

**FIELD HEARING IN NEW YORK: THE EMPIRE
(STATE) STRIKES BACK: CREATING 21ST
CENTURY MANUFACTURING OPPORTUNITIES IN
NEW YORK CITY**

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**THE EMPIRE (STATE) STRIKES BACK:
CREATING 21ST CENTURY MANUFACTURING
OPPORTUNITIES IN NEW YORK CITY.**

MONDAY, FEBRUARY 22, 2016

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., at City Hall, New York City Council Chambers, New York, New York, Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Velázquez, and Clarke.

Also present: Representative Meeks

Chairman CHABOT. The Committee will come to order. Good morning. I am Congressman Steve Chabot. I am the chairman of the House Small Business Committee. We want to thank you all for being with us here today as we discuss manufacturing here in New York City.

Before we get started, I sincerely want to thank our ranking member, Nydia Velázquez, for inviting me to her district to do this field hearing. The two of us have a very unusual relationship that is not seen very often in Washington, D.C. We actually get along and conduct our Committee business in a bipartisan fashion. Time and time again I have been impressed with the tenacity, she has for defending and supporting small businesses, and the commitment she has to fighting for the people of her congressional district. As she has said many times, helping our small businesses grow is not a partisan issue, and we strive to work together in that regard.

I also want to thank our colleague, Greg Meeks, for being here. We have been on the Foreign Affairs Committee a number of years together, and have worked very well. And he has that same attitude also that rather than worrying about the politics of things, he wants to get the job done. And he works extremely hard. We are not the same party, so I am telling you as somebody who has seen these people operate in action, and they do really a great job for their districts. So I want to commend them for that.

We will be joined shortly by Congresswoman Yvette Clarke, and she has that same sort of relationship also in working very hard for her constituents. So I want to thank all of them for their work and the work that we don the Small Business Committee together.

My visit is actually a bit overdue. Back in 2007, Nydia was kind of enough to come and conduct a hearing in my district, which is in Cincinnati, the City of Cincinnati, Ohio. That is right. She was the chairman of this Committee at that time, and I was the rank-

ing member. If your party is in the majority, which Republicans are right now in the House of Representatives, the chairman of the committees or chairwoman of the committees are Republicans, and the ranking member is the lead Democrat on the committee. And if the Democrats are in the majority, which they have been, I was the ranking member, and she was the chair. I like it better the way it is now obviously.

[Laughter.]

But it all—

Ms. VELAZQUEZ. Do not get too confident.

Chairman CHABOT. Do not get confident, that is very true. Well, I am very glad to be able to come to Nydia's district to talk about manufacturing here in New York City. While people often envision manufacturers as giant corporations with huge production facilities, the truth is that the vast majority of manufacturing is done by small businesses, by small manufacturers. In fact, 99 percent of all manufacturers are considered by definition small. Generally, below 500 employees is considered in this country as small business, which can be a fairly large entity.

While they might be small businesses, their effect on our economy is enormous. Manufacturers employ over 12 million people all across the country and directly contribute over \$2 trillion to our economy each year. We cannot underestimate its indirect influence either. Every dollar spent on manufacturing in America adds \$1.37 to the economy. A single manufacturing job can lead to the creation of three to five more jobs in other industries. Without a doubt, manufacturing plays a critical role in America's economic wellbeing.

Manufacturers are increasingly participating in international trade as well. Over the past 25 years, U.S. manufactured goods exports more than quadrupled. In 1990, for example, manufacturers in the United States exported \$330 billion in goods. By 2000, that number had more than doubled to over \$700 billion in goods, and in 2014 it reached an all-time for the 5th consecutive year of \$1.4 trillion in goods, despite slowing global growth.

But we can do better. A topic our Committee has examined extensively is the cost of Federal regulation and how that cost is borne by various segments of the economy. Research has found that manufacturers pay over \$19,000 per employee per year on average to comply with Federal regulations, or nearly double the \$10,000 per employee per year borne by firms as a whole. Small businesses pay a much higher percentage of their revenues in the cost of regulations than do larger companies. In addition, small manufacturers, those with fewer than 50 employees, spend two and a half times the amount of large manufacturers. We must work together to eliminate unnecessary and burdensome regulations to help unleash the full capacity of the manufacturing engine.

Another challenge going forward is maintaining a skilled workforce. The products we build, the way we build them, and the skills required to do so are different than in generations past. According to the National Association of Manufacturers, over the next decade nearly three and a half million manufacturing jobs will likely be needed, and two million are expected to go unfilled due to a skills gap. We need to enact education policies that prioritize these new

trades and make skills training more widespread, more accessible, and more affordable.

Given the importance of manufacturing to our economy, I am delighted to be here with all of you today with my colleagues here in Congress, and I am looking forward to hearing all the witnesses' testimony here this morning. And I would now like to yield to Ms. Velázquez for her opening remarks.

Ms. VELAZQUEZ. Good morning. Thank you, Mr. Chairman, and really I welcome you to New York City. I want to take this opportunity to thank you for holding this hearing here in New York, and also recognize Joe Hartz, who has been very accommodating. I really appreciate it. My colleague, Gregory Meeks, thank you for being here, too. Mr. Chairman you have always been a very strong voice for manufacturers, not just in the Midwest or your state of Ohio, but around the country. I am glad we are getting an opportunity to showcase before you some of the leaders in the New York business community.

What the chairman related to you before is completely true. My mantra is that when it comes to small business, there is no Republican or Democratic approach. What we need is to make sure that we develop the kind of public policy that will enable small businesses to do what you do best, and that is creating good jobs.

Across the nation we have seen a manufacturing resurgence. Following years of decline, in the last 7 years, U.S. manufacturers added 856,000 workers to their payrolls. Just last month, 29,000 manufacturing jobs were created, the largest month-to-month gain since November of 2014. These are positive developments. With almost one-eighth of our economy rooted in manufacturing, strengthening this sector is vital to our country's overall economic health, and to job growth for working families and the middle class.

While New York City is often thought of as the financial and media capital, there is also a rich manufacturing history, and we are seeing growth in this area. In New York's 7th District, and neighborhoods next to it, we have seen some of the greatest manufacturing innovation. The Brooklyn Navy Yard has become a vibrant manufacturing and commercial hub. Today more than 7,000 people employed in 330 companies, work out of the Navy Yard. Creative reuse of this space has become a model for similar projects around the country.

A support city with deep ties to shipping, our manufacturers are well positioned to export products abroad. New York manufacturers sell almost \$70 billion worth of goods overseas, and 94 percent of these exporting firms are small businesses. With exports driving much of manufacturing growth, New York firms stand to benefit given their proximity to such an active port system.

Although this renaissance is promising for our city and the nation as a whole, there remain challenges that are preventing this sector from reaching its full potential. Here in New York, some of these hurdles are unique to an urban area. Other issues are sector-wide regardless of geography.

Connecting workers with employers and addressing small manufacturers' employment needs is a longstanding challenging. Many of Brooklyn's neighborhoods are walk to work communities. To the

extent small manufacturers hire locally, we can strengthen local economies while generating opportunity for low-income workers.

On a broader scale, we must ensure we are adequately investing in human resources. Greater federal investment in science, technology, engineering, math education will enhance domestic manufacturing. Local and private sector apprenticeship programs can prepare young people for careers in rapid growth areas. I would like to hear your thoughts and insights on these aspects, on these issues.

Transportation and rental costs remain an ongoing challenge for all manufacturers, but especially New York based. In the outer boroughs, industrial rents have climbed 10 percent in a single year. Similarly, transporting goods produced in a congested, urban market is always more expensive than in rural areas, one reason I have pushed legislation aimed at modernizing our freight system.

For manufacturers everywhere, access to capital is a persistent problem. This is especially true for smaller startup firms that are on the cusp of fast growth. For this reason, I introduced the Scale-Up Manufacturing Investment Company Act. This legislation will expand investment opportunities for small and emerging manufacturers, and I hope to hear our witnesses' perspective on it today.

All of these and other challenges point to a need for a concerted effort at the federal, state, and city level. In recent years, House Democrats have united behind the Make it in America agenda, a series of proposals to strengthen and expand our manufacturing base. Locally, New York City has a 10-point plan aimed at bolstering our industrial infrastructure and better train workers.

I would like to see a more holistic, cohesive approach in terms of the federal, state, and city governments. Each one of them has programs, and have come up with public policy, but how can we work together to strengthen what each level of government is doing in a way that makes sense to the businesses that are on the ground?

These efforts are important, but they can only succeed if they are guided by insight from the actual businesses here on the ground that are fueling our city's manufacturing renaissance. That is what makes today's hearing so valuable. As such, I would like to thank all of the witnesses for participating today. And, again, I thank the chairman for holding this field hearing.

I yield back.

Chairman CHABOT. Thank you very much for your opening statement. We appreciate that very much.

I would now like to recognize the gentleman, Mr. Meeks, for the purpose of making an opening statement if he would like to do so.

Mr. MEEKS. Thank you, Mr. Chairman, and I want to thank you, Chairman Chabot and Ranking Member Velázquez, for your thoughtfulness and for your leadership in bringing this hearing to New York City. It is indeed tremendously important that we look and listen to our small business folks because that is the essence of job creation in America, and it is what makes communities strong. If you go by a community and you do not see thriving small businesses moving forward, you see a community that is suffering, that is looking and yearning for jobs.

So I want to thank the witnesses and recognize the panelists, and the distinguished entrepreneurs, and the leaders of our community who we will hear from today. And as a member of the Financial Services Committee, which I serve on with Ranking Member Velázquez, and, as the chairman indicated, on the Foreign Affairs Committee, you know, small business is ripe, and the appropriate Committee to determine how we enhance manufacturing.

When you look at New York City and our communities, many of our small business are still recovering from the economic crises of 2008 and 2009, combined with the destruction of Hurricane Irene and Hurricane Sandy. In the 5th Congressional District, businesses like Madelaine Chocolates and Atlantic Steel faced a 1-2-3 combination that could have been a deathblow to manufacturing in Queens and in our great city.

But our incredible businesswomen and men, community development financial institutions like the Disability Opportunity Fund, and economic zones, including the industrial business zones in Jamaica and around our Nation's most traveled international airport, John F. Kennedy Airport, have provided our region's most skilled entrepreneurs an opportunity to compete on the world stage. To me, that is vital.

If we have a level playing field, our small businesses can compete with anybody, any place on this planet. We have the best minds and the best workers, and all we need is to make sure that the playing field is level. Let us be reminded that New York has the 3rd large economy in the United States trailing only Texas and California. New York's economy is the 15th largest in the world ahead of countries like the Netherlands and home of Europe's largest cargo port, and just behind one of our largest trading partners, South Korea.

So to get ahead, we need to address the cost of drag on our local businesses preventing them from expanding in scale and diversifying the scope of their products and services. Many of the most significant impediments that manufacturers in Queens and across the city face are the growing costs of overseas transportation, and a shortage of high-skilled workers, and the shift of budget priorities in Washington that reduced investment in research and development and other incentives that are critical to growing a manufacturing base.

Now more than ever, manufacturers face stiffening competition from global competitors. Without policies to buttress the tremendous growth that manufacturing is experiencing in New York City and other places, our city may find itself slipping in its ability to provide well-paying competitive jobs. I would remiss if I failed to mention the substantial and important role, when I look at small businesses, I think it is tremendously important to make sure that women and minority-owned businesses are there because they can contribute positively to the competitiveness in this global economy.

Throw something out real quick, for instance, the number of businesses owned by African-American women grew 322 percent since 1997, making African-American females the fastest-growing group of entrepreneurs in the United States of America. We have to make sure that we continue to focus on that.

As the ranking member has said, I am a firm believer of making it in America and selling it every place else. When we look at our policies, and whether it is our trade policy, et cetera, we have got to make sure that we are opening up markets abroad because some of the markets abroad have been closed to United States' products. Our trade agreements, et cetera, should be opening up these markets so that we can get our small businesses into these markets so that you can grow your businesses here at home and make sure that there are opportunities there to create jobs for people right here.

We need to get the message out clearly that outsourcing is not what you do when you are shipping your goods and your services, your manufactured goods overseas. That is not outsourcing. That is creating jobs here in America. That is what I think that you do and you are looking forwarding to doing. I want to know what we can do to make sure that you are successful.

I thank you again for being here, and I thank the chairman and the ranking member for their wisdom to hold this hearing in the city that is so great, they had to name it twice—New York, New York. And I yield back.

Chairman CHABOT. Thank you. The gentleman yields back. I appreciate your opening statement. And very briefly, I will explain the timing system here. We operate under what is called the 5-minute rule. It is pretty straightforward. It means that each member of the panel, and there are five of them, get to testify for 5 minutes. We actually have a light up on the clock to let them know what is going on, and we would ask you to stay within that as much as possible. We will give you a little leeway, but not much. We hope you stay within that rule. We limit ourselves to 5 minutes in asking questions when you are all finished.

I would now like to yield to the ranking member, Ms. Velázquez, for the purpose of introducing our very distinguished panel of experts here this morning.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. I would like to first open the witness panel by introducing Mr. Adam Friedman. He is the third executive director of the Pratt Center for Community Development, and the founding director of the New York Industrial Retention Network where he led efforts to strengthen the city's manufacturing sector and promote sustainable development. He is one of New York City's leading advocates in support of manufacturing and employment opportunities it brings.

Then I would like to also introduce Ms. Bob Bland, a Brooklyn-based fashion designer, entrepreneur, and community organizer. She is the CEO and founder of MANUFACTURE New York, a fashion incubator and factory dedicated to providing independent designers with the resources they need to streamline production and transform local manufacturing.

She will be followed by Mr. Michael DiMarino, president of Linda Tool, a second generation family business that manufactures precision machine components and assemblies. Linda Tool's state-of-the-art manufacturing facility is located in the historic Red Hook neighborhood, part of my district in Brooklyn, New York. Mr. DiMarino has participated in the launch of Goldman Sachs 10,000 Small Business Program, as well as the UBS Mentorship Program.

Socially committed to the restoration of the community, Linda Tool is also participating in a number of green initiatives designed to promote a healthy, sustainable, and safe working environment for its employees.

He will be followed by Ms. Nekisia Davis, founder and owner of Early Bird Foods, which makes small batch granola and other foods by hand. Prior to starting this business, Ms. Davis managed a famous local pizzeria and sold her granola at local markets, including the Brooklyn Flea Market. Now, they are located in Brooklyn's own Red Hook neighborhood.

She will be followed by Mr. Edward Jacobs, co-founder and CTO of FXE Industries. His startup company is based in the historic Brooklyn Navy Yard and focuses on advanced motorcycle design, engineering, and manufacturing. With over 10 years of experience, Mr. Jacobs uses an innovative approach to manufacturing that offers greater accessibility to customers.

And with that, Mr. Friedman, welcome.

STATEMENTS OF ADAM FRIEDMAN, DIRECTOR, PRATT CENTER FOR COMMUNITY DEVELOPMENT, BROOKLYN, NEW YORK; BOB BLAND, CEO AND FOUNDER, MANUFACTURE NY, BROOKLYN, NEW YORK; MICHAEL DIMARINO, OWNER, LINDA TOOL, BROOKLYN, NEW YORK; NEKISIA DAVIS, FOUNDER AND OWNER, EARLY BIRD FOODS & CO., LLC, BROOKLYN, NEW YORK; AND EDWARDS JACOBS, FXE INDUSTRIES, BROOKLYN NAVY YARD, BROOKLYN, NEW YORK

STATEMENT OF ADAM FRIEDMAN

Chairman CHABOT. You are recognized for 5 minutes. Thank you very much.

Mr. FRIEDMAN. I appreciate your efforts to reach out to the manufacturing community in New York. I thank you on behalf of every member, every participant on this panel.

I am the director of the Pratt Center for Community Development, which provides research, and urban planning, and economic development services in low-income communities and to small businesses through the city. I am also the chair of the Urban Manufacturing Alliance, which is a network of about 350 economic development practitioners in 100 cities across the country, all committed to sharing research, to collaborating and program development, and to try and articulate the urban perspective in the debate around economic development policy, particularly industrial development.

I hope you all have the Power Point presentation, so let's just go to the first pie chart, which is on page 2, and this kind of says why we do it. It's because of the jobs that manufacturing brings. I'm sorry, it's at page 1 for you all, and it's that pie chart. What it shows is manufacturing is still the best way to get a decent, well-paying job, particularly for people who have limited levels of educational attainment.

Chairman CHABOT. Excuse me, Mr. Friedman. You may want to pull the microphone a little closer to your mouth just to make that folks all over the room can hear you, too. Thank you.

Mr. FRIEDMAN. Okay, thank you. So the top of the second page you have this chart, and this really picks up on something that the chair said earlier. Urban manufacturing is small business, but large job numbers. In New York City, for example, the average manufacturer employs only 15 people.

Let's go to the bottom of that page, the urban manufacturing challenges. Sometimes I'll be meeting with a manufacturer, and I feel like saying to him something like, run, save yourself, you know? This is a crazy place to do business. Your neighborhood can be rezoned at any point. You have crumbling infrastructure and tremendous conflict for land. Third, even if your neighborhood is not rezoned, it could be converted to a vintage clothing store. There's tremendous pressure on manufacturers in New York City.

At the beginning Congresswoman Velázquez said there are normal anxieties that manufacturers face, and there are these problems that are kind of unique to urban areas, and they should have an influence on the program design that we'll talk about later.

If we go to the next slide about the rebirth of urban manufacturing, this is how it's done. You know, we have lost the large companies like Farberware that made pots and pans and Swingline that made staplers because they were large commodity products. They didn't have a real reason for being in a city, let alone New York City. But what's left here are the high value added producers that have a reason for being here because of proximity to market, proximity to the design talent, to a highly skilled workforce. On today's panel I think we have some great examples of how the competitive advantages of a city can really work for a manufacturer.

Let's look at some of the advantages that we have, the next one on high-tech manufacturing. I want to say at the outset technology is not the only way to create high value in a product. But high-tech advanced manufacturing is overwhelmingly concentrated in urban areas around the country. This is data gathered by Brookings Institute, and 95 percent of all the advanced manufacturing in the United States is in urban areas.

The second reason for the rebirth of urban manufacturing is cities are the centers of innovation. This is the graphic with the map of the United States. It's number 7 I think. So in addition to technology, design is often critical, and cities are where the universities are. For example, in New York City, New York Schools each year award 4,000 degrees in design and architecture. That is a tremendous economic engine. In addition, universities are increasingly the launch pad for entrepreneurs. At University of Cincinnati, first batch graduates of a design department apply to be in this incubator, and not only are they launched, but they are hooked up with local manufacturers so that the jobs that are created are created locally.

The last slide on the rebirth of urban manufacturing, 8, which is changes in technology benefit cities. It's not only that we have new micro technology, like 3D printers and CNC equipment which is shrinking factories, it's also how that technology is organized. We have co-location, co-working spaces which Bob Bland can talk about because that's what MANUFACTURE New York is.

In addition, we're seeing a growing amount of space sharing and operations like Tech Shop, which is kind of a gym model, which for

about hundred dollars a month, you go in and you can have access to equipment in a factory. The barriers to starting up are far less than ever used to be.

Thank you. Slide 9, the emergence of micro manufacturing, this is the result. We have manufacturers that employ one people, two people, and that's what growing in the United States. The congresswoman mentioned the Brooklyn Navy as a great launch pad for companies, and we'll hear more about that today. The secret to their success is that they're a nonprofit, and because they're mission driven and because they're not going to convert their space to a different type of use, companies have the security to invest, to train their workers, to build a network, to build relationships with the surrounding community.

This is not unique to New York. This a national movement. It's true in San Francisco. It's true in Indianapolis. It's rising up across the country.

Let me go to the last slide on Federal policy. There's a need to sort of retool the traditional Federal policies and programming that's been used to support manufacturing. So start with, for example, new market tax credits, it's increasingly difficult to use in urban because of the restrictions on eligibility for certain census tracts. You get one market rate housing project in a census tract, bam, you know. The entire census tract is ineligible. Arguably, these are exactly the locations where manufacturing should be taking root to prevent gentrification.

Second, industrial development bonds. The caps haven't been raised in years, and that money just does not go very far in urban areas. Really what's needed is a scan across Federal programming to weed out sort of the provisions that are kind of obsolete and that work against urban manufacturing.

Two final points. I have met with easily a thousand manufacturers over the past 20, 30-odd years, and I've been on a thousand shop floors. I can count on one hand the time a manufacturer has said to me cut taxes and I'll create jobs. Not the issue. At least not the issue for high value added manufacturing. They're concerned about infrastructure. They're concerned about education as the chair said at the beginning. They're concerned about getting their product to market. It's return on investment that's important, not just simply cutting costs.

The last point I wanted to make, because it's kind of counterintuitive, has to do with if you want an entrepreneurial society, you have to provide healthcare. I'm on an advisory board for Etsy, and I was at a meeting a couple of months ago, and the subject came up. So here's an entire massive organization devoted to launching new businesses. How can you launch a new business? How can you put your family at risk by walking away from a company that provides healthcare and start your own enterprise? So we've got to figure out some way to make healthcare more accessible, even beyond what it is today. Make it universal if you really want to have an entrepreneurial society.

Thank you.

Chairman CHABOT. Thank you very much. The one thing I did not note, there is a little doorbell like sound that goes off at the end of the 5 minutes, so just so you know.

Ms. Bland, you are recognized for 5 minutes.

STATEMENT OF BOB BLAND

Ms. BLAND. Thank you, Chairman Chabot, Ranking Member Ms. Velázquez, and members of this Committee for the opportunity to testify. Thanks also to our local representatives for your tireless commitment to retaining equitable opportunities for working and middle class New Yorkers and their families.

My name is Bob Bland, and I'm the CEO and founder of MANUFACTURE New York. I created MANUFACTURE New York in 2012 to rethink the fashion ecosystem and create a new vertically integrated 21st century business model that serves the industry's domestic urban manufacturing needs of today and the future. Our mission is to reawaken and rebuild America's fashion industry, foster the next wave of businesses, and create a transparent, sustainable global supply chain.

In the past 3 and a half years, we have grown our community to over 10,000 American designers, manufacturers, technologists, and proponents of domestic production, helped 150 small businesses here in New York City to successfully launch or reshore their apparel lines, and piloted incubator programs for startups in fashion and contracting manufacturing, and accelerated programs for wearable tech startups, thanks in part to the generous support of the SBA Growth Accelerator Fund, which is a great example of a program to help not just small business, but incubator and accelerator programs themselves because they're usually small businesses, and they need help starting up, too.

Since the recession, virtually all small creative and manufacturing businesses in New York City have had the exact same challenges. It was stunning for me at the beginning as a designer finding out that my contract manufacturers had the exact same problems that I did, access to affordable industrial space. Long-term leases, major problem. Relocation grants and construction loans are very hard to come by when you are displaced.

Access to affordable housing is increasingly becoming impossible here in New York City, especially within a reasonable commutable distance. For instance, we have 40 percent of our apparel manufacturing workforce here in New York City in the Flushing area of Queens, and getting them down to South Brooklyn, how in the world do you do that? We have major transportation problems.

There's very low access to working capital that's affordable, and also lines of credit to grow our small businesses, and that's still a huge, major problem. Access to competitive equipment procurement and training programs that are sector specific so that we can adapt to our rapidly-changing industry, are very necessary. They need to also be nationalized in a way that can result in certifications so that people can understand across States and across cities.

Fashion design and manufacturing jobs are more than just jobs. They're inclusive pathways to careers and potential business ownership themselves regardless of educational background or socioeconomic statutes. Typically they pay on average apparel manufacturing \$59,750 a year, which is a good job, and they're likely to include benefits and a clear path for growth. Also, skills training is

typically included, and opportunities to advance in management positions and beyond.

The New York City fashion ecosystem is unique in that historically New York's iconic garment district in 1931 was the largest garment district in the world. I'd like to say it's the original fashion incubator, and the original incubator program. It was because of the co-location and the proximity of all of the different parts of the supply chain together. It employed 1 million people at its height here in New York City. While it is contracted now to 15,000 apparel manufacturers total for the entire city as of this year, that still accounts for 30 percent of manufacturers in New York City. It's still a very huge sector when it comes to manufacturing. Every single one of those jobs are important.

We have several opportunities coming up at the intersection of fashion sustainability and technology if we seize the moment for urban manufacturing here in New York. There's already 900 fashion companies headquartered here in New York City that employ 180,000 people and generate over \$11 billion in wages and \$2 billion taxes per year, so it's a big business. The industry at large is a \$4 trillion global business, but we're also the number two polluter in the world right behind oil, which is shocking to most people.

From the smallest emerging design startups that are MANUFACTURE New York to the largest department stores and conglomerates, everyone is looking for a solution that includes conceptualization, research and development, commercialization, and a shared set of resources and best practices to capture value and provide accountability at all stages of the supply chain. That's an area that New York City could really take hold, and then connect with other urban manufacturing centers all throughout the United States.

I'd like to say that the best example I've seen of that so far, Representative Ms. Velázquez, you were saying, is that we're now part of one of the Manufacturing Innovation Institutes. That is an Obama Administration initiative to create these advanced manufacturing institutes. The one that we're in is the Revolutionary Textile and Fibers Manufacturing Institute.

And I would like to say that that program—I'd love to give you more information about it—really needs to be expanded to other urban centers because it's a way for us to bring all the stakeholders to the table, all the national educational institutions, all of the state organizations, workforce training, and then to create this network nationally for a specific sector, in this case, the next generation of textiles and fibers.

So thank you very much.

Chairman CHABOT. Thank you very much. I appreciate it.

Mr. DiMarino, you are recognized for 5 minutes.

STATEMENT OF MICHAEL DiMARINO

Mr. DiMARINO. Good morning, and thank you all for inviting me to testify before this Committee. I'm Mike DiMarino, president of Linda Tool. We're a second-generation family-owned manufacturer of precision machine components and assemblies located in Brooklyn, New York. Linda Tool has been located in Brooklyn since its inception in 1952.

Manufacturing in New York has always been so much of a challenge as it has been a blessing. New York has always enjoyed a rich history of manufacturing and cutting-edge technology. I'll give you a few examples.

Most people don't realize that New York is the proud home of the Coleman gas lamp mantle which was invented on Canal Street in New York City. The company today, Navis Global, is still a major customer of Linda Tool and has been since 1964.

It now produces high-tech cloth processing equipment, and Linda Tool makes components that no other company has ever made

New York is also home to the largest manufacturer of window envelope machinery in the world, F.L. Smithe, located on West 44th through West 48th Street and West Street in Manhattan. This was a cutting technology in its day. The Bahama Hinge Company, which probably most of the doors in this room have on them, was also located in Brooklyn, and AMF, the maker of bowling alley equipment, was located in Brooklyn, and now houses Lutheran Medical Center. Mergenthaler Linotype, Correcto-Type, even Ex-Lax belongs in New York City. These are all companies with cutting-edge technology in their heyday.

As it was in 1950, 2016 New York City is still a great place to manufacturer and has so much to offer. New York now boasts a robust 3D printer industry, a rapidly-growing drone manufacturing sector, and cutting-edge technology in recycling and biofuel. Honeybee Robotics of Manhattan was instrumental in development of the Mars Land Rover. This is all made possible by the opportunities that New York has to offer.

Most recently, New York City Schools have placed an emphasis on the development of manufacturing skills. Linda Tool recently hired two graduates from City Tech who went through their manufacturing engineering curriculum. These two new employees have the skills necessary to help Linda Tool move forward in the next phase of manufacturing. Their skills acquired in school, coupled with Linda Tool's old world training, is already paying off with some great advanced technology capabilities.

The schools are on the right track, but need more hands-on training in this curriculum as this would make graduates much more job ready. I personally would love to see an apprenticeship program for the manufacturing sector in place in the future.

The challenges are many. They are difficult, but you can understand some of it. Trying to marry urban life with industrial production is a challenge for anybody or any city that tries to do it. The New York City industrial business zones are one aspect that helps those of us trying to maintain a viable manufacturing business in New York.

One of the main challenges going forward is the loss of commercial industrial property. Gentrification is probably the biggest obstacle. As commercial and industrial areas are rezoned, it drives the price of real estate to such levels that economics just fail in trying to maintain a business. The preservation of the IBZs will greatly help with this, but they must be maintained.

The ability to move in this sector of technology can only have good benefits for all. Linda Tool itself was once an old world smoky, poorly lit, hazardous place to be employed. Today it is a modern,

air-conditioned, well-lit, well-equipped manufacturing facility that boasts an employment stay of 15 years. We're also one of the few, if not the only, manufacturer in New York City that boasts a green roof on the entire roof of its facility.

We also have a wage scale that meets or exceeds our industry, and personally it is very satisfying to see employees of the company thrive. The higher wage scale is because of our ability to introduce more advanced technology into our business. This may not result in the head counts of yesteryear, but it most certainly lends itself to a higher-paying job for those that acquire the skills to do so.

Looking back, New York has always been a technology leader in many aspects. Obviously the technology has changed drastically, and many today have no idea of some of the things that were previously mentioned in this testimony. Regardless, New York was always a leader in advanced technology whatever the era. Looking to the future, I believe there is a bright spot for us in the manufacturing sector as long as preserve our industrial zones and concentrate on educating and training our youth, providing them with hands-on learning and what to expect in the working world. A good part of that is the work that our local development organizations are doing, coupled with the work that the Federal and local government is contributing.

Chairman CHABOT. Thank you very much.

Ms. Davis, you are recognized for 5 minutes.

STATEMENT OF NEKISIA DAVIS

Ms. DAVIS. Good morning, Chairman Chabot, Ranking Member Velázquez, and also Congressman Meeks. I am honored to be here today to testify.

My name is Nekisia Davis. I'm the owner of Early Bird Foods in Red Hook, Brooklyn. We're a very small manufacturer of granola and granola bars. As Ranking Member Velázquez says, I started the company when I was managing a restaurant in Brooklyn called Franny's. I brought granola in to co-workers, and there was kind of like a small cult that was formed, and it was within a year that I was a full-time granola maker.

To say that I had no idea what I was doing is a giant understatement. I had been fumbling into being a small business owner every step of the way. I feel like I'm at a table of people who are so articulate and know exactly what they're doing, and I am learning every day. Every single day I learn how to be a better businessperson, and I think I'm definitely not one of few. There are a lot of people that are in the same industry as me that are kind of doing the same thing.

We now have six full-time employees, two part-time employees. We have many selling channels. We distribute our goods throughout the United States, very soon to China, Japan, the United Kingdom. I sell direct to a lot of stores in the U.S., and then also we have pretty good Web site sales.

I think we tapped into something that was very familiar that we approached in a unique way. I developed a palate through working at some of the best restaurants in New York that allowed me to kind of approach in a new way in how to make it. It's been very successful. Within the first 3 months of my business, I was on the

Martha Stewart Show making granola with Martha. I had a write-up in the New York Times, New York Magazine. I was on the shelf at Whole Foods—that was my second account—all because of the community that I've created through working in restaurants and food with chefs and wonderful people here in this city.

At that time, it felt like small food manufacturing in this city was in its infancy. It was difficult to find a place to legally produce food, and no one really knew what to do or how to do it. You certainly couldn't make it in your kitchen, and you didn't really know what the other option was. I kind of fumbled around to a couple of different office cooperatives. I landed in an incubator kitchen in Coney Island where I would have to lug 50-pound bags of oats and sunflower seeds into my car, load them into the kitchen, and, 1, 2, 3, go, bake as hard and fast as I could, package, label, clean, load back into my car, bring it back home, and come back and do the same thing the next day. It was a very, very challenging time.

I took out a very small loan from a friend, built out a space in 2001. It was 900 square feet. I quickly realized within a week it had improper electric to run all the equipment I needed, and I was there for 4 years doing kind of a gamble, a jump around and forth.

Two years ago, I was able to take out a business loan. I had been in business for 5 years, and I had a bank that believed in me, which I was very proud of. We built a warehouse and commercial kitchen in Red Hook, and I fear that we'll outgrow it probably in another 2 years, although I have a lease secured for another 8.

We have had very, very good luck in business. We've always been a business people love. I was raised in the way of the Danny Meyer hospitality. You have to run your business with compassion and empathy, and take care of your people first, take care of your customers second. It's worked very well, and I think that it resonates well with people. We have very, very loyal customers because of it.

Now, in all this sweet hippy granola fest, we have a lot of challenges. The number one challenge for me is workers' comp insurance. We are in a classification of manufacturing, and I don't know if I share the same issue with people at the table here, but we pay 3 times the rate of a cook in a restaurant kitchen, and that is a very high-risk job. The highest risk that I have in my kitchen is someone getting a burn on their arm. It's just very, very low risk. We're baking oats in an oven, and letting them cool, and putting them into a bag. The numbers I pay for workers' comp are astronomical. There's no one that I can talk to or convince that these rates are not appropriate to the amount of risk that we have.

Another issue has been with landlord-tenant relations. I feel like a landlord to provide a safe place for us to do business, to help facilitate business is just a given. I've had a lot of problems with landlords not having equipment that's working properly, and it really, really hinders our business. I had a freight elevator in my last kitchen go down for 3 weeks with no attempt to get it fixed. I had a P.O. that was supposed to go out to Whole Foods. I mean, my business was pretty paralyzed for 3 weeks. Thousands and thousands of dollars of business was lost.

When I attempted to negotiate a rent break from the landlord because of the loss in business, not only were we not helped out, but we were turned against. We were discriminated against as women,

being told that we didn't know what we were doing because we're women in business. He turned against us, he sued us, doubled our rent, and evicted us, and we had no power at all.

I think the final thing beyond those struggles, obviously getting capital to buy bigger, save money, it's very, very difficult. I acquired capital to build out the kitchen where I am now, and I just can't have access to anymore because I have such a large amount that's borrowed. We have excellent credit. We have excellent annual revenue. We just don't have access to anything. We are trying to keep up and grow at the same time. It's very a paralyzing feeling. Cash flow is growing smaller by the day.

I want to thank you again, and say in these moments we have to zoom out and remember this is one moment in a long journey. To have the collaboration and the care from the three of you is very comforting. Again, I'm honored to be here today.

Chairman CHABOT. Thank you very much.

Mr. Jacobs, you are recognized for 5 minutes.

STATEMENT OF EDWARD JACOBS

Mr. JACOBS. Good morning, Ranking Member Ms. Velázquez, Chairman Chabot, and other members of this Committee.

My name is Edward Jacobs, a Pratt graduate with a focus on industrial design, architecture, and engineering. Most of my adult life has been spent living and working within New York City being a designer and working initially with smaller-scale products. One quickly recognizes the challenges of sourcing manufacturers locally while attempting to secure reasonable pricing affordability and access to product.

I'm honored to be here with you today to talk about attempting to navigate the manufacturing community locally in New York City, nationally living in other States, and internationally sourcing to eventually manufacturers ourselves with FXE Industries.

FXE is a startup focusing on transportation and, more specifically, advanced motorcycle design and engineering. Our approach is a holistic one that bridges the gap typically found between fields within the realm of manufacturing. This is a modular approach to large-scale manufacturing that allows us to circumvent some of the pitfalls of highly-specialized niche employment, and, in turn, allows us to train and foster greater technical manufacturing abilities in house. This approach will allow us to offer accessibility of product so we may open up the market to a significantly greater number of customers.

We're in the process of securing 50,000 square feet of design, engineering, and manufacturing space. This opportunity to grow to a 100-plus team has ultimately been afforded to by the Brooklyn Navy Yard. I initially became a tenant of Brooklyn Navy Yard through New Lab. It's where I grew my first design and engineering company, DNI. New Lab is a great example of an entity that is helping enable a very substantial evolution in specialized manufacturing.

A good example of this is DNI's design, engineering, and sourcing for the Lowline underground park to be located at the base of the Williamsburg Bridge that has many challenges in its initial stages to be completed. This is an example of a potential large-scale archi-

tectural project with global implications. The entire project has been designed, engineered, sourced, and manufactured all in New York City.

The basis of this project being support of plant life and public space below the surface of the earth is a great example of the full spectrum of manufacturing and tremendous social impact New York can foster. This correlates directly with what FXE is attempting. Choosing to operate here in NYC with the sheer density and diversity will allow us a fantastic base of talent, younger, older, from all fields and walks of life to pull from. Being a new manufacturer and being supported and supporting establishments like the Brooklyn Navy Yard makes us very hopeful for the new positive city building manufacturing efforts growing within the 21st century in NYC.

I think a lot of the challenges that we've had have been finding funding outside of private funding. It seems as though a lot of the funding or the establishments are treated more the same kind of treatment we get from a bank. I think there needs to be development of a different spirit in lending where maybe people can actually view a business plan, make competent decisions so that startups, smaller entities can actually get capital to grow. And there's one other educational kind of gap that I see personally because of my background in industrial design and engineering. There isn't an educational element that bridges this foundation gap that you've seen throughout the years. There's definitely a rift.

And so, I think there's an opportunity there in New York to bridge this gap. I think what we have educational kind of institutional wise, bridging the gap between a few of them can really open up a whole new industry.

Thank you very much. I'm totally honored to be here. I really appreciate the time.

Chairman CHABOT. Thank you very much. I want to thank all the members of the panel for their testimony, really excellent testimony from each one. I would now like to turn to the ranking member. I am going to allow her to ask her questions first.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Ms. Bland, why did you choose to locate your facility here in New York City? What advantage does your business have over others because of its location?

Ms. BLAND. Well, we are located in Sunset Park at Liberty View Industrial Plaza, which is a development by Sumar Properties. The reason we are located there is because Sunset Park is a walk to work neighborhood that has many, many people who are already familiar with manufacturing. It is primarily a Latino and East Asian base, so a lot of these folks already have apparel manufacturing skills. It makes it much easier for us to hire people.

The reason for New York is because the fashion industry is iconic to New York City, and there are already so many skilled people also closing the loop in having all the designers, all of the development, and then also the sampling, how they are making all of it right in New York makes so much sense for these brands. It is starting to make more and sense. For instance, we just picked up Calvin Klein as a client. That was not something that we were expecting to happen this soon, because they are starting to pay atten-

tion to, oh, we need to do our development closer to home. New York City has a really incredible opportunity there.

For all of our startups, having the access to the major media outlets and having all of the really good press, it very much helps startups to get the word out about their new products and their new businesses, as well as Silicon Alley, the new fashion tech scene, the wearable tech scene. We are not seeing a lot of venture capital go into anything besides tech anymore. We have to take advantage of the fact that we are a fashion capital, and make sure that there is not a bunch of money being sunk into ugly products that do not make sense and do not work for the customer, and that no one in fashion has been consulted on them.

Instead we work with companies and work with VCs to ensure that they are employing the local workforce, and that everyone can take advantage of this opportunity, and that is going to require a lot of STEM training. That is going to require a lot of engineering, science, and other training to be combined with commercial manufacturing. We see a next generation of jobs there.

Ms. VELAZQUEZ. Thank you. Thank you. I am so proud that we worked to prevent that building from being sold—

Ms. BLAND. We are so grateful—

Ms. VELAZQUEZ.—and putting it up for auction.

Ms. BLAND. Thank you for your support.

Ms. VELAZQUEZ. Sure. Mr. Jacobs.

Mr. JACOBS. Yes?

Ms. VELAZQUEZ. There is a large and growing gap between idea conception and sustainable sales that every manufacturer must go through, the valley of death. Bridging that financial gap is critical for success, but often funding for companies at this stage is difficult to secure because of the inherent risk. Can you describe your difficulties in obtaining financing at this stage?

Mr. JACOBS. Yeah, absolutely. A lot of the challenges have been since we do not have a lot of assets to leverage, that, you know, borrowing can be very difficult. We have actually tried multiple ways to secure financing. Most of it has been from independent private financing, but we also have gone the EB-5 route. But there seems to be a large challenge because EB-5 funding seems to focus more so on real estate endeavors because of their inherent lower risk. And also one of the other panel members mentioned tech investment. It seems that everyone through all of our meetings is always looking for a strictly tech angle, almost looking for a very quick return, like a Google or, you know, some type of explosion because of some tech industry thing.

I do not know if it is because of a lack of understanding about some of the basic things in hard product design and manufacturing, but there seems to be, I guess, kind of just a rose-colored glasses effect on the tech industry that people are very much looking for a quick return.

What we are doing is something that we believe, it is more of a long-term thing. Any large-scale manufacturing endeavor is not a 1- or 2-year, you know, quick return things. It is a 10-, 15-year thing endeavor. I think sustained growth absolutely, but to find the people that are doing it, very difficult.

Ms. VELÁZQUEZ. Thank you. Ms. Davis, pretty soon we are going to be voting on a trade agreement, and we know that small exporters, small businesses are the majority of exporters. Yet if they do business with just one country, they will have only one customer in that country. I would like to hear from you, can you discuss your efforts to export your goods, and what challenges you have faced in doing business internationally?

Ms. DAVIS. Well, I think the biggest challenge is to try to get it to a place where they can sell it. There are so many costs that are involved in shipping. Me saying that we distribute to China, this is the first round of going to China. The taxes on goods that come in I think is something like 30 percent, and I don't know where that can be minimized, but that is a huge, huge challenge is to get the goods, which are already very expensive. My profit margins are right where they need to be in order to keep going just to try to get pricing.

When we do work with a distributor, it is really for kind of one place, and there does not seem to be a whole lot of expansion possible. I work with one distributor that sells to markets and dispensers in London, but that is the only person they sell to.

Ms. VELAZQUEZ. And just tell me with a yes or no answer, have you contacted or used any of the programs through the federal Department of Commerce or the Small Business Administration—

Ms. DAVIS. No.

Ms. VELAZQUEZ.—to help you in that regard?

Ms. DAVIS. No.

Ms. VELAZQUEZ. Thank you.

Chairman CHABOT. Okay. The gentlelady's time has expired. I will now recognize myself for 5 minutes.

With the four of you from here to here, let me ask you, when you started out your business, was it just yourself? Did you have anybody else? How many employees do you have now? We will just go down the line so we can get a good idea of what size businesses we are talking. Mr. Jacobs?

Mr. JACOBS. Yes, thank you. We started with two employees, myself and a co-founder, Francois Terney, and we have expanded now a very small amount. We only have four employees. We are looking to expand within 2017 up to 50,000 square feet, and probably—

Chairman CHABOT. So you have doubled two to four and maybe even further.

Mr. JACOBS. Yeah.

Chairman CHABOT. Over what period of time is that?

Mr. JACOBS. Probably about a year and a half.

Chairman CHABOT. Okay, thank you.

Mr. JACOBS. Yeah.

Chairman CHABOT. Okay. Ms. Davis?

Ms. DAVIS. I started alone and was alone for several years. I now have a team of eight including me, and we have been in business for 7 years.

Chairman CHABOT. Thank you very much. Mr. DiMarino?

Mr. DiMARINO. Now we have 28. When I started working in the company in 1975 we were three.

Chairman CHABOT. 1975 did you say?

Mr. DiMARINO. That is when I started working there, we were three.

Chairman CHABOT. Yeah.

Mr. DiMARINO. Now we are 28, but we also survived the recession and did not lay anybody off through all that, which was pretty difficult. But we are able to maintain our force and expand it a little bit.

Chairman CHABOT. Absolutely, thank you. Ms. Bland?

Ms. BLAND. We started with just me, and 3 and a half years we now have nine full-time W-2 employees, and then two part-time W-2 employees. We have 20 businesses on site, and they all have one or more employees.

Chairman CHABOT. Excellent. You literally are the backbone of this economy, small businesses. Congratulations to each of you for what you have accomplished. It is very impressive, it really is.

Mr. Friedman, let me ask you, you had mentioned the New Market Tax Credit Program. We use that pretty extensively in Cincinnati, especially in revitalizing the downtown area, and we have been pretty successful. In fact, the chairwoman at the time came there and saw a few years back what they are doing down there.

Ms. VELAZQUEZ. Our committee, Small Business, while I was the chair was one that worked on the legislation.

Chairman CHABOT. Yeah. We had a bunch of our colleagues came from other communities around the country to kind of learn about the New Market Tax Credit Program. Now, you mentioned there are some things that could be better. Could you tell the folks how that works in about a minute's time, and what improvements you might make?

Mr. FRIEDMAN. In determining whether or not a project is eligible for new market tax credits, they look at the Census tracts and the income population in the Census tracts, and I think it is increasingly targeted to highly distressed communities.

Ms. VELAZQUEZ. Yes.

Mr. FRIEDMAN. What has happened, in part because it is a reflection of the density in cities, if you have a small housing development that is market rate, it will skew the income for that neighborhood so that it knocks out the entire Census tract and everything sort of in proximity to it because there is a boundary. It is not only your Census tract. It is the adjacent tract.

Chairman CHABOT. So would it be your recommendation that that is something that Congress ought to look at and maybe adjust accordingly?

Mr. FRIEDMAN. Yes, for industrial projects. Our resources are scarce, and we recognize that, and we have to figure out how to use it more effectively. Certainly beyond the industrial development side, yes.

Chairman CHABOT. I would yield.

Ms. VELAZQUEZ. Thank you for yielding. The main mission of the market is to create jobs that will benefit low-income communities. Because of gentrification and displacement, we have an issue, but it is worth revisiting when we have to reauthorize.

Chairman CHABOT. That is the kind of stuff that we have worked on in a bipartisan manner over the years. We will look at that as a result of this hearing.

Let me ask the four of you again. I think you said no, but has anybody had occasion to use the services of the SBA in the past, the Small Business Administration, either alone or anything? Mr. Jacobs, what was your experience or what did you use them for?

Mr. JACOBS. My experience was when the storm hit, initially before we started or before I started FXE, my business partner had another company, DNI. It was out on a pier in Red Hook, and the whole place got flooded, 65 inches. Everything was literally destroyed. I was able to get an SBA disaster loan to continue—

Chairman CHABOT. Speaking of that storm, by the way, Ms. Velázquez was able to get some legislation passed through Congress that had a dramatic impact on that, you know. Did you want to talk about, Nydia?

Mr. JACOBS. Thank you for that.

Ms. VELAZQUEZ. What we found was the fact that the decline rate of disaster loans was extremely high, and I asked for the GAO to conduct an investigation that basically validated my worst fears, that too many loans were declined. Many small businesses on the Lower East Side, and in Red Hook were impacted, and did not have an opportunity to get the assistance that they needed.

For the first time in the history of the program through my legislation, it was reopened. Any business that did not get a loan could reapply, and anyone who lost their business could also reapply.

Mr. JACOBS. One thing. Thank you very much for the efforts you put forward in that. One thing I would just like to say maybe so you would know, they actually made me leverage my actual home, though, which if I did not own a property I would not have been able to get that loan.

Ms. VELAZQUEZ. Well, now we changed it.

Mr. JACOBS. Okay, fantastic. Thank you.

Ms. VELAZQUEZ. Okay.

Chairman CHABOT. Thank you very much. My time has expired. The gentleman, Mr. Meeks, is recognized for 5 minutes.

Mr. MEEKS. Thank you, Mr. Chairman. Good morning. I just want to thank each and every one of these panelists. Extraordinary is what makes America America. You are stick-to-it, and I know it is difficult. Let me ask, I know Ms. Davis was asked, but let me ask Mr. Jacobs first. Have you utilized any, whether it is SBA, whether it is the U.S. Department of Commerce? You indicated that you were looking to do things internationally also. Is that correct?

Mr. JACOBS. Yes.

Mr. MEEKS. Whether it is the Ex-Im Bank or OPIC, have you utilized any of the government programs to try to help enhance your business?

Mr. JACOBS. In FXE, there are a few things that have been done. I am basically behind the computer doing all the engineering and the components and everything. We have a different entity in our company that could probably speak a little bit more.

I mainly do all the engineering and all the design work actually, so I am not the one to focus on the international kind of financing.

The only internationally that we have attempted to do is the EB-5 Program, which it does not seem to be a program that is very stable, and there seems to be like a loopholes and a lot of strangeness to it. Again, it focuses more so on real estate and very low-risk investment where we need that to be kind of be able to take a higher risk, you know, and invest in companies like ours.

Mr. MEEKS. Ms. Davis, you indicated you are starting to go into China, et cetera. Have you looked toward, and I listened to your three problems. One, workers' compensation insurance, two, landlord relations, three, access to capital, and breaking down barriers internationally. I think that is indicated by Ranking Member Velázquez, trade agreements that we are looking at, whether or not they break down some of those barriers.

My question, have you looked at Ex-Im Bank, for example, or OPIC, or any other government, you know, using the U.S. Commerce. They have a program or the Chamber of Commerce. I do not know if any of you are involved in the Chamber of Commerce, whether it is the Brooklyn Chamber or the U.S. Chamber. Have you utilized any of those entities to help you to grow and to move forward with reference to the company?

Ms. DAVIS. I have not really, and honestly I am not too aware of what is available to me. I think that is simply because I spend most of my time chasing people for money to pay my Amex bill. To be completely honest, to even imagine spending enough time to devote to get into one of those systems or in one of the programs, it is seems overwhelming, and maybe it is not. But I have not ever because of that.

Mr. MEEKS. I am sure it is overwhelming. You are trying to run a business, and you are trying to do a number of things.

Ms. DAVIS. Yeah.

Mr. MEEKS. Chasing and finding out what program is there or not there is not something that is your focus.

Ms. DAVIS. No.

Mr. MEEKS. Your focus is move your product on a day-to-day basis. But I do want to let you know that there are, especially internationally, some opportunities for financing and access to capital. We have been putting a very tough fight as far as the reauthorization of Ex-Im Bank to make sure that they are catering to small businesses to help them do exports. I wanted to bring that to your attention.

Mr. DiMarino, let me ask you. You have been in business a long time. Have you utilized any of the government services or government programs that may be available to help you enhance and grow your business?

Mr. DiMARINO. No loans through the SBA, but we were able to put our green roof through the good graces of Congressman Velázquez on our facility with a Federal grant, which was quite a project.

Mr. MEEKS. Ms. Bland, same question.

Ms. BLAND. Yeah. We have won a couple of grants from the SBA to run our incubator program, and then to expand our incubator program to include contract manufacturers, so we are very grateful for that. Also we were asked to come down and talk with SBA about the importance of having a classification for micro-

businesses. I was astonished when I found out originally what the definition of a “small business” was for the United States, and that is still something that completely vexes me. I consider 500 employees to be a huge business, you know. There are a lot of smaller businesses that are 25 people and under, and they deserve a specific type of support. I appreciate them having us talk about that.

Mr. MEEKS. I think that we need to make sure that those agencies are getting back out to small business so that they know what is going on more.

Ms. BLAND. Well, I think they need sector specific Web sites, that it is just like, hey, food businesses, here is what you can do. Hey, fashion, here is what you can do. And have it be completely separate and regimented and clear.

Mr. MEEKS. Let me ask. I know I am out of time, but, Ms. Bland, you shook your head that you had worked with Chambers of Commerce, whether it was the Brooklyn Chamber.

Ms. BLAND. Oh, yeah, I love the Brooklyn Chamber of Commerce. I cannot believe how well they have outreached to small business to hiring. Like I started, and it literally was like me and two other people, and already they were reaching out to us and seeing what they could do to help. I do not think we would be where we are at without the Brooklyn Chamber of Commerce.

Mr. MEEKS. Thank you. I am out of time.

Chairman CHABOT. Thank you. The gentleman’s time has expired. Before recognizing the gentlelady for her questions, I would like to recognize one of your members of Council here. Councilman Robert Cornegy is here, and he is the chairman of City Council’s Small Business Committee.

You all here also in City Council have a small business committee as well, and Councilman Cornegy is the chairman of that committee. We appreciate him being here and showing his interest. Thank you very much. Thank you. Thank you.

Mr. MEEKS. He is short, though.

[Laughter.]

Chairman CHABOT. I would now like to recognize the gentlelady from New York, although all my colleagues are gentlefolks from New York, Ms. Clarke, for 5 minutes.

Ms. CLARKE. Thank you very much, Chairman Chabot, and to Ranking Member Velázquez. To our witnesses, thank you for coming today to share your and lend your expertise to the subject matter. I, first of all, want to express my regret in being delayed this morning. I had a small business event in my district just prior to getting here, and so please excuse me.

I wanted to ask a couple of questions of you, Ms. Davis in particular. We are intrigued, of course, by small businesses that take on sort of the entrepreneurial spirit that leads them to marketing overseas and to capturing those markets. As we know, more than 95 percent of the world’s consumers live abroad, but more than half of small exporters post sales to only one foreign market. It is our goal to make exporting more attainable for small businesses, and your business is available throughout Europe and Japan.

In your experience, which countries are generally easiest to export to, and what makes breaking into more than one foreign market so challenging?

Ms. DAVIS. I think it is difficult to answer that question because I work with distributors that handle a lot of the exportation, and the people that I export to have come to me as most of our accounts have. I am like a business unicorn in that way. We are really, really lucky. I do not have a good answer for you.

Ms. CLARKE. So we would probably have to take a look at the whole distribution network and the relationships.

Ms. DAVIS. I would hit up the international distributors for that information because they are really the ones that are going back and forth and dealing with taxes, and laws, and tariffs, and transportation. I just have to get my pallets down to them in a container, and then they take it from there.

Ms. CLARKE. Very well. Ms. Bland, MANUFACTURE New York facilitates relationships between designers and a production team, and you act as a type of mentor to budding fashion designers, and encourage them to not only produce their brand, but grow their business. Can you discuss some of the challenges that you face in making these connections between production teams and the designers?

Ms. BLAND. That is actually one of our strengths because everyone on my team comes from the fashion industry, and we have all been marketing locally for decades. So I would say that it is a more general challenge for designers in New York City before they find MANUFACTURE New York because most manufacturers do not want to be contacted by unvetted designers or new businesses that do not understand how to manufacture and how to speak with manufacturers.

One thing that we have worked very hard on is to create fashion design boot camps where designers get to learn the entire manufacturing process in a weekend. At that point they are not coming to all of these contract manufacturers who are all individually all over the city and all five boroughs, and asking for things that are impossible, things that cannot be done in timelines that are not feasible at prices that sound ridiculous because they are thinking that they are going to get the same price as China.

We try to provide some background around that, and I would say that those sort of programs, we want to work with local schools, including high schools, to help get people more educated earlier in the process because nationally fashion designers as a career has doubled in terms of the Census over the last decade. It is astonishing how many people want to be fashion entrepreneurs, and we want to help them to have access to it, but in a way that makes sense for manufacturers.

I would add that the garment district is a place where everyone was co-located together in a very high concentration, that idea still needs to remain. Having contract manufacturers spread out throughout the city in a way that they are not able to access the same support structures and the same infrastructure as each other and networks is unfortunate. That goes for everything from hiring, to equipment, to systems, to grants, to you name it.

The idea of co-locating them all on site in one place, which is what we are working towards at Liberty View Industrial Plaza, that is a 21st century model for garment manufacturing.

Ms. CLARKE. And, Mr. Friedman, many small manufacturers with growth potential may not seek assistance with operations, marketing, and finance because they are simply unaware that resources are available. However, the SBA has many entrepreneurial development programs, including SBDCs and women's business center. What can we do to increase the awareness among small manufacturers of the SBA's business counseling services?

Mr. FRIEDMAN. I think there is a tremendous network of economic development organizations and professionals out there. I think Mike is on the board of—

Mr. DiMARINO. Yes.

Mr. FRIEDMAN.—of South Brooklyn Development Corporation, so that is one example of an intermediary that generally does not get Federal funding, but their job is to make those connections. So Bob may be doing it in one particular sector, but just building the basic economic development infrastructure so that those connections can be made. Maybe there is a Federal funding opportunity or just some acknowledgement about the need for that strata of intermediary.

Ms. CLARKE. Very well. Thank you, Mr. Friedman. I wanted to acknowledge very quickly Mr. Meeke and, of course, our councilman, Robert Cornegy and thank them for being a part of today's proceedings. I yield back, Mr. Chairman.

Chairman CHABOT. Thank you very much. The gentle lady yields back. We are going to into one more round of questions here, and I would like to recognize Ranking Member, Ms. Velázquez, for 5 minutes first.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. Mr. DiMarino, as more manufacturing work moves toward automation, workers need advance education to operate the machinery that produces highly technical goods, like computers and aerospace parts. And these jobs also command higher pay. What are the challenges you are facing today in that regard?

Mr. DiMARINO. The challenges are really the training. I do not think it is so much of a higher education. It is one's ambition or willingness to learn and apply themselves to it. Like I said in my testimony, we hired two young people from City Tech, and the first young lady came in and she wanted to program my CNC machines. She never did it in her life. I interviewed her, and I could just see the fire burning in her belly. It was staring at me right in my face.

So I called my foreman. I said, Dave, you know, take Anna around and show her. He said, what do you want to hire somebody else in the office for? It is too much overhead. Just take her around and talk to her. He came back in a half an hour, he says, hire her. You could see she had a hunger for it, and we sent her for training, and now she is programming five-axis machines. It is unbelievable. It was tremendous.

Someone does not need years of education. I mean, we put her in education, but not advanced education. But it is the willingness to learn, and you have to have an interest in it.

Ms. VELÁZQUEZ. Mr. Friedman, so many times we meet with businesses, and when we ask them the biggest challenge they are facing, it is the lack of trained workers. What kind of role do you

see for the federal government and at the state level that we could be doing more in terms of learning opportunities for our workforce?

Mr. FRIEDMAN. One is an expansion of something you are already doing now having to do with support community colleges.

Mr. FRIEDMAN. Not just growing support for community colleges, but also shifting to an apprenticeship model or providing additional funding for apprenticeships. One of the things that companies often say to me is that they would prefer to do the training themselves. Because manufacturing is essentially small business, the diversity of skills is tremendous. If we move towards kind of a lifelong learning model using apprenticeships, I think that would, you know, allow for the diversity in the sector, and yet create, you know, a stream of skilled workers.

Ms. VELÁZQUEZ. Let us talk for a second about how our country needs to encourage more students to pursue degrees in science, technology, engineering, and math, you know, the STEM subjects. What do you think? In terms of your organization and your relationship with the public school system in New York City, do you have any type of interaction? Do you have any type of conversation? Are there any type of meetings that take place to assess how can we encourage more, especially in places like New York City where the face is changing? You have more Latinos, more women, more African-Americans, more Asians.

What can we do to narrow the gap that exists between what is going on in terms of the marketplace and the curriculum that we have in place these days?

Mr. FRIEDMAN. Sure. I am not sure I can offer the big answer there.

Ms. VELÁZQUEZ. Sure.

Mr. FRIEDMAN. But to bring something together that I think a bunch of us have talked about is how to co-locate different types of services. Workforce development and education is always the odd man out, and maybe that is a function of funding streams that is distinct from economic development. There is a tremendous silo between our economic development organizations and our workforce and labor organizations.

One of the things that Pratt is working on with the Brooklyn Navy Yard, with City Tech, with the Board of Ed, Department of Education, is to co-locate a whole bunch of those facilities in the Brooklyn Navy Yard. We are in proximity to a number of NYCHA developments. So the idea is to make it as absolutely seamless as possible.

Businesses, residents, they do not know who they are getting services from half the time, nor should they, you know. They should not have to have that skill. We want them to be good at their business. We want them to be good in high school. Pratt Institute already brings about 200 students to campus every Saturday to do STEAM education, and we are trying to link that moving forward with a CTE school that would be located at the Brooklyn Navy Yard so that you can get a real seamless integration of training, and resident employment, and business development.

Chairman CHABOT. Okay. Thank you very much. The gentlelady's time has expired. I recognize myself for 5 minutes.

One of the things, and I think, Mr. Friedman, you had mentioned that tax policy is not the primary concern that business folks have, you know, but it certainly is one of the things that they have to consider. I was wondering if any of the members on the panel were aware that towards the end of last year, Congress passed some legislation relative to the Tax Code that was supposed to help especially small businesses that did a couple of things.

One thing, there is Section 179 expensing that you could buy a piece of equipment and take it off all in that year. There are limitations to it, but overall rather than depreciating this over 15 years or a long time, you could take it all off that year right off your taxes. So the incentives, the argument was people would buy that piece of equipment, and put it into service, and become more productive, and be able to take it right off their taxes that year. That would help both that company that bought it, plus the company that made that thing, hopefully made here in the United States. We cannot control that, but hopefully made here, and the people that worked in that factory. That would help the economy. That was the idea.

Also the research and development tax credit, and we made these things, we made them permanent. Let us see. Is that the one was permanent? There is one that was not. Bonus appreciation was the other one. That one is until 2019, I believe, and that is a credit.

But we did those things. A lot of times we had done these in the past, but we just kind of extended it from one year to other, and we did it towards the end of the year, and so you could not plan for it, and so it did not do a lot of good. Well, finally Congress got its act together sort of in a bipartisan manner and got this thing passed, and it should help you to take advantage of the Tax Code out into the future.

First of all, were you aware that this happened, and did anybody get a chance to take advantage of it yet or whatever? Mr. DiMarino?

Mr. DiMARINO. I have been fortunate. I have a lifelong friend and my tax attorney. I have been doing the R&D credit since it first came out, so that it is in the 1980s. I think it was 1986 when it first was implemented. But it is a wonderful tool, and everybody here at this table should take great advantage of it. It is tremendous. Really a tremendous tool.

Chairman CHABOT. I will yield to the gentlelady.

Ms. VELAZQUEZ. You need to have good accountants so that they could provide information to you in a timely—

Mr. DiMARINO. He is one of the Nation's leading experts in tax and R&D credit.

Chairman CHABOT. Yeah. But, to me that would be one criticism of Congress that a lot of times we did this stuff, but we did it towards the end of the year in some gigantic omnibus bill that you throw everything but the kitchen sink in. By the time your accountant has got to go through it and figure out what the heck was in there, it was too late to take advantage of it, and you could not depend on it. But now the stuff that we made, those in particular were permanent.

I would urge all of you to take a look at it because you could buy stuff and take it right off your taxes that year. It is a real advan-

tage, and I would advise all small businesses who may not know about that to look into it.

Another question, and I was going to follow up on something that the ranking member talked about, job training and the skills that you need when you are trying to hire something. I talk to a lot of small businesses in my district, and one complaint that I get is that, you know, we obviously want to have a safety net. If people have been laid off or they have not had employment for a while, something to make sure they can take care of themselves and survive. But sometimes what I hear is unemployment or other things make it such that people will not take the job, you know, at something that the small business could actually afford to pay somebody.

Do you hear this? Is this an experience that you had or want to comment on? Ms. Bland?

Ms. BLAND. I have definitely never had that experience.

Chairman CHABOT. You have not had that experience.

Ms. BLAND. No.

Chairman CHABOT. Okay.

Ms. BLAND. I have had some employees who have been coming, but they ran out of unemployment, and now it is just like, oh, my god, what am I going to do, and then they come to us. Most of the people that I have talked to, I have never personally been on unemployment before, but most of the folks in my community, it is very typical in the freelancer and creative community for people to spend some time on unemployment at some point during their career. And it has nothing to do with laziness.

Chairman CHABOT. Okay.

Ms. BLAND. I would say that until we have a social safety net for freelancers that is a little bit more coherent than now, we are not going to have that truly flexible talent pool that all businesses can take advantage of. Right now it is a little wooden where I have to keep people as full time, part time, or I am probably going to risk losing them as opposed to if we had a little bit more play with it, we could have people on a more hourly basis as opposed to either full time or part time.

Chairman CHABOT. Okay. Thank you. My time is just about ready to expire, so I will not ask another question. I will now yield to the gentlelady for 5 minutes, Ms. Clarke.

Ms. CLARKE. Thanks again. Thanks once again, Mr. Chairman. I wanted to just out of curiosity ask Mr. Friedman if your experience in working with emerging manufacturers, is there a role that you see sort of the social media landscape playing in helping those entrepreneurs to access information and maybe to network and connect with others that are in similar predicaments, or that can be helpful in terms of resource and support? I want to also extend that to the rest of the panel to discuss.

Mr. FRIEDMAN. Let everyone know that we did not conspire before this meeting in any way to answer that question. There is a tremendous role, and we are at the very, very beginning. It is sort of like the shared economy comes to manufacturing. There is under capacity in a lot of factories, and so the issue is how can we begin to have different companies use the same factory. That is an app,

you know. That is what Uber does. That is RB&B does. So there are those opportunities.

Beyond that, we also run the Made in NYC initiative, which is a local branding campaign to drive consumer traffic to local manufacturers. To be honest, it is has been a shoestring operation. We got funding for the first time from the New York City Council, which is really allowing us to ramp that up. What we will be having is a social media campaign to attract consumers, to educate them about what is made locally, and then to get them to go to everyone's websites and buy directly from local manufacturers.

Ms. CLARKE. I heard in particular Ms. Bland speak of the need to sort of distill information by industry. And it would seem to me that that maybe one of the vehicles that can be helpful in doing so that, you know, at one click if you manufacture motorcycles, you know who is in that space, what types of government assistance or programs are tailored towards that industry. I was just wondering whether you thought that would be helpful given that it is such a utility, but whether we have reached that space yet.

Ms. BLAND. Are you talking in reference to Made in NYC, or just in general?

Mr. FRIEDMAN. Or fashion in general.

Ms. CLARKE. It could be—

Mr. FRIEDMAN. We are not there yet.

Ms. CLARKE. Okay, we are not there yet.

Mr. FRIEDMAN. The honest answer is over the next year and a half, we hope to be doing a lot of that in New York City. We are one city, you know. San Francisco is very advanced in that, and if you go to sfa.org, they have a real inventory of what is available. There is still much more opportunity for networking.

Ms. BLAND. Yeah, and I think it also starts with public awareness campaigns here in New York City that are in the languages of the people that are being targeted, you know, because we see that it is more effective for us to go out in Sunset Park with a printed out sign in either Mandarin or Spanish and put it directly in the neighborhood than it is for us to try to post something on Craigslist or anything like that. We also have to contextualize it for the sector, and the neighborhood, and the language.

Ms. CLARKE. Very well. Anyone else want to add anything?

Ms. DAVIS. Just a small thing. When you said bring it into the language of the people who it needs to apply to, I actually thought you meant the difference in governmental language and the language of most people.

Ms. BLAND. That is a good point.

Ms. CLARKE. Right.

Ms. DAVIS. I am not in government. I am not anyone that is involved in government. Any time things are simplified, bullet points, to bring us into programs is so easy. A good example of this I think Oscar Health Insurance. It is a health insurance company that basically makes things click, click, click easy. There is a picture. There is a big button. There is an app. It is so easily accessible. I feel like you would just attract a lot more people to these programs if it were simple.

Ms. CLARKE. What they call plain English.

Ms. DAVIS. Yeah. I mean, make it like a kid, whatever you need to do.

[Laughter.]

Ms. CLARKE. Very well. Very well. If there are no other answers, Mr. Chairman, I yield back.

Chairman CHABOT. Thank you. Before coming to Congress, I was a lawyer, and if we made it too plain and simple, we would put them all out of work, though. I am sure you would not want to see that, right? No. I am sure we probably would.

But I can just say this has been extremely helpful, I think, to all members that we were able to be here today. I would like to yield to my colleague, Ms. Velázquez, if she would like to make a closing statement or a closing point or two.

Ms. VELÁZQUEZ. Sure. Thank you, Mr. Chairman. I really appreciate your taking time to come and listen to the people, the businesses that are creating jobs, and to see what the challenges are, what is working and what is not working. Mr. Friedman, you have raised the issue of the tax credits, which we will revisit.

Mr. FRIEDMAN. Thank you.

Ms. VELÁZQUEZ. Mr. Jacobs, I am working on legislation that would allow for private capital equity to invest in startups like yours, but to structure that type of investment in a way where you do not have to start paying back right away until, you know, you have reached or you have put your product into commercialization.

That will be a federal program geared towards manufacturers in the United States that lack the kind of liquidity and capital that will enable you to continue to work on your business, especially emerging businesses. So how can we, the federal government, incentivize with matching funds to create those type of companies like SBIC, but where you do not have to pay back immediately as is the case if you have a traditional loan.

This has been very helpful. I really appreciate you all taking time out of your busy companies and businesses to be here with us. Mr. Chairman, I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back. I want to, as chair of the Committee, thank the Council of New York City for opening up their chambers to us today to let the United States Congress come here and use these fine historic facilities. We do appreciate it. We appreciate the folks here in the audience, and especially the panel members here for their testimony. This has been very helpful to us. We will take what we learn here back to our colleagues in the Congress, and hopefully we will do whatever we can to help to improve the climate for especially small business manufacturers in the United States, so thank you very much.

And if there is no further business to come before the Committee, we are adjourned. Thank you.

Ms. DAVIS. Thank you.

Mr. JACOBS. Thank you.

[Whereupon, at 11:17 a.m., the Committee was adjourned.]

A P P E N D I X



The State Of Urban Manufacturing
Presented to the Small Business Committee,
U. S. House of Representatives
February 22, 2016

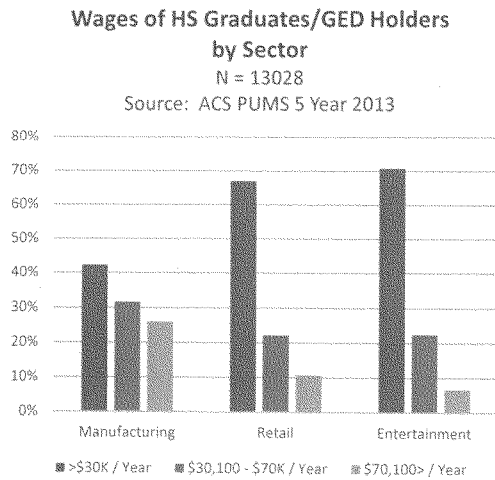
Good morning. I am Adam Friedman, Director of the Pratt Center for Community Development and I thank you for the opportunity to testify regarding the challenges and opportunities presented by urban manufacturing, both nationwide and in New York City. The Pratt Center is a department within Pratt Institute and the Center provides technical assistance to community groups and small businesses in low income communities to build a more sustainable and equitable New York. Prior to Pratt Center, I was Director of the New York Industrial Retention Network and the Garment Industry Development Corporation.

I am also Chairman of the Urban Manufacturing Alliance, a network of approximately 350 economic development professionals in more than 100 cities. The UMA is committed to strengthening urban manufacturing and creating well-paying manufacturing jobs by helping cities to share research, collaborate in program, and providing an urban perspective in economic development policy.¹

¹ The positions expressed here are that of the Pratt Center and not Pratt Institute or the Urban Manufacturing Alliance.

We've all probably felt some pride when listening to Frank Sinatra belt out about New York "if you can make it here, you can make it anywhere." But when you think about it, he's saying New York is a crazy place to do business, and what he's saying is particularly true about manufacturing: The infrastructure is crumbling. Utilities, labor, and transportation all cost more, and not only is the cost of real estate extraordinarily high, there is the risk that your space is going to get converted to a condo, coffee bar or used clothing store. There have been moments over the past 30 years when I've been talking to a manufacturer and suddenly feel like saying "you need to run, save yourself!"

But here's the thing: New York, and cities across the United States, are actually great places to do business, and we're now seeing a resurgence in our urban manufacturing sector. Districts in New York, San Francisco and Los Angeles, three of the most expensive cities in the United States, are all seeing new small manufacturing businesses open.



A healthy manufacturing sector must be part of any comprehensive strategy to address the growth in income disparity and expand the middle class. A job in production is one of the best ways to secure a well-paying job, particularly for people with limited educational attainment.

Expanding urban manufacturers is a realistic strategy. are focusing on high value added products, as opposed to commodity products. New York was once home to Farberware which made pots and pans, and Swingline which made staplers, and until recently Sweet & Low which makes sugar substitute. And while we're may be saddened by their loss and challenged by the need to find new jobs for their workers, moving forward we need to focus on companies with high value added products that benefit from being in an urban location. As you'll hear today, urban manufacturers take advantage of proximity to market, design talent, highly skilled labor and, perhaps in the future, the wealth of resources that we now throw away and that could be recycled.

In addition, we are seeing dramatic changes in technology that are essentially shrinking factories. 3D printers, CNC machines, and very powerful software that facilitates design but has a very simple interface are making it possible for a vast array of products to be made in smaller spaces. This shift translates into more efficient use of real estate, which makes cities more competitive.

Even more efficiency is achieved through co-working spaces where separate companies are sharing equipment and production capacity. Manufacture New York is a great illustration of this, as is TechShop, a company that provides factory space based on a gym-membership model: you pay a monthly fee to use sophisticated manufacturing equipment so that you can launch a manufacturing company without the huge startup costs of a factory.

While these changes in technology are helpful, technology is not the issue or the criterion that should guide economic policy. The defining characteristic for

economic development efforts should be “high value.” High value reflects a market decision, the willingness of consumers to pay premium prices for a product – a premium that allows the entrepreneur to pay higher wages and bear the higher costs of doing business in urban areas.

High value may come from advanced technology but not necessarily so, and it is important to remember this when designing programs to assist manufacturers. For example, a company may need loans and grants to purchase equipment, but vouchers or wage reimbursements may be more appropriate for companies which derive value from the skills of their workforce.

One way of thinking about high value is the ‘cultural content’ embedded in a product. High value can be achieved not only by technology but also by good design, by innovation, by aesthetic quality, or by otherwise meeting the needs of consumers. This is why there is such strong synergy between universities and manufacturing in cities. More than 4,000 design and architecture degrees are awarded every year by universities in New York City, at FIT, Parsons, Pratt, SVA, Kent State and others, and that wealth of design talent is leading to new business formation and job creation. In addition, universities are making strategic decisions to help their graduates and their home cities by launching this talent into business. For example, First Batch at the University of Cincinnati selects graduates in design for an incubator that includes helping them scale up using local manufacturers.

Cities have particular competitive advantages based on their density and the networks of specialized businesses made possible by density. Small manufacturers typically form networks with other manufacturers, each

contributing specialized skills and products as needed to produce a final product in an efficient flow of work, then disband and move onto the next team and product. The flexibility of these networks and temporary partnerships creates competitive advantages for small firms which do not have to carry the fixed overhead costs for all the equipment, space or labor needed for every product.³ Neighborhoods filled with older loft buildings, such as Manhattan's Garment Center, Long Island City in Queens, and Greenpoint and Williamsburg in Brooklyn are ideal for nurturing these production networks. The extraordinary concentration of these production networks, consumers, producers, skilled labor and suppliers makes it possible for an entrepreneur with a new idea to get it designed, tested, financed, manufactured, marketed and onto retail shelves not only within a short distance but also within a short period of time.

The shift to a low-carbon economy is leading to other new competitive advantages for urban manufacturing. Virtually since the invention of the wheel, the cost of transporting goods has been going down, making it possible if not inevitable for companies to engage in global sourcing strategies. But rising energy costs will inevitably lead to rising transportation costs, making cities more competitive – not for all but for more manufacturing. Shifting the transportation cost curve up will encourage more decentralized or regional markets and production. One way urban manufacturers may begin to capitalize on this opportunity is by creating cooperative distribution networks in which small manufacturers add products from other manufacturers to their delivery routes to ensure that their trucks are full and to share the costs. This is already beginning to happen with the release of *Cargomatic*, a smartphone app that allows users to share trucking transport for cargo.

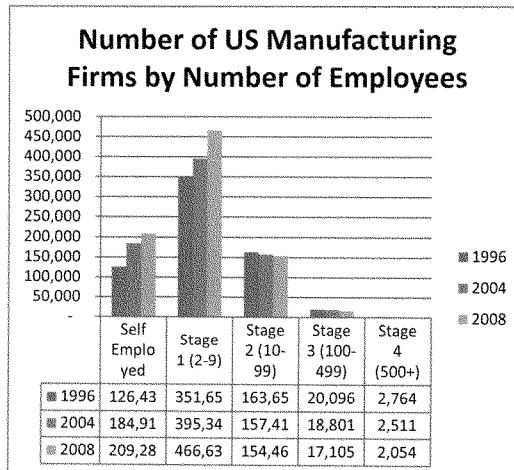
Another shifting cost curve is waste disposal – an increasingly expensive service as the availability of dumpsites diminishes and as communities and governments become more alert to the dangers of dumping hazardous waste. One way to address this issue is to increase recycling. Recycling has been hampered by the small size of the manufacturers because their recyclable waste streams are likewise small and diverse, which makes collection, sorting, treatment and reselling less cost-effective. In New York City, a pilot project launched by the Industrial Technology Assistance Corporation (ITAC) aggregated the waste from twenty small manufacturers located in one building at the Brooklyn Navy Yard, an industrial park owned by the city government. The pilot has produced very impressive results, reducing waste removal costs by approximately 30% as their waste has become more attractive to recyclers and leading to a very dramatic 90% reduction in trucking. Some of the companies have even been able to use the waste from their neighbors as raw materials.

The forces supporting more micro-manufacturing in cities coincide with growing consumer interest in locally made products. The 'locavore' movement is most obvious, where consumers want to support local farms, reduce carbon emissions from trucking, show pride in their local cuisine and assure the safety of their food supply. Beyond food there is a growing consumer preference for locally made apparel, furnishings and other consumer goods, driven by both consumer and designer support for local sourcing to ensure quality, support the local economy and nurture new design talent that reflects distinction, in reaction to the homogeneity offered by national brands. An online survey of 240 consumers by BBDO, an internationally renowned marketing firm working on behalf of the Pratt Center, found that approximately 70% of consumers interviewed pay attention to

where the products they buy are made; 70% also said that they would be more likely to buy local if it created local jobs and/or supported small local businesses.

Finally, there is the growing class of micro-manufacturers – entrepreneurs who have a passion for both design and production, sometimes on their own with no employees, but also growing up to 10 employees as their business matures.⁴ They want to turn their ideas into products, not just as an artistic expression or impulse but also as a commercial venture. Micro-manufacturing is well established in the food industry, and there are food incubators and shared kitchens scattered throughout the city.

Micro-manufacturing is not confined to New York. Nationwide, between 1996 and 2008 there was a dramatic increase in the number of firms with one employee (65.5%), a significant increase in firms with two to nine employees (33%), but decreases in all categories of firms employing more than ten people.



Let me offer a couple of ways the federal government can be more supportive of the growth of urban manufacturing:

A particular focus of public intervention has to be to modernize older industrial buildings that were originally designed for large, single-tenant manufacturing companies, the types of companies like Farberware and Swingline discussed above that have largely left our urban areas. Today's small urban manufacturers need appropriately sized and designed space – often multi-tenant buildings that can achieve the density and diversity that stimulates innovation and the networks of small businesses which create competitive advantages for urban manufacturers. Manufacturing uses are unlikely to be able to afford rents that will incentivize such development. City, state and the federal government will have to reorient their development subsidies away from large new owner-occupied developments (often located in greenfields) and in favor of the renovation of older urban industrial buildings.

One of the best ways to support this redevelopment is through non-profit organizations whose mission is to create industrial jobs. The non-profits can either partner with developers, acquire some equity and participate in management or become developers themselves. There are a growing number of organizations across the country that are doing this:

1. In New York, the Brooklyn Navy Yard Development Corporation manages a 300-acre Industrial Park which was formerly a military base. Their commitment to preserving affordable space for production has given their industrial tenants the security they need to reinvest and develop strong relationships with the surrounding community resulting in jobs for residents;

2. In San Francisco, PlaceMade, with the support of the City, will be acquiring 56,000 sq. ft. of newly constructed industrial space in exchange for the developer receiving permission to building offices in an industrial area; and
3. In Indianapolis, the Riley Area Development Corporation will have equity in a redeveloped industrial building that will have a mix of offices, maker spaces and legacy manufacturers.

A major challenge to this redevelopment is that it has been very difficult to use IDA financing or New Market Tax Credits, two of the primary financing tools offered by the federal government. While EDA funding has generally been flexible enough to support multi-tenant redevelopment, including where the owner is a non-profit, IDA and NMTC have been much more problematic.

NMTC are restricted to projects in distressed census tracts but a very modest amount of residential gentrification in a neighborhood adjacent to an industrial project can make that project ineligible. I strongly believe NMTC and other economic development benefits should be targeted to areas where they are needed the most, but the current mechanism is not fine grained enough to work properly in urban areas where neighborhoods can change dramatically in just a block. In fact, retaining manufacturing and blue-collar jobs in the face of residential gentrification should be a high priority for NMTC.

In New York, IDA bond financing has been hampered by the cap on both individual project cost and the provisions that limit capital investment over a 3-year period. The costs of real estate and equipment are not going down and need to be adjusted to reflect urban markets. In addition, the definition for eligible

expenses may be too narrow in limiting financing to the factory floor but not ancillary uses such as a locker room or kitchen/cafeteria area or offices (which are used by managers, administrators, etc. of the primary manufacturing user.)

In addition to these program-specific suggestions, there has to be a shift in perspective away from the obsession with cutting taxes to be replaced by a strategy that encourages investment in public goods like infrastructure and education that make companies more competitive over the long term. I have personally met with more than a thousand small manufacturers over the past thirty years, and less than a dozen have said they could create jobs if only their taxes were cut. The issue is sales, or more precisely the anticipated return on investment, not taxes which have a marginal impact. When sales are strong and business is confident, they will invest in new equipment and training because they expect a good return. Taxes pay for the improvements that manufacturers need to be competitive, such as maintaining the infrastructure so companies can get their products to market, rebuilding the electric grid to support decentralized clean energy production, and creating a highly educated workforce that has the skills to make high value products.

One last, perhaps unexpected, perspective: We cannot have an entrepreneurial economy if we still tie health care and health insurance to the workplace. An entrepreneur should not have to put his or her family's health at risk to leave a job to start a business. I have had Etsy "shop keepers" say to me they want to grow their fledgling businesses but cannot devote the time because they cannot leave their old jobs and lose their insurance. I've also had furniture makers and

woodworkers say to me they cannot compete against their Canadian colleagues because the Canadian government pays for the workers' health care.

Let me wrap up by saying how much I appreciate your efforts to reach out to us in New York. New York is no longer thought of as an important manufacturing center. However, with more than 70,000 manufacturing jobs there are more than 70,000 New York families for whom a healthy manufacturing sector remains of tremendous importance.

Thank you.



MANUFACTURE NEW YORK INC. | 850 3RD Ave, Fl 4 | Brooklyn, NY 11232 |
www.manufactureny.org

Testimony | The Empire (State) Strikes Back: Creating 21st Century
Manufacturing Opportunities in New York City

Speaker: Bob Bland, CEO + Founder of Manufacture New York

Thank you, Chairman Chabot, Ranking Member Velazquez, and members of this committee for the opportunity to testify at this hearing. And thanks to all of our local Representatives for your tireless commitment to retaining equitable opportunities for working and middle-class New Yorkers and their families.

My name is Bob Bland, and I am the CEO and Founder of Manufacture New York. Founded in 2012, we are rethinking the fashion ecosystem and creating a new, vertically integrated 21st century

business model that serves the industry's domestic urban manufacturing needs of today and the future. Our mission is to reawaken and rebuild America's fashion industry, foster the next wave of businesses, and create a transparent, sustainable global supply chain.

Fashion design & manufacturing jobs are more than just jobs—they are an inclusive pathway to meaningful careers and the potential for business ownership, regardless of previous educational background or socioeconomic status. Typically paying 20–30% more than equivalent service or retail positions with an average salary of \$59,750 nationally, they are more likely to include benefits and have a clear path for growth, both in terms of skills training and opportunities to advance. The New York City fashion ecosystem is a unique creative and dynamic cultural powerhouse that touches lives internationally on a daily basis, whether we consider ourselves to be “fashionable” or not.

Massive outsourcing of American jobs in the 1980's & 1990's resulted in an 86% decline in US apparel manufacturing employment, from almost 940,000 in 1990 to about 136,000 nationally in 2015. While in 1931, New York City's iconic Garment District was home to the highest concentration of apparel manufacturers' in the world, employing 1 million locals at its height, it has since contracted to 15,000 total apparel manufacturing jobs in the city, which contextually, still accounts for 30% of all New York City manufacturers. This can look like a bleak picture, but we are sitting on several global opportunities for significant job growth in NYC at the intersection of fashions, sustainability and technology if we seize the moment.

New York City is home to 900 fashion company headquarters, employs 180,000 people and pays \$11B in wages and \$2B in tax revenue annually. According to a report by the U.S. Congress Joint Economic Committee, spearheaded by U.S. Representative Carolyn Maloney in 2015, our New York Fashion Week alone generates \$887M in economic impact locally per year. And yet, we are a \$4T global industry at an inflection point—we cannot go forward as the #2 world polluter (behind oil) with systemic human rights violations throughout the supply chain, generating more than 200,000 tons of textile waste in NYC alone and 12.4M tons on a national scale annually. From the smallest emerging design startup to the largest department stores and luxury conglomerates, over the past 3.5 years we have experienced significant national & international interest in the conceptualization, research, development and commercialization of a shared set of resources and best practices to capture value and provide accountability at all stages of our supply chain. And we are not alone.

New York City's unique proximity to a talented, experienced and passionate workforce; the headquarters of major brands and media outlets in web, print, television and radio; and the emergence of Silicon Alley as a hotbed for VC funding of related technology companies from biomaterials (Modern Meadow) to wearable technology (Ringly) to the coming connected devices revolution known as the Internet of Things (IoT) means that major 21st century manufac-

turing opportunities for New York City will be where fashion (apparel, textiles, footwear, jewelry, home goods) collides with previously distant sectors like consumer electronics, health care, transportation and defense.

Anticipating this great need and in partnership with Salmar Properties, and thanks to the support of the New York City Economic Development Corporation (NYCEDC), Deputy Mayor Alicia Glen, City Hall and our local representatives, Manufacture New York has been awarded a \$3.5M Construction Grant to build our 1st Manufacturing Innovation Hub for Apparel, Textiles & Wearable Technology at Liberty View Industrial Plaza in Sunset Park, Brooklyn.

Sunset Park is a rarity in 21st century New York City: a blue-collar walk-to-work neighborhood. Downhill from the residential area is a 30 plus block industrial zone anchored by the Brooklyn Army Terminal, Industry City, Liberty View and the future South Brooklyn Marine Terminal, where companies employ many neighborhood residents. Many more small factories and warehouses intermingle with housing on the area's many mixed-used blocks. More than one-third of Sunset Park residents work in some form of manufacturing. Relatively affordable housing stock and well-established Latino and East Asian communities reinforce Sunset Park's status as a haven for small businesses, manufacturers and their families. The neighboring industrial neighborhood of Red Hook, where I live with my family and young daughter, shares a similar character, and a great need for similar support, particularly as economic recovery of local small businesses and residents has stretched out for years since Superstorm Sandy decimated our working waterfront.

Unemployment, under-employment and lack of sector-specific training resources remain a major barrier for economic prosperity in South Brooklyn, particularly among 18–24 year olds who are just entering into their professional lives. We are committed to working with community stakeholders including local schools, community organizations, non-profits and trade or business associations to develop entirely new types of internships, apprenticeships and workforce training programs that blend STEM training in wearable technology and material science with traditional, artisanal apparel and textile manufacturing so that New York City and US domestic manufacturing can regain its foothold as leaders in entrepreneurship & innovation. We want to be sure that these opportunities are designed to attract the marginalized and underserved communities that can most benefit from them, particularly given fashion design and manufacturing's historical inclusivity, where stars can emerge and prosper from the most unlikely places.

We applaud The Obama Administration's efforts to establish a national network of Manufacturing Innovation Institutes ("MII"), and are proud to be teamed locally with the Fashion Institute of Technology ("FIT") in our bid for the Revolutionary Textile and Fiber Manufacturing Innovation Institute ("RTF-MII"). We look forward to participating in future institutes, as these sort of public-private partnerships are essential to long term innovation and job

opportunities in advanced manufacturing. The United States lost 40% of our middle class jobs nationally during the 30-year exodus of domestic manufacturing, and after a catastrophic National Recession that gutted my generation's chance at The American Dream, the jobs that came in their place are not comparable, or even enough to provide us with security that we will be able to afford to establish careers and raise our families in New York City for the long term. It is going to take significant, sustained public and private investments across administrations, with all key stakeholders working together, to restore our middle class.

Manufacture New York also advocates for a healthy domestic manufacturing sector at large. Not only do manufacturing jobs pay better than comparable service jobs, but they currently provide skilled work for roughly 12 million Americans.

Domestic manufacturers object to NAFTA-style trade agreements that not only outsource American manufacturing jobs to low-wage, unregulated countries, but they offer little in way of oversight for overseas labor conditions. Because of this Manufacture New York opposes the Trans-Pacific Partnership (TPP).

Our objections to this trade deal include the fact that TPP countries like Vietnam are known for ongoing labor and human rights abuses. It's questionable whether TPP labor standards can actually be verified or enforced in such countries.

Additionally, TPP does not include enforceable provisions to prohibit currency manipulation. Deliberate currency undervaluation by America's trading partners has cost the U.S. millions of jobs over the last two decades. TPP also guts Buy America provisions in U.S. law by allowing firms in any TPP country to bid on U.S. procurement, including Chinese state-owned firms located in Vietnam. Thus, U.S. tax dollars for apparel and textiles could go to China instead of to U.S. producers.

Thank you for the opportunity to discuss the issues & opportunities around 21st century manufacturing in New York City.

“The Empire Strikes Back”

Good morning and thank you to all for inviting me to testify before this committee. I am Mike DiMarino, President of Linda Tool. We are a second generation family owned manufacturer of precision machined components and assemblies located in Brooklyn, NY. Linda Tool has been located in Brooklyn NY since its inception in 1952. Manufacturing in New York has always been as much of a challenge as it has been a blessing. New York has always enjoyed a rich history of manufacturing and cutting edge technology. Most people don't realize that New York is the proud owner of the Coleman gas lamp mantle. It was invented on Canal Street NYC. The company today, Navis-Global, is still a major customer of Linda Tool and has been since 1964. It produces high tech cloth processing equipment and Linda Tool makes components that no other company has made. NY was also home to the largest manufacturer of window envelope machinery in the world, FL Smithe located on West 44th through 48th Street in Manhattan a cutting edge technology in its day. The Bommer Hinge Co., AMF, maker of bowling alley equipment, Mergenthaler Linotype, CorrectoType. Even EX-Lax belongs to NYC. These were all companies with cutting edge technology at the time.

Whether it is 1950 or 2016 NYC still is a great place to manufacture and has so much to offer. NY now boasts a robust 3D Printer Industry, a rapidly growing Drone manufacturing sector, cutting edge technology in recycling and Bio-Fuel. Honeybee Robotics of Manhattan was instrumental in the Mars Rover. This is all made possible by the opportunities that NY has to offer. Most recently NYC schools have placed an emphasis on the development of manufacturing skills. Linda Tool recently hired 2 graduates from City Tech who went through their Mfg. Engineering Curriculum. These 2 new employees have the skills necessary to help Linda Tool move forward in the next phase of manufacturing. Their skills acquired in school coupled with Linda Tools “old world” manufacturing skills is already paying off with some great advanced technology capabilities. The schools are on the right track but need more “hands on” training in their curriculum as this would make graduates much more job ready. I personally would love to see an apprenticeship program for the manufacturing sector in place in the future.

The challenges are many. They are difficult but you can understand some of it. Trying to marry the urban life with industrial production is a challenge to anybody or any city that tries to do it. The NYC Industrial Business Zones are one aspect that helps those of us trying to maintain a viable business in NY. One of the main challenges going forward is the loss of commercial and industrial property. Gentrification is probably the biggest obstacle. As commercial and industrial areas are rezoned it drives the price of the real estate to such high levels that economics just fail when trying to maintain a business. The preservation of the IBZ's will greatly help with this but they must be maintained.

The ability to move forward in this sector of technology can only have good benefits for all. Linda Tool itself was once an old world, smoky, under lit hazardous place to be employed. Today it is a modern, air conditioned, well lit, well equipped manufacturing facility that boasts and average employment stay of 15 years. We also are one of the few, if not the only, manufacturer in NYC that boasts a Green Roof on the entire roof of its facility. We also have a wage scale that meets or exceeds our industry. And personally it is very satisfying to see employees of the company thrive. The higher wage scale is because of our ability to introduce higher technology into our business. This may not result in the head counts of yesteryear but it most certainly lends itself to a higher paying job for those that acquire the skills to do so.

So looking back New York has always been a technology leader in many aspects. Obviously the technology has changed drastically and many today have no idea of some of the things that were previously mentioned in this testimony. But regardless NY was always a leader in advanced technology in its day. Looking to the future I believe there is a bright spot for us in the manufacturing sector as long as we preserve our industrial zones and concentrate on educating and training our schooled in "hands on" and what to expect in the working world. A good part of that is the work that our local development organization are doing coupled with the work that NYC SBS is doing.



Testimony to the House Committee on Small Business in the New York
City Council Chambers of City Hall
The Empire (State) Strikes Back: Creating 21st Century Manufacturing Opportunities in
New York City Monday, February 22, 2016 at 10am

Introduction

Good Morning Chairman Chabot and Ranking Member Velázquez and also Congressman Meeks and Congresswoman Clark and thank you for inviting me here today to testify. My name is Nekisia Davis and I am the owner of Early Bird Foods & Co., LLC., located in Red Hook, Brooklyn. I am honored to present this testimony to you today on our experience and successes as a small manufacturing business in New York.

Early Bird Foods is a small manufacturer of granola and granola bars. I started the company in my kitchen while managing a restaurant in Brooklyn called Franny's. If you're not familiar with this wonderful place, you are missing something very special. I would bring granola to my coworkers and regulars, and very quickly a cult-like following was born. The demand was so intense that within a year "granola maker" was my full time job. We now have six full time employees and two part time employees and are currently adding to the team. We have many selling channels; several distributors who sell our products in the Northeast region of the US, Texas, Japan, the United Kingdom, and China, we sell direct to hundreds of stores throughout the US, and sell quite a bit direct through our website.

Successes

We have had success first and foremost because we tapped into something familiar in a unique way. Granola, at least to my knowledge at the time, was made with oils that I wouldn't want in my kitchen, was undercooked and underseasoned. Through my 7 years working in some of the best restaurants in New York, I developed a pallet with which to approach granola in a new way. I also developed an incredible community of people during that time that would be integral to my launch and success, from food shop owners, to members of the media, and owners of small batch flea markets. Within the first 3 months of business, I was on the Martha Stewart show making granola with Martha herself, featured in the New York Times by friend and food writer Melissa Clark, featured in New York Magazine by food writers Rob and Robin, and on the shelves of Whole Foods Markets in Manhattan.

At that time, small batch food manufacturing felt like it was in its infancy in New York, and making food in the city was quite difficult. I went from my kitchen at home to a small office cooperative in Brooklyn with a tiny oven where I could make about 12 bags at a time. I then moved to a kitchen incubator in Coney Island where I had to haul 50 pound bags of oats and sunflower seeds from my car, and then (1-2-3-GO!) bake as fast and hard as I could, package everything I baked, clean, pack it all back up and into my car in an 8 hours period. Several days later, I would do the same thing again. In 2011, my friend and colleague Betsy Devine of Salvatore Bklyn Ricotta and I got investments from friends and built a commercial kitchen in a 900 sq ft space in the Brooklyn Navy Yards. Within a week, we realized the space didn't have enough power to run my oven and her cheese vat at the same time, so the cheese and granola dance began. Fast forward through 4 years of that, and we were able to take out business loans to build out our current commercial kitchen and warehouse where we have been for a little over two years. We have a lease secured for another 8 years, but I fear we will outgrow the space in another 2.

Our next expansion will be continued growth, and hopefully increased cash flow to allow for purchase of materials in larger quantities at lower costs, therefore raising our profit margin. In the plans are health care for employees, funding transportation for employees, and a regular partnership with charities. I look toward

2016 and hope for reduction of waste, increased efficiency, and continuing to spread the Early Bird love as many places as we can.

We have always been a business that people love. In our 7 years, we have had to do very very little reaching out for accounts, they come to us because of the product, because of our network, because of the customers who are loyal and have been since day one. We have never had to put money into marketing, and have just this year started investing a bit into PR. We are a business that has always been highly magnetized, and for that I feel grateful and blessed every day. I was raised in the Danny Meyer philosophy in my New York restaurant upbringing, and that is to lead with care, empathy, and compassion. It's all about how you make people feel, most importantly the people that work for you, and then your customers. We operate from such an empowered place, we're highly compassionate, stand true to our values, our mission, are dedicated to the brand, and want to make as many people happy as possible. This world is a tough one. If we can do anything to bring a moment of positivity into someone's life, I feel like we're doing a good thing.

Challenges

Now in all this sweet hippie granola love fest of ours, we have had a unbelievable amount of challenges. The first one that comes to mind is workers compensation insurance. The classification system in place for this seems extremely outdated when it comes to small batch food manufacturers. We have to pay a rate that is over three times the rate of a cook in a restaurant kitchen, which is a high risk job, because our classification is considered "manufacturing". I can only assume this was created to cover the risk level of industrial manufacturing where you could potentially lose a finger at work. Our biggest risk in the kitchen is a burn from the oven door. This over and over makes my head feel like it's going to pop off because there's nothing I can do and no one I can convince that our risk level in this kitchen is very low. And even if I could convince someone, the rules are the rules. The numbers we pay for workers comp are astronomical.

Another challenge in the past has been with landlord/tenant relations. I assume that when renting an industrial property from someone, the basic benefits of operating in a space that is free of danger, maintained at least minimally, and from someone who cares that we survive in business, are just a given. Our space in the Brooklyn Navy Yards, on the seventh floor, had one freight elevator that was broken at least once a week. This put a huge damper in our business seeing as we constantly have goods moving in and out. There was one period of three weeks that the freight elevator was broken completely, with no communication from our landlord, no explanation as to what was going on, and zero concern about the fact that it was massively hindering our business. I had a purchase order from Whole Foods held up that entire time, so essentially I lost thousands and thousands of dollars in business, and my direct shipping was impacted as well. FedEx, as lovely as they are, will not walk up and down 6 enormous flights of stairs a dozen times so you can get all your online shipping out for the day. We also had to hire several people from Task Rabbit to help us bring

dry goods up those 6 flights to the kitchen so we could continue baking, every day loads of over 4000 lbs were lugged up all those stairs. When we attempted to negotiate a temporary break in rent from our landlord to balance the huge losses we faced, not only did he refuse, but he turned against us. We were called out by him as incapable business people because of our gender, and called “silly little girls that didn’t know what the hell we were doing”. He eventually threatened to sue us, ruin our credit, he then doubled our rent, took us to court, and evicted us. I have never felt more discriminated as a woman and less respected as a business owner. We had no protection and nowhere near enough funds to properly fight him in court. This man, this landlord, who was to simply provide shelter and safety to help facilitate our business, was actually attempting to drive us and our businesses into the ground.

Beyond those struggles, we always have a hard time gaining capital to make changes that would save us enormous amounts of money. If I could, I would invest in small equipment that would cause a drastic reduction in labor costs and increase my overall output immensely. There are much more efficient ways of doing everything we’re doing, but we just can’t afford to make that leap. I have taken out a loan to build our current kitchen in order to keep up with business, and am unable to acquire any more capital to continue growth, despite our stellar business credit rating and impressive annual revenue. Cash flow is growing tighter by the day, we are trying to keep up and grow at the same time. It’s a paralyzing feeling. I think of moving production to a co-packer all the time, but look into the window of my kitchen and can’t imagine losing my team.

Conclusion

The future of Early Bird looks so incredibly bright, despite the challenges we have faced and, no doubt, will continue to face. We are right on the cusp of what I believe is our next big growth spurt and to tell you that there are growing pains would be an understatement. At these times, I have to zoom out and remember this is one moment on a long journey for us. We are here, not in spite of those moments of struggle, but because of them. I look forward to continuing to grow our little granola company to something that can employ more and more, feed more and more, and carry on making the food world and my life a little richer.

Thank you to everyone again for inviting me here today, and I genuinely say that I am honored.

TESTIMONY

Mr. Edward Jacobs

CTO AND CO-COFOUNDER, FXE INDUSTRIES

U.S. Congressional Panel to Examine NYC Manufacturing

Good Morning Ranking Member Velazquez, Chairman Chabot and other members of this committee. My name is Edward Jacobs a Pratt Graduate with a focus on Industrial Design, Architecture and Engineering. Most of my adult life has been spent living and working within New York City. Being a designer and working initially with smaller scale products one quickly recognizes the challenges of sourcing manufactures locally while attempting to secure reasonable pricing to allow affordability and access to product. I am honored to be with you today to talk about attempting to navigate the manufacturing community locally in NYC, nationally living in other states and internationally sourcing to eventually to become manufactures ourselves with Fxe-Industries.

FXE is a start up focusing on transportation, and more specifically advanced motorcycle design and engineering. Our approach is a holistic one that bridges the gap typically found between fields within the realm of manufacturing. This is a modular approach to large scale manufacturing that will allow us to circumvent some of the pitfalls of highly specialized niche employment and in turn allow us to train and foster greater technical manufacturing abilities in house. This approach will allow us to offer accessibility of product so that we may open up the market to a significantly greater number of customers.

We are in the process of securing 50,000 sqft of design engineering and manufacturing space. This opportunity to grow to a 100+ team has ultimately been afforded to us by the Brooklyn Navy Yard. I initially became a tenant of the Brooklyn Navy Yard through New Lab and it's where I grew my first Design and Engineering company D.N.I. New Lab is a great example of an entity that is helping enable a very substantial evolution in specialized manufacturing.

A good example of this is D.N.I's design, engineering and sourcing for the Lowline. An underground park to be located at the base of the Williamsburg bridge that had many challenges for its initial stages to be completed. This is an example of a potential large scale architectural project with global implications. The entire project has been designed, engineered, sourced and manufactured all within New York City. The basis of this project being the support of plant life and public space below the surface of the earth is a great example of the full spectrum of manufacturing and tremendous social impact New York City can foster.

This correlates directly with what FXE is attempting. Choosing to operate here in NYC with the sheer density of diversity will

allow us a fantastic base of talent young and older from all fields and walks of life to pull from.

Being a new manufacturer and being supported by and supporting the establishments like the Brooklyn Navy Yard makes us very hopeful for the new positive city building manufacturing efforts growing within the 21st century in NYC.

Sincere thanks,
Edward Jacobs

‘Made in NY’ Expansion to Fashion Industry

New ‘Made in NY’ programs catalyze growth of independent designers, production facilities, aim to build future pipeline of industry talent

We are Made in NY is an economic development initiative that supports the City’s digital, film, theatre and broadcasting sectors, and last year expanded to support fashion companies as well. Made in NY highlights job opportunities in the various sectors, celebrates the growing number of New York City-based companies, provides access to resources and programs to help companies grow, and helps novices learn how to become part of the innovation system.

NYCEDC announced significant achievements for the ‘Made in NY’ suite of initiatives. Over the past twelve months, the new and expanded programs supported by ‘Made in NY,’ including retail partnerships, competitions, fellowships, marketing, and financing initiatives, have directly strengthened the fashion community in the following ways:

- Connected emerging businesses with more than **75 industry-leading mentors**
- Showcased over 150 local fashion brands to **650 million people**
- Generated over **450K** in sales for NYC-based established and emerging designers
- Awarded more than **4.5M** in financing and prizes to emerging and small businesses

In addition, NYCEDC and the Council of Fashion Designers of America (CFDA) announced the third round of winners of the Fashion Manufacturing Initiative grant program, a \$6 million public-private partnership designed to support the City’s fashion manufacturing businesses and promote growth and innovation in the fashion sector. Seven fashion production companies will receive grants ranging from \$8,000 to \$250,000 to upgrade equipment and technology, and provide workforce training to increase business capacity, and create and preserve jobs with the City’s fashion industry.

For 2016, NYCEDC announced the inception of new initiatives, aimed at further bolstering the city’s pipeline of creative talent:

- The **Made in NY Showcase**, which will directly support the presence of local designers at trade shows. The program will offer a selected group of fashion designers a series of Made in New York-branded and fully subsidized booths and display spaces at the Designers & Agents industry trade show in early fall 2016, providing them with the opportunity to exhibit a collection of locally designed and produced apparel and accessories. The Showcase Program will also implement a series of exclusive workshops and seminars on various topics critical for successful trade show participation to Program participants in the weeks leading up to the industry trade show.

Throughout 2015, NYCEDC kicked off an array of new ‘Made in NY’ programs, designed to celebrate the city’s fashion legacy and endow the next generation of creative entrepreneurs with the resources necessary to succeed:

Citywide Marketing Campaign

From August through September of 2015, NYCEDC highlighted the ‘Made in NY’ initiative’s expansion to the fashion community via a citywide consumer-focused & awareness-building campaign showcasing nine local fashion brands, including Prabal Gurung, Rosie Assoulin, Alexis Bittar, Chromat, and Public School. The campaign spanned print and digital media outlets, including *Women’s Wear Daily*, *Vogue*, and *New York Magazine*, as well as out-of-home media throughout the five boroughs, such as billboards, buses, taxi stops and street pole banners throughout the five boroughs.

Barneys New York x CFDA: Made in New York Collection

In September 2015 and in partnership with Barneys New York and the Council of Fashion Designers of America (CFDA), NYCEDC unveiled the Made in New York Collection, a curated compilation of limited-edition pieces produced entirely within NYC’s five boroughs and designed by seven prominent New York-based brands, including Thom Browne, Narciso Rodriguez, and The Row. The Collection is retailed in 18 Barneys New York stores nationwide through May 2016.

Designer Certification Program

In September 2015, NYCEDC launched the Made in NY designer certification, which endows qualifying NYC fashion brands with use of the ‘Made in NY’ logo in order to help generate visibility, cache, and demand for their businesses.

Made in NY Fashion Award Presentation

In October 2015, NYCEDC honored Andrew Rosen, CEO of Theory, with the City’s inaugural Made in NY Fashion Award. Commemorating an individual’s extraordinary impact on NYC fashion industry, the Award was presented during the Women’s Wear Daily’s Apparel & Retail CEO Summit, a two-day conference attracting the industry’s most prominent executives from around the world.

Not Just A Label x Made in NY

In December 2015, NYCEDC partnered with Not Just A Label (NJAL), a global e-commerce platform, and the Waldorf Astoria New York to create a temporary retail space featuring a rotating collection of over 1,000 locally designed and produced apparel, jewelry, and accessory items. More than 100 emerging designers participated in the retail pop-up, which attracted an estimated 1,500 visitors over the 10-day period.

In addition to its newly implemented ‘Made in NY’ programs, NYCEDC has **significantly expanded** its investment in the following fashion programs:

Fashion Manufacturing Initiative

In 2015, the Fashion Manufacturing Initiative (FMI), which provides grants to local production facilities to upgrade equipment and technology, offer employees skills training, and cover costs of relocating within NYC, doubled funding commitments to \$6M, with support from the program's two Premier Underwriters Ralph Lauren and The Coach Foundation. FMI also launched new business development opportunities for grant recipients, such as free industry trade show participation, CFDA designer open houses, and consumer-focused retail partnerships. To date, FMI has awarded \$2M in grants to 19 of the City's fashion production companies.

Made in NY Retail Activation

Retail activation offered a curated, rotating collection of locally manufactured fashion items designed by 125 emerging designers. This program was open to the public at the Waldorf Astoria's ground floor retail space for 10 days from December 3rd to December 13th, 2015. The program aims to increase sales of NYC-produced goods, raise the profile of NYC-based designers, and create sales opportunities otherwise inaccessible to emerging NYC brands.

NYC Fashion Production Fund

In 2015, the Fashion Production Fund awarded 24 loans, totaling over \$1.5M in financing. To date, the Fund has provided 30 loans, a total of \$2.5M in financing at below-interest rates to emerging NYC-based designers in order to locally manufacture their collections. The Fund was launched in partnership with Capital Business Credit in June 2014 and provides emerging designers with production financing at below-market rates and flexible terms to cover the costs of purchase orders. Loans are awarded between \$50,000 and \$300,000 in size, with terms of 30–120 days.

NYC Fashion Fellows

In 2015, the New York City Fashion Fellows program announced its fourth class of 25 fellows, comprised of the industry's most promising emerging leaders. Building on the program's foundation of mentorship, networking, and educational opportunities, NYCEDC further incorporated professional development and skill-based workshops in 2015. To date, the program has directly supported the growth of 67 Fellows, in collaboration with 50 industry-leading mentors. With strong industry support, the program is entering into its 4th year, with a new cohort of 25 Fellows for 2016.

Design Entrepreneurs NYC

In 2015, in collaboration with industry sponsor G-III Apparel Group, Design Entrepreneurs NYC (DENYC) entered its 5th year, with the military-inspired menswear Cadet earning the top prize. DENYC also increased its prize monies awarded to the competition's winners nearly fivefold, from \$35K to \$150K. To date, the program has supported 130 emerging designers in building their businesses. In partnership with the Fashion Institute of Technology, DENYC is an intensive, "mini-MBA" program for fashion designers who have launched their own labels. Participants take

business and management modules over 3 workshop weekends and create and refine individualized business plans, with the aid of an assigned mentor. On the basis of their business plan, participants compete to win prize money at the program's conclusion.

