

New York City Economic Development Corporation
New York City Council Oversight Hearing:
Fiscal Year 2014 Executive Budget Testimony
Seth W. Pinsky, President
May 17, 2013

Introduction

Good morning Chairman Recchia, Chairwoman Koslowitz, Chairwoman Reyna, and members of the Committees on Finance, Economic Development, and Small Business. I am Seth Pinsky, President of the New York City Economic Development Corporation ("NYCEDC"), and together with Kyle Kimball, our Executive Director, and other members of my staff, I am pleased to present NYCEDC's executive budget for fiscal year 2014. I have a brief presentation on our agency's agenda, as well as the operating and capital budgets that support this agenda. As you will note, my testimony today will largely be consistent with that presented at the Preliminary Executive Budget hearing in March. After my presentation, I will be happy to take questions.

Current Conditions

Since the 2008 recession, New York City's economy has outperformed the national economy, with jobs being created here more quickly than in the country as a whole. As a result, the City has recovered more than two jobs for every job lost during the national recession and now exceeds our pre-recession private sector employment level—reaching an all-time high—while the nation as a whole has only recovered about seventy percent of jobs lost.

Operating Budget

While in many ways our City's economy is moving in a positive direction, we recognize that we also continue to face challenges. These challenges include an unemployment rate that, while down considerably from recession-era highs, remains stubbornly high. These challenges also include recovery from Hurricane Sandy, which despite millions of dollars in City aid to-date and hundreds of millions of dollars in federal money now on the way, continues to effect too many New Yorkers who were devastated by the storm. Of course, we as a city are also impacted by political gridlock in Washington, as well as global uncertainty in the Eurozone and elsewhere. We also recognize that the

City's fiscal picture remains challenging. For that reason, we have been pleased to do our part by contributing to the closing of gaps in the City's budget.

As you know, the contributions that we make to the City's budget include annual contract payments that we are required to make to the City and payments to eliminate the gap, or PEGs, that, in the case of NYCEDC, take the form of additional contributions to the general fund, rather than cuts in tax levy received. Today, payments made by NYCEDC to the City remain at historic highs, with expectations of payments of approximately \$51 million in FY13. In FY14, we expect our total payments to the City to reach almost the same level as FY13, including PEG payments of \$32 million, as you can see on the chart before you. In total, from FY07 to FY14, it is expected that NYCEDC will have made payments to the City totaling approximately \$384 million—a figure that surpasses last year's projections by more than \$20 million. This sum also excludes tens of millions of dollars per year in payments that we make to the City in connection with our asset management functions. In addition, NYCEDC-negotiated sales of City-owned properties generate hundreds of millions of additional dollars in funding for the City.

As a result of the payments that we are making to the City and other factors, we now estimate that, over the next five years, we will see a substantial decline in NYCEDC's Unrestricted Net Asset balance. In fact, this balance is currently projected to drop by some \$126 million during the period.

Capital Budget

Turning to our capital budget, as you can see from the chart before you, our capital budget for FY2013 through FY2023 totals approximately \$2.5 billion. As I discussed with you in March, of this \$2.5 billion capital budget, seven percent, or \$183 million, flows through our budget to the Brooklyn Navy Yard Development Corporation and ten percent, or \$256 million, flows through our budget to the Trust for Governor's Island, both of which manage their own capital budgets. Putting aside these expenditures as well as the two percent of our capital budget that is managed by other City agencies, we are left with NYCEDC's "core capital budget", which totals approximately \$2 billion. Since I spoke

with you in March, federal funding has replaced some of the City funding allocated to relief programs from Hurricane Sandy in our “core capital budget”. As a result, the portion of our “core capital budget” funded by the City has decreased by three percentage points, while the portion funded by federal sources has increased by one percentage point. Of this “core capital budget”, approximately seventy percent is allocated to projects in boroughs other than Manhattan.

As I also mentioned earlier this year, when we look at our budget, we assign projects to one of the following six categories: Area-Wide Development; Infrastructure and Transportation; Not-for-Profit and Community Organizations; Open Space; Industrial; and Miscellaneous. We continue working with the Office of Management and Budget to align future budget documents with our internal categories. In the meantime, I will again use these categories for purposes of my testimony today.

Turning back to the chart before you, approximately \$376 million, or eighteen percent, of our “core capital budget” is allocated to Area-Wide Development projects. This category includes a number of NYCEDC’s major projects, including Willets Point, Hunter’s Point South, and Coney Island. Expenditures for these projects range from infrastructure to site acquisition to strategic planning.

Meanwhile, approximately \$593 million, or twenty-nine percent, of our “core budget” is allocated to infrastructure and transportation. This includes expenditures to improve the City’s piers, streets, railroads, and water systems. Since I testified in March, funds allocated to this category have increased by \$107 million. This is largely due to the addition of several “green infrastructure” projects that NYCEDC is managing for the Department of Environmental Protection designed to improve sewer systems and prevent storm and sanitary waste runoff in areas like the neighborhoods around Newtown Creek. This year’s allocation also accounts for funding for several projects related to recovery from Hurricane Sandy.

Moving on to the next category, approximately \$544 million, or twenty-seven percent, of our “core budget” is allocated to investments in the City’s not-for-profit and community organizations. Examples of these investments include \$4 million for the Intrepid Museum, which is utilizing this

funding to install an innovative power plant that will provide the entire aircraft carrier with cleaner energy and dramatically reduce its carbon footprint.

Approximately \$187 million, or nine percent, of our “core budget” is allocated to investments designed to enhance and increase open space. In Prospect Park, for example, NYCEDC is constructing two open air skating rinks within a public plaza. The Prospect Park Lakeside Center will also feature landscaped green roofs. This project is scheduled for completion by the end of this year.

An additional \$210 million, or approximately ten percent, of our “core budget” is allocated to investments in the City’s industrial sector. This includes expenditures in NYCEDC-managed sites such as the Brooklyn Army Terminal and the South Brooklyn Marine Terminal.

Finally, approximately \$134 million, or seven percent, of our “core budget” is allocated to miscellaneous investments, including funding for City-managed public markets, among other assets.

Physical and Economic Transformation

Our capital and operating budgets support an ambitious slate of projects intended to promote our City’s physical transformation. Several of these projects have recently reached significant milestones.

In April, for example, Mayor Bloomberg announced plans to transform the iconic, long-vacant Kingsbridge Armory in the Bronx into the world’s largest indoor ice facility. The result of a historic collaboration with elected officials and community leaders, this project will help spur the Bronx’s ongoing revitalization.

The Administration also continues to advance the redevelopment of Seward Park on the Lower East Side. In October 2012, the City Council approved a plan to create nearly 1.7 million square feet of affordable housing, open space, retail, and other commercial space on the Lower East Side. In January, NYCEDC issued a Request for Proposals for a development partner for the site and we look forward to returning soon with news from the process.

In Staten Island, meanwhile, we are moving forward with a plan to create the world’s largest

amusement wheel, along with a retail complex and hotel, as part of our integrated plan for the North Shore. These projects, announced this fall, represent one of the largest private investments in the history of Staten Island. We expect to certify this project into ULURP shortly.

As we work to improve our City's physical infrastructure, we also recognize that we must continue to devote time and effort towards diversifying and growing the City's economy. To this end, we are working to help New York City's legacy industries to develop twenty-first century business models, attract new growth industries, and spur entrepreneurship, regardless of the industry.

Since I testified in March, winners of our NYC Applied Sciences Initiative have reached several milestones. As you know, this includes the recent ULURP approval received by Cornell University and The Technion-Israel Institute of Technology for their two million square-foot campus on Roosevelt Island. At full build-out, this campus, along with two other applied science projects being developed by Columbia's Engineering School in Morningside Heights, and being developed by a consortium led by NYU in Downtown Brooklyn, will more than double the existing number of full-time graduate engineering students in New York City, and, over the next three decades, result in an overall nominal economic impact of more than \$33 billion—cementing our City's status as a leader in innovation.

Transcending Economic Barriers

Supporting our economic development strategy are our efforts to ensure that all New Yorkers have opportunities to succeed in today's economy. To this end, we remain focused on supporting minority, female, and disadvantaged business owners, immigrant entrepreneurs, and low-income individuals.

For example, since launching our program for Minority, Women-owned, and Disadvantaged Business Enterprises ("M/W/DBE"), NYCEDC has awarded more than \$120 million in subcontracts and prime contracts to M/W/DBE firms. Through our Blueprint for Success program, meanwhile, we are offering promising M/W/DBE firms additional opportunities for growth, including personalized

technical assistance. We are also moving forward with our Kick-Start Loan Program that will offer M/W/DBE firms working on NYCEDC construction projects access to capital to finance their mobilization efforts.

On another front, we are building on the success of Competition THRIVE, which we launched last year to support immigrant entrepreneurs. This competition encourages the creation of programs to assist immigrant entrepreneurs in starting and expanding their businesses in the City. In this year's round, applications increased by forty percent versus last year. In April, we announced five finalists who are piloting their programs over the coming months, and we expect to announce a winner in the fall.

Finally, in collaboration with other City agencies and community partners, we launched eight pilot programs in March as part of our "LINK" initiative to foster income mobility among low-income New Yorkers. These programs connect individuals who lack advanced training or earn low wages to jobs in the twenty-first century economy. We look forward to coming back to you to report on the results.

Conclusion

As you can see, NYCEDC continues to make tangible progress towards our goals of physical and economic transformation. While the City, like many cities around the world, certainly faces challenges, with your continued support and partnership, I am confident that we will achieve the Mayor's goal of transforming the City into a capital of innovation and prosperity for the twenty-first century. Now, I am happy to answer your questions.

TESTIMONY BY
COMMISSIONER ROBERT W. WALSH
NEW YORK CITY
DEPARTMENT OF SMALL BUSINESS SERVICES
BEFORE
THE COMMITTEES ON ECONOMIC DEVELOPMENT,
FINANCE AND SMALL BUSINESS
OF THE
NEW YORK CITY COUNCIL
MAY 17, 2013

Good morning Chairwoman Koslowitz, Chairman Recchia and Chairwoman Reyna, and members of the Economic Development, Finance and Small Business Committees. I am Rob Walsh, Commissioner of the New York City Department of Small Business Services (SBS). I am joined today by First Deputy Commissioner, Andy Schwartz, and others from SBS who are here to help answer any questions you might have.

This morning I would like to cover how SBS serves businesses, jobseekers, and neighborhoods, and update you on our ongoing response to Hurricane Sandy.

Introduction

In our mission to help small businesses start, operate and expand, SBS has developed a network of seven NYC Business Solutions Centers across the five boroughs that offer nine key services: business courses; employee training and recruitment; financial assistance; help navigating government; access to incentives; selling to government; certification of local, minority, and women-owned businesses; and connections to pro-bono legal assistance. In 2012, our Centers provided over 4,400 entrepreneurs with free business courses, saved 712 clients on legal fees, and helped launch more than 250 new businesses. The Centers also provided essential access to capital, connecting business owners to more than 670 awards worth more than \$63 million. Since 2007 our centers have connected more than 2,200 businesses to almost \$200 million. And last year alone we helped more than 1,500 businesses save close to \$50 million in energy costs through our Energy Cost Savings and Lower Manhattan Energy programs.

Hurricane Sandy

As I mentioned in March, it was thanks to our network of NYC Business Solutions Centers, and the partnerships we've developed with banks and community organizations, that SBS was better prepared to respond to an emergency the magnitude of Hurricane Sandy. Within days after the storm we had established a \$20 million working capital loan fund in partnership with the NYC Economic Development Corporation, Goldman Sachs and 23 other commercial banks. From that fund we've approved 642 businesses for a total of more than \$14.5 million in up to \$25,000 loans. In partnership with the Mayor's Fund and the Partnership for NYC, we established a \$5.5 million matching grant fund from which we've approved more than \$4 million in up to \$10,000 grants. In partnership with Citi, UBS and Barclays we created a \$1 million Small Business Assistance Grant fund from which more than 170 businesses have been approved for grants up to \$5,000 for repairs.

As you know, commercial corridors across the city were hit hard by the storm and we've been working tirelessly to restore them. We're working with professional retail experts and

community non-profits to gather data, establish long-term recovery plans and increase the capacity of local organizations focused on commercial revitalization. Where those local organizations don't exist, we're working to form them. We've dedicated staff to neighborhoods like South Street Seaport and the Rockaways, where they've been addressing quality of life concerns, cleaning up the streets, coordinating marketing campaigns, formulating strategic plans, and spearheading merchant organizing. Through these efforts, impacted neighborhoods will be able to reduce blight, strengthen their remaining businesses, recruit new retail, attract more visitors, and create jobs.

In recent weeks we've been preparing to take full advantage of incoming federal funds to help impacted neighborhoods and businesses. On May 10, United States Housing and Urban Development Secretary, Shaun Donovan, approved the City's Community Development Block Grant Action Plan. The plan includes \$293 million for business programs, including \$131 million for investments to improve business resiliency and to explore new technologies that will help businesses rebuild intelligently, protecting them against the affects of future storms. The plan also includes \$90 million to fund innovative projects that will spur economic development in hard-hit neighborhoods.

Finally, the plan includes \$72 million for recovery grants and loans. Applications for these grants and loans will be available this Monday, May 20. Impacted businesses will be eligible for up to \$150,000 in loans and up to \$60,000 in matching grants. Loans will have a low 1% interest rate on a monthly schedule for five to seven years. We have staff working hard to make sure we get these resources to businesses as quickly as possible. We'll be reaching impacted businesses through our Business Solutions Centers, networks of Chambers of Commerce, Business Improvement Districts, and with the help of the City Council.

Serving Businesses

In addition to the work we're doing for businesses impacted by Hurricane Sandy, SBS continues to make a substantial investment in building the capacity of all small businesses throughout the city, including firms certified under our Minority and Women-owned Business Enterprise (M/WBE) program.

In February, we graduated our fourth class from the nationally-recognized Strategic Steps for Growth executive management program for M/WBE leaders at the Stern School of Business at NYU. Since the program began in June 2010, 55 graduates have collectively been awarded over \$64 million in public contracts, secured almost \$2 million in financing and hired more than 240 new employees. In 2012, we launched a new version of the program, in partnership with the Mayor's Office of Media & Entertainment, for businesses in the entertainment sectors. This is one of the many ways the City has been supporting the

emerging media and technology sector. Earlier this week, 16 entrepreneurs graduated from the new course, each with new skills to make them more competitive.

In 2012, with the support of Deputy Mayor Cas Holloway, SBS launched a \$3.2 million capacity-building initiative “Compete to Win” to prepare small businesses and M/WBEs to better compete on City contracts. Through this initiative, the City has served over 750 businesses and connected M/WBEs to over \$13 million in City contracting opportunities.

One Compete to Win program, the Upfront Capital Loan, was expanded in 2012 to include all mayoral agencies to help small businesses fund initial City contract expenses such as labor and equipment. Short-term working capital loans from \$1,000 to \$150,000+ are available for businesses awarded City contracts through partnerships with mission-driven lenders such as New York Business Development Corporation, and BOC Capital. Since the launch of the pilot initiative, M/WBE firms pre-qualified for loans valued at nearly \$1.3 million.

At the Preliminary Budget Hearing, I spoke about the gains we’ve made in the M/WBE program. Over the past few years, the pool of certified M/WBEs has significantly increased — and these firms are winning more contracts. There are now more than 3,600 companies that are certified to do business with City agencies. Much of our outreach is accomplished through partnerships with the City Council’s M/WBE Leadership Association, which has been instrumental in promoting the program and increasing the number of certified businesses.

Yesterday, we held our 7th Annual Citywide Procurement Fair where more than 70 agencies and public authorities met over 500 of our certified firms face-to-face, providing valuable networking and educational opportunities. This time we also provided important information about upcoming contracting opportunities related to post-Sandy restoration.

On January 7, 2013, Mayor Bloomberg signed new legislation to help strengthen the Minority and Women-owned Business Enterprise program. Local Law 1 removes the \$1 million cap on contracts and increases the total value of program-eligible contracts almost five-fold, from \$433 million to \$2.2 billion. Among several improvements, the new legislation increases accountability for City agencies to meet their contracting participation goals and enhances the online directory of certified firms. This means we’re going to be able to do even more for M/WBEs.

Serving Job Seekers

Complementing our business services, SBS has transformed the City's approach to workforce development by preparing, training, and placing jobseekers in response to employer demand.

Since Mayor Bloomberg merged the Department of Small Business Services (SBS) and the Department of Employment in 2003, SBS has gone from having 3 career centers that served about 500 people per year, to 17 Workforce1 Career Centers that helped over 27,000 New Yorkers find jobs in 2012. In 2012 we placed over 4,000 individuals in jobs where they'll earn over \$15.00 per hour, and the median wage of our placements was \$10.00 an hour.

SBS also continues to invest in programs that train New Yorkers to meet the demands of growing economic sectors. Through a partnership with the Mayor's Office of Media and Entertainment (MOME) SBS has offered \$500,000 in grants to media and entertainment small businesses to train employees. And since launching in 2005, the NYC Business Solutions Customized Training Grant program has awarded over \$9.6 million to help more than 150 companies train over 5,500 workers.

SBS is also committed to helping veterans and their families. Last year, SBS partnered with the Robin Hood Foundation and the Mayor's Fund to put more than 1,000 veterans to work in stable, meaningful jobs that leverage their military experience. This year, we're expanding our efforts and increasing access points for veterans seeking career, training, and job placement services with dedicated veteran specialists at seven centers in all 5 boroughs.

In eight years, New York City has become a national model for innovation and effectiveness in workforce development. At the same time, we have much more work to do. I am confident that the gains we have achieved will give us a solid foundation to continue meeting the employment needs of New Yorkers.

Serving Commercial Districts

In addition to serving individual businesses and job seekers, SBS works in commercial corridors throughout the five boroughs to strengthen neighborhoods and make them more attractive places to do business.

New York City's current network of 67 BIDs is the largest in the country and provides valuable sanitation, public safety, marketing and other services across the five boroughs. BIDs invest nearly \$100 million annually in services to more than 70,000 small businesses. In 2012, a BID was established in Westchester Square in the Bronx, and two other BIDs – Chinatown and Atlantic Avenue – started operations. Next the City Council will be voting on the City's 68th BID on Broadway in SoHo. We will continue to guide BID formation and

expansion efforts throughout the five boroughs, including the BAM Cultural District in Brooklyn, the South Shore of Staten Island, Roosevelt Avenue in Queens, and East Tremont Avenue in the Bronx.

Local development corporations and merchants associations also play a critical role in commercial corridors throughout the city. Our Avenue NYC program provides critical support to the community-based groups that carry out one or more initiatives in project categories that include business attraction, storefront improvements, merchant organizing, placemaking, website development, and capacity-building initiatives.

Finally, SBS works to support neighborhood organizations in their efforts to fill vacancies and diversify the retail mix along their commercial corridors. Since 2011, SBS, in partnership with retail attraction experts at the JGSC Group, has provided intensive one-on-one training in business attraction and retail leasing to 8 neighborhood organizations, across all 5 boroughs. As a result, these neighborhoods have attracted over 40 new businesses and significantly reduced their vacancy rates.

Conclusion

I would like to thank the Council for all of your help in supporting our programs, from partnering on business and workforce development initiatives, encouraging a stronger M/WBE program, and helping support the growth of our BID network.

We are working hard to help small businesses and jobseekers throughout the City, particularly those impacted by Hurricane Sandy, and I know that there is more work to be done. We are continually looking for innovative ways to improve our services, build partnerships with the community, and expand our reach. I would be happy to answer any questions you may have. Thank you.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: _____

Name: [✓] Zachary G. Smith (PLEASE PRINT)

Address: _____

I represent: NYCEDC

Address: 110 Williams St. NY, NY

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**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: _____

Name: Kyle Kimball (PLEASE PRINT)

Address: _____

I represent: NYCEDC

Address: 110 Williams St. NY, NY

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Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Setm Dinsky

Address: _____

I represent: NYCFEDC

Address: 110 WILLIAMS ST. NY, NY

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THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Kim Vaccari

Address: _____

I represent: NYCFEDC

Address: 110 WILLIAMS ST. NY, NY

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THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 5/17/13

(PLEASE PRINT)

Name: Colleen Galvin

Address: _____

I represent: NYCSBS

Address: 11A William St

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Andy Schwartz

Address: First Deputy Commissioner

I represent: Dept. of Small Business

Address: Services

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Robert Walsh, Commissioner

Address: Dept. of Small Business Service

I represent: _____

Address: _____

Please complete this card and return to the Sergeant-at-Arms