NEWS & VIEWS

APA American Planning Association Economic Development Division

Making Great Communities Happen

A Publication of the Economic Development Division of the American Planning Association

April 2018

The Holzheimer Memorial Student Scholarship

The Economic Development Division is pleased to announce the winners of the EDD Holzheimer Scholarship competition. The committee received 16 submissions from students or recent graduates from around the United States on a wide variety of topics related to economic development planning. After deliberation, we chose the paper submitted by Ms. Jenna Davis from University of Massachusetts at Amherst, "NYC's Industrial Business Zone Program: Examining the Intersection Between Economic Development and Land Use Policy," as the winning paper. The paper, supervised by Dr. Henry Renski, examines the prevalence of incentive awards by NYCEDC to businesses in the City's established Industrial Business Zones, and concludes that economic development incentive awards to non-industrial businesses are working at cross-purposes with the industrial preservation goals of the land use policy. The committee felt that this finding about the tensions between economic development and land use planning was a widely applicable one, beyond large cities like NYC.

Ms. Davis will be awarded a $2,000 scholarship and recognized at a Division reception in San Francisco during the National Planning Conference in April.

The committee also chose to recognize three "honorable mentions":

- Elizabeth Darnall and Luke McClanahan (University of Iowa) — "Applying Strategic Planning Principles and a Focused Approach to Economic Development"
- Alan C. Peterson II (Texas Southern University) — "Examination of the Atlanta, Georgia Region Entrepreneurial Ecosystem"
- Jessica Jones (University of Illinois at Chicago) — "Defining and Re-Defining Blight: Evaluating the Blight Remediation Goal of Tax-Increment Financing"

Please see abstracts of all four papers in this edition of *News & Views*. Thank you to all participants, and congratulations to those recognized.

This year's review committee consisted of: Greg Schrock, PhD (Portland State University), Chair; Dr. Margaret Cowell (Virginia Tech); Dr. Haifeng Qian (University of Iowa); Brittany Bagent (Columbia River Economic Development Council); Corey Proctor (Forrest County MS); and Katie McConnell (Arlington VA Economic Development).

NYC's Industrial Business Zone Program: Examining the Intersection Between Economic Development and Land Use Policy

by Jenna Davis, University of Massachusetts Amherst

Holzheimer Memorial Student Scholarship Essay

Jenna Davis

As cities face increasing pressure to rezone industrial land to more lucrative residential and commercial uses, policymakers have called attention to the declining stock of industrial land in central cities (Chapple, 2014; Kumar et al., 2016; Park & Green Leigh, 2017). In response, cities across the country have started to adopt industrial preservation policies, which aim to preserve industrial uses in urban centers. These industrial preservation policies vary considerably in their implementation. For example, in order to preserve industrial employment, Seattle changed its zoning code to limit non-industrial activities within areas of the city designated as industrial employment centers in 2007 (Green Leigh & Hoelzel, 2012). New York City, on the other hand, relied on a more market-based approach

(*continued on page 3*)

Photo courtesy Brooklyn Relics

NYC's Industrial Business Zone Program, cont. from p. 1

to preserving industrial uses, providing direct cash incentives and business support services to industrial businesses that relocated within designated geographic areas of the city as part of the city's 2006 Industrial Business Zone program.

As cities began to implement these industrial preservation policies in the early- to mid-2000s, it became evident that industrial preservation policies carried a series of tradeoffs (Dempwolf, 2010; Lester, Kaza & Kirk, 2013). As scholars have pointed out, industrial uses generally contribute less to the tax base than other uses (e.g. residential or commercial uses), and relatively cheap industrial land can provide an ideal site for future housing development–an asset in built-out cities, such as New York City or San Francisco, which have limited land to support increased housing development. Some critics have thus charged that industrial preservation policies have a marginal positive benefit on the municipal tax base and can detract from housing production goals.

On the other hand, industrial preservation advocates have pointed out that industrial land supports critical urban service functions and that industrial businesses often provide solid middle-class jobs to people of color and workers with limited formal educational credentials. Citing studies that indicate that the decline of manufacturing jobs is linked to a rise in income inequality, industrial preservation advocates have contended that the decline in urban industrial land will exacerbate existing income inequalities (Friedman, 2009). To advocates, then, the decline of industrial land does not just threaten industrial businesses, but erodes a critical source of middle-class jobs in an increasing bifurcated labor market (Lander & Wolf-Powers, 2004).

These tensions are particularly salient in New York City, where former industrial districts, such as Gowanus and Greenpoint in Brooklyn or Long Island City in Queens, have become ripe targets for renewed residential and commercial development in recent years. In former industrial districts, residential and commercial uses are often able to outbid industrial businesses in a competition for space, raising average rents and increasing pressure on industrial businesses to relocate elsewhere in search of more affordable rents (Friedman et al., 2015). As a result of these trends, industrial preservation advocates have called for a series of interventions to strengthen and protect urban industry.

Industrial Business Zone Program

In the early 2000s, industrial preservation advocates called for a series of policy interventions to support urban industry. For example, in 2003, the New York Industrial Retention Network organized the "Zoning for Jobs" coalition, which advocated that the Bloomberg administration create Balanced Mixed-Use Districts, which would require that a certain percentage of floor area in new buildings be dedicated to industrial uses. In response to this advocacy, the Bloomberg administration instead launched the Industrial Business Zone (IBZ) program in 2006, which initially established sixteen IBZs throughout NYC in an effort to protect industrial uses and industrial employment .

The first goal of the IBZ program was to attract and retain the dwindling number of industrial and manufacturing businesses by offering tax credits to industrial businesses that relocated within the designated IBZs. Businesses that relocated within IBZs received a tax

(*continued on page 4*)

Former industrial districts in New York City have become ripe targets for renewed residential and commercial development, bidding up the cost of rent in these areas and increasing displacement pressures on industrial businesses. Source: Curbed NY.

NYC's Industrial Business Zone Program, cont. from p. 3

credit of $1,000 per employee up to $100,000 and received access to a variety of business support services from the NYC Department of Small Business Services. The second goal of the program was to stabilize industrial employment within IBZs under the recognition that many industrial businesses were considering relocating outside of the city in search of more affordable industrial building space. The Bloomberg administration aimed to facilitate both of these goals by committing to not rezone IBZs for residential uses, which would provide greater real estate certainty to industrial users within IBZs.

Shortly after the IBZ program started in 2006, scholars and activists charged that conversions of industrial spaces to residential or commercial uses persisted within designated IBZs, bidding up the cost of rent in former industrial districts and increasing displacement pressures on industrial businesses (McCormick, 2015). Critics argued that because IBZ boundaries were not codified in the NYC zoning code, non-industrial uses could still relocate as-of-right in IBZs. As a result, critics argued that as self-storage companies and hotels in particular moved in in increasing numbers into IBZs, this dynamic further chipped away at the city's stock of industrial land (Savitch-Lew, 2018).

These criticisms carry some currency, as the total amount of industrial land in NYC indeed has declined considerably since the start of the Industrial Business

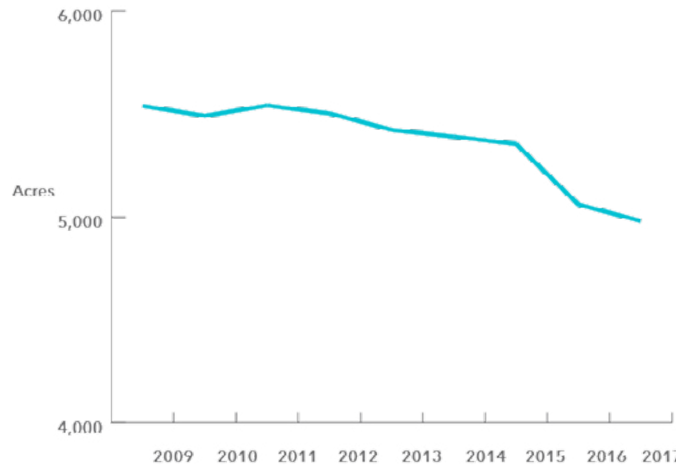
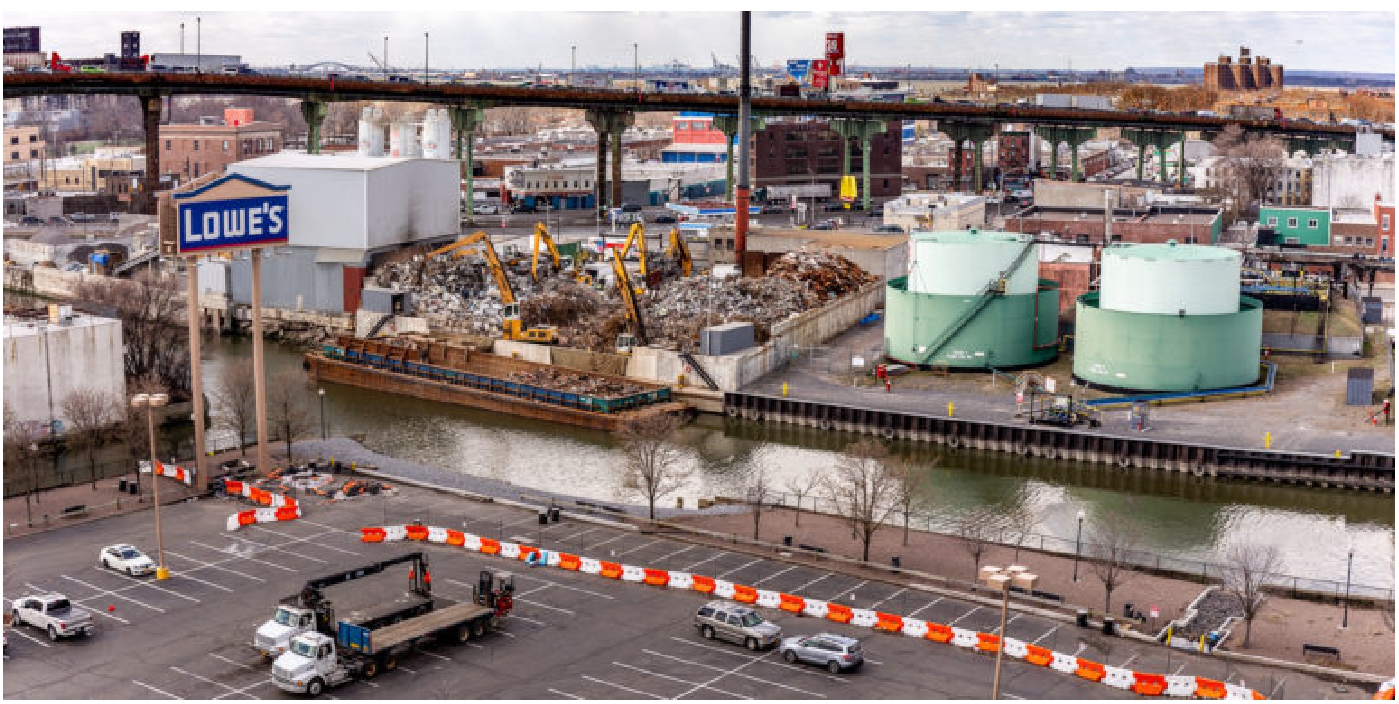


Figure 1: Acres of Industrial Land in New York City, 2009-2017. Source: New York City Economic Development Corp.

Zone program. Between 2009 and 2017, the total amount of industrial land in NYC declined by roughly ten percent, raising concerns surrounding how effective the program actually has been at protecting and strengthening urban industry (Figure 1).

Another explanation behind the ineffectiveness of the IBZ program might relate to the extent to which the city's provision of economic development incentives helped to advance the goals of the IBZ program. ***That***

(*continued on page 5*)



Industrial Business Zones, such as this one in the Gowanus neighborhood of Brooklyn, were designated to provide tax incentives and business support services to industrial businesses, while helping to stabilize industrial employment. Source: City Limits.

NYC's Industrial Business Zone Program, cont. from p. 4

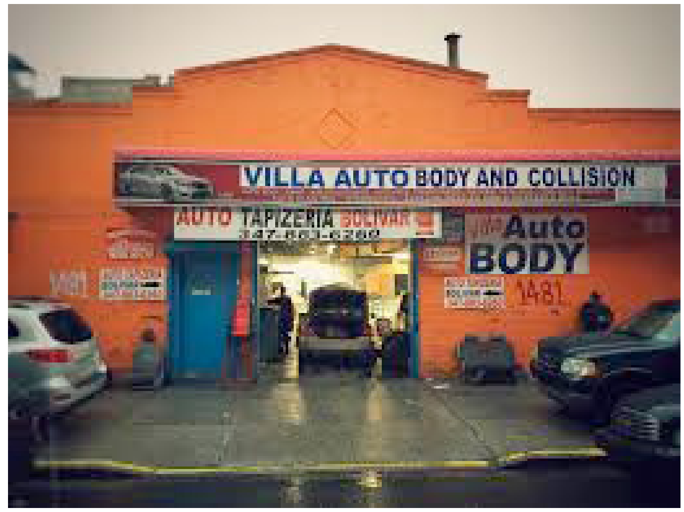
is, to what extent did the city's economic development policies align with the city's land use policies outlined under the IBZ program? To examine this question, this paper will examine the extent to which non-industrial businesses located in IBZs received financial incentives from the New York City Economic Development Corporation (NYCEDC) after the start of the IBZ program. In doing so, this paper aims to highlight the perhaps unintended consequences of failing to link economic development and land use planning efforts.

Methodology

This paper evaluates the extent to which industrial versus non-industrial businesses located within Industrial Business Zones received financial incentives (loans, grants, tax, or energy benefits) from the NYCEDC between 2007 and 2017. I use a dataset from the NYCEDC's Annual Investment Projects Report that provides address-level information on businesses receiving incentives as well as the North American Industry Classification System (NAICS) code associated with the incentivized business. I also use a dataset from the NYCEDC that contains geographic information on the roughly 9,000 tax parcels in Brooklyn, the Bronx, and Queens that were initially designated as part of the IBZ program in 2006.

In order to identify the extent to which the NYCEDC provided incentives to non-industrial businesses within designated IBZs, I geocoded the location of businesses that started receiving NYCEDC incentives between 2007 and 2017 and joined the geocoded businesses with the IBZ tax parcel data, enabling a comparison of incentive activity in IBZs over time. Using a broad definition of industrial activity used elsewhere in the literature, I define industrial businesses as those with one of the following 2-digit NAICS codes: 22 (utilities), 31-33 (manufacturing), 42 (wholesale trade), or 48-49 (transportation and warehousing) (Howland, 2011).

(*continued on page 6*)



Industrial land is home to a variety of industrial businesses, such as precision manufacturing companies, which tend to provide high-wage jobs, often to workers with limited English proficiency or minimal educational attainment. Source: The Ink.NYC.

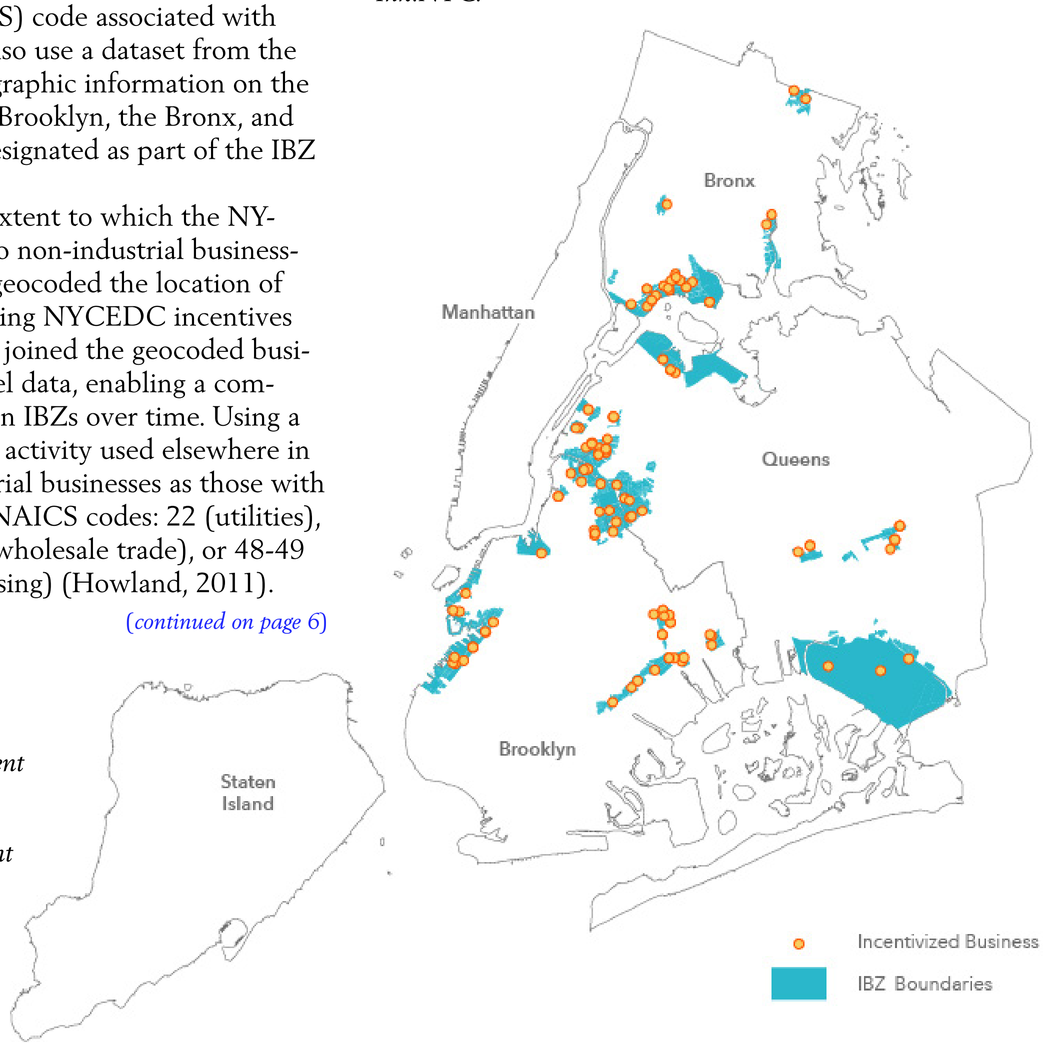


Figure 2: Businesses Receiving NYCEDC Economic Development Incentives in Industrial Business Zones, 2007-2017. Source: New York City Economic Development Corporation

NYC's Industrial Business Zone Program, cont. from p. 5

Findings

Between 2007 and 2017, the NYCEDC provided financial incentives (loans, grants, tax, or energy benefits) to 484 companies throughout New York City. Of these 484 businesses, 125 businesses were located within the city's designated IBZs. Figure 2 presents the spatial distribution of businesses that received incentives and that were located in an IBZ. As Figure 2 shows, the majority of incentivized businesses were located in IBZs in Brooklyn (55 businesses), followed by Queens (46 businesses), and the Bronx (24 businesses).

Almost one-third (31%) of the businesses located in IBZs were non-industrial businesses, raising questions surrounding whether the IBZ program in fact benefited industrial businesses in one of the few areas of the city designated to support urban industry (Figure 3).

Notably, the non-industrial businesses that received incentives in IBZs largely catered to residential and commercial support needs. For example, supermarkets; specialty food stores; dry-cleaning and laundry services; and gift, novelty, and souvenir stores were among some of the non-industrial businesses that received incentives within IBZs. Table 1 presents the non-industrial businesses that received NYCEDC incentives by their 2-digit NAICS codes.

Discussion

One measure of the city's investment in the industrial sector is the extent to which the city provides economic development incentives to industrial businesses located in the few areas throughout NYC that were designated to protect urban industry, or IBZs. In an increasingly expensive city, NYCEDC support has proved to be an invaluable resource for industrial companies to maintain central-city operations and in some cases, to prevent their displacement from the city altogether (Rosenberg, 2014). Therefore, this fact raises critical questions surrounding the city's overall commitment to supporting urban industry. Were the city fully committed to protecting urban industry, one would expect that none, if not a small proportion, of NYCEDC incentives would be awarded to non-industrial businesses in IBZs. Instead, the fact that nearly one-third of businesses receiving incentivizes in IBZs were non-industrial businesses suggests that the city's economic development planning efforts were at odds with the IBZ program's land use planning objectives.

One of the perhaps unintended consequences of this dynamic is that it could retrench existing income inequalities. As industrial preservation activists have highlighted, economic restructuring has created a bifurcated labor market that leaves little room for middle-class jobs. Instead, post-industrial cities tend to offer two kinds of jobs: high-paying, highly-skilled jobs in the professional services sectors (such as financial or legal services) and low-paying, low-skilled jobs in the retail sectors. If the NYCEDC continues its existing practice of offering financial incentives to non-industrial businesses in IBZs, the NYCEDC will continue to limit the amount of space available to industrial users in IBZs and thus continue to reduce middle-class job opportunities in the industrial sector.

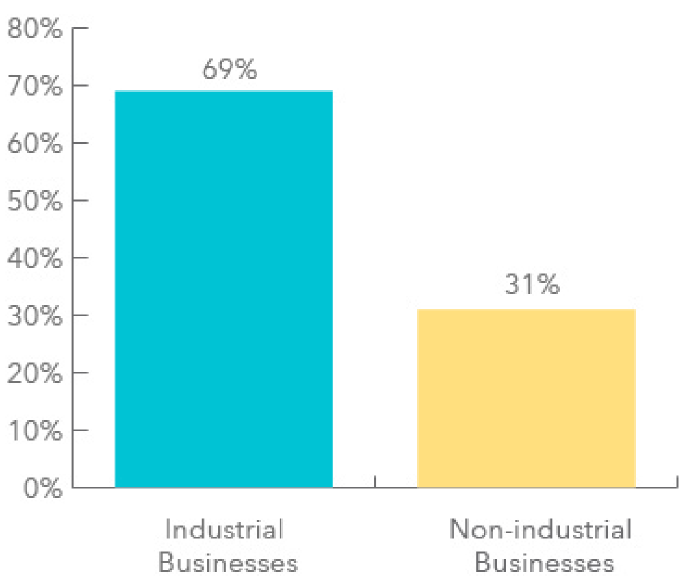


Figure 3: Percent of Total Industrial and Non-Industrial Businesses Receiving Incentives in IBZs, 2007-17 (N=125) Source: New York City Economic Development Corporation

Policy Recommendations

Findings from this analysis suggest several avenues for future policy intervention that are relevant to planners that wish to strengthen and protect urban industry, both in New York City and beyond. These policy recommendations include:

1. Gain a better understanding of urban industrial space needs in order to minimize conflicts of use. Cities that wish to preserve urban industrial activity should consider conducting targeted outreach to different kinds of industrial businesses to gain a better understanding of their various physical space needs. As a recent report examining the potential for industrial mixed-use development in NYC illuminated, the physical space needs of modern industrial businesses

(*continued on page 7*)

NYC's Industrial Business Zone Program, cont. from p. 6

varies widely and in large part determines the degree of compatibility between industrial and non-industrial uses in a mixed-use industrial development (New York City Department of City Planning, 2018). For example, high-impact manufacturing tenants (such as food and beverage manufacturers) often require loading docks and freight elevators and need ground-floor building space to accommodate heavy machinery. On the other hand, low-impact manufacturing tenants (such as 3D printing companies) instead tend to prefer office-like layouts and often do not require ground-floor space. As a result, advanced manufacturing companies are better able to mix with other low-impact uses, such as retail or residential uses, while high-impact manufacturers tend to be more compatible with users that share similar loading and freight requirements, such as self-storage companies. The report therefore highlights how minimizing conflicts of use can help to retain urban industrial activity, as industrial users will be better matched with a building stock that meets their physical space needs.

This recommendation is directly relevant to some of the challenges outlined in this paper. If the NYCEDC continues to offer economic development incentives to non-industrial businesses in IBZs, the NYCEDC should aim to maximize compatibility between future and existing uses, using findings from the NYC Department of City Planning's report on industrial mixed-use development as a guide (New York City Department of City Planning, 2018). In doing so, the NYCEDC might help to ease industrial displacement pressures in IBZs, as businesses might be able to find more appropriate spaces to meet their physical space needs, somewhat obviating the need to look outside the city for industrial

(continued on page 8)

NAICS Code	NAICS Category	Number of Businesses	Percent of Total
23	Construction	8	21%
44-45	Retail Trade	8	21%
51	Information	3	8%
52	Finance and Insurance	1	3%
53	Real Estate and Rental and Leasing	7	18%
54	Professional, Scientific, and Technical Services	3	8%
56	Administrative and Support and Waste Management and Remediation Services	2	5%
61	Educational Services	3	8%
62	Health Care and Social Assistance	1	3%
72	Accommodation and Food Services	2	5%
81	Other Services (Except Public Administration)	1	3%

Table 1: Non-Industrial Businesses Receiving NYCEDC Incentives in IBZs by NAICS Code, 2007-2017. Source: New York City Economic Development Corporation.

NYC's Industrial Business Zone Program, cont. from p. 7

space. Moreover, this consideration would help to send the firm signal that the city is committed to making space for manufacturers in the city.

2. Codify Industrial Business Zones boundaries into NYC's zoning code.

Although the Bloomberg administration committed to not rezone Industrial Business Zones for residential uses, the IBZ boundaries are still not codified in NYC's zoning code (Friedman, Bryon & Becker, 2015). As a result, the IBZ program is minimally insulated from changes in political will, as subsequent administrations could decide to cut funding for the program or rezone the IBZs for residential uses (McCormick, 2015). While the de Blasio administration has taken a more favorable stance towards IBZs than the Bloomberg administration, many non-industrial uses continue to be permitted as-of-right within IBZs. This paper therefore reiterates industrial preservation advocates' calls to codify IBZs into NYC's zoning code, which would require that certain non-industrial users receive a special permit to locate within IBZs. Although the NYC Planning Department recently adopted two zoning text amendments requiring that self-storage companies and hotels receive a special permit to locate within IBZs, the text amendment stops short of requiring that all non-industrial users receive a special permit to locate within IBZs (New York City Department of City Planning, n.d.). As a result, some non-industrial users can continue to move into IBZs relatively unchecked, continuing to threaten the industrial businesses that form a critical part of a diverse urban economy.

— Jenna Davis is a masters student in the Regional Planning program at the University of Massachusetts Amherst. She can be reached at jennamkdavis@gmail.com.

References

Chapple, K. (2014). The highest and best use? Urban industrial land and job creation. *Economic Development Quarterly*, 28(4), 300-313.

City of New York. (2005). New York City industrial policy: Protecting and growing New York City's industrial job base. Retrieved from http://www.nyc.gov/html/imb/downloads/pdf/whitepaper.pdf.

Dempwolf, S. (2010). An evaluation of recent industrial land use studies: Do theory and history make better practice? Retrieved from http://www.academia.edu/319809/An_Evaluation_of_Recent_Industrial_Land_Use_Studies_Do_ Theory_and_History_Matter_In_Practice.

Friedman, A. (2009). Transforming the city's manufacturing landscape. In In J. Hicks & D. Morris (Eds.), *From disaster to diversity: What's next for New York City's economy* (21-37). Drum Major Institute.

Friedman, A., Byron, J. & Becker, J. (2015). Making room for housing and jobs. The Pratt Center for Community Development.

Green Leigh, N. (2013). "Strengthening urban industry: The importance of infrastructure and location," in G.K. Ingram and K.L.Brandt (Eds.), Infrastructure and land policies (318-340). Cambridge, MA: Lincoln Institute for Land Policy.

Green Leigh, N. & Hoelzel, N. (2017). Smart growth's blind side: Sustainable cities need productive urban industrial land. *Journal of the American Planning Association*, 78(1), 87-103.

Howland, M. (2011). Planning for industry in a post-industrial world. *Journal of the American Planning Association*, 77(1), 39-53.

Lander, B. & Wolf-Powers, L. (2004) Remaking New York City: Can prosperity be shared and sustainable? New York, NY: Pratt Center for Community Development.

Lester, T., Kaza, N. & Kirk, S. (2013). Making room for manufacturing: Understanding industrial land conversion in cities. *Journal of the American Planning Association*, 79(4), 295-313.

McCormick, L. (2015). The city and industry: Deurbanizing manufacturing in New York City? In J. Bryson, J. Clark, and V. Vanchan (Eds.), Handbook of manufacturing industries in the world economy (474-488). Edward Elgar.

New York City Department of City Planning. (2018). *Can industrial mixed-use buildings work in NYC?* Retrieved from https://www1.nyc.gov/assets/planning/download/pdf/about/dcp-priorities/data-expertise/can-industrial-mixed-use-buildings-work-in-nyc.pdf.

New York City Department of City Planning (n.d.). Self-storage text amendment. Retrieved from https://www1.nyc.gov/site/planning/plans/self-storage-special-permit-ibz/self-storage-special-permit-ibz.page.

Petro, J. (2014, September 3). City faces rising demand for industrial space. City Limits. Retrieved from https://citylimits.org/2014/09/03/city-faces-rising-demand-for-industrial-space/.

Rosenberg, E. (2014, April 14). Watchmaker moves east as industrial space continues to shrink in Long Island City. *New York Daily News*. Retrieved from https://www.nydailynews.com/new-york/queens/long-island-city-watchmaker-moves-east-article-1.1753808.

Savitch-Lew, A. (2018, April 3). With de Blasio's rezonings, city's industrial land becomes scarcer. City Limits. Retrieved from https://citylimits.org/2018/04/03/with-de-blasio-rezonings-citys-scarce-industrial-land-becomes-scarcer/.

Wolf-Powers, L. (2005). Up-zoning New York City's mixed use neighborhoods: Property-led economic development and the anatomy of a planning dilemma," *Journal of Planning Education and Research*, 24(4), 379-393.