21 relationship over a long period of time by providing  
22 space, by helping resolve other issues and then once  
23 you've built up trust, you can begin to talk about  
24 employment and workforce development.

So how can the city begin to replicate or build on the navy yard model? I would argue that this is very similar to where we were 30 odd years ago with affordable housing. We have to cultivate a non-profit industrial development sector. And on the third page I've listed out a bunch of ways that the city council can begin to do that. The creation of an industrial development fund that would help non-profits close the gap when they want to buy space. The second one is creating a preference. When the city does dispose of its industrial assets, and it doesn't mean exclusively to non-profits, but for profits and non-profits could begin to partner with each other and that way give the non-profit entity experience and equity so that it could move out on its own. I would even create a zoning bonus to incentivize non-profit development. One of the things we're going to have to begin to look at, increasingly, is more mixed-use districts. And, I think the essence of a successful mixed-use district, how do you actually preserve space, is going to be non-profit controlled over the industrial spaces. Because they're just never going to be able to afford

the rent, so how do you afford the whole district tipping?

One of the questions, there's this contrast now being played out between EDC and the navy yard and I just want to say neither is better or worse. Right, it's in the context of what? And there has been some discussion as to what's the mission and that the EDC has a broad mission and the navy yard has a much, more narrow mission. And this is where I think I would disagree with David's earlier comment, "mission doesn't matter". I think mission is absolutely critical because the EDC has a broader mission when it prioritizes how it spending its money, how its reporting to the Mayor, when it's negotiating with OMB, when it's negotiating with city planning, it's championing its highest priorities all of which are within mission. The issue is what hits the cutting room floor. And again, and again, and again, it doesn't matter which administration for the past 20 odd years, manufacturing consistently hits the cutting room floor and that's why we need a new Office of Industrial and Manufacturing Businesses, reporting directly to the Mayor not within EDC or SBS or any other agency.

Umm, so the one other question I heard you ask was about the demand for space beyond the navy yard and beyond BAT. You know, the truth is, it's off the charts. We have good evidence from the Green Point Manufacturing and Design Center and from the navy yard that there are these waiting lists, but if you ask any of the IBZ providers, the guys on the ground, they'll tell you the vacancy rate is probably under 5%.

You know, there is no room to grow, and that's what drives companies out of the city. They want to stay here, you know, for any variety of reasons. So I would say that there is very tight demand across the board for all different types of space. I have just included a couple of charts from the original navy yard study and I'm happy to answer any questions about them.

Thank you.

MELISSA CHAPMAN: Good morning Chair Garodnick and guests. My name is Melissa Chapman, I serve as the Vice President for Government and Community Relations at the Brooklyn Chamber of Commerce and I bring greetings on behalf of our President and CEO, Carlos Scissura.



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The Brooklyn Navy Yard has exhibited strong strategic leadership over the past decade by transforming the once declining under-utilized 300 acre industrial space, into one of the country's fastest growing manufacturer centers. This has had a positive impact on the surrounding businesses, community and residents, which proves that there is

1  
2 hope for struggling economies, especially if they  
3 embrace high demand fields such as clean tech and  
4 high tech manufacturing as is the case with the  
5 Brooklyn Navy Yard.

6 Further, Brooklyn Navy Yard's success  
7 proves that there are great economic gains to be had  
8 from the Made in America slogan because it has a  
9 direct impact on the growth of new businesses and  
10 naturally increase jobs. I actually reference in my  
11 earlier report, done in 2013 by the Pratt Center, who  
12 happens to be sitting next to me titled Brooklyn Navy  
13 Yard, An Analysis of Its Economic Impact and  
14 Opportunities. An in that study, it stated that in  
15 2011 the navy yard had an overall economic impact of  
16 \$2 billion on the local economy, sustained 10,000  
17 jobs and had \$350 million in earnings.

18 At this rate it is clear that the Brooklyn  
19 Navy Yard is one of the borough's largest employers  
20 and economic contributors. In addition to being an  
21 economic leader, Brooklyn Navy Yard is also an  
22 environmental leader and was recognized by the New  
23 York State Pollution Prevention Institute for a  
24 campus wide solid waste and recycling program that  
25

has generated positive environmental and economic benefit for the yard and its 330 tenants.

Some of the plan elements included the reduction of waste handling costs for tenants by approximately 27% which in turn led to the elimination of over 1,600 tons of waste going to area landfills. This measure also reduced carbon traffic by 90% which resulted in an automatic decrease in carbon footprint.

One of the most notable pillars for success at the Brooklyn Navy Yard has been the addition of Building 92. It's \$25 million visitor center and museum that opened in 2011. This new building served to solidify the navy yard's commitment to its community and provided neighbors and visitors with a transformed view of what the yard has to offer.

Building 92 falls directly in line with Brooklyn's booming tourism industry, since the space offers visitors tours of the yards historic landscape via bus and by tours. Within the building, historic photos and artifacts dating back 165 years allows visitors to travel back in time and literally chart the highlights of the yard.

Brooklyn Navy Yard is also at the center of another steadily growing industry in Brooklyn. That being film. At the Brooklyn Chambers 2012 Winter Gala, it announced that aspiring filmmakers will have access to the facility once the Brooklyn College graduate film program and partner, Carnegie Mellon, move into the new site. The 50 acre media and entertainment project is poised to be an additional draw for tourists and revenue in the Navy Yard as well as the surrounding neighborhoods.

We can see the Brooklyn Navy Yard's model also having a positive impact in areas such as Red Hook, Bayridge, Coney Island, Sunset Park and Carnegie. Replicating the model of the Brooklyn Navy Yard in these neighborhoods would truly spark innovation, increase economic activity and provide much needed jobs.

Finally, the Brooklyn Navy Yard is an undoubtedly great model with which to encourage economic development in other areas because it builds upon its rich history while positioning itself to take advantage of new opportunities that will allow it to be sustainable. More importantly, the growth of economic activity goes beyond the gates of the

1  
2 navy yard and plays a role in the increase of small  
3 businesses and jobs in the surrounding areas. And I  
4 thank you for allowing the Brooklyn Chamber of  
5 Commerce to testify in this matter.

6 CHAIRPERSON GARODNICK: Thank you very  
7 much. And thanks to all of you. I'm gonna just ask  
8 one question then we're going to close out the  
9 hearing. This question is to all of you or any of  
10 you who wish to answer it.

11 And there may even be a difference of  
12 opinion among the panel on this subject, but one of  
13 the issues we raised with the former panels was, in  
14 light of the less than 5% vacancy, in light of the  
15 100% occupancy at the navy yard and the army  
16 terminal. Should we be focusing our energies when it  
17 comes to city properties first, on expanding within  
18 the footprints of the exiting areas where there's  
19 lots of development space, or should we be looking to  
20 new horizons, new territories or perhaps you could  
21 find clusters of city owned buildings, if so, where?  
22 And then ask the question about ways to support the  
23 not city owned properties, like the ones in Long  
24 Island City. What's the best way for us to be doing  
25 that?

1  
2           So there's your omnibus question. Go for  
3 it, in whatever order you like, but I am interested  
4 in your reaction.

5           LAURA IMPERIALI: Thank you Council Member.  
6 I don't think it's an either or question. I think  
7 there's no reason why the city can't operate on  
8 parallel tracks. Umm, I think the key to this, quite  
9 frankly, to the land use issue, is zoning. Umm, I  
10 think there was a big push during the Bloomberg  
11 administration to rezone manufacturing areas  
12 believing that manufacturing and industry was a dying  
13 industry and replacing it with affordable housing.  
14 So I think we're up against that as an issue, but  
15 also I think there's a lot of under-utilized, not  
16 just public, I'm not sure what the stock is for city  
17 owned land, but I would definitely take a look at  
18 under-utilized manufacturing space and instead of  
19 encouraging re-zonings and developers to convert  
20 their manufacturing into, let's say a lighter  
21 commercial use or residential, give them a building  
22 bonus to preserve manufacturing. A lot of, obviously  
23 heavy industry can't operate in a vertical space.  
24 They need the horizontal space, but I think there's  
25 conversation at EDC right now about putting out a

1 competitive RFP sort of thinking along these lines of  
2 building vertically, given that there is a shortage  
3 of land. But, again going back, I think the city,  
4 quite frankly, needs to stop with the lip service in  
5 supporting industrial businesses and make a firm  
6 commitment in their zoning and in their budgetary  
7 priorities.  
8

9 DEBRA MESLOW: I agree with Laura that, oh  
10 your more than welcome, that both options are  
11 necessary. In Long Island City we met with several  
12 of our industrial brokers and had a meeting and they  
13 said, that just under 1% is available for industrial.  
14 So obviously there's not a lot of land there, so we  
15 have been talking about building up as opposed to  
16 out. But the other thing is, is that I think that  
17 zoning needs to be looked at. I know we have a lot  
18 of M1-4 zoning in Long Island City which is light  
19 industrial, and because of that three years ago we  
20 had two operating hotels and because of rezoning,  
21 today we have 23 operating hotels and 8 in the  
22 ground. The other thing that I would really  
23 appreciate if you could look at, are retention  
24 benefits. We have.. I'm responsible for working  
25 with 4,300 industrial businesses. There is no

1 retention benefit. When New Jersey comes along and  
2 says we will give you all of these benefits. This is  
3 what it's going to cost you, \$3 a square foot, we  
4 really don't have too much to say about it. We don't  
5 have anything to fight it with. SO I think that's  
6 also a very big part of the equation. And I also  
7 wanted to invite you to come on tour. I'll be happy  
8 to take you and you can watch four million fortune  
9 cookies being made.  
10

11 Thank you very much.

12 CHAIRPERSON GARODNICK: My favorite part of  
13 my job I accept your offer as well and thank you.

14 MELISSA CHAPMAN: From the perspective of  
15 the Brooklyn Chamber of Commerce, we would definitely  
16 advocate for finding new spaces, rezoning is also  
17 important, so in tradition areas, like East New York  
18 and Red Hook, would probably have the space, with  
19 maybe it's just a zoning issue. Since there's no  
20 more room to build up, in the existing spaces I think  
21 it would definitely encourage a replication of that  
22 model if there was to be some rezoning and to go to  
23 new areas. Also going to new areas would expose more  
24 people to having jobs and to build new businesses and  
25 to support different neighborhoods and kind of have a



1  
2 level playing field where that is concerned. And I  
3 did like the point that the panelist just made about  
4 creating incentives for staying in New York and not  
5 taking the business elsewhere, even staying in New  
6 York City as opposed to going upstate where we can  
7 benefit from that.

8 ADAM FRIEDMAN: This is going to sound like  
9 such a melee mouthed answer, because it is a little  
10 bit of everything. You do need a big toolbox and so  
11 when we have these discussions internally, we often  
12 come down to, that's why you need a Mayor's Office of  
13 Manufacturing because then that perspective will  
14 permeate every piece of the decision making. How OMB  
15 operates, how DCP operates and even if you look at  
16 the dynamic that is set up here today, we have this  
17 bifurcation between land use and city planning and  
18 economic development and that has been, you know,  
19 after 20 years, that has really undermined this piece  
20 of the economic development sector. Laura's comments  
21 going back to zoning and the need for really strong  
22 IBZ's, 100% on point. The mayor actually pledged to  
23 do that during the campaign to require special  
24 permits for non-industrial uses, because that would  
25 dampen speculation. That's really up there. How you

1 allocate the dollars, I think I would push it to the  
2 non-profit sector. I don't know that, before I  
3 allocated anymore to EDC, though, I'd want to see  
4 what's in their reserve and begin to push towards how  
5 more of that could be self-financed. And I think,  
6 you know you asked me the EB-5 question, the biggest  
7 users of that is the Philadelphia Industrial Economic  
8 Development Corporation, they launched it. So, I  
9 would want to see if that's viable here.

11 LAURA IMPERIALI: One more thing is I  
12 challenge the city to think about creating a voucher  
13 model or something like that for industrial tenants,  
14 something similar to the affordable housing model. I  
15 know this is a conversation that's taken place. I  
16 don't know if it's been fully thought out and  
17 developed in New York City. I don't know if it's  
18 feasible. But I think there's a lot that the  
19 industrial community can learn about the affordable  
20 housing movement, from messaging to its programs.  
21 And again, I reiterate my point in my testimony as  
22 that there has to be a perception among our policy  
23 leaders that affordable housing goes hand in hand  
24 with the industrial sector. It's no longer, it  
25 should not be perceived as two separate entities.

CHAIRPERSSON GARODNICK: Thanks to all of you and thanks to all of the participants in today's hearing. It certainly was informative and helps us to think through any recommendations or policy changes, zoning, budgetary, etc. that we may make. As note before, I accept all of the invitations from anybody who has issued them today for visits. These are important questions for us to be considering. And with that thanks to the final panel and we are adjourned.

[Gavel]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify there is no relation to any of the parties to this action by blood or marriage, and that there is no interest in the outcome of this matter.



Date 05/05/2014