

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

JOINT COMMITTEES ON ECONOMIC DEVELOPMENT AND SMALL
BUSINESS

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October 27, 2008

Start: 1:27pm

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HELD AT: Council Chambers
City Hall

B E F O R E: DAVID YASSKY
Chairperson

COUNCIL MEMBERS:
Diana Reyna
Annabel Palma
Thomas White, Jr.
David I. Weprin
Albert Vann
Letitia James
Gale A. Brewer

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

Steven Strauss
Executive Vice President, Strategy and Policy
New York City Economic Development Corporation

Maria Gotsch
President and CEO
New York City Investment Fund

David S. Rose
Chairman
New York Angels

Peggy Wallace
Managing Director
Golden Seeds, LLC

Paul Sciabica
Executive Director
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Josh Green
CEO
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Charlie O'Donnell
Founder
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Andrew Chepaitis
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ELIA Life Technology
Brooklyn Salt Works

Frank Madison
ITAC

Dawn Barber
Co-Organizer
New York Tech Meetup

Colleen Gibney
ITAC

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

Ted Brown

Executive Director

CUNY Institute for Software Design and Development

2 CHAIRPERSON YASSKY: Good

3 afternoon. Thank you for joining us this
4 afternoon. My name is David Yassky. And, we are
5 about to begin a hearing of the Committee on Small
6 Business together with the Committee on Economic
7 Development, focused mostly on the new initiative,
8 the NYCSeed Program. But, more broadly, on
9 efforts to encourage venture capital investment in
10 small businesses, tech sector, startups, here in
11 New York City. We will be joined soon, I believe,
12 by the Chair of the Economic Development
13 Committee, Tom White. We are here joined already
14 by Council Member Diana Reyna and Council Member
15 Annabel Palma was here and may or may not return.

16 Why don't we begin with hearing
17 with testimony from the Economic Development
18 Corporation representatives? We are going to hear
19 from Steven Strauss and Ann Li from the EDC.

20 STEVE STRAUSS: Oh, sorry. Good
21 afternoon, Chair Yassky and members of the
22 Economic Development and Small Business Committee.
23 I am Steve Strauss, Executive Vice President for
24 Strategy and Policy at the New York City Economic
25 Development Corporation, NYCEDC. Our goals are to

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2 improve the general business environment, increase
3 the number of jobs, create tax revenues by
4 attracting and retaining target industries to New
5 York. And, I'm very pleased to appear before you
6 this afternoon to testify about the City's
7 technology-based business sector.

8 When thinking about the tech
9 sector, it's important to remember it is really
10 several sectors, such as Web 2.0, Bio, etcetera.
11 While each of these have similar big picture
12 issues, they also have very sector-specific
13 issues, a point I'll return to a little later in
14 this presentation.

15 On slide two, New York City EDC
16 works promote New York City as a hub of innovation
17 and entrepreneurship. And, we really see this as
18 a holistic issue. We have come to these
19 conclusions by producing studies, conducting
20 ground-level research, overseeing discussions with
21 relevant institutions and, where appropriate,
22 creating targeted interventions. As an example of
23 an intervention, we have an extensive program of
24 outreach in Bio Sciences to tell our story by
25 attending key conferences, issuing a monthly

1 newsletter.

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3 And, through our interviews with
4 industry stakeholders, review of research, we have
5 found that a common thread among the cities that
6 are most successful in attracting and retaining
7 entrepreneurial talent are the funding sources,
8 the physical facilities, networking, human capital
9 and, obviously, most importantly, the startup
10 companies and the entrepreneurs. And, in this
11 talk, I will touch on each of these points.

12 In thinking of the funding sources,
13 and perhaps more generally, in thinking of the
14 stages in which a startup goes through, investment
15 during the conceptual stage is important for
16 innovation, but carries with it the greatest risk.
17 Only a small percentage of companies that start
18 the venture capital cycle finish and, perhaps as
19 few as 1% of these create a profit for their
20 investors. So, the firms that come in and invest
21 at the earliest stage are taking the highest risk.

22 The key stages of the cycle are the
23 seed stage. A company has a concept, a patent, a
24 technology that is under development, but probably
25 not fully operational. In general, we're looking

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2 at companies here that are under 18 months. The
3 raw material for this stage is the entrepreneurs
4 themselves. And, in this area, the City does
5 well. For example, in 2007, we had some 18
6 startups form just from the research at NYU and
7 Columbia. And, as an interesting comparison,
8 Stanford University, during the comparable period,
9 only had six startups form from their research
10 work.

11 As you move beyond the seed stage,
12 we're into the early stage. The product or
13 service is in testing or pilot production, might
14 be commercially viable, perhaps revenue-
15 generating. And, at this stage, it's under three
16 years.

17 Next, we move on to the expansion
18 stage. The product or service is in production,
19 commercially available.

20 And, a later stage, where product
21 or service is widely available. Company
22 generating ongoing revenues, probably positive
23 cash flow, more likely to be profitable.

24 And, the buy-out; the Company is
25 ready for IPO or purchase.

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2 So, realize this is a cycle that
3 can extend over most of the course of the decade.
4 It takes a long time to nurture a company from an
5 initial stage to venture capital to actual buy-out
6 and acquisition. And, quite often, the venture
7 capital stage comes towards the middle of this
8 process.

9 What we'd like to do here is put
10 things into a bit more of historical context. As
11 you can see, after the tech bubble burst in 2000,
12 less money has been available for seed stage
13 funding due to the risk associated with this type
14 of investment. So, for example, early stage or
15 seed funding declined from about 20% in the late
16 1990s, early 2000, to as low as 5% in 2002. So, a
17 response to the tech bubble was that many venture
18 capitalists, early-stage investors, angel fund
19 investors pulled out of the market.

20 It's also interesting to note that
21 VC funding can itself be quite volatile, for
22 example, going from 100 billion, about 100 billion
23 in 2000 to a low of 20 billion in 2003. And,
24 these are nationwide numbers.

25 In thinking about how New York

1 performs, it's useful to note that 14% of all
2 venture capital firms in the U.S. are located in
3 New York City. We typically rank third in the
4 nation on venture capital funding behind
5 California and Massachusetts. While all stages of
6 venture funding are important for startup
7 companies, the early stage is particularly
8 important to spur innovation. Based on recent
9 PriceWaterhouseCoopers data, roughly 20% of each
10 state's total venture capital goes towards early
11 stage funding. So, it seems to be a fairly stable
12 percentage, at least for the moment.

14 New York Seed is one of the
15 examples of the start-up funds we have in the
16 City, with approximately \$2 million. And, while
17 the City does not have a financial stake in the
18 fund, New York City EDC does retain an
19 observer/advisory role on the Board.

20 Other sources of early-stage
21 funding are the business plan competitions at our
22 many fine schools and universities, so, for
23 example, CUNY, Pace, Fordham, Columbia, provide
24 about 500,000 a year at the earliest stages.
25 Further, many of our universities have targeted

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2 validation funds, used to fund technologies that
3 require further validation, prototyping, chemical
4 synthesis, modeling, before being launched by the
5 university. Taken together, these New York City
6 academic medical centers have over a million
7 dollars to spend in this area every year.

8 Oh, and apology, a small point,
9 we'll be sending a slightly revised version of the
10 document. As you may have noticed, there's a typo
11 in one of the footnotes on seven.

12 CHAIRPERSON YASSKY: I did notice
13 that. But, forget it.

14 STEVE STRAUSS: Thank you.
15 Facilities, you know, prior research from the City
16 has certainly shown that New York City could do
17 better on the amount of physical space,
18 particularly amount of commercial wet lab space.
19 Hence, the City created the East River Science
20 Park, which is scheduled to open in 2010 and will
21 provide about an additional 1.1 million square
22 feet of commercial wet lab space in Manhattan.

23 Certainly, while the City has made
24 extensive progress relative to Massachusetts and
25 San Francisco Metro, as you can easily see from

1
2 the chart, we still have a significant opportunity
3 for growth.

4 Another issue that has been raised
5 during our research is the misperception by many
6 companies that New York City lacks sufficient
7 space for operations. In fact, the City has over
8 600,000 square feet of commercial office space
9 available for startups and some examples are
10 listed in the slide. So, it is an extensive
11 community of space in various forms that is
12 available for startups.

13 Finally, I'd like to address the
14 topic of networks and human capital. The City's
15 greatest resource is its people, their
16 intelligence, drive, enthusiasm. New York City
17 has an extraordinary pool of talent. We are the
18 number one metro area in the nation for Bio
19 Science employment. We have 11 leading
20 universities, with graduate programs in
21 technology. The New York City metro area has
22 technology workforce of some 620,000,
23 approximately 2-1/2 times that of Silicon Valley,
24 including over 60,000 that currently work outside
25 traditional tech firm supporting other industries,

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2 such as financial services, media, professional
3 services. New York City is home to 18,000 science
4 and engineering graduate students versus only
5 about 11,000 in San Francisco and Boston.

6 New York City is also extremely
7 strong in technology and financial technology
8 sectors. We have the largest customer base in the
9 world for financial technology products,
10 accounting for 20% of the U.S. securities
11 industry. We attract top technology firms, such
12 as Google, and have the talent to support the
13 industry with over 110 academic and research
14 institutions and some 594,000 college and
15 university students in New York City.

16 The quality of our people is widely
17 recognized. For example, New York City area
18 receives \$1.3 billion of NAH funding annually and
19 ranking number two in NAH funding nationwide.
20 There're about 125 venture capital firms investing
21 in healthcare in the City. And, since 2000, the
22 New York City metro region has consistently ranked
23 among the top four for venture capital of dollars
24 invested in Bio Science and medical device
25 companies.

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2 Given the Administration's
3 commitment to a more diverse and sustainable
4 economy and the presence of many components needed
5 to attract and retain talent, I believe New York
6 City is the best place in the world to cultivate
7 and foster innovation.

8 This concludes the formal part of
9 my testimony. I would like to thank you for the
10 opportunity to appear before the Committee and am
11 happy to answer any questions.

12 CHAIRPERSON YASSKY: Thank you very
13 much. And, thank you for the very thoughtful and
14 I think quite informative overview of what's going
15 on here and where we are. I want to talk a little
16 bit about what the Administration is doing and
17 what we, as a City, are doing and can be doing.
18 And then, some follow up on the overall-- on, you
19 know, what's going on there, out there in the
20 world.

21 First, can you just describe, I
22 mean, I know, I read in the paper at least, that
23 the Administration has a new initiative in this
24 area, NYCSeed. Can you describe that for us?
25 And, tell us how much it has been implemented so

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far and what the next steps are?

STEVE STRAUSS: Okay. Actually, with sort of due courtesy and respect, there's somebody better qualified to answer that, which is Maria Gotsch. New York City Seed, the City has observer status. But, there's actually not any City money that's invested in it.

CHAIRPERSON YASSKY: Okay. And, we'll be hearing, I know from her.

STEVE STRAUSS: We're very supportive and we think it is a good program.

CHAIRPERSON YASSKY: Then, what opportunities are there for the City? You talked about the real estate part of it. You know what I'm thinking, this may be unusual, why don't we have Ms. Gotsch come up and give her statement? And then, we can talk as a group. Here we go. Thank you. Good afternoon.

MARIA GOTSCH: Good afternoon. Thank you very much. I'm happy to be here and, actually, want to commend you all for having a hearing like this about building for the future in the midst of all the challenges that are happening in our financial sector. I've submitted some

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2 written testimony. So, I will just summarize
3 quickly, for you, then we can get right to the Q
4 and A portion of this.

5 First, some background on us. I am
6 the President and CEO of the New York City
7 Investment Fund, which is the investment arm of
8 the Partnership for New York City. And, we have
9 about \$110 million of capital that we have raised
10 from the private sector. But, it has fully
11 dedicated towards the civic mission of investing
12 within New York City to try to create jobs and
13 help revitalize low-income neighborhoods. So, we
14 provide strategic investment dollars to grow both
15 for-profit businesses and nonprofit initiatives.
16 We look for both for-profit and nonprofit social
17 entrepreneurs. We also actively to engage the
18 expertise of the business community to help in
19 these various projects.

20 So, the key points of my testimony
21 in terms of sort of what are some things we can do
22 to help encourage growth within New York City.
23 Probably the key thing is a better utilization of
24 the research and the expertise that lies within
25 our university sector. Steve mentioned some of

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2 this. There's a tremendous amount of talent here,
3 particularly in the biomedical space, where we
4 rank probably one, two or three on any metric with
5 respect to expertise. And, the East River Science
6 Park is going a long way to try to fix the problem
7 of ideas that come out of the universities that
8 can form for-profit tech companies. Right now,
9 they go to New Jersey, San Diego, California and
10 hopefully East River will be a place for them to
11 stay.

12 Our fund is providing \$15 million
13 alongside the money the City and the developer are
14 putting in to help the companies build out their
15 lab space because we think that's the key missing
16 component. The issue, though, of this Seed
17 capital, that first money that entrepreneurs and
18 companies need is why we helped initiate NYSeed.
19 And, that's a partnership with ourselves,
20 Polytechnic University, I-Tech, the state through
21 NYSTAR put capital in and then the City, who's
22 there as an observer and supportive on-- try to be
23 creative in ways to bring that community together.

24 So, in addition to, we think
25 funding is a key part of that. And, it's really,

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2 in many ways, we see it as capital for people who
3 don't have rich uncles that can give them that
4 first money to get their business off the ground.
5 But, we're very mindful of the fact that we want
6 that money to not just be the first money in, but
7 the first money that bridges them to the next set
8 of money so that they can grow and hire additional
9 employees.

10 So, we think that, in addition to
11 the capital, there are some things that can be
12 done around sort of networking and marketing and
13 sort of bringing that tech community together.
14 There are some groups that do that. But, we
15 think, kind of given the size of New York City,
16 there's room for more of those kind of things.
17 Marketing of the tech assets in New York, we, in
18 the City, have partnered to market the biomedical
19 assets of New York City. And, we think there's
20 room to market the tech assets of New York City
21 going forward.

22 And then, the other area that I'll
23 just touch on is clean technology. So, New York
24 City has-- that is very much of a growth sector.
25 There's been a lot of capital going into that

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2 sector from the venture capital community. And,
3 New York City has a lot of strengths in that area.
4 We are a very large market for a lot of those
5 products. We have progressive leadership, so,
6 which means we are-- we also have high cost, which
7 means we can be-- a propensity to be an early
8 adopter of technology. We have a lot of venture
9 capital in this City that's funding that
10 technology. And, we have a lot of the service
11 providers; so, the lawyers, the consultants, the
12 regulatory expertise, all of which helps to build
13 what they call industry clusters.

14 Our public policy has been very
15 focused on encouraging people to buy green
16 products, but less so on encouraging people to
17 make the products here. So, policies that could
18 help and encourage businesses to set up here, with
19 respect to what the City could do. Potentially,
20 there could be a beta testing program that the
21 City could set up and say look, if you are a New
22 York City-based business, we will agree to test
23 your product for you. And, that can be very
24 helpful to a company that has a good customer,
25 like New York City, that they can then take out

and raise money.

And then, lastly, then I'll go to Q and A, there are a lot of people coming out of the financial services sector that have technology backgrounds. And, I think there could be some ways to, creative ways to, try to help those people transition.

CHAIRPERSON YASSKY: Some of them even go into politics.

MARIA GOTSCH: Some are going into politics, that's correct. Transition to tech sector jobs. So, again, that's about networking, identifying retraining opportunities for people to move from a financial services firm into a technology firm. So, as Steve mentioned, we've got a lot of talent here. It's a matter of sort of bringing them together and redirecting them in ways that help build tech companies. Thank you.

CHAIRPERSON YASSKY: No, thank you. So, okay, I've a number of questions I think really then are appropriate for both. But, just on the NYCSeed, is that different from the rest of the investment fund, you know? And--

MARIA GOTSCH: Yes, it is. So, it-

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3 CHAIRPERSON YASSKY: --if so, I
4 heard that there's investment in the East River
5 Park build-out. Have you made other investments
6 today? And, what do you see is the next year or
7 two in that initiative?

8 MARIA GOTSCH: In NYCSeed or East
9 River--

10 CHAIRPERSON YASSKY: Yes.

11 MARIA GOTSCH: So, NYCSeed is a
12 separate, if you will, joint venture with the
13 other partners. A total of \$2 million has been
14 put up. And, those are much smaller investments
15 than typically come out of the rest of the
16 investment fund. So, we're going to invest about
17 25,000 to \$200,000 per company. So, it's a
18 maximum of \$200,000. And, it's for the very
19 early, sometimes right out of university, but
20 early stage ideas. And, the objective, though, is
21 to identify those technologies where that amount
22 of money can get them in a position to then raise
23 a larger amount of money from the venture capital
24 community.

25 And, what's happened in the

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2 technology sector, particularly on Web 2.0
3 businesses, is the cost of developing an early
4 stage technology has come down dramatically. So
5 now, two people at a Starbucks can actually code
6 and put together technology, at least the
7 beginnings of a technology company.

8 CHAIRPERSON YASSKY: Sure.

9 MARIA GOTSCH: And then, get some
10 traction on, get some people from the web looking
11 at it. And then, hopefully become interesting to
12 the venture community.

13 CHAIRPERSON YASSKY: Okay. I see.
14 In other words, this really is kind of small--

15 MARIA GOTSCH: [Interposing] It's
16 very small, yes.

17 CHAIRPERSON YASSKY: --not even
18 really seed money, so much as little bit to kind
19 of get you going, to sustain you and enable you to
20 do some work to get out there to the VC community.

21 MARIA GOTSCH: Correct.

22 CHAIRPERSON YASSKY: And so, I
23 guess, you have not made any loans yet. You're
24 just getting that up and running. Or, you have
25 already?

MARIA GOTSCH: We've just finalized all the documentation with all the partners. And-

CHAIRPERSON YASSKY: [Interposing]
To create the fund.

MARIA GOTSCH: To create the fund.

CHAIRPERSON YASSKY: Yeah, okay.

MARIA GOTSCH: And so, we have, actually, our first Board meeting tomorrow morning to look at the first set of potential investments.

CHAIRPERSON YASSKY: Great. Okay. I want to talk about the university angle, you know, for both of you. I know, I have heard from, some from venture capitalists and some from tech businesses, that our New York universities, they believe throw off fewer businesses than Boston and California. And, that that is, in part, due to different rules and practices about, you know, intellectual property. Is there any, you know, merit to that claim in either of your view? And, if so, what do you do about it?

MARIA GOTSCH: What New York I think is lacking is a little bit of the entrepreneurial ecosystem. So, I think it's fair

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2 that we don't have the same number of
3 entrepreneurs who have been successful in two or
4 three companies previously, crawling the halls of
5 our universities. So, our tech sector is fairly
6 new in New York relative to Boston or San
7 Francisco. So, part of the issue is that because
8 we haven't been doing entrepreneurship as long, we
9 don't have as many entrepreneurs who have
10 experience. And, venture capitalists like to back
11 people with experience typically. So, that's part
12 of the issue is we have a fewer number of people
13 looking for opportunities than I think there is,
14 particularly in the biomedical field, than there
15 is [pause].

16 So, part of that will correct
17 itself over time as we start to get more companies
18 that are here and successful. And, when people
19 sell their company, typically they want to go on
20 and then do another company.

21 The tech sector's a little bit
22 further along. There are more, I think,
23 entrepreneurs in the tech sector in New York who
24 have had a couple of companies; some successful,
25 some not successful. But, the venture people

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2 think you get valuable lessons from both. So, I
3 think it depends on which sector you're looking at
4 'cause there's been a pretty good level of
5 activity in the digital media space in New York.

6 CHAIRPERSON YASSKY: Okay. Yes,
7 I'm sorry, go ahead.

8 STEVE STRAUSS: I'm sorry. The
9 only thing I'd add to that more is sort of a
10 factual or data-driven observation is there's a
11 group called the Association of University
12 Technology Transfer Officers, which basically
13 collects--

14 CHAIRPERSON YASSKY: A-U--

15 STEVE STRAUSS: --the information.

16 CHAIRPERSON YASSKY: --T-T-O, okay,
17 yes, or something like that.

18 STEVE STRAUSS: Make sure, I may
19 also have gotten the acronym--Association for
20 University--

21 CHAIRPERSON YASSKY: AA--

22 STEVE STRAUSS: --Technology
23 Managers.

24 CHAIRPERSON YASSKY: Yeah, okay.

25 STEVE STRAUSS: But, they actually

1 collect the statistics for the universities. It
2 has limitations. It's not a collection of every
3 alumni who founded a startup. It's basically tech
4 transfer out of the universities. And, on those
5 metrics, our universities look reasonable. They
6 look to be top tier in terms of efficiency of
7 transferring scientific research dollars into
8 startups. Again, it does not capture what Maria
9 was referring to, which is sort of a general
10 culture. It's the-- how do I phrase this-- the
11 predictivity of the actual research dollars at the
12 university, not the two alumni who graduated from
13 the school, start a new business, but has nothing
14 to do with the research at the university. So, on
15 that metric, purely on research dollars, they do
16 pretty well. But, fundamentally, our universities
17 are smaller than, for example, the University of
18 California system, which is much, much larger.

20 CHAIRPERSON YASSKY: Okay. That's
21 interesting. I mean, what they're measuring, and
22 we can, you know, run this down ourselves, but,
23 you're saying what they're measuring there is the
24 extent to which research dollars spent at the
25 university have some connection to, then,

investment in a business.

STEVE STRAUSS: Get turned into licensed products based on the research at the university.

CHAIRPERSON YASSKY: And, based on that, it appears we're on a, you know--

STEVE STRAUSS: [Interposing] We're very--

CHAIRPERSON YASSKY: --per dollar basis, we get the same bang for the yield--

STEVE STRAUSS: [Interposing] Actually--

CHAIRPERSON YASSKY: -- as any or, we get a perfectly reasonable yield.

STEVE STRAUSS: Yeah.

CHAIRPERSON YASSKY: So, that kind of gives the-- that says that that perception is not backed up by the data yet.

STEVE STRAUSS: Insofar as it's related directly to research at the universities, yes.

CHAIRPERSON YASSKY: Okay. And so, yeah, you're saying it's a, Miss Gotsch, if I heard you, that it's a culture issue, more than a

2 rules issue. I mean, in other words, that there's
3 not a problem with universities' rules about--

4 MARIA GOTSCH: [Interposing] Yeah.

5 CHAIRPERSON YASSKY: -- technology.

6 MARIA GOTSCH: I think it's more we
7 don't have that-- there's, particularly in the
8 biomedical side, we don't have as many biotech
9 entrepreneurs who have been success [pause], who
10 are here. They're elsewhere. And but, I will say
11 that with East River Science Park coming online,
12 there is an increasing enthusiasm at the Tech
13 Transfer offices. There's finally going to be a
14 place for them to start their company.

15 We worked very closely with one of
16 the Tech Transfer offices to get a company to move
17 back from California to New York. And, it had
18 spun out of that university, moved to California,
19 'cause that's where the venture capital was. But,
20 they wanted to come back to being near the chief
21 scientist, which was here. And, we worked with
22 the City. We worked with the Tech Transfer
23 office. And, that company-- we even got the head
24 of the Board of the university to make a phone
25 call to get that company. They're now coming

2 back. And, they're going to have temporary lab
3 space; hopefully, move into East River Science
4 Park.

5 And, that was really instigated by
6 the Tech Transfer office. So, we solved a big
7 problem for them by putting East River up online
8 is there's now a place for them to put their
9 companies. Up to this point, they've had to see
10 them go somewhere else.

11 CHAIRPERSON YASSKY: I guess,
12 you're saying that the university, and I'm
13 ignorant, that there's a Technology Transfer
14 office that's kind of the point for this. I mean,
15 is impressionistically, at New York, at our local
16 universities, do they have more of an orientation
17 toward protecting the university and less toward,
18 you know, generating businesses than would be true
19 at a, you know, MIT or Cal Tech? I'm really just
20 asking--

21 MARIA GOTSCH: [Interposing] It's a
22 hard thing--

23 CHAIRPERSON YASSKY: --a shot in
24 the dark, yeah.

25 MARIA GOTSCH: It's a hard thing to

2 measure. I think it's more-- the numbers I think
3 is really the way to look at that.

4 STEVE STRAUSS: We actually did do
5 interviews with the Tech Transfer offices at a
6 number of other schools outside of New York City.
7 And then, compared with what was going on at New
8 York City. There wasn't an obvious best practice
9 that we could point to and say you guys should be
10 doing X.

11 CHAIRPERSON YASSKY: Right.

12 STEVE STRAUSS: And, the numbers do
13 seem to back up the assertion that, you know, in
14 terms of transfer of technology at the
15 universities, we're on par with the other folks.

16 CHAIRPERSON YASSKY: Okay. One
17 thing, Miss Gotsch, I really would love to pick up
18 on was your point about the City as a consumer. I
19 mean, with our \$60 billion budget, we buy a lot of
20 stuff. How are we implementing that idea? How is
21 that trickling down through the agency? I'm just,
22 when you said it, or maybe when I read it here,
23 I'm not sure whether you said it or I just read it
24 on the paper, but, I thought about the Board of
25 Education ARA [phonetic] System, the computer, you

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2 may not follow that, but I say it only 'cause it
3 was in the newspapers, the Board of Ed spent \$80
4 million to develop a data tracking system the
5 principals can use. And, I just remember 'cause I
6 read it, the finalists were a large non-New York
7 City corporation and a home-grown New York City
8 corporation. And, it ended up the non-New York
9 City got it. Now, from the point of view of the
10 contracting officer, they want to get best
11 product, best price. I get that. So, how does
12 your insight work its way through the practice?
13 Is there a way to...

14 MARIA GOTSCH: - - a full
15 disclosure. That was one of our portfolio
16 companies, the New York City company that didn't
17 get it.

18 CHAIRPERSON YASSKY: Okay.

19 MARIA GOTSCH: So, we're very
20 familiar with those issues.

21 CHAIRPERSON YASSKY: That's funny.
22 I did not realize that when I asked--

23 MARIA GOTSCH: Yeah, yeah.

24 CHAIRPERSON YASSKY: --you, yeah.

25 MARIA GOTSCH: So, just in full

disclosure.

CHAIRPERSON YASSKY: Yeah, okay.

MARIA GOTSCH: I understand that there are issues with respect to procurement that need to be respected. But, I think that that's an area that's worth taking a look at with respect to could that aspect of being a New York City-based company be a part of the procurement process so that you either, when you do an RFP, there are, you know, always a number of considerations that get taken into place. And, you get various weightings and points for various things. Could you add a local component to that? And so, it's not the only metric that you put on the table. But, you know, you put experience; you put location; you put price; you put quality.

CHAIRPERSON YASSKY: Right.

MARIA GOTSCH: Particularly--

CHAIRPERSON YASSKY: I guess, yeah, as I'm thinking about it. I know you're not, I guess, a New York City employee. Maybe Mr. Strauss is the-- maybe the question is better directed to you. Is there a way to have that trickle through?

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2 STEVE STRAUSS: In the interest of
3 full disclosure, I actually only joined New York
4 City EDC a couple of months ago. So, it's an
5 interesting question.

6 CHAIRPERSON YASSKY: Even so?

7 STEVE STRAUSS: I'll have to check
8 on it.

9 CHAIRPERSON YASSKY: Okay. I have
10 a couple more, but I know Diana Reyna has some
11 questions. So, I'll yield.

12 COUNCIL MEMBER REYNA: Thank you,
13 Mr. Chair. I just wanted to take an opportunity
14 to understand. Beyond the startup opportunity
15 that's being provided here, and your comment,
16 Maria, about this particular sector, as far as the
17 promotion of green products, but not enough
18 manufacturing, where do you foresee these
19 companies to expand to be able to enter the
20 manufacturing arena and produce in New York City
21 so that we have not just the venture capitalist
22 opportunity, but also the skill setting of what
23 were once, you know, a prime city providing jobs
24 to immigrants for skilled work, such as
25 seamstress?

MARIA GOTSCH: Um, hm.

COUNCIL MEMBER REYNA: Now, this is a different line of production. Do you foresee manufacturing being consolidated in certain areas in New York City? Or, is this already in the plans provided by the East River development?

MARIA GOTSCH: The East River Science Park is more geared towards biotech companies.

COUNCIL MEMBER REYNA: Um, hm.

MARIA GOTSCH: There might be some clean tech. But, that's more for biotech companies.

COUNCIL MEMBER REYNA: Um, hm.

MARIA GOTSCH: The clean tech space, you make an excellent point. It's a very interesting sector because of the range of jobs. It ranges everywhere from sort of high-tech financial services jobs to more manufacturing or installation jobs.

COUNCIL MEMBER REYNA: Um, hm.

MARIA GOTSCH: We, for instance, have one of our portfolio companies is a solar installation business. And, they're actually

1
2 partnering with CUNY to do some training to teach
3 people how to get a certificate to be a installer
4 of solar panels. So, if the City were to expand
5 the amount of solar that it put on its own
6 buildings, and they did enact a commercial
7 property tax rebate, which has been very helpful
8 to that industry, that's a way to encourage more
9 of those kind of more installation manufacturing
10 jobs.

11 With respect to more processing
12 type facilities, there are a number of interesting
13 new technologies, which are clean, which are in
14 sort of conversion of waste to other products.
15 So, the Visy Paper facility on Staten Island--

16 COUNCIL MEMBER REYNA: Right.

17 MARIA GOTSCH: --is a good example
18 of that. And, those are very good processing
19 manufacturing jobs. And, I think there it makes
20 sense to not take the waste and ship it a hundred
21 miles away to process it. So, we've seen a number
22 of technologies. One is the conversion of waste
23 cooking oil to bio-diesel is another type of
24 facility.

25 So, I think that could be one thing

1
2 that the, you know, to sort of take a careful look
3 at the inventory of land that the City has, either
4 land that it owns or that it might acquire that
5 could be in a way sort of set aside for that type
6 of clean manufacturing, 'cause I do think there
7 are certain types of, not everything, but certain
8 types which would be appropriate here given the
9 cost of shipping waste, for instance.

10 COUNCIL MEMBER REYNA: Sure. And,
11 you know, I don't know where the Department of
12 Economic Development Corporation is in trying to
13 plan ahead so that we are thinking of processing
14 sites that can be the properties that we can
15 foresee providing employment opportunity at a
16 larger notion than just startup. Obviously, I
17 have an outlook vision, as opposed to short term.
18 And, I'm, you know, the first thing that comes to
19 mind are the IBZs in the City of New York. The
20 Industrial Business Zones are supposed to be
21 designated to protect the very demanding space
22 that is competing with residential conversions so
23 that we're trying to consolidate these
24 manufacturing industrial spaces to protect them to
25 be able to provide these particular processing

1
2 venues of space. Is there something that EDC,
3 perhaps, is looking forward to trying to forge the
4 IBZs with these startup companies so that then
5 they can continue to have their viability here in
6 New York City?

7 STEVE STRAUSS: We're certainly
8 anxious that they stay and continue to be viable.
9 There are a variety of things that we're aware of.
10 We're completing an industrial sector study, you
11 know, no-- how do I phrase it-- one of the key
12 insights that is coming out of that is New York is
13 an effective place to manufacture under very
14 special circumstances, where you need to be close
15 to the customer. Maria outlined some examples
16 around bio-diesel, other areas, for example in
17 fashion. This is a very good place if you want to
18 be doing very high-end, very quick turnaround
19 fashion work because you need to be close to the
20 designers, the showrooms. In looking at, more
21 generally, the sector, there's the Brooklyn Army
22 Terminal, which is a large space available for
23 various types of light manufacturing. And, we
24 continue to talk actively to the community.

25 COUNCIL MEMBER REYNA: Well, I just

1 don't want you to go to, you know, the premier
2 spaces. We also have the North Brooklyn--

3
4 STEVE STRAUSS: Um, hm.

5 COUNCIL MEMBER REYNA: --IBZ area
6 that is always looking to welcome new businesses
7 and provide employment to a local workforce that's
8 eager to have employment opportunity, you know.
9 And, right adjacent to that is the Maspeth area,
10 where there is a viable manufacturing industrial
11 space. And, we also have the, what will now be
12 considered the, old Pfizer plant, you know.
13 Pfizer is shutting their doors and they're in
14 transition, moving out a workforce, trying to get
15 them into secured positions, where their skills
16 would be translated into their next job. But,
17 more importantly, that particular building, and I
18 know that's in Council Member Vann's district,
19 we're trying to make sure doesn't fall into the
20 hands of someone who would want to develop that
21 into residential, as opposed to bringing in
22 entrepreneur opportunities.

23 STEVE STRAUSS: All very valid
24 points.

25 COUNCIL MEMBER REYNA: Thank you.

CHAIRPERSON YASSKY: Thank you.

Okay. I have a bunch of questions. But, we have a number of people that I want to hear from and I don't want to keep them for too long. So, I think I will just thank you for your testimony. I'm eager to see how the Seed initiative goes forward. I commend you for doing it. And, Mr. Strauss, I look forward to working with you as you settle in and embark on this project.

MARIA GOTSCH: Okay.

CHAIRPERSON YASSKY: Thank you.

STEVE STRAUSS: Thank you very much.

MARIA GOTSCH: Thank you.

CHAIRPERSON YASSKY: Let us hear, 'cause we have some people who are out doing this work in the private sector. I think we should hear from them. We have David Rose, from New York Angels; Peggy Wallace of Golden Seeds, LLC and Paul Sciabica, I believe. If I've mispronounced, please accept my apology. There are also a couple of small-- these are from the VC side. We have two folks from the entrepreneur side. Shall we come up together or afterwards?

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PEGGY WALLACE: Together.

CHAIRPERSON YASSKY: Might as well together. Josh Green and Charles O'Donnell have signed up. Oh, we have three investors and two investees. Make a shitack [phonetic] as they say in my district.

DAVID S. ROSE: Good morning, Mr. Chairman and Council Members. My name is David S. Rose. And, okay.

CHAIRPERSON YASSKY: Yeah, we got the whole crowd up. Go on, please.

DAVID S. ROSE: Sure. My name is David S. Rose. I'm the Chairman of New York Angels, which is the largest early-stage technology angel investment group in New York. And, my testimony's being distributed. So, I will, following Maria's lead, briefly summarize.

First, a quick difference between venture capital investors and angel investors. Venture capitalists, VCs, are professional money managers who raise a large fund of money and then invest that in early-stage companies. Angel investors are individual people who invest their own capital into starting companies. And, because

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2 it's their own money, it's usually a lot less that
3 they're investing per chunk than typical VCs. So,
4 you often have angel investment as a first early
5 stage before venture capitalists come in.

6 MALE VOICE: Silent partners.

7 DAVID S. ROSE: Actually, not so
8 silent, because typically the average angel
9 investor in the United States who's serious about
10 this is a reformed entrepreneur, has 15 years of
11 experience as an entrepreneur and has started two
12 or three companies him or herself. And so, they
13 often do this not just to make money, because it's
14 a very hard way to make money over a very long
15 time, but to give back and to help mentor the next
16 generation of entrepreneurs and to leverage their
17 networks and their experience and so on.

18 So, we're delighted to be here
19 today speaking. I'm accompanied by several folks
20 here. All of us are in the early-stage technology
21 sector here in New York. Paul Sciabica, to my
22 right, is the Executive Director of New York
23 Angels, of our group. Peggy Wallace, to my left,
24 is an Angel investor herself, with a group called
25 Golden Seeds. And, we have Charlie O'Donnell and

1
2 Josh Green, who are early stage - - themselves.

3 CHAIRPERSON YASSKY: Okay. You
4 know, why don't I frame it and maybe everybody can
5 address this in their brief time, then we can have
6 Q and A, is, you know, how are we doing? And,
7 what can the City do so that we're doing better?
8 How are we doing meaning how are we doing as a
9 City in attracting both venture capital that wants
10 to invest here and the entrepreneurs who can get
11 venture capital and angel investment? And then,
12 what, if anything, can we do by policy to
13 encourage that?

14 DAVID S. ROSE: Those are the two
15 right questions, I would posit. And, I think--

16 CHAIRPERSON YASSKY: Yes.

17 DAVID S. ROSE: -- the answers are
18 actually quite simple. And so, there are six
19 different things, major things, the City needs to
20 have to get this going. And, if you look through
21 them in terms of right entrepreneurs, a
22 technologically skilled workforce, educational
23 institutions, places for them; we have, we have,
24 we have, we have, we have. All the way down the
25 line, we have. If we have all these things, what

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2 don't we have? And, the one thing we don't have,
3 which has been a problem here for a decade, is a
4 will of the City to say hey, we have a tech
5 sector. We have an early-stage technology sector.

6 And so, the essence of the
7 testimony that I distributed there is that all we
8 need now, we don't need another investment fund,
9 although NYCSeed is great and we're actually co-
10 investing with them on some things. We don't need
11 more incubators. We don't need a zillion dollars.

12 What we need is simply for the
13 City, the Administration, together with the
14 Council, to step up and say hey, we have an early-
15 stage tech sector here. Let's try and bring
16 together all the components that are here. And,
17 that would be, I think, coming out of EDC, a
18 simple office designed to support and help
19 coordinate the technology sector in New York City.
20 That's it. Very simple.

21 CHAIRPERSON YASSKY: Well, let's
22 have, maybe let's have everybody address that
23 question. Look, I am prepared right here today to
24 announce that we do have an early-stage tech
25 sector. Now let me--

2 DAVID S. ROSE: [Interposing]

3 That's a start. Okay.

4 CHAIRPERSON YASSKY: Now, let's
5 move-- we'll move from there. But, okay, thank
6 you. Why don't we have everybody address that and
7 then, we can do the Q and A. Please, why don't
8 you-- we can go--

9 PEGGY WALLACE: Okay.

10 CHAIRPERSON YASSKY: --
11 counterclockwise.

12 PEGGY WALLACE: My name is Peggy
13 Wallace. And, I'm a Managing Director with Golden
14 Seeds. And, we are an angel investment group that
15 invests in women-owned and women-led companies.
16 We have forums in New York, Boston, Pennsylvania
17 and San Francisco. We have 100 investor members
18 who are men and women, primarily woman, investing
19 in these companies.

20 And, I think some of the anecdotal
21 things that have happened with us, in three years,
22 we've made 18 investments. Only one is in New
23 York City. Four are in Pennsylvania. All four of
24 those were done out of the Ben Franklin Innovation
25 Works program. So, I think we didn't intend for

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2 this to happen, but just something about the way
3 their program works, in terms of bubbling up and
4 seeding companies brought forward to us that we
5 invested in.

6 CHAIRPERSON YASSKY: And, I'm
7 sorry. That is a state or a city--

8 PEGGY WALLACE: It's a state-
9 sponsored program in Pennsylvania. We have one
10 investment in New Jersey. We did one in Colorado;
11 one in Oregon; one in Washington and then, we have
12 several up in Massachusetts. So, I think from the
13 standpoint of just what's happening, we aren't
14 seeing enough activity ourselves. And, 70 of our
15 investor members are here in New York City. It's
16 a lot of us living here writing the checks.

17 So, I think New York could work
18 better. And, I totally support David Rose's
19 suggestions on this. I think a couple of other
20 things. In New Jersey, we have one company where
21 we've invested with the New Jersey VA. I do think
22 programs that help these companies get seeded are
23 very important and any kinds of benefits, rent
24 abatement, you know, lots of states offer things
25 to entrepreneurs. It's very important to

2 communicate what's available.

3 And, because we invest in women, we
4 are becoming very conscious of what locations are
5 a positive place for an entrepreneur to start
6 their company. And, we are becoming more and more
7 proactive about where their company should be
8 located. If we think that there are better
9 offerings in another state, we're agnostic and we
10 will push them there. So, you know, we would love
11 to see New York be revitalized and offer
12 suggestions.

13 And, a couple of other comments I
14 wanted to make. I know the focus here seems to be
15 on tech. I just heard about this meeting myself
16 last Thursday. So, you know, we invest in women.
17 About half of our investments are technology.
18 Half of our investments are not. New York is a
19 great media city. New York is a great fashion
20 city. Brands are built here. So, I think
21 limiting the conversation to tech eliminates a lot
22 of companies by definition, companies that won't
23 offer some of the manufacturing that you were
24 speaking about in a lot of jobs. So, I think it's
25 a great focus. But, it can be too narrow in terms

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2 of entrepreneurialship. So, I would encourage
3 people to think a little bit broader.

4 So, I think those are kind of the
5 highlights I just wanted to get across.

6 CHAIRPERSON YASSKY: Thank you.

7 PAUL SCIABICA: Hi. I'm Paul
8 Sciabica, the Executive Director of the New York
9 Angels. And, I think I'm going to pass the mic to
10 have others talk about the networking issues that
11 David brought up. I think it's incredibly
12 important. I think what I'd like to do is just
13 kind of leave the Committee members with one, you
14 know, one thought; one food for thought is that
15 ten years ago, nobody in this City ever thought
16 the center of the advertising universe would be in
17 Mountain View, California.

18 So, I think not only is economic
19 development, job creation important, but I think
20 just as important is job retention. And, what's
21 going on in the financial industries and the
22 capital markets and all these tech folks that are
23 going to be out of a job is an opportunity to
24 challenge. So, I think what David is right on
25 about creating a forum so that when people want to

2 know what's happening in the entrepreneurial
3 world, there's one place to go. And, in that one
4 place they'll find 20 different venues which they
5 can proceed. But, you know, nobody thought the
6 Google would be taking all this advertising money
7 that typically was meant for these people right
8 across the street or right from Madison Avenue.
9 So, I'll pass it on.

10 JOSH GREEN: I'm Josh Green. I'm
11 the CEO of Pangiva, which is an early-stage
12 technology company. And, I would argue that given
13 the resources here in New York, in terms of the
14 amount of money that's here, the amount of
15 talented people that are here, the customer base
16 that is here, I mean, it's extraordinary the
17 resources that are available. And, I think the
18 level of entrepreneurial activity relative to the
19 available resources is actually quite low.

20 And, I think one quick story about
21 my own personal experience might be instructive.
22 When I was thinking about whether to start a
23 company, where to start a company, I was finishing
24 school. And, I was thinking about New York
25 because my family's here. And, you know, I asked

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2 people's advice and, you know, suggested that I
3 was thinking about coming to New York. And, the
4 most common response was you're crazy. Why would
5 you go to New York? There's no startup community
6 there. There isn't technical talent there. There
7 aren't people to invest in you there. Wrong.
8 Wrong. Wrong.

9 I think New York has a brand
10 problem. I think all these resources are here
11 but, entrepreneurs aren't getting the message.
12 And, I would argue that New York and, you know,
13 those of us who care about building an
14 entrepreneurial community here need to be more
15 entrepreneurial. We need to get out there. We
16 need to be out there, you know, talking to people
17 who are finishing school saying, look, New York
18 has lots of resources available. But, I think to
19 David's point, it doesn't seem clear to me that
20 there's anybody who's really taking responsibility
21 to do that.

22 CHAIRPERSON YASSKY: Thank you.
23 There's a lot to follow up on there. But, let's
24 finish out the panel.

25 CHARLIE O'DONNELL: Hi. My name is

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2 Charlie O'Donnell. And, I'm the founder of Path
3 101. It's an early-stage startup here in the
4 City. I think David's absolutely right and we
5 didn't actually collaborate on our testimony.
6 But, I, too, brought up the idea of a single focal
7 point within government and what I call it was a
8 Community Manager. Every single large social
9 networking website on the face of the earth has a
10 job within their organization called the Community
11 Manager. And, that person's job is to basically
12 know what's going on on the site; be a connector
13 to all the resources and make sure all of the
14 users are sort of happy and well-fed, whatever
15 that means in their own communities, and are aware
16 of all the resources.

17 The thing about the New York
18 community is everything is incredibly dispersed in
19 terms of where they are. To really know and to be
20 able to bring all the resources that New York has
21 to bear, and I think of myself as attempting to do
22 that. I have somewhat of a unique background for
23 an entrepreneur in that I used to come from a
24 venture capital firm. I used to work for Fred
25 Wilson and Brad Burnham at Union Square Ventures.

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2 I was their first analyst. I also teach at one of
3 the local universities. I teach an
4 entrepreneurship class up at Fordham in the Rose
5 Hill campus in the Bronx.

6 And so, I feel like, in my spare
7 time, I play a lot of that connector role. I
8 founded a group called nextNY, which has almost
9 2,000 up and coming young tech and digital-- but,
10 that's not my fulltime job. And, I can't even
11 imagine-- I can't even keep track of the number of
12 various city, state government-related entities
13 that I've been put in touch with or I don't know
14 what the difference between the EDC and Department
15 of Small Businesses and NYSTAR, whatever. And,
16 it's really too much for just sort of organic, you
17 know, people within the community to kind of keep
18 track of. And, I think a single, even just one
19 person, whose job it was to be the point.

20 It's the same actually advice that
21 I gave to-- I got invited to a breakfast with the
22 Chairman of Sun, Scott McNeely, who said what can
23 we do. And, Sun is constantly sponsoring events,
24 so, they throw money at the problem, sending
25 hardware around. And, I said well, you know,

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2 that's great. But, sometimes I just want to know
3 who to call. And, there isn't one single person
4 in that organization. I think that's really the
5 problem is that, you know, who do startups reach
6 out to to connect to all these sort of entities.

7 Two other quick points I want to
8 make. Related to the education and New York City
9 schools' ability to generate entrepreneurs, the
10 problem is partly systematic in the way that
11 schools are set up. So, I teach as an adjunct up
12 at Fordham. Now, I don't have a graduate degree.
13 So, that presents a problem for them because when
14 they want to get ranked on the U.S. News and World
15 Report list, one of the criteria is number of
16 people with terminal degrees. Well,
17 unfortunately, PhDs in entrepreneurship, if there
18 was such a thing, don't really have experience
19 creating companies. I'm the only person on that
20 staff who is actually in the middle of creating a
21 company or has funded anything. It's not a knock
22 on them. It's just that to maintain their
23 ranking, that's the kind of people that they need
24 to hire. So, anyway that schools can work better
25 with people who actually have, you know,

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2 experience.

3 The other thing is that, by
4 comparison, there are classes at Stanford
5 University where they'll try and develop web
6 applications. And, they look at it as a success
7 when that application gets funded and the person
8 leaves the school. And, they are so, as a
9 university, committed to entrepreneurship that
10 they're really excited when somebody doesn't
11 graduate and gets funded for their business.
12 That's really not the case at the local
13 universities.

14 There was a stat before that there
15 are 594,000 undergrads or something. That's
16 great. But, we should have the biggest numbers of
17 everything, 'cause we're just, you know, the
18 biggest. What I think the real number is how many
19 of those students actually are thinking of
20 creating a new business, not working for a big
21 Fortune 500 company, which is what they see at
22 their job fairs and recruiting all the time. And,
23 how many of them think they can do it here? I'll
24 tell you firsthand from being in the classroom
25 with them, it's very little.

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2 The other thing is really to VC
3 investment. I don't think that's necessarily the
4 right number to be following. VCs find good
5 companies. They're paid to find good companies.
6 And, if you're not actually developing really
7 exciting companies for VCs to make investments in,
8 there's no way you can attract the VC money unless
9 there's actually, you know, enough of a critical
10 mass of entrepreneurs. I think they'll come.

11 I think one of the issue related to
12 VCs is that there aren't enough of them here in
13 New York that are actually active in doing deals
14 'cause those are the ones that reach out to the
15 universities, make it known within the
16 universities that this is sort of a viable path.
17 It's not great when Excel Partners comes in and
18 invests \$20 million into Etse. I mean it's great
19 for Etse. But, that doesn't really help the
20 community 'cause they come in to a Board meeting
21 and then they turn around and they leave.

22 So, I think it's, you know, New
23 York City-based venture capital firms doing deals
24 of, you know, at least half a million or whatever
25 it is, there, frankly, aren't really that many of

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2 them. I don't know how you encourage people to go
3 into business to be VCs and stay there. The New
4 York City Seed program is great. But, Owen and
5 the rest of that team, they don't have a four-year
6 mandate like most venture capital firms do. I
7 hope they're around for four years. But, if
8 they're not given that runway with maybe a little
9 more money, that's not really going to make a
10 tremendous impact.

11 CHAIRPERSON YASSKY: Okay. Thank
12 you. And, then we have one more before questions.

13 ANDREW CHEPAITIS: My name's Andrew
14 Chepaitis. And, I'm the CEO of ELIA Life
15 Technology. And, I have a additional startup,
16 which is Brooklyn Salt Works, which will be an
17 incubator at the Brooklyn Army Terminal, at least
18 we hope it will be.

19 I suppose I should talk about the
20 entrepreneurial community. When I meet somebody
21 in New York City, typically the first thing they
22 say, and it's a new business contact, typically
23 the first thing they say is so, you're starting a
24 new company, eh. And, they look at me kind of
25 like I have three heads and that I'm doing

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2 something quite unusual. Whereas, when I visit my
3 contacts up in Boston or out in Silicon Valley,
4 they say well, so, what does your company do,
5 because it's not unusual to be starting a company
6 there.

7 I've found that I know most of my
8 entrepreneurial contacts are in Boston and in
9 Silicon Valley. And, I live in New York and I've
10 been here for ten years. And, part of that is is
11 that some of those contacts started in New York
12 and then, they left because there isn't a
13 community. There really isn't the glue here that
14 is required to build great companies and grow
15 great companies and even to attract venture
16 capital. So, there's a lot of venture capital in
17 New York City, but it doesn't invest in New York
18 City, right.

19 So, one of the resources that I've
20 found very helpful is ITAC. And, my company has
21 won several SBIR grants from the Small Business
22 Administration from NIH and from the National
23 Institute of Standards and Technology. And, they
24 were critical in helping us to secure those funds
25 and, you know, first time we sent our application,

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2 didn't get funded. And then, so they sat down and
3 they helped us revise those applications. They
4 helped us to win partnerships with Columbia
5 University and Cornell University. And so, we're
6 in partnerships with them. And, we have
7 additional SBIR grants that we'll be submitting.

8 But, I recently found out that
9 they're undergoing staff cuts. I mean, so, we're
10 looking at trying to start a community, an
11 entrepreneurial community, and then, kind of the
12 one place that we do lean on and that we do go to
13 for, or at least that I go to, for expertise, it
14 looks like they're falling on hard times, too.
15 And, you know, small companies in New York City,
16 or small companies in general, have less capacity
17 to weather the storm.

18 And so, you might have companies in
19 New York City that are on the verge of a discovery
20 to cure cancer or to increase the capacity of
21 small wind turbines to generate electricity.
22 Those companies, a lot of them will fail. And, in
23 New York City, it's quite possible they have a
24 greater chance of failure. If New York City
25 wanted to build a community, they would support

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2 ITAC. They would support different community
3 development. And, in terms of, say, the New York
4 City Seed Fund, that's an exciting opportunity.
5 But, it's, and not to belittle it, but, \$2 million
6 isn't a ton of money.

7 CHAIRPERSON YASSKY: Okay. That's-
8 - I'm sorry.

9 ANDREW CHEPAITIS: Sure, go ahead.
10 I'm sorry.

11 CHAIRPERSON YASSKY: You go ahead
12 and conclude.

13 ANDREW CHEPAITIS: Well so--

14 CHAIRPERSON YASSKY: But, then I
15 had a--

16 ANDREW CHEPAITIS: --there are--

17 CHAIRPERSON YASSKY: --simple
18 question.

19 ANDREW CHEPAITIS: There's a new
20 business model for incubators. It's called the
21 Accelerators, where a small company will get
22 started with just enough capital to get started
23 and to basically see them through to a beta test
24 product. And, what they tend to do is, they tend
25 to take a part-time CEO and a part-time engineer

1
2 and they cobble together a group. Engineers
3 might-- you'd be working on five different
4 companies. And then, at some point, they get
5 those companies together and then, spin them out.
6 And, Y Combinator, up in Boston, has sold a couple
7 of their companies to, I believe, Google. Here,
8 you need the engineer that's on 20% of the time
9 and the software developer who's on 50% of the
10 time and a part-time CEO and a little bit of seed
11 money. And, you just don't find it here. Anyway,
12 that's one of the reasons that I'm starting an
13 incubator at the BAT.

14 CHAIRPERSON YASSKY: Thank you.
15 Okay. There's a lot in here. I just want to
16 start with the marketing point, because that
17 struck me. And, it probably struck me because it
18 squared exactly with everything I've heard in
19 looking into this on our own and this is what I
20 was talking about with Mr. Strauss before is, you
21 know, as I've talked to VCs, angel investors,
22 entrepreneurs here in New York, their perception
23 is that there's very little of this activity.
24 Now, that may not be borne out by the numbers.
25 But, it does speak to a marketing or perception

1
2 issue. And, I'm just wondering, I mean, we spend,
3 you know, the City spends some \$20 million a year
4 on NYC and Company, which markets New York City as
5 a tourist destination, obviously, an important
6 business for us, no question. But, you know, and
7 they just recently opened a, I forget where it
8 was, but in India I believe, somewhere, a, you
9 know, yet another new office for the City to
10 market itself to potential visitors.

11 I am wondering, I mean, the tourist
12 comes here. It's great. They'll eat in the
13 restaurants and stay at a hotel. An entrepreneur
14 comes here, they're going to create jobs for, you
15 know, one hopes dozens, if not more, New Yorkers.
16 So, I'm curious for the rest of the people whether
17 you think that there'd be a payoff in investment
18 in marketing, per se.

19 ANDREW CHEPAITIS: I think
20 absolutely. And, that's one of the key points.
21 The two things that I think we're all, you know, -
22 - at here is one, you need a central point of
23 contact to say where, if I'm starting something,
24 where do I go. Where do I find financing and
25 schools, this thing, other thing? And, number

two, networking among the-- to help create the community, a Community Manager, as Charlie said. And then, number three, letting the outside world know that we're here. What these two guys do, Charlie and Frank Madison from ITAC, over here, these two guys are single-handedly the face of the New York City early-stage technology sector. And, they spend all the time, 24/7 for both of them, running around and they're doing it with very little support.

CHAIRPERSON YASSKY: Does anybody else want to answer that?

CHARLIE O'DONNELL: I don't think it's marketing spend.

CHAIRPERSON YASSKY: The Sergeant at Arms will appreciate very much if you speak into the microphone--

CHARLIE O'DONNELL: Oh.

CHAIRPERSON YASSKY: --'cause these are taped.

CHARLIE O'DONNELL: Oh, okay. I don't think it's so much marketing spend, as so much as, you know, tourists look at advertisements. Entrepreneurs don't look at

1
2 advertisements. And, you have to think about
3 where entrepreneurs find out about opportunities
4 [crosstalk]

5 CHAIRPERSON YASSKY: [Interposing]
6 Yeah, well, this was going to be my follow-up
7 question was how would one go about marketing?
8 Okay.

9 CHARLIE O'DONNELL: Well, I mean,
10 this meeting's a really good example. I don't
11 actually have a printer in my office. Okay. I
12 had to go forward it around to somebody who had a
13 printer. Like, this is being recording and taped.
14 But, it's not being live streamed, you know, on
15 the web. In terms of [pause] so, you know, even
16 the way that we're conducting these meetings is
17 not the way entrepreneurs conduct these meetings.
18 Just as a sort of side thing, for example. And,
19 the way that entrepreneurs do it is much more
20 organic.

21 So, there's a social network called
22 Twitter. People pass text messages around to each
23 other. There are 500 users, mostly tech folks,
24 who have gathered together on this network to
25 organize, to--

CHAIRPERSON YASSKY: [Interposing]
It's our low-tech HVAC. Yes, go on.

CHARLIE O'DONNELL: -- to organize
around navigating the line at the Shake Shack in
Madison Square Park; okay, 500 people. So, that's
where they are. And, if you really want to find
where the entrepreneurs are and, you know, like,
you have to be on that network--

CHAIRPERSON YASSKY: [Interposing]
Start at the Shake Shack.

CHARLIE O'DONNELL: --and show up--
yeah. I mean, the Shake Shack's actually a pretty
good place for that.

ANDREW CHEPAITIS: Charlie is being
absolutely--

CHAIRPERSON YASSKY: [Interposing]
I'm sorry. But, also I want to hear--

PEGGY WALLACE: I was just going to
make a comment that there's another group in the
City called the Hatchery that's been trying to get
some of the young technologists together. And, I
was really amazed to meet a number of young people
that were moving to New York because it's cheaper
to live here than Palo Alto. And so, they were

2 definitely starting to explore coming here just
3 because of the cost of living. And, that might be
4 something that New York could promote to young
5 entrepreneurs out in Palo Alto and that area in
6 particular.

7 JOSH GREEN: I think, I would
8 really agree that it's not, you know, an issue of
9 marketing spend. I do think there's some very,
10 very low-cost creative things that can be done.
11 You know, I recommend hiring a failed
12 entrepreneur, somebody who has done this, hasn't
13 succeeded. The best predictor of somebody who's
14 going to succeed at entrepreneurship is somebody
15 who's failed in the past. Hire a failed
16 entrepreneur, get them to run the operation of
17 spreading the word about entrepreneurship. And,
18 they'll come up with lots of creative ideas. It
19 could be an alumni, you know, a mentorship network
20 with entrepreneurs in New York who are willing to
21 mentor other entrepreneurs. You know, maybe if,
22 for instance, our Mayor was one of the people who
23 said yes, I'll mentor an entrepreneur who comes to
24 New York. That's something--

25 CHAIRPERSON YASSKY: [Interposing]

Now, if you're--

JOSH GREEN: -- that would--

CHAIRPERSON YASSKY: --you're calling him a failed entrepreneur, I want to see you do that to his face.

JOSH GREEN: No, no, I'm not calling him a failed entrepreneur.

CHAIRPERSON YASSKY: All right.

JOSH GREEN: But, no. But, I think having somebody who comes in and takes responsibility for it. You give them a little bit of money, or her a little bit of money. I think you'd see a lot of creative ideas that would go a long way.

ANDREW CHEPAITIS: I would say marketing is helpful. But, I wouldn't focus your attention on marketing. The proof is in the pudding. And, your dollars would probably be better spent supporting entrepreneurs in New York City so that they can-- so that those dollars are specifically influence and help them to start their companies 'cause then, if you got one Google here, you know, you would have other entrepreneurs coming here. And, that would be the best

1
2 marketing you could possibly get, as opposed to
3 saying well, here are-- obviously the resources
4 that we have in New York City, I don't think it's
5 necessarily a packaging. It's--

6 CHAIRPERSON YASSKY: [Interposing]
7 So, what are you suggesting then? And, tell me--
8 and I heard before, you're talking about ITAC.
9 What aspect of it is that the, you know, kind of
10 technical assistance on the business, on the
11 business plan? Is it the technical assistance on
12 government? You know, here it's a tax-- here it's
13 a zone where you can get this tax benefit--

14 ANDREW CHEPAITIS: Sure.

15 CHAIRPERSON YASSKY: --and so
16 forth. Or, is it a third thing? What is it?

17 ANDREW CHEPAITIS: Well, it's those
18 things. And, for an entrepreneur, what you really
19 need is you need to-- every entrepreneur, I look
20 at it as they're operating on the same sort of
21 model that your body does. You can survive couple
22 minutes without oxygen. You can survive a couple
23 weeks without food. What some place like ITAC is
24 going to help an entrepreneur to do is, they're
25 going to help them set up the correct legal

1
2 structure, the correct accounting, the correct
3 payroll, whatnot. All that administrative stuff
4 is not what we do well. And, if you're looking
5 at, say, a 10% bump in the improvement of
6 entrepreneurs in New York City, give them
7 additional-- give them kind of cut the path
8 through the woods, as opposed to having us, you
9 know, try to cut through ourselves.

10 CHAIRPERSON YASSKY: Each person
11 themselves. Okay. Please, and then, I know
12 Council Member Brewer has questions.

13 DAVID S. ROSE: I think in total,
14 what all of us are saying put together, is less
15 than ten million bucks. You're talking about a
16 few million dollars, a central organizing office
17 with a Community Manager. And, I agree that a
18 failed entrepreneur would be perfect for it. And,
19 the six things that I lay out here that I think it
20 should do; establish a directory and a website
21 that would be the central point of what's
22 happening here--

23 CHAIRPERSON YASSKY: I'm sorry.
24 Say it again. Establish a?

25 DAVID S. ROSE: Establish a

1
2 directory and a website--

3 CHAIRPERSON YASSKY: Directory and-

4 -

5 DAVID S. ROSE: --which there is
6 none now for the City, of what the heck is
7 happening here, number one. Number two, sponsor
8 an organized, real-world events and online
9 communities. The online community, as Charlie was
10 mentioning, as well as real events. Charlie
11 organized one at the Shake Shack last month; had,
12 what, 300, 400 entrepreneurs at the Shake Shack
13 networking.

14 Number three, convene a semi-annual
15 summit meeting of all of the players who are in
16 this space supporting it; the people from ITAC,
17 the entrepreneurs, the investors, the VCs and so
18 on and so forth.

19 Four, serve as the promotional and
20 publicity arm for New York's tech sector, which
21 hasn't been done so far. Take a little bit of
22 that budget, let the world know we're here.

23 And then, five, undertake an
24 ongoing recruiting effort throughout the national
25 technology community, not big marketing spend, but

2 the viral kind of nature of this Web 2.0 stuff to
3 let people know that there is that community here.

4 CHARLIE O'DONNELL: There's
5 actually recently, I think it was Denver, I think
6 it was a local Chamber of Commerce in Denver that
7 sponsored, like, a number of engineers from
8 outside of the city to actually to come to a tech
9 job fair out there. You know, why don't we go and
10 market to California schools to, you know, bring a
11 handful of people over here. Maybe it's like 30
12 people, you know. It's not, you know, massively
13 scaled. The way I think of this a lot is it's
14 kind of a ground war. It's house to house. It's
15 entrepreneur and entrepreneur. If you ask what
16 ITAC does, it's the people there. You know, it's
17 knowing that, you know, Franklin's met everybody
18 in the tech community and been doing it for the
19 last, you know, 12 or 15 years or whatever it is.
20 It's that connection.

21 CHAIRPERSON YASSKY: All right.
22 It's not an air war, susceptible to advertising.
23 It's a ground war. Okay. You know, again, we'll
24 have to pursue. But, first of all, I know I want
25 to mention that we've been joined by the great and

1
2 estimable Tom White, Chair of the Committee on
3 Economic Development and, of course, the Chair of
4 our Finance Committee here in the Council, David
5 Weprin. And, Council Member Brewer had questions.

6 COUNCIL MEMBER BREWER: Thank you
7 very much. I'm also Chair of the--

8 CHAIRPERSON YASSKY: Yes.

9 COUNCIL MEMBER BREWER: --
10 Technology--

11 CHAIRPERSON YASSKY: She has joined
12 us and is Chair of the-- yes.

13 COUNCIL MEMBER BREWER: --
14 Technology Committee in the City Council, which I
15 don't know if you exist. We focused a lot on
16 broadband and we've been working with EDC in a
17 study of all broadband, which is slightly
18 different than what you're talking about. Also,
19 I'm a big fan of Franklin Madison, like everybody
20 else.

21 My question, two things; one, you
22 should just know that we've been talking, begging
23 for webcasting. And, 10 a.m., October 29th, here
24 at City Hall, we're having a hearing on
25 webcasting. So, you're welcome to join us. We're

1
2 trying to bring the City Council and the City into
3 the public arena in terms of the 21st century.

4 So, we've been talking about this for a long time.
5 Feel free to join us. And, you can see where some
6 of the challenges are from the Department of
7 Information, Technology and Telecommunications.

8 The question I have is I see what
9 the challenges are. But, I assume that rent is
10 not a challenge, 'cause you didn't mention it
11 specifically. And, I also wanted to know, we have
12 a great CUNY University. There has been
13 discussions, I see people here from CUNY, between
14 the ability to draw talent from CUNY to the right
15 mix. That is currently something that is being
16 discussed. In other words, you make sure that
17 people are being trained for the jobs that
18 currently exist. So, I'm just wondering, in terms
19 of hiring, is that something that works? So, one
20 question is rent and the other is just the talent
21 pool, which I know you said was here. But, I just
22 didn't know, for those on a daily basis, if CUNY
23 or other universities help you with that talent
24 pool.

25 CHARLIE O'DONNELL: Luckily, for

2 me, rent's not an issue. We're squatting at
3 another company called Return Path. We're sort of
4 stuffed into one of their back conference rooms,
5 four of us around a table, which is another
6 example of the whole networking. The only reason
7 why I have that is 'cause I happened to know the
8 CEO of that company. So, there's no program that
9 allowed that. But, I'm sure, especially given
10 recent layoffs--

11 COUNCIL MEMBER BREWER:

12 [Interposing] That will be another example of what
13 could be done, if--

14 CHARLIE O'DONNELL: Yeah, I'm sure
15 a lot of companies have space now. And, you know,
16 could probably offset some of their overhead costs
17 by charging a small amount to entrepreneurs on a
18 per desk basis or whatever, absolutely. And, in
19 terms of hiring, again, it's that connection of
20 knowing who and which department happens to
21 produce a certain quality of a developer or a
22 technologist or whatever. Otherwise, you just
23 have people posting on job ports.

24 ANDREW CHEPAITIS: To answer the
25 two points. One, in terms of rent, I don't think

1
2 rent is an issue at all. I actually set up an
3 incubator that opened up about three months ago.
4 For \$500 a month, you can get a fulltime desk, 24-
5 hour access, internet support, other
6 entrepreneurs, the whole bit there. And, there
7 are a half a dozen things like that in the City.
8 Not a problem.

9 In terms of the universities, there
10 are two levels. There is the base workforce.
11 And, most of the companies we're talking about are
12 actually quite small when they start out. And,
13 they're not going to be hiring a thousand people
14 over there. But, in terms of what our university,
15 what Council Member Yassky was mentioning before,
16 I have personally invested in three companies
17 coming out of Columbia and NYU in the last six
18 months. So, these are companies that started
19 there, were nurtured by their business plan
20 competitions, by their entrepreneurial departments
21 over there and are now growing here in New York.

22 COUNCIL MEMBER BREWER: And then,
23 my only other question is regarding the website
24 and the very articulate list that you just made,
25 publicity and so on. The Mayor, I think, is going

1
2 to be announcing soon some notions regarding the
3 broadband community. And, the issue is somebody's
4 going to have to make that happen, too. So, there
5 may be some synergy in doing what you're talking
6 about, putting the two together. Thank you very
7 much.

8 CHAIRPERSON YASSKY: Council Member
9 Reyna.

10 COUNCIL MEMBER REYNA: Thank you,
11 Mr. Chair. I just wanted to ask, have any of you
12 heard of the Mayor's Office of Manufacturing and
13 Industrial Businesses?

14 ANDREW CHEPAITIS: I have not.
15 But, again, that's not the area--

16 CHAIRPERSON YASSKY: [Interposing]
17 That looks a no.

18 ANDREW CHEPAITIS: --in which we
19 function.

20 COUNCIL MEMBER REYNA: It's a
21 misconception because manufacturing and industrial
22 is just the space itself, the zoning, as opposed
23 to the type of business. And, in this particular
24 office, prior to its existence, one of the biggest
25 complaints, as far as I, as an individual,

1
2 representing an area that does have an industrial
3 and manufacturing area, was the lack of
4 coordination, the synthesizing between the
5 different agencies. And, the lack of
6 communication to deal with a manufacturing/
7 industrial site that had a business and was trying
8 to survive in that area, as opposed to picking up
9 and leaving and going to another state.

10 So, correct me if I'm wrong, what I
11 hear from your group is the need for a point
12 office where all of these different layers can be
13 shuffled and connected with the right answers, as
14 opposed to picking up the phone and making a
15 hundred phone calls and still not understanding
16 exactly where they're leading you towards. This
17 particular office did just what you had been
18 complaining about, to give answers to these
19 businesses in these areas.

20 And so, you know, to recreate
21 another office just for the tech sector, I just
22 think is duplicating government services, where we
23 can just definitely use the Mayor's Office of
24 Manufacturing and Industrial Businesses to be the
25 link of trying to synthesize within government the

1 points that you have just laid out beautifully.

2 And, just trying to figure out what it is we need
3 to do.

4
5 And, I'll give you an example. You
6 know, within this particular office, they've
7 created the designated IBZ areas. One of them is
8 the Brooklyn Navy Yard. And, understanding that
9 there is manufacturing/industrial space to
10 incubate entrepreneurial interest, to have the tax
11 credits available. This office will make
12 information available to you as to what the
13 benefits are at the receiving end.

14 In addition to that, you know, the
15 correct permitting process, whether it's the
16 Buildings Department versus and do it or whomever,
17 the issues of then trying to designate these areas
18 with an actual coordinator that can report back to
19 the main central office. Those coordinators are
20 designated per industrial business zone. Our area
21 is the North Brooklyn IBZ. And, the North
22 Brooklyn IBZ is layered so that there's an empire
23 zone at the state level to be able to give you the
24 tax credit necessary to keep those businesses so
25 that you continue to not just start, but expand.

1
2 And, you know, preserve that business to continue
3 to have employment opportunity for its local
4 workforce.

5 So, what I've heard here is truly a
6 lack of connecting. I'm not too sure what EDC is
7 doing. That was my question before. It's like
8 we're going in 50 directions and no one is
9 actually trying to merge a lot of what we already
10 do and market appropriately to the different
11 sectors that exists. So, when I mentioned this
12 particular office, I asked did any of you know it
13 existed. And, none of you had the notion that
14 that existed. But, many of you were not
15 understanding what the office actually is about.
16 Correct?

17 PEGGY WALLACE: Yes.

18 ANDREW CHEPAITIS: Well, it's not a
19 very good name for the office, though. It's not a
20 very good name for that office, then.

21 COUNCIL MEMBER REYNA: The demand
22 of the office came from the manufacturing and
23 industrial zones. And so, if the name is not a
24 good particular line of communication--

25 ANDREW CHEPAITIS: Right. I mean,

1
2 I just-- if I were looking for help and I saw that
3 name, that wouldn't be a place I would go. I
4 would say oh, this sounds like what I'm looking
5 for.

6 CHARLIE O'DONNELL: Yeah, right.

7 COUNCIL MEMBER REYNA: And,
8 nevertheless, EDC should pick up on this
9 particular issue, especially because-- I'm not too
10 sure how you're even working with government.
11 Like, who are you reporting to or asking questions
12 to at the government level? You're not. And so,
13 EDC is falling off the course here if they're
14 investing and they're not creating a fabric that
15 can actually maintain everyone in the same
16 network.

17 You know, ITAC is supported by the
18 City Council. You know, I was the prime sponsor
19 on a \$300,000 initiative to do exactly what you
20 were just referring to. And so, the Council is
21 already enacting on making sure that we're giving
22 these opportunities to businesses. But, we need
23 to just-- yes?

24 ANDREW CHEPAITIS: Well, with
25 respect to ITAC and respect to small business, it

2 brings to mind the movie, Charlie Wilson's War,
3 where Charlie Wilson doubled funding for the
4 Afghan rebels. And then, he doubled it again and
5 he doubled it again. And then, they were finally
6 able to get somewhere. And, it might just be
7 that-- I mean, you have an excellent resource in
8 ITAC. But, you know, with another \$300,000, they
9 might be able to do three times or ten times what
10 they're able to do now. And so, it may be like--
11 it may just be that there aren't the critical
12 resources and there isn't the proper focus on just
13 providing just a little more funding and seeing
14 where they go.

15 COUNCIL MEMBER REYNA: Well, I hope
16 that EDC took a note of that and can consider ITAC
17 to be a major entity, principal, to the tech
18 sector. And, aside from that, you know, taking
19 this notion that there needs to be a focal point
20 of an office that can lead this community towards
21 the synthesizing that we're all in agreement needs
22 to happen.

23 ANDREW CHEPAITIS: Yeah.

24 COUNCIL MEMBER REYNA: The office
25 exists. You may not like the name and it may not

1
2 be the appropriate name, but it does exist. And,
3 we have seen major improvements. Right now, we're
4 hoping that the Administration goes beyond just
5 designation, but make it protect the zones into
6 local law so that we don't lose this particular
7 competing space, because they're illegally being
8 converted into residential. And, a lot of the
9 tech community lives in these particular zones
10 because they operate their businesses as well as
11 live in these spaces. So, it's an underground
12 world, as far as your particular frame of just
13 entrepreneurs that are out there.

14 CHARLIE O'DONNELL: I think--

15 ANDREW CHEPAITIS: Thank you. Oh,
16 I'm sorry. Go ahead.

17 CHARLIE O'DONNELL: Oh.

18 ANDREW CHEPAITIS: Yeah.

19 CHARLIE O'DONNELL: Just one quick
20 response. I think to some extent, an office is
21 overkill because as an entrepreneur, when I hear
22 office, I'm like I don't know who that's going to
23 be. I think we need people. I think one of the
24 reasons ITAC is successful is because of Franklin.
25 I think one of the reasons why New York Angels is

1
2 successful, I mean, is because of David because
3 they're visible. Like, who, from that office, is
4 going to attend the monthly New York--

5 COUNCIL MEMBER REYNA: Leslie--

6 CHARLIE O'DONNELL: -- Tech Meetup.

7 COUNCIL MEMBER REYNA: Leslie

8 Ramos.

9 CHARLIE O'DONNELL: Okay.

10 COUNCIL MEMBER REYNA: She's the
11 Director at that office. That office oversees
12 that program.

13 CHARLIE O'DONNELL: Then she should
14 be showing up to our events.

15 COUNCIL MEMBER REYNA: And--

16 CHARLIE O'DONNELL: And, on our
17 list serves--

18 COUNCIL MEMBER REYNA: --I agree.

19 CHARLIE O'DONNELL: --and all that
20 sort of stuff. I've never heard of that.

21 COUNCIL MEMBER REYNA: I agree.

22 CHARLIE O'DONNELL: Yeah.

23 COUNCIL MEMBER REYNA: And, they
24 should be the ones here today. I agree with
25 Council Member Brewer. Did we invite that office

1
2 to come before this Committee to connect a lot of
3 what's happening? And, what is the role of EDC in
4 trying to connect all these different entities?

5 CHAIRPERSON YASSKY: Yeah.

6 COUNCIL MEMBER REYNA: Thank you.

7 CHAIRPERSON YASSKY: I mean, look,
8 I think that is very telling that, you know, when
9 we hold-- just to show you what it tells, right,
10 we hold a hearing. We invite the Administration
11 to send the appropriate representatives. They
12 don't consider that to be the appropriate
13 representative, apparently. So, I think it is
14 telling that that's not viewed as an entrepreneur,
15 you know, assisting part of the City government
16 and, indeed, that there really isn't such a thing.
17 I mean, and, they, just for your understandings,
18 there are-- we do see space being an issue for
19 certain kinds of businesses and certainly in the
20 North Brooklyn area that both Diana Reyna and I
21 represent and, you know, from my Committee
22 perspective, but also as the Council Member
23 representing that area, we've seen the price of
24 real estate drive a lot of our smaller,
25 particularly manufacturing, but also non-

1
2 manufacturing businesses to New Jersey and
3 Connecticut, where they can have a lot more square
4 feet at cheaper.

5 So, but, nonetheless, your point
6 that that's not really stopping entrepreneurs I
7 think is a very important one, especially if
8 entrepreneurs, you know, to people in Starbucks or
9 rent an office space. And, for what, you know,
10 we, for example, on DUMBO, the DUMBO part of
11 Brooklyn, one building like this just opened;
12 another one is about to. That the whole model of
13 the, the business model for the landlord is
14 individual desk space and, that's, you know, we
15 have that out there. But, I thank you for the--
16 I think the line of questioning really does help
17 illuminate.

18 We take your, or I take your point
19 about, you know, Charlie Wilson's War, if the
20 point is government often does, you know, enough
21 to say we did something, but not enough to
22 actually do it. And, that's a really common
23 problem and an era of budgeting cutting, I worry
24 that we're going to see an explosion of that
25 phenomenon that, you know, if you got three

1
2 programs out there, rather than cut one and keep
3 two that really do the job, you know, keep two
4 able to do the job, you cut all three. None of
5 them can do the job, but you can say we, you know,
6 you didn't eliminate it. And, that is, you know,
7 I encourage people in the private sector who are a
8 little more oriented toward looking for a result,
9 rather than a, you know, bullet on a press release
10 to really kind of keep the-- be watch dogs on
11 that. I think you could be of great help and, you
12 know, I like the movie analogy and I think Tom
13 Hanks would be perfect to play Tom White, because,
14 you know, it just kind of fits.

15 So, well, I want to thank you very
16 much. I really appreciate-- there was so many
17 good ideas that came from this panel that I hope
18 you will allow us to work with you and follow up
19 on. But, I don't want to keep you any more than
20 you need to. So, thank you very much.

21 And, we do have one more panel of
22 witnesses, including ITAC. Colleen Gibney is here
23 from ITAC; Ted Brown from the CUNY Software
24 Institute. I'm sorry, we already heard from
25 Andrew. And, Dawn Barber, from the New York Tech

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2 Meetup, which I guess is [pause]. There's some
3 overlap here. But, that's a good thing. And, we
4 can go left to right if that's works for you, or
5 whatever order you like. Let's do that.

6 FRANK MADISON: Good afternoon.

7 CHAIRPERSON YASSKY: Stage right.

8 FRANK MADISON: Frank Madison of
9 ITAC. Good afternoon, Council, Chair Yassky,
10 Councilman White. And, I did see Councilwoman
11 Reyna. And, we've had the pleasure of speaking
12 before Councilman White before, when we released
13 our technology report about a year ago. So, we
14 thank you for all your work and help and also you,
15 too, Councilman Yassky.

16 DAWN BARBER: Hi. I'm Dawn Barber.
17 And, I co-organize the New York Tech Meetup with
18 Scott Heiferman, who's the CEO of Meetup, Inc.
19 And, the New York Tech Meetup is a four-year-old,
20 self-organized group that Scott and I started with
21 basically just Scott and I in a room one day and
22 now, we're over 7,500 people.

23 I would say, to speak to David and
24 Charlie's group, also, and David and Charlie know
25 the New York Tech Meetup well, that, you know, we

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2 are the only, and the largest, organization in New
3 York that really encompasses the wide range of the
4 technology community. So, we have the
5 entrepreneurs. We have the investors. We have
6 the web developers. We have marketers and hackers
7 and, you know, small people in Brooklyn working on
8 things. We have them all. And, they come and
9 they gather every month because we started
10 something through the Meetup technology platform.
11 And, they just grew organically.

12 This is a powerful, strong group of
13 people that I would say the phenomenal part of it
14 is that Scott and I like to say they really grow
15 themselves. We facilitate that. We now have a
16 monthly gathering that I don't even have space. I
17 can only fit 400 of them and actually you have to
18 pay a small amount. It sells out in a matter of
19 minutes, literally.

20 I think that we could do much more
21 with this group. We've asked the City to be
22 involved and to at least come and see what it's
23 all about. We showcase-- we've now had over 250
24 entrepreneurs, startup people, show and
25 demonstrate their technology, their latest and

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2 greatest technology, company, web app, whatever it
3 is to the group. You know, it's a thriving
4 community.

5 We'd love the City to be involved.
6 I think it would benefit the City. You know, you
7 talk about marketing problems. You got it right
8 here. You know, I'm here for you. We're here for
9 you. You don't even have to do that much. You
10 know, I've invited Mayor Mike to come or some of
11 his officials.

12 You know, we started Internet Week
13 for the first time last year. We worked with the
14 City. You know, we did it. There was stuff all
15 over the City. Our community got together. You
16 know, I was sorry to see that City people weren't
17 involved more. You know, I think there's a lot we
18 can do.

19 CHAIRPERSON YASSKY: Well, I mean,
20 certainly, I think there'd be a lot of eagerness,
21 at least from myself and I'm sure my colleagues
22 here, to, you know, to be involved in that. I'd
23 like, either now or later, if you tell me how City
24 people could be involved, we'd love to follow up
25 'cause I think you're right. If you got 400

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2 people routinely doing that, that's exactly what
3 the [crosstalk]--

4 DAWN BARBER: Charlie and David--

5 CHAIRPERSON YASSKY: --were talking
6 about.

7 DAWN BARBER: Sure, sure.

8 CHAIRPERSON YASSKY: I'm sorry. I
9 didn't mean to interrupt you and finish your-- do
10 you have a concluding thought?

11 DAWN BARBER: No. So, I was going
12 to just say that, you know, that I really think
13 that this community has grown quite large. And,
14 we are quite strong. And, although I think New
15 York Tech Meetup is poised to be that focal place
16 and to be that center, I don't think we're in any
17 ways there yet. There's a tremendous growth
18 potential and powerful potential there. And, I'd
19 love to work, Scott and I both, would love to work
20 with the City in making that happen. Thank you.

21 FRANK MADISON: I just wanted to
22 say, very briefly, 'cause I didn't know you guys
23 were taking suggestions at the time. So, I'll
24 give you one. I've worked for the last ten years
25 with companies, one on one with these companies,

2 companies that have artificial retinas; companies
3 that have figured out how to slow down the
4 functions of the human brain so that it can be
5 operated upon safely.

6 CHAIRPERSON YASSKY: I need it to
7 go the other way, but, okay.

8 FRANK MADISON: Yeah. Companies
9 that have developed amazing technologies, that are
10 right here in New York City. In Brooklyn, we have
11 a company that has taken the entire United States
12 dumb bomb arsenal and made it into smart bombs.
13 That's a company called Atair Aerospace. We have
14 one of the top technology firms in the City that's
15 going to be in Time magazine next month, one of my
16 companies, called Energy Hub, which has taken and
17 created a device that enables the homeowner, every
18 homeowner in New York City, to be able to, not
19 only calculate what they're spending energy-wise,
20 but to control that, like with thermostat.

21 And, the only place was can get
22 early-stage money was California and Con-Ed. In
23 fact, at this very moment, Con-Edison is fighting
24 the Public Service Commission so they could take
25 extra money and put it into early-stage companies.

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2 So, one of the things I think the City can do is
3 follow up on every one of David Rose's
4 recommendations. David has been a supporter of
5 our programs and everything that we've done for
6 the last ten years, free of charge. He's never
7 charged us a dime. What he's done is he's taken
8 some amazing companies, he's helped them grow.
9 So, I think the City can support everything that
10 he has said.

11 But, in addition, the City can do
12 what the federal government has done. There's a
13 program called The Small Business Innovative
14 Research Program. It's been around for about 20
15 years. It's 2.5% of every agency's annual funding
16 set aside to grow small businesses. So, what the
17 federal government does is they put out RFPs that
18 enable small business to bid for stuff that the
19 federal government needs. The City can do the
20 same thing. I know we're having a budget crisis.
21 So, maybe 2.5% is a large chunk. Maybe if it's
22 1%. And then, enable smaller companies to be able
23 to get the City as a partner in this growth. And,
24 it wouldn't take money in many instances. I know
25 a lot of angels and venture people that would

1
2 instantly fund a business if they know the end
3 customer is going to be the City of New York.

4 CHAIRPERSON YASSKY: Right.

5 FRANK MADISON: Just like the
6 companies that I have that get federal money are
7 able to do the same thing.

8 CHAIRPERSON YASSKY: That's 'cause
9 they don't know how late we are in paying our
10 bills. But, yes.

11 FRANK MADISON: But, that's okay.

12 CHAIRPERSON YASSKY: Right. But, I
13 agree. We look like a good customer.

14 FRANK MADISON: Yeah, yeah,
15 exactly. That's all I wanted to say.

16 CHAIRPERSON YASSKY: Thank you.

17 COLLEEN GIBNEY: Yeah. Good
18 afternoon, Chairs. I'm sorry.

19 FEMALE VOICE: No, no.

20 COLLEEN GIBNEY: Oh, good. Good
21 afternoon, Chairs Yassky and White and members of
22 the Committees on Economic Development and on
23 Small Business. My name is Colleen Gibney. I
24 work with Franklin at ITAC. And, it sounds like
25 we have folks in the room who are fairly familiar

1
2 with what ITAC does today. So, I'll leave that to
3 the written testimony.

4 CHAIRPERSON YASSKY: Yes.

5 COLLEEN GIBNEY: Most of what
6 you'll see in our testimony is an agreement with
7 other folks that you have heard today. One
8 additional point that I believe could be a role of
9 a centralized office or group that would work with
10 our technology resources is that we have found
11 that entrepreneurs here need to be brought
12 together with their first customers. And, this
13 speaks to what Franklin was talking about with
14 City procurement. That could be one way. But,
15 also large companies and small companies need to
16 have a way to find each other. And, we find that
17 they don't always have this way. And, right now,
18 in a tight market for capital, the City should
19 encourage small and large company interaction as
20 much as possible. The Meetups are one great way
21 for that to happen.

22 But, we have seen ourselves how
23 large technology users, like Con-Ed, are just
24 amazed to find the technologies they need next
25 here in New York. You can't believe the look on

1
2 their faces when they say what, you have that
3 where? And, we'll say-- they're like, is that
4 Brooklyn, California? No, that's Brooklyn, here.

5 FRANKLIN MADISON: Yeah, that's
6 right.

7 COLLEEN GIBNEY: So, I think that
8 any larger plan should keep in mind, we have
9 purchasers besides the City here in town;
10 purchasers that don't have a way to get to the
11 guys who are making this stuff. So, that's
12 something that I think we would support.

13 I also had two other items I wanted
14 to mention. One of them is that ITAC does
15 function as a virtual incubator. Without going
16 into incubators too much, wanted to let you know
17 we are members of a statewide organization that
18 can be very helpful for companies. It's called
19 the Business Incubator Association of New York
20 State. There are six members of it in the five
21 boroughs; two in Brooklyn, two in Queens, two in
22 Manhattan.

23 And, finally, I did want to talk
24 about universities for a moment because there
25 actually is a lot of entrepreneurial energy going

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2 on at our universities. And, one of the ways I
3 get to see it day by day is with our business-
4 facing centers, which is a little bit different
5 than Technology Transfer offices, although they
6 often work together. And, many of these centers
7 are funded by NYSTAR. But, they usually have
8 project management type folks who are used to
9 dealing with the concerns of business.

10 This morning, I was on a conference
11 call between a glass manufacturer, who wants to
12 become more of a high technology course and an
13 amazing faculty member from the College of Staten
14 Island. They were going to build something. And,
15 I'm not going to tell you what it is. But, it's
16 going to be really cool.

17 But, just to talk about where these
18 business-facing centers are in case anyone is not
19 aware of them. We do partner with the Centers for
20 Advanced Technology and other similar centers.
21 There is a CAT in Telecommunications at
22 Polytechnic Institute of NYU. There are three
23 Centers of CUNY, the CAT for Photonics
24 Applications, the Center for Advanced Polymeric
25 Materials, that's the one at College of Staten

2 Island, and, the CUNY Institute for Software
3 Design and Development. I may be a little biased.
4 I used to work there. But, these are great
5 centers that we work with. And, at Columbia, the
6 Center for Advanced Information Management. And,
7 we look forward to working with, as of today, the
8 brand new Center of Innovation for Technology and
9 Entertainment and that's at Polytechnic Institute
10 for NYU. They had their kickoff this morning.

11 So, there are resources. We do
12 work hard to do what we can on the ground. But,
13 there are a lot of folks working toward the same
14 goals and, you know, any support we can get to
15 coordinate better is something we'll accept.
16 Thank you.

17 TED BROWN: Okay. So, you have a
18 written testimony. I'll just be brief and
19 summarize what's in the written testimony. I'm
20 Ted Brown. I'm the Executive Director of this
21 CUNY Institute for Software Design and
22 Development, which is CUNYwide, so I can work with
23 something like 250 faculty and thousands of
24 students.

25 What I really want to emphasize

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2 right today and talk about mostly is the project
3 that we worked with, because it helped small
4 business, the project that we worked with was an
5 NSF grant that was funded by the National Science
6 Foundation, called Partnerships For Innovation.
7 Colleen was the Project Manager on that project
8 and that helped us a great deal. And, sorry we
9 lost her to ITAC, but we did. The grant was over.

10 As part of that grant, the funds
11 went to faculty and students in the university and
12 we helped seven small businesses grow. I can talk
13 about more, but I'll just emphasize two of them.
14 One is a company that is headquartered in New York
15 City that makes backup batteries to backup power
16 for two reasons; one is to, as a backup in case
17 there's a generation problem, but also to back up
18 power so that a company or a building can save
19 energy costs. Energy is actually kind of charges
20 on two parts; the energy you use and also peak
21 power that you use, because that costs them extra
22 money. The batteries can store energy and save
23 the company from using Con-Ed when the peak power
24 is on, when charges are on. We worked with that
25 company and we still are.

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2 Another company that we worked with
3 is a company that we helped in the data mining
4 business. The company was interested in
5 developing a new product that would help customers
6 to find better job candidates. So, they mined the
7 webs and we helped them with a advanced
8 statistical program to help their business.

9 We had seven, so we had a project
10 with an educational software company, a financial
11 services company, an engineering and architecture
12 company and a social networking company, a Web
13 2.0.

14 CHAIRPERSON YASSKY: Wait. I just
15 want to make sure I understand this. When you say
16 help, you connected--

17 TED BROWN: [Interposing] What we
18 did was we created projects with them. Colleen
19 was very helpful. We created small projects so
20 that a faculty and the student could work and do--

21 CHAIRPERSON YASSKY: Yeah.

22 TED BROWN: --work for them in six
23 months. It was a low-cost project. NSF, National
24 Science Foundation, funded that project.

25 CHAIRPERSON YASSKY: The company

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does not pay for it. It was--

TED BROWN: The company did not--

CHAIRPERSON YASSKY: --grant-
supported.

TED BROWN: --have to pay in this
case. And, I think it's a model--

CHAIRPERSON YASSKY: It's a good
deal.

TED BROWN: It was a great deal.
And, we helped these companies in their products,
commercialization.

CHAIRPERSON YASSKY: And, did you
say this was an NSF grant? So, that's run its
course and you don't do this anymore? But, it's
example--

TED BROWN: [Interposing] The grant
is over.

CHAIRPERSON YASSKY: --of what you
could-- right.

TED BROWN: We still do it but,
without this grant. And, we don't have funds to
help to support faculty and students in that way.

CHAIRPERSON YASSKY: Yes?

FRANK MADISON: Did members of the

2 Council ever hear of a phrase called Technology-
3 based Economic Development, or TBED? Part of what
4 David was talking about, it's really a national
5 phenomenon, where in areas like California and
6 North Carolina Research Triangle and others,
7 they've created offices that do nothing but take
8 city opportunities and create these technology-
9 based economic development organizations, or HUBS,
10 and they work together with them to help grow
11 businesses and spur business. Hence, what David
12 was talking about earlier, about those six or
13 seven items that would help create or draw or
14 track money to the City from the federal
15 government, from NSF, Department of Defense and
16 other agencies to help spur and grow small
17 business. That is significant. And, that's part
18 of what David was talking about and what Ted was
19 talking about also.

20 TED BROWN: Yeah, actually Boston
21 has a nice model for this. I think, New York
22 City--

23 CHAIRPERSON YASSKY: What do they
24 do?

25 TED BROWN: They--

CHAIRPERSON YASSKY: They're a good
TBED city?

TED BROWN: Well, yeah. In
Massachusetts, the government funds-- funds go to
the public university, University of
Massachusetts. University of Massachusetts works
with the private universities to help bring
together the universities and entrepreneurs in
different forums. They have a biotech forum.
They actually have a center that helps merge the
two. And, it's federally funded. It goes through
the University of Massachusetts in Boston through
the President's office there.

CHAIRPERSON YASSKY: I mean, that
sounds terrific. I mean, our--

TED BROWN: [Interposing] It's not
expensive.

CHAIRPERSON YASSKY: That's sounds
terrific and not expensive. I mean, do they shy
away because they're worried about, you know,
proprietary-- they want to, you know, keep their
ideas proprietary or people are willing to show
up?

TED BROWN: Go ahead. - -

2 COLLEEN GIBNEY: It's been my
3 experience that the IP issue, while it can get
4 complicated, it can also be solved. And, it
5 really depends on-- I'll tell you what solves it
6 is when a university sees another university get a
7 really, really good deal, then all of a sudden
8 their IP clauses change in their contracts. And,
9 things get a lot easier. Working at City
10 University of New York for a little while, I can
11 tell you that they are a little easier to
12 negotiate with on intellectual property than some
13 schools are. And, that gives a tremendous
14 advantage when I'm trying to decide who to bring a
15 company to. Sometimes that's an advantage.

16 CHAIRPERSON YASSKY: I mean, has
17 anyone outside of your doing the CUNY world, are
18 any of the private universities doing the same
19 thing?

20 FRANK MADISON: Yeah, there's a
21 few. We work very closely with Polytech in this
22 regard. Polytech in Brooklyn is really aggressive
23 about doing this. We've also done a lot of work
24 with Columbia University in the past. One of the
25 best companies that we've worked with that came

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2 out of Columbia University's incubator is a
3 company called Children's Progress, where about
4 seven years ago, they developed software that
5 determines whether a child has a learning
6 disability or not. Through about \$4 million in
7 federal funding through the SBIR program and
8 through assistance from angel and venture groups
9 from here, in New York City, we've been able to
10 grow this company to about \$7 million in sales.

11 CHAIRPERSON YASSKY: That's real.
12 Well, thank you. I really appreciate-- while
13 you're here, I guess I'll just ask, what is-- I
14 heard from the gentlemen on the last panel that
15 ITAC is looking at some reductions in City
16 support. We're talking about the same 8% that
17 everybody else is. And, how will that affect your
18 operation?

19 FRANK MADISON: Well, we're
20 smaller. We've been around for about 20 years.
21 So, we've been through a couple of downturns in
22 the financing area like this. The leadership that
23 we've got from Sara Garretson has been amazing.
24 So, what I will say, it's affected us. We're
25 working a lot longer hours. We're tired. But, we

2 do what we do because we love the companies.

3 If you look at most of the agencies
4 that we deal with and we partner with and we keep
5 New York City EDC informed. We keep Gale Brewer's
6 office informed. We keep Council Member White's
7 office informed. The people that we work with, we
8 try to make sure that they understand it's the
9 companies that matter. It's not us. And so, as
10 long as we can keep these companies alive and keep
11 them funded, you know, that's the best thing for
12 us.

13 TED BROWN: We heard earlier that
14 Franklin works 24/7.

15 CHAIRPERSON YASSKY: Apparently.
16 Well, look, thank you. We'll settle for, you
17 know, 20/7, whatever. It's not, you don't got to
18 kill yourself here. But, I really appreciate
19 everybody's efforts, not just the 24/7 rest of the
20 week, but thank you for participating here. This
21 has been really, really helpful. And, I
22 appreciate your taking your time given how many
23 more demands there are on it now to come and share
24 with us. So, thank you very much. With that, the
25 hearing is adjourned.

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COLLEEN GIBNEY: Thank you.

C E R T I F I C A T E

I, DeeDee E. Tataseo certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature

A handwritten signature in cursive script that reads "DeeDee E. Tataseo". The signature is written in black ink and is positioned above a horizontal line.

Date November 9, 2008