

Southwest Brooklyn Empire Zone Development Plan

Per legislation effective April 1, 2005 the Southwest Brooklyn Empire Zone must draft a development plan explaining the goals and strategies of the Empire Zone. This plan specifically addresses the areas allocated to the Southwest Brooklyn Empire Zone. Supporting evidence for any revisions made to the development plan is based upon census data, economic development strategy, and the vision of the Southwest Brooklyn Empire Zone.

Section I Overview

Industrial and commercial employment is of vital importance to SW Brooklyn. It plays an integral role in the economic and social health of the waterfront working class neighborhoods (Red Hook, Gowanus and Sunset Park) of SW Brooklyn. The low-income residents of these communities need industrial jobs that offer high quality employment close to home with fairly low literacy, language and educational requirements.

Poverty and unemployment in these neighborhoods is quite high. Roughly 28% of Sunset Park residents and 21% of Red Hook residents live at or below the poverty line, and unemployment rates hover around 17%. English is a foreign language to many residents as well. More than 70% of Sunset Park residents, and roughly 30% of Red Hook residents are not native English speakers. Finally, education levels are below average, especially in Sunset Park where over 70% of working-age individuals possess a high school equivalency or less.¹

Industrial sectors provide employment and financial opportunities for low income and immigrant communities. Manufacturing in particular has traditionally served as the first step toward financial and social emersion for newly-arrived immigrants. New York City's economy is buoyed by a steady stream of immigrants flowing to its neighborhoods. Over 1.2 million immigrants have settled in New York City since 1990, and over 63% of the 216,000 manufacturing jobs in the City are held by immigrants. Moreover, jobs in the industrial sector have fewer barriers to entry (such as English literacy and formal education requirements) and are generally of high quality. The average production wage for a manufacturing job is \$28,560, over \$10,000 more than the average wage in retailing and restaurants. Over half of these jobs provide health coverage, compared to 18% in the food service industry, and 38% in retail. Manufacturing jobs also tend to provide transferable skills that can be used for a better quality of life over time.²

However, due to economic circumstances that are particularly harsh for manufacturing businesses, and rising real estate and other operating costs, industrial sectors are struggling to perform. According to a Pratt Institute study, between 1958 and 2000, New York City experienced a net loss of over 675,000 manufacturing jobs.³ Reasons for this vary. However the Mayor's office writes in its 2005 Industrial Policy, "Labor, land, and energy costs put New York City and the Northeast at a cost disadvantage vis-à-vis the South and other parts of the World. Population migration out of the City to the suburbs and

¹ All numbers from US Census data for year 2000

² All numbers from US Census data for year 2000

³ Making it in New York: Manufacturing Land Use and Zoning Initiative, p 9

other regions accelerated the relocation of industrial businesses.”⁴ In addition, an emboldened residential real estate market is currently squeezing the industrial sector of both land and profit.

Despite the difficulties facing manufacturers, the industrial sector remains quite strong. Exhaustive studies related to manufacturing in New York City from the Pratt Center for Community Development, the New York Industrial Retention Network, the Mayor’s Industrial Policy Report, and many others show that while it is no longer the City’s main economic engine, manufacturing still plays a key, albeit sometimes overlooked role in the City’s economy.⁵ Moreover, manufacturing businesses bring export dollars to the City and State. They also act to stabilize the region’s economy by providing: high quality jobs that create large multiplier effects, service the City’s infrastructure that is essential to sustainable growth, and competitive advantages to other key industry sectors, such as FIRE and entertainment, through high quality and efficient service delivery. With incentive programs like the Empire Zone, Southwest Brooklyn is in good position to help to stabilize the regional economy, supporting the community with the necessary infrastructure for goods and services, retaining and creating high quality jobs, and supporting manufacturing and industrial businesses.

Strategic Analysis

The following plans have been utilized to support the goals and strategies of the Southwest Brooklyn Empire Zone, they also support the justification of additions and deletions of Empire Zone acreage to further accommodate to the vision of the SW Brooklyn Empire Zone and to facilitate expansion in the designated areas.

Making it in New York: Manufacturing Land Use & Zoning Initiative; Pratt Center for Community Development (June 2001)

Community-based organizations, manufacturers, environmental justice organizations, real estate professionals, and trade associations joined forces with Municipal Arts Society and the Pratt Center to put forth a comprehensive set of land use and zoning recommendations in an effort to retain manufacturing areas in the city.

The New Waterfront Revitalization Program; New York City Department of City Planning (September 2002)

The New York City Waterfront Revitalization Program (WRP) is the city's principal coastal zone management tool. Originally adopted in 1982 and revised herein, the WRP establishes the city's policies for development and use of the waterfront, and provides the framework for evaluating the consistency of all discretionary actions in the coastal zone with those policies. The guiding principle of the WRP is to maximize the benefits derived from economic development, environmental preservation, and public use of the waterfront, while minimizing the conflicts among these objectives. Through individual project review, the WRP aims to promote activities appropriate to various waterfront locations. The program is designed to coordinate activities and decisions affecting the coast when there are overlapping jurisdictions or multiple discretionary actions.

⁴ New York City Industrial Policy, p. 7

⁵ Making it in New York: Manufacturing Land Use and Zoning Initiative, p. 19

Comprehensive Port Improvement Plan (CPIP) for the Port of New York and New Jersey,
(Rev. 2 March 2005)

The CPIP aims to create an environmentally friendly, financially viable and economically enhancing plan for the development of the Port of New York and New Jersey over the next 60 years. To realize this goal, over a dozen Federal, State and local agencies agreed to cooperate in the preparation and funding of CPIP and the associated Environmental Impact Statement (EIS).

As the largest port on the United States Atlantic Coast and the third-ranking port in the country, the Port of New York and New Jersey (PONYNJ) is a vital driving force behind the region's economy and a major source of employment for thousands of people. A recent study showed that PONYNJ supports almost 330,000 jobs and creates almost \$10 billion in wages per year.

Trade growth through the facilities around PONYNJ is running at a rate of 4% per year. At this rate, the port will see cargo volumes double over the next 15 to 20 years. CPIP examined ways to address this growth and what it will mean for the more than 80 million people who live within a day's drive of the Port's facilities.

The CPIP Plan seeks to create a Port for New York and New Jersey which is environmentally friendly, socio-economically enhancing, self-financing and commercially profitable, strengthens national safety, and which anticipates and satisfies market demands while setting world benchmark standards in efficiency and performance.

New York City Industrial Policy: Protecting and Growing New York City's Industrial Job Base,
City of New York, Michael R. Bloomberg, Mayor (January 2005)

In 1980, the City of New York introduced the In-Place Industrial Park Program, of which Sunset Park was designated. The Sunset Park IPIP, located west of Third Avenue to the waterfront, below Hamilton Avenue to 63rd St., was designed to address the needs of manufacturing and industrial companies in the designated areas. In 2005, the preexisting IPIPs were replaced with Industrial Business Zones (IBZ). The Southwest Brooklyn IBZ will encompass Sunset Park, Red Hook and Gowanus. Southwest Brooklyn was designated, based on the following factors; 1) existing land uses, 2) the neighborhoods industrial character, 3) existing industrial zoning, 4) traffic patterns and 5) Empire Zone boundaries. In addition, the Industrial Ombudsman Program was introduced in mixed use areas to serve the unique needs of these neighborhoods. The IBZ and Ombudsman programs provide funds to assist businesses in accessing City incentive programs, improve the quality of life, match Empire Zone program initiatives, provide local employment services and, in the case of IBZ's, the Bloomberg Administration has made a commitment to protect businesses from re-zonings and variances to residential use.

The Brennan Center for Justice

The Brennan Center is a public policy institute that works to strengthen democracy and secure justice through law, scholarship, education and advocacy. Since 1968, the real value of the federal minimum wage has fallen by close to 45%. At \$5.15 per hour, the current federal minimum is so low that it cannot sustain working families. Cities and states have stopped waiting for Washington to act and are taking the initiative by passing living wage and minimum wage laws. The Brennan Center is a leader in

supporting this national movement, helping community coalitions and policymakers to develop new ways to raise wage standards at the federal, state, and local levels.

Increasing Opportunity and Reducing Poverty in NYC; New York Commission for Economic Opportunity (September 2006)

The Commission for Economic Opportunity researches the different ways NYC can act to ensure the poor have the resources they need to help themselves advance in society. Assigned by the Mayor, the Commission created this report to consider how best to enlarge the possibilities for economic advancement for those struggling to overcome poverty.

Section II Goals and Strategies & Performance Measures

Individual goals for the Zone Administrative Board are listed below. Each goal is followed by a strategy for attaining the goal, followed again by performance measures that will be used to determine the zone coordinator's ability to achieve the goal.

Goal: Foster job creation and private investment in the Southwest Brooklyn industrial area and New York State

Strategies:

- Collaborate with City and State departments to hold educational seminars to market the benefits of the Southwest Brooklyn Empire Zone;
- Assist businesses with incentive and funding opportunities, coordinating relations between City agencies that administer incentive programs, and banks that participate in various State and Federal lending programs;
- Provide the means for communication between all State zones with business determined to leave the SWB EZ to insure they remain in New York State.

Performance Measures:

- Conduct at least two educational seminars every fiscal year for detailing the benefits of the EZ Program targeting businesses in Red Hook, Gowanus, and Sunset Park;
- Provide annual status reports on all Community Development Projects and Direct Equity Projects at the end of each fiscal year. All non-used credits will be recaptured for use by upcoming projects;
- Track business assists through City's Siebel System on an annual basis. These numbers will be collected and disseminated in the Southwest Brooklyn Zone Annual Report in sections 11 through 14.

Goal: Preserve and support businesses within the Strategic Industry Cluster and Target Businesses as defined in Section IV of this document

Strategies:

- Leverage zone benefits, as well as City and State tax and financial incentives, to encourage private investment and real estate development in the zone;

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- Work with real estate developers and local realtors to identify major vacancies in these areas and develop capacity as a clearinghouse that matches potential users and renters of commercial or manufacturing space who are looking to relocate to the Zone with available space;
- Monitor variances granted on M-zoned land within the Empire Zone, and work to identify illegal conversions of industrial space to residential use within zone boundaries;
- Facilitate infrastructure improvements in the zone through district area maintenance and coordination with the IBZ.

Performance Measures:

- Business Annual Report forms will include a matrix designed to monitor investment and employment projections of all zone certified firms during the 2nd through 5th years of certification. Findings will be included the Southwest Brooklyn Zone Annual Report in sections 11 through 14;
- Attach annual Southwest Brooklyn IDC Activity and Advocacy report to Southwest Brooklyn Zone Annual Report, which measures the number of variances and illegal conversions;
- Track Area Maintenance work through the City's Siebel System and include metrics in the Southwest Brooklyn Zone Annual Report in sections 11 through 14;
- Calculate the number of visits (hits) the Southwest Brooklyn IDC website receives to measure the success of real estate and business services outreach.

Goal: **Increase employment opportunities for the local workforce and encourage the growth of local minority and women-owned businesses**

Strategies:

- Facilitate local human resource needs with Southwest Brooklyn IDC Employment Center, NYC Workforce 1 Center, and Human Resource Administration's Business Link;
- Establish a referral service with employment training centers in the community to direct local residents to training and educational opportunities;
- Encourage local minority and women-owned businesses to become certified by New York State and City as Minority/Women Business Enterprises ("M/WBEs"), thereby increasing their procurement opportunities.

Performance Measures:

- Track the number of annual job placements in Zone certified businesses, and include those numbers in Section 7 of the Southwest Brooklyn Zone Annual Report;
- Conduct at least two education seminars each fiscal year on job training and the M/WBE certification process, and track the number of M/WBE businesses in the Zone Annual Report;
- Develop a training program aimed at closing the skills gap among Sunset Park, Red Hook and Gowanus residents. As this will be a new endeavor for SBIDC, we would like to begin by taking a more detailed look at the needs in the community and study the specific needs of employers as well. In the interest of

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avoiding redundancies we will also survey existing training providers to determine the extent and types of services currently available to local residents.

- After gathering and analyzing the above information, SBIDC will determine which skills are most in demand by local employers. We will then determine the best way to introduce new programming to the neighborhood, be it by partnering with existing training providers, or by providing direct services in-house.

Goal: Facilitate sustainable industrial business practices and improve overall environmental performance of the Southwest Brooklyn Empire Zone

Strategies:

- Provide technical assistance to property owners looking to develop brownfields by assisting Brownfield Cleanup Program (BCP) volunteers with zone benefits;
- Applicants will be strongly encouraged to undergo an energy survey or obtain a similar walk-through, comprehensive audits of their facilities, particularly if they are undertaking any construction or rehab projects within the Empire Zone. NYSERDA provides assistance with the cost of the survey, as well as financial incentives for energy-saving measures;
- Promote energy efficiency measures as such as LEED or Energy Star certification, and Con Edison/KeySpan energy efficiency programs for zone certified firms;
- Improve the natural environment in Southwest Brooklyn Empire Zone by encouraging businesses to invest in street trees when feasible.

Performance Measures:

- Work with the New York State Department of Environmental Conservation to encourage zone certified firms to utilize the voluntary Brownfield Clean-up Program (BCP);
- Within two years, Southwest Brooklyn IDC will have an education campaign in place to encourage energy audits for firms projecting investment of \$50,000 or more;
- Work with NYC Environmental Protection Agency and the New York State Energy Research and Development Authority (NYSERDA) to develop a program designed to educate zone certified firms about their ecological footprints, as well as cost effective measures of footprint reduction.

Empire Zone incentives shall be used to facilitate the above goals. The local zone administrator shall endeavor to inform local companies about how EZ credits can translate to bottom line savings. Through an ongoing outreach campaign, the local zone administrator will seek out companies looking to expand and/or relocate to the zone and will utilize EZ and other incentive programs to attract job creation and investment to the area.

Additionally, the mission of the Southwest Brooklyn Industrial Development Corporation, the Local Zone Administrator, “to provide advocacy and services to help businesses in the Sunset Park, Gowanus and Red Hook areas grow and create employment opportunities for local residents,” is consistent with, and supportive of the overall economic development goals of the Zone.

Section III Target Areas/Infrastructure Development

The Southwest Brooklyn Empire Zone is 2 contiguous areas in close proximity, but within these two areas lay three distinct neighborhoods. The Southwest Brooklyn Empire Zone is divided into the following neighborhoods; Red Hook, Gowanus and Sunset Park. Each of these neighborhoods has different strengths that focus on different industry clusters in which the Zone assists in helping to facilitate development.

Red Hook, Gowanus and Sunset Park will be addressed independently in this development plan.

Sunset Park (Area 1)

Census Tracts: 2, 14, 18, 20, 22, 84, 101, 143

Sunset Park consists of a strong residential community, two viable commercial strips as well as a large industrial area. The Gowanus Expressway at Third Avenue separates the industrial from the residential and mixed-use sections of the neighborhood. The industrial area is located primarily to the West of the Gowanus expressway between 17th and 65th Streets.

Sunset Park residents have been, and continue to be, primarily an immigrant population. Beginning with the second half of the 20th century, Sunset Park boasted a large Scandinavian, Italian, and Irish population. In the 1960s, a large influx of Puerto Ricans moved into the community followed closely by waves of immigrants from Central and South America. Today, the Caribbean and Latino populations represent a majority of the community. More recently, immigrants from Asia, primarily China, have reinvigorated the 8th Avenue area of the district and now represent almost twenty percent of the population. An Arabic population has also begun to grow.

Nearly all of these immigrant populations rely on industrial sector jobs. Not only are these jobs available to immigrants, but they pay well, and they are often local. Sunset Park has the highest percentage of “walk to work” residents in New York City; 40% according to Census 2000.

Community Board 7 has addressed waterfront economic development as a major issue, particularly the need for the development of the proposed waterfront park in conjunction with various major economic development initiatives planned for the shipping and manufacturing infrastructure.

Sunset Park was originally designated an Empire Zone in July 1994. Most of the acreage will remain as allocated in Sunset Park because of its heavy concentration of industrial and manufacturing businesses, and its potential for maritime uses. Within Sunset Park are areas that have been designated through various city agencies as areas of significant industrial activity. They include:

The South Brooklyn Marine Terminal- designated a *Significant Maritime and Industrial Area* by the New Waterfront Revitalization Program. It includes the area west of Second Ave to the pier line, south of 29th St. and north of 39th St, offering 88-acres of waterfront property for industrial and manufacturing businesses.

Other City Owned Properties-

- The Brooklyn Army Terminal, at 140 58th St., a property that accommodates industrial and manufacturing businesses. A land-marked building of New York City, the BAT has been transformed through a \$130 million dollar renovation program into one of New York City’s premier business centers, the perfect home for manufacturing, distribution, warehousing and back-office operations.

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- Bush Terminal located 4100 First Ave. also focuses on the industrial and manufacturing businesses.
- “Federal Building” on Third Avenue between 30th and 31st, will offer 1.1 million square feet of industrial and commercial space for light manufacturers.

Zone acreage has been removed from areas of Sunset Park that are primarily residential with a Zoning of R6, therefore Zone acreage in these locations will be unutilized and can be allocated in areas more suitable for commercial or industrial development. In addition, this acreage removal closely mimics that of the New York City IBZ boundaries.

Red Hook (Area 1)

Census Tracts: 3.02, 55, 57, 59

Red Hook was the original Dutch name given to the area as it was a descriptive nautical reference point for sailors navigating Brooklyn’s coastline. European settlements can be traced back to the 1600’s, when the Dutch charted the Eastern seaboard. Historically, Red Hook has been known as a bustling waterfront community and to this day retains much of its working class values. The overwhelming majority of residents (70%) live in the Red Hook Houses (East and West clusters). The construction of the Red Hook East Houses was completed in 1938 as a Federal Works Program initiative under then-President Franklin Delano Roosevelt. The Columbia Street District was host to the first Puerto Rican enclave in the United States in the 1950’s and has rich African-American and Latin cultures that continue to thrive in the community today. The construction of the Gowanus Expressway in the late 1940’s and the opening of the Brooklyn Battery Tunnel in 1950 served to geographically sever Red Hook from the rest of the district and led to divergent paths of neighborhood development.

The community faces on-going daily challenges illustrated by a socioeconomic profile that includes an unemployment rate of 20.1% (per 2000 Census), low average levels of educational achievement (51.6% of the population graduated high school per 2000 Census), the highest poverty levels and the highest population of youth (35.4% of the population is under age 18 per 2000 Census) relative to the other neighborhoods in the district.

Red Hook combines light-to-heavy density residential uses with light-to-heavy manufacturing zones on a peninsula that is surrounded by the Gowanus Bay, Erie Basin and the Buttermilk Channel. Challenges for the community are created as industrial properties are illegally converted to residential use or *land-banked* based on residential development speculation. These conversions, along with legal conversion attempts, ultimately escalate tensions inherent in this mixed-use community between local residents and businesses.

Community Board 6 has outlined “distinct needs” for the Red Hook area, which can be addressed with the Empire Zone.

- Target Sanitation surveillance efforts to enforce against illegal dumping in the area, especially chronic dump-out locations in industrial areas at night.
- Identify potential resources for expanded employment programs, such as jobs creation and jobs readiness programs, designed for adults and youth ready to enter the workforce. Job development efforts must focus on promoting stronger local linkages between residents and businesses.

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- Promote expansion of small business assistance programs that target minority, women and locally-owned businesses.⁶

Business needs are also being met. The Waterfront Revitalization Program (WRP) has identified the Atlantic Basin and piers 10, 9B, 9A, 8 and 7 as a Significant Maritime and Industrial Area. This designation under the WRP facilitates:

- Encouragement of maritime industrial development in this area.
- Support of water dependent and industrial uses in NYC coastal areas that are well suited to their continued operation.⁷

The Red Hook Marine Terminal has also been identified in the CPIP, in which one of the plans proposes a Dry bulk and general cargo terminal. The Piers along the Red Hook Marine Terminal have berth capacities up to 2,728,000 tons a year, which is why the IBZ boundary was drawn to include them along the Northern-most border at Atlantic Ave., complementing the proposed Empire Zone boundaries.

In addition, the Red Hook Marine Terminal has access to water channels in the Upper New York Bay, the anchorage channel above the Port of New Jersey, and the Buttermilk Channel, which has a depth of 35 feet in the western half and 40 ft on the eastern half. Because of these significant naturally occurring depths, no dredging is planned. The baseline depth of the piers is deep as well, and no further dredging is necessary. Adding these piers to the Empire Zone will help to accommodate further expansion of maritime industrial operations. In addition to the up and coming cruise industry, proposed projects include niche port for food and beverage import and export, and a *Port Inland Distribution Network*. The justification of these additions refers to the plans listed above, including the Waterfront Revitalization Program, the Comprehensive Port Improvement Plan, and the NYC Industrial Policy.

For all of these reasons, as well as the concentrations of M2 and M3 zoning in this area, the marine terminal status, the existing pier infrastructure, the concentrations of existing and proposed water dependent and industrial activity, and the designation of the Industrial Business Zone, the additional areas were proposed for inclusion into the Southwest Brooklyn Empire Zone.

The Empire Zone in Red Hook is crucial to the needs of Red Hook revitalization and currently assists many industrial and maritime businesses in the area. To further accommodate businesses in Red Hook, the following areas are to be included in the Empire Zone; piers 10, 9A, 9B, 8 and 7, and part of the Red Hook Marine Terminal (any area between Pier 10, which is already included in the Zone, and Pier 9B), which includes the Atlantic Basin and nearly the entire waterfront from Hamilton Avenue to Atlantic Avenue. These additions will foster maritime development and large job creation in Red Hook. Maritime is considered a crucial aspect of economic development in Red Hook and throughout New York City by helping the ports of New York and New Jersey remain a the major hub of the North Atlantic.

Areas slated for removal from the Empire Zone are residential and public parks, therefore cannot benefit from the Empire Zone. These deletions free up valuable Zone acreage to be utilized elsewhere and to better accommodate the employment needs of Red Hook residents.

⁶ <http://www.brooklyn6.org/>

⁷ The New Waterfront Revitalization Program, New York City Department of City Planning

Gowanus (Area 1 & 2)

Census Tracts: 71, 77, 117, 121, 123, 125, 127

Soon after the Gowanus Canal was constructed in 1848 the corridor surrounding the canal developed as a thriving manufacturing area, primarily reliant on barge service, facilitating industrial maritime operations in South Brooklyn. The canal effectively bisects the neighborhood, and has five East-West crossings at Union Street, Carroll Street, Third Street, 9th Street, and Hamilton Avenue.

Years of neglect and abandonment took their toll on the properties and streets abutting the canal. Many of the streets remain in poor condition and bulkheads at the canal are deteriorating or have failed. However, the industrial business community has re-invested in the area significantly in the past ten years. The Gowanus Canal corridor is an area that has grown, and continues to grow, as a productive, jobs-generating center of economic activity. Since 1997 the number of industrial firms has increased 25%, and current estimates suggest that there are roughly 3,000 jobs in the Gowanus industrial sector.

The maritime industrial community along the Canal has also experienced significant improvement and has proven this waterway vital for the continued success of its businesses. Businesses in the area barge approximately 2,530,000 tons of product on the Canal each year, with 480,000 tons barged to and from businesses on the north side of the Hamilton Avenue Bridge, with another 2,050,000 tons barged to the South. This barging activity along the Gowanus removes roughly 85,000 truck trips from the road each year, which not only decreases congestion on our roadways, but allows industry to operate in a more environmentally friendly way.⁸

Utilization of the Canal for industrial use is very much dependent upon improved dredging practices and restoration of deteriorating bulkheads. If such efforts are made, barging activity on the canal would surely continue to increase as existing and new businesses explore using the water, instead of trucks, to move heavy materials.

The majority of the neighborhood residents live in two public housing projects to the north of the canal, Gowanus and Wyckoff Gardens Houses. While the Gowanus corridor has a relatively low unemployment rate compared with the rest of the City, it still maintains a lower than average median household income, and a lower than average education achievement level (64.9% of the population graduated high school per 2000 Census). The southeastern portion of the Gowanus corridor supports an active and organized pocket of residents who live in this mixed-use area.

Community Board 6 has addressed the following district needs which may be addressed with the Empire Zone:

1. Target Department of Sanitation enforcement presence and additional surveillance to enforce against illegal dumping in the area, especially at the dead end canal streets.
2. Pursue the abatement, containment, safe removal and disposal of environmental contaminants at the "Public Place" site at the southeast corner of Smith and 5th Streets to clear the way for beneficial reuse of the parcel.

⁸ Numbers from this paragraph come from surveys performed internally to Southwest Brooklyn IDC

3. Pursue the development of expansion plans for the Gowanus Community Center, including interior structural renovations, window replacements, new HVAC system, and additional recreation equipment.

The areas of the Gowanus which are included for addition to the Empire Zone reflect the boundaries of the IBZ and the Zoning of the area. Properties in this area of Gowanus have been turned down for variance requests to convert property to residential uses by the Community Board and Board of Standards and Appeals. This illustrates the priority to keep the industrial cluster in the neighborhood.

Because of high poverty rates and low education levels in public housing, manufacturing jobs provided by the industrial sector are of great importance. According to surveys conducted by this office, many industrial employers hire from public housing residents. In addition, 20% of working residents of Gowanus public housing walk to work.⁹

To comply with the City's comprehensive plan for the area, the new Empire Zone boundaries will reflect the New York City IBZ and Ombudsman boundaries. The section of Gowanus in Area 1 is almost entirely inside the IBZ, with just two small sections west of the canal in the Ombudsman Area. The newly included blocks, which comprise Area 2, are located entirely in the Ombudsman Area. Moreover, Area 2 is located just four short blocks from the rest of the Gowanus, with similar industrial uses, encompassing approximately 113 industrial businesses which employ approximately 950 employees. These businesses include everything from garment manufacturers, to casket manufacturers, to food processors.

Empire Zone benefits will be of great value to the businesses in Gowanus and will strengthen long term security for industry in these manufacturing zones. There is a chance that areas of the Gowanus will be re-zoned from being purely manufacturing to mixed-use. With the introduction of residential, existing and new businesses will need Zone incentives to offset costs of doing business in a mixed-use area. Owner-occupied business will be incentivized to keep their businesses on the ground floor, even if building residential above. The Empire Zone will provide incentives that help keep industrial businesses and good quality jobs in this section of the Gowanus, even if Mixed Use zoning and housing density is introduced. Furthermore, new businesses will be attracted to the area.

Section IV Targeted Businesses

According to the New York City Commission for Economic Opportunity, over the last few decades, a massive expansion of the service sector has provided a huge increase in jobs, but often with wages and benefits that do not match those of the declining manufacturing sector. Roughly 340,000 people in New York are working yet not earning enough to rise above the poverty level.¹⁰ As mentioned earlier, manufacturing and industrial businesses pay on average \$10,000 more per year than do retail and tourism jobs; they also provide opportunities for individuals that have limited English skills and low levels of academic achievement. Moreover, manufacturing is a traded industry, meaning they do substantial amounts of business with consumers outside their home communities. These businesses have a greater economic multiplier effect from direct and indirect job creation, increased economic activity for existing businesses, new business development, and ultimately, an expanded tax base.

⁹ 2000 US Census

¹⁰ NYC Commission for Economic Opportunity, p.16

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Manufacturing is one of several industrial businesses that this development plan defines as its Strategic Industry Cluster, meaning they are considered “at-risk” of leaving the area. Most of these firms demand large amounts of real estate. They need space to operate large machines, warehouse products, park vehicles and equipment, and load and unload materials. These firms also need easy access to transportation. Businesses make location decisions based on travel time, not necessarily travel distance, making clearly defined and easy to access truck routes, rail, and water ways vital for sustainable operations. And finally, firms need a diverse and abundant labor pool from which to hire.

New York City’s escalating real estate prices and increased residential real estate speculation place a heavy burden on industrial businesses, as well as the surrounding community. Operating costs increase for industrial businesses, which require a high volume of square footage. Truck routes and transportation nodes close or become congested as residential and retail uses mount. And, local communities demand higher salaries to augment their rent increases.

Many of these industrial firms are locating in New Jersey, rather than areas further in to the island, as a result of New York City’s varied economic pressures. Lower real estate costs and a well defined transportation infrastructure allow businesses located out of state to access New York City’s enormous market, and from distances no further than Southwest Brooklyn’s.

In an effort to attract and retain these businesses, the Southwest Brooklyn Zone Administrative Board will target these at risk businesses, and judge their certification applications under the Strategic Industry Cluster guidelines. These guidelines allow businesses to be judged by quantifiable and non-quantifiable evidence, which are highlighted in Section VIII of this document.

The following list of strategic industries refers to "traded" businesses, wealth creating businesses, and/or "at risk" businesses within Southwest Brooklyn. For purposes of this plan, "traded" businesses includes those where at least 60% of their product/service is sold, delivered or provided to customers/clients that are outside of the NYC MSA. “At risk” businesses are those that could locate or relocate outside New York State. The list of strategic industries does not include retail or local service operations that are captive to the local market.

- Manufacturing, production or assembly of goods;
- Companies engaged in maritime activities;
- Transportation firms, i.e. mass-transit companies, fleet services, special needs vehicles;
- Warehouse/distribution firms;
- Import/export and trading companies.

The Zone Board will also target businesses that fall outside of the Strategic Industry Cluster. Those businesses will:

- Provide a community service and are able to utilize the Empire Zone benefits;
- Construction firms;
- Are located on City owned land, or on land owned by the Port Authority in Red Hook.
 - NOTE: the major city owned locations are the Brooklyn Army Terminal, the South Brooklyn Marine Terminal, and Bush Terminal. Land owned by the Port Authority in Red Hook will also be a priority.

Section V Business Development Assistance and Zone Administration

Southwest Brooklyn Industrial Development Corp. is the Local Development Corp that services Red Hook, Gowanus, and Sunset Park. This area, also known as Southwest Brooklyn, has been designated as one of the new Industrial Business Zones (IBZ's) in Mayor Bloomberg's 2005 industrial development policy. The new IBZ's will serve as target areas for several new initiatives supporting business development in New York City. These initiatives are as follows:¹¹

1. The City Administration does not support rezoning or variances for residential uses in IBZ's;
2. A tax incentive of \$1,000 per employee is available to businesses locating within the IBZ and ombudsman areas;
3. Area planning studies for each IBZ will be conducted;
4. An aggressive marketing plan to attract new, expanding, or relocating businesses;
5. An Industrial Ombudsman program will be facilitated to address the quality of life challenges that industrial businesses face in a mixed use and industrial area.

In addition to the IBZ initiatives, the Southwest Brooklyn IDC provides other business development services, including advocacy, employment services, and management of the IBZ and the Empire Zone. We also work to maintain the maritime and industrial clusters in Southwest Brooklyn. This is done through providing technical assistance for business incentive programs, solving operational and quality of life issues, advocating for better infrastructure and government service, and preserving the integrity of manufacturing zones. The City and State business incentives that Southwest Brooklyn IDC administers include:

- Empire Zone benefits for an employer facilitating an expansion or relocation project;
- Industrial Commercial Incentive Program (ICIP) benefits for businesses that are improving their facilities;
- The industrial Development Agency (IDA) provides companies with access to triple tax-exempt bond financing and/or tax benefits to acquire or create capital assets;
- Energy Cost Savings Program (ECSP) for businesses, or tenants of businesses that have utilized either the ICIP or the IDA programs;
- Relocation and Employment Assistance Program (REAP) benefits for businesses moving into the area as well as improving their facilities;
- Other New York City incentive programs are available depending upon industry and specification. All City and State tax incentives for industrial businesses are listed on the Mayor's Office of Industrial and Manufacturing Businesses website:
<http://www.nyc.gov/html/imb/html/home/home.shtml>

(Note: Permits for most improvements made to facilities in New York City are ordered through the City's Department of Buildings. This process is streamlined for efficiency, and takes no longer than two weeks to complete in most cases)

In addition, because the Southwest Brooklyn Empire Zone is located in an IBZ, there will be an effort on both the local and City level to target NYC Business Solutions to industrial businesses. New NYC Industrial Business Solution Providers will be located within the Southwest Brooklyn IBZ. These

¹¹ New York City Industrial Policy, January 2005

providers will help firms in Southwest Brooklyn with the programs offered through the Department of Small Business Services. These programs include:

- Tax breaks and other cost-reduction opportunities;
- Financing advice and assistance;
- The tools needed to become eligible to bid on billions of dollars of City, State, Federal, and non-governmental contracts;
- How to register as a small business and/or certify as a minority- or women-owned business;
- Certify as a small, local construction firm, making it easy for prime contractors to find and engage your firm as a subcontractor;
- Information about available, affordable space for start-up or expanding businesses;
- How to form organizations to maintain, protect and promote business districts;
- Access the capital, programming and services business districts need to thrive;
- Where to go to get the business and computer skills training needed to run a successful business;
- How to resolve long-standing problems with the City;
- Where to get help for small businesses in an emergency;
- Take advantage of the many company recruitment and training-related services for employers through New York City's Workforce1 Career Centers.

To help integrate these various local services with the Empire Zone Program, Southwest Brooklyn IDC and the City have renewed the Zone Administrative Board (ZAB) to better help businesses applying for certification to take advantage of the City's business services. The ZAB will be responsible for the monitoring, evaluating and coordinating of all empire zone benefits on behalf of the applicant. The entity consists of at least six members, none of whom are the local empire zone certification officer, and is representative of local businesses, organized labor, community organizations, financial institutions, local educational institutions and residents of the empire zone.¹² Such localized representation, in combination with New York City's sundry industrial business services and incentives will ensure the best possible economic development support for the Southwest Brooklyn Empire Zone.

Section VI Human Resources Development/Training

The Southwest Brooklyn IDC professional employment and recruitment service connects employers with a skilled workforce and provides employment services to the residents of Sunset Park, Red Hook and Gowanus. Southwest Brooklyn IDC provides jobseekers with a full array of employment services including job placement services, career advisement, resume preparation, interview skills training and job search counseling. Southwest Brooklyn IDC will also work in conjunction with the NYS Department of Labor to register job vacancies among EZ certified firms.

Empire Zone Certified businesses will also be encouraged to register job orders with Business Link, a free service operated by New York City's Human Resources Administration to connect welfare recipients to local employment opportunities. Southwest Brooklyn IDC will follow up with each

¹² General Municipal Law, Article 18-B. New York State Empire Zones

certified business to provide assistance in registering for this free service and creating job postings for pre-screened candidates.

When large-scale training needs are identified, Southwest Brooklyn IDC will encourage businesses to apply for NYC Workforce Training Grants, administered by the Department of Small Business Services.

Section VII Community Development

Community Development Projects in the Southwest Brooklyn Empire Zone are defined as projects sponsored by not-for-profit organizations, approved by the zone board and sponsored by the Southwest Brooklyn Industrial Development Corp., which will advance the Southwest Brooklyn IDC zone development plan through the support of economic development and business revitalization activities, such as commercial revitalization projects, and the support of business development activities of local development corporations.¹³

Past and current community development projects sponsored by Southwest Brooklyn IDC include:

- Discipleship Outreach Ministries, Inc.- DOMI Computer Repair & Business Incubator- \$22,500.00 requested & allocated
- Brooklyn Alliance- Brooklyn Mills- \$38,193.00 requested & allocated
- Brooklyn Historic Railway Assn.- Brooklyn Heritage Trolley Project \$37,500.00 requested & allocated
- Young Dancers in Reparatory (same) \$26,825.00 requested & allocated
- The Hudson Waterfront Museum, Inc. Historic Barge Preservation Project - \$65,750.00 requested & allocated

Eligible community development projects will be limited to:

- Child care and education programs serving zone residents and businesses;
- Economic development and business revitalization programs that DO NOT involve residential uses;
- Business development activities of local development corporations.

To build upon the above project criteria, Southwest Brooklyn IDC will emphasize projects that improve the overall economic and social climate of the community, and help to reduce unemployment and economic distress. In addition, based upon allocations from past projects, the Southwest Brooklyn IDC and its zone administrative board will require that all qualifying projects meet a \$20,000 minimum investment threshold, and a \$500 minimum donation threshold for approved projects. These requirements will ensure quality community development projects that will help to alleviate the economic pressures that force residents to move to other areas. The requirements will also ensure that these projects are achieved within a reasonable time frame.

Section VIII Certification/Cost Benefit Analysis

¹³ General Municipal Law, Article 18-B. New York State Empire Zones

Criterion for Certification

Certification will be conducted in accordance with Title 5 of the New York Code of Rules and Regulations Part 11.4 (5 NYCRR 11.4). It is the policy of the Southwest Brooklyn Empire Zone Administrative Board (“Board”) to have the Zone Administrator, as the local entity responsible for administering the certification process, favorably review applications for certification from companies that create, or plan to create, or will prevent the loss of jobs within the Zone, and that pass the cost benefit analysis. Until further guidance is offered by Zone officials, the Southwest Brooklyn Empire Zone will maintain the State-established 15/1 cost benefit threshold for all companies seeking certification. Firms unable to meet the required CBA must have Zone Administrative Board approval based on other quantifiable and non-quantifiable criteria set forth in State law and clarified by this development plan. All applicants for certification will be encouraged to perform an energy audit through NYSERDA before the ZAB makes judgment on their applications.¹⁴

Methods using quantifiable evidence to judge certification applications will entail the following:

1. The State’s 15/1 Cost Benefit Analysis (CBA). Businesses must provide the zone \$15 of economic development (either in the form of wages/benefits for new and existing employees, or in the form of capital/business investment). Businesses that do not pass the 15/1 CBA must qualify under non-quantifiable evidence.
 - a. With reference to companies that would likely become a Qualified Empire Zone Enterprise and be eligible for the Real Property Tax Credit, applications submitted by real estate corporations, limited liability corporations or similar entities must bring substantial economic benefit to the zone. These companies must pass the Zone’s 15:1 cost benefit ratio benchmark. Moreover, they must also take into account factors such as:
 - i. Investment: applicant must meet a 20% minimum required expenditure (MRE) of the assessed value of the facility. The MRE is a percentage of assessed value of the project in the year of the issuance of the building permit or, if no permit is required, the start of construction;
 - ii. A well-defined plan for marketing the property to potential businesses for occupancy;
 - iii. A well-defined plan to enhance the economic climate of the zone.

Falling short of the State’s CBA, business seeking certification must provide non-quantifiable evidence to justify a favorable judgment. Non-quantifiable evidence is limited to the following:

1. Applicant business must have a positive impact on a “distressed area” within the Southwest Brooklyn Empire Zone (for the purposes of this development plan, all areas within the Southwest Brooklyn Empire Zone are considered “distressed”) by providing any of the following:
 - a. All full and part time employees earn a living wage;¹⁵
 - b. Remediation of brownfield property;
 - c. Education or job training for employees;
 - d. Hiring at least 20% of new employees from the local zone community.

¹⁴ Energy Audits are further eluded to in Appendix B

¹⁵ Living Wage is defined in Appendix A

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2. Applicant business must operate as part of Strategic Industry Cluster as defined in Section IV of this document (or, operate as a supply chain to the strategic industry cluster).
3. Applicant business must be utilizing zone capital credits in accordance with standards set forth in Section VII of this document.

Criterion for Denial of Certification

The Zone Administration Board authorizes the Zone Administrator to recommend to the Board certain applications for denial based on the grounds set forth below:

1. Applications from an entity engaged in residential development in the Zone, unless the applicant is proposing a mixed-use project that would dedicate 20% of the building space to industrial use (applicant must provide evidence of industrial space in the development, as well as a business plan with job projections, to the Zone Administrative Board prior to certification);
2. Applications from firms that dedicate 20% or more of floor space to non-traded industries, i.e. retail, located within the Southwest Brooklyn IBZ.
3. Applications from firms that dedicate 20% or more of floor space to non-traded industries, i.e. retail, located outside of the Southwest Brooklyn IBZ and that do not pay all full and part time employees a “living wage,” and do not substantially hire from within the Southwest Brooklyn area;
4. Applications from adult entertainment businesses, or any business engaged in the sale or rental of adult entertainment commodities (e.g. pornographic book or video stores, strip clubs, or other similar entities), as well as dance clubs, bars, and cabarets to discourage inappropriate and/or inefficient uses of Empire Zone incentives;
5. Applications from businesses that transport putrescent waste in open containers within the boundaries of the Zone;
6. Applications from Energy Generating Companies that do not operate distributed generation, or renewable technology in the production of energy.

All recommendations for denial will be reviewed by the Southwest Brooklyn Empire Zone Administrative Board in accordance with section 11.9 of the Empire Zone Regulations. The Board will determine whether the applicant merits certification in the Empire Zone. The Zone Board will meet quarterly, or on an as-needed-basis to vote on such issues. The Board shall have the authority to grant partial waivers for firms subject to requirement #3, where a retail business seeking benefits provides detailed evidence explaining why it is not feasible for the business to pay all of its employees a living wage, why it is not feasible to substantially hire from within Southwest Brooklyn, that the business could not open without Empire Zone benefits, and that demonstrates its importance in the local economy by passing the State’s Cost Benefit Analysis. In such cases, however, the Board shall still require that a substantial portion of the business’s jobs shall be no less than the living wage and supplemental benefits rate.

Appendix A

Definition of Living Wage

In order to ensure that Empire Zone benefits are used primarily for promoting manufacturing jobs, and secondarily for promoting other industries only to the degree that they offer family-supporting jobs, the Southwest Brooklyn IDC determines that retail businesses shall not be eligible for Empire Zone benefits unless the business pays a “living wage.” Retail businesses shall be defined as businesses that dedicate 20% or more of their floor space to retail activities. Paying a living wage shall mean agreeing to pay all of the business’s employees employed in the zone no less than the New York City living wage and supplemental benefits rate, including any periodic adjustments to that rate that shall occur during the period that the business is receiving benefits under the program. A business may comply with the supplemental benefits rate by providing an employee health benefits or other benefits with an hourly cost to the employer equal to or greater than the supplemental benefits rate. To the degree that the hourly cost of benefits provided to an employee is less than the supplemental benefits rate, a business may comply with the requirement by providing the balance to the employee in supplemental wages.

Currently, the New York City living wage and supplemental benefits rate is defined by New York City’s Living Wage Law, N.Y.C. Admin. Code § 6-109. As of July 1, 2006, the New York City living wage rate is \$10.00 per hour and the supplemental benefits rate is \$1.50 per hour. Each year, the updated schedule of New York City living wage and supplemental benefits rate is published by July 1 by the New York City Comptroller (“6-109 Schedule”) and is available on the Comptroller’s website at <http://www.comptroller.nyc.gov/bureaus/bll/schedules.shtm>. Because the New York City living wage law does not currently specify a living wage and supplemental benefits rate for general industries, for purposes of this policy, the applicable living wage and supplemental benefits rate shall be the rate published by the Comptroller for Home Care Services. However, if in the future New York City establishes a general living wage and supplemental benefits rate that is not specific to individual industries, then such general rate shall be applicable for purposes of this policy.¹⁶

¹⁶ Paul Sonn, The Brennan Center for Justice

Appendix B

Energy Surveys

“Applicants for Empire Zone certification are strongly encouraged to undergo an energy survey (through the New York State Energy Research Development Authority, or obtain a similar walk-through, comprehensive audit) of their facilities, particularly if they are undertaking any construction or rehab projects. NYSERDA provides assistance with the cost of the survey, as well as financial incentives for energy-saving measures. An energy survey will provide the business with practical strategies for reducing energy costs in existing buildings, as well as assist them in making more cost-effective building construction and design decisions. Additionally, an energy survey is a requirement for Empire Zone companies who wish to apply for energy discounts through the NYC Economic Development Corporation. Once energy-saving measures have been identified, businesses are encouraged to implement whichever actions are cost-effective.”