Economic Recovery

New York City's Program for

1977-1981

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Contents

Introduction

This five-year Program represents the City's commitment to economic recovery. Because the private sector provides 84 percent of the City's jobs and 30 percent of its municipal revenues, the Program focuses on retaining businesses, encouraging expansion and capturing new investment.

Like its sovereignty, the City's power is limited. Events beyond its control and its boundaries exercise powerful influences over the municipal economy. But the City's policies, programs and personnel help create and sustain the business environment. And the City is determined to use every available lever to create a positive business climate and stimulate the economy.

Specific program objectives have been identified. They will be phased in as quickly as possible over the next five years.

They include:

- Holding the line on business taxes in general, and reducing specific taxes that have been particularly burdensome to companies in New York City;
- Creating an effective and responsive organizational structure within City government to implement the Program and provide appropriate services to businesses;
- Enlisting the assistance of the private sector in the Program to revitalize the economy;

- Expanding tax abatement and other financial assistance programs to stimulate industrial and commercial expansion and new construction;
- Stabilizing energy costs;
- Cutting red tape for businesses;
- Launching a professional campaign to market the City as a place to do business;
- Developing land use policies that encourage job creation;
- Increasing the City's aid to small businesses;
- Obtaining a fair share of State and Federal aid for economic development programs;
- Encouraging the revitalization of commercial districts in both neighborhoods and borough centers.

Economic recovery involves every facet of City activity, including what has come to be known as "the quality of life." A commitment to the economy means a commitment to better schools, to safer and cleaner streets, to decent and available housing, to care for those who cannot help themselves, to efficient transportation, to museums, libraries, theatres, concert halls and other places of culture and recreation. The City's appeal as a place to work and do business cannot be separated from its qualities as a place to live and play.

This document, however, narrows the focus to more purely economic factors – to job-keeping and job-expansion, and to strengthening the City's fiscal position.

The strategies laid down do not constitute a panacea. Certain of them will take years to carry out. But, although clearly a long-range action plan, the Economic Recovery Program is also work in progress. During and prior to the written formulation of this Program, the City accomplished several economically important actions, such as repeal of the bond transfer tax, passage of a bill to provide property tax exemption for commerce and industry, establishment of the position of Deputy Mayor for Economic Development and the setting up of the Industrial Development Agency.

Rarely recognized as such, economic development is as much an urban life-support system as police and fire protection, medical care and education. Indeed, it pays for all of them.

Economic Overview

THE CITY'S PROBLEMS

By many standards, the City of New York is an economic giant: the largest city in the nation, the largest consumer market, site of the most headquarters of American and foreign corporations, an enormous labor force of 3.2 million in 1976, the largest natural harbor, the largest pool of available office space.

By other economic standards, however, all is not well:

- During the late 1960's, the City unemployment rate was no worse than the national figure. But in 1976, the unemployment rate averaged 10.6 percent, more than three points above the national average. (See Graph I.)
- Since June 1969, City employment has declined by almost 650,000 jobs. The City lost jobs at a rate of 17 percent while national employment grew at an annual rate of nearly 2 percent. In April, 1975 the national recovery began. But, while the national job base increased by 3.3 percent in the next year, the City suffered a further 3.2 percent decline. (Long term trends in New York City employment are shown in Graph II.)
- Every sector of the private economy has suffered job losses: one of three construction jobs disappeared; one of five transportation and public utility jobs; one of six wholesale and retail trade jobs; one of 10 finance, insurance and real estate jobs; one of 33 service jobs. (Trends in City employment by major sectors are shown in Graph III.)
- Manufacturing jobs have suffered a huge decline since 1950, and that decline has accelerated in recent years. The City had 527,800 manufacturing jobs in 1975 – almost a 50 percent

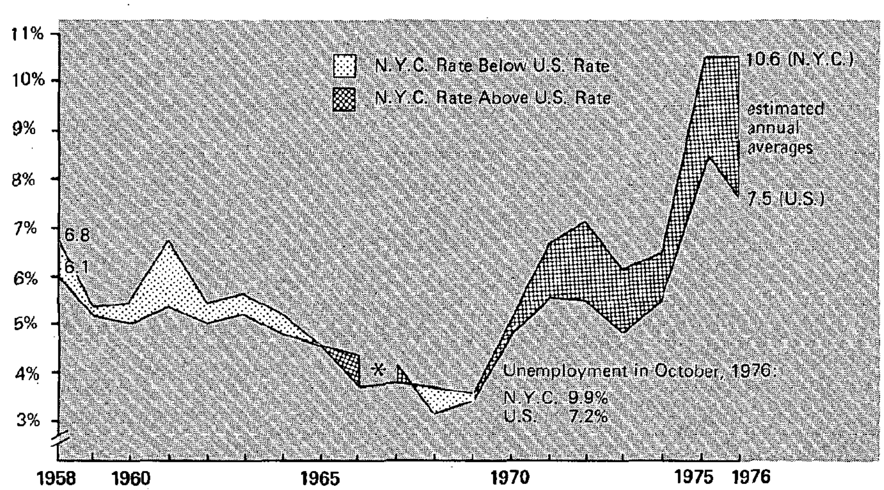
decrease from the 1,038,900 jobs in 1950. Since 1970, 238,400 manufacturing jobs have disappeared. Between 1970 and 1975, employment in each of the 21 subgroups within manufacturing decreased by more than 20 percent.

- Between 1969 and 1975, the private non-manufacturing sector, which had expanded during the 1960's, lost nearly 250,000 jobs.
- The vacancy rate in office buildings is 12 percent, and only one building was completed in 1976 compared to 65 completed between 1968 and 1972.
- Contrasted to an annual volume of over $1 billion in the early 1970's, the value of construction in 1975 and 1976 plummeted to record lows: $288.7 million for 1975 as a whole and $221.4 million for the first eight months of 1976.
- During the last decade some fifty major corporations have left the City. In 1971 the City was headquarters for 116 of the Fortune 500; by 1975 the number had declined to 90.

GRAPH I

GAP BETWEEN ANNUAL AVERAGE UNEMPLOYMENT RATES

United States and New York City
1958 to 1976



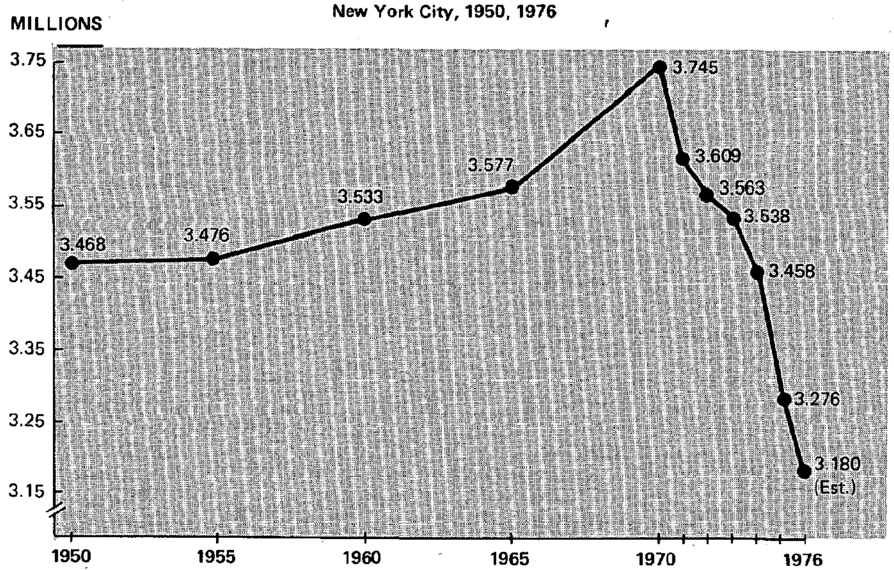
*Prior to 1967 the number of employed in the New York City labor force was determined by place of work. From 1967 on it was determined by place of residence.

Source: Bureau of Labor Statistics and the N.Y. State Department of Labor

GRAPH II

AVERAGE ANNUAL TOTAL EMPLOYMENT*

New York City, 1950, 1976



*Non-agricultural payroll employment

Source: New York State Department of Labor and New York City Planning Department

THE CITY'S STRENGTHS

Any stark recitation of the City's recent economic problems must be viewed in proper perspective: The City still has enormous inherent strengths, as is evidenced by the following facts:

- Within the New York metropolitan area is the largest consumer market in the world. City residents alone represent more than $42 billion in annual buying power.
- New York City is the nation's leading business center for wholesale, retail and manufacturing activity. Wholesalers have a total annual volume of more than $72 billion, while retailers sell $15 billion worth of goods each year. Local manufacturers sell $23 billion worth of goods, more than any other American city.

- The number of major corporations headquartered in the City is still more than the total found in Chicago, Los Angeles, Philadelphia and Detroit combined. Many companies that considered leaving the City have decided after intensive study to remain – including Philip Morris, McGraw Hill, Bristol Myers, Engelhard Minerals & Chemicals, American Express, Avon Products, Pfizer, Equitable Life Assurance, Simon & Schuster, International Paper, Standard Brands, Freeport Minerals and Lever Brothers.
- The City remains the capital of international commerce and finance. Of all foreign corporations with offices in the United States, more than 60 percent have their headquarters in New York City. In recent years many foreign banks have opened offices in the City, and numerous additional requests to establish offices await regulatory approval.
- The City has the most comprehensive transportation and distribution system in the nation. The Port of New York is one of the world's largest natural harbors. Today, with its modern containerization facilities, the harbor has assumed an even greater role in the nation's maritime commerce.
- Virtually every industrial, technical, commercial and professional skill is available in the City's vast labor pool. Approximately 3.2 million people have jobs in 1976 within City limits.
- The City is the nation's center for communications, publishing, advertising, legal and financial services, business consulting and public relations.
- Its educational, scientific and medical complexes are of unparalleled prestige and diversity.
- Office space in the Central Business District totals more than 250 million square feet, more than in any other American city. The ample supply has made costs competitive with those of other major cities.
- The City remains the nation's leading tourist center, offering a matchless concentration of cultural and recreational resources. It is also the center for the visual and performing arts and the fashion industry.

There are signs that the sharp decline in the City's economy has abated:

- The unemployment rate has begun to decline somewhat: In October, 1976 it dropped to 9.9 percent from the January, 1976 high of 11.4 percent. A year earlier in October, 1975 the rate was 10.8 percent.
- The outflow of manufacturing jobs has slowed down; 6,600 manufacturing jobs were lost during the first half of 1976, compared to 86,200 lost during the comparable period in 1975.
- During the first half of this year, no private non-manufacturing jobs were lost. This contrasts to 41,300 such jobs lost between 1975 and 1976, and 84,000 lost between 1974 and 1975.

EMPLOYMENT BY SECTORS

There have been major structural changes in the City's economy. Manufacturing, which provided 30 percent of the job base in 1950, now provides about 16 percent. During the same period, the share of personal and business services grew from 14.6 percent to 23.5 percent. Another service-related sector, FIRE (Finance, Insurance and Real Estate), grew from 9.7 percent in 1950 to 12.9 percent in 1975.

In order, the status of the traditional sectors in 1975 was:

- Services*, the City's largest employment division, provided 771,000 jobs or 24 percent of total employment.
- Wholesale and retail trade provided 635,000 jobs, or 19 percent of total employment.
- Government employment, which includes Federal and State as well as municipal, made up 17 percent of the work force and accounted for 572,000 jobs. This was less than the national average of 19 percent.

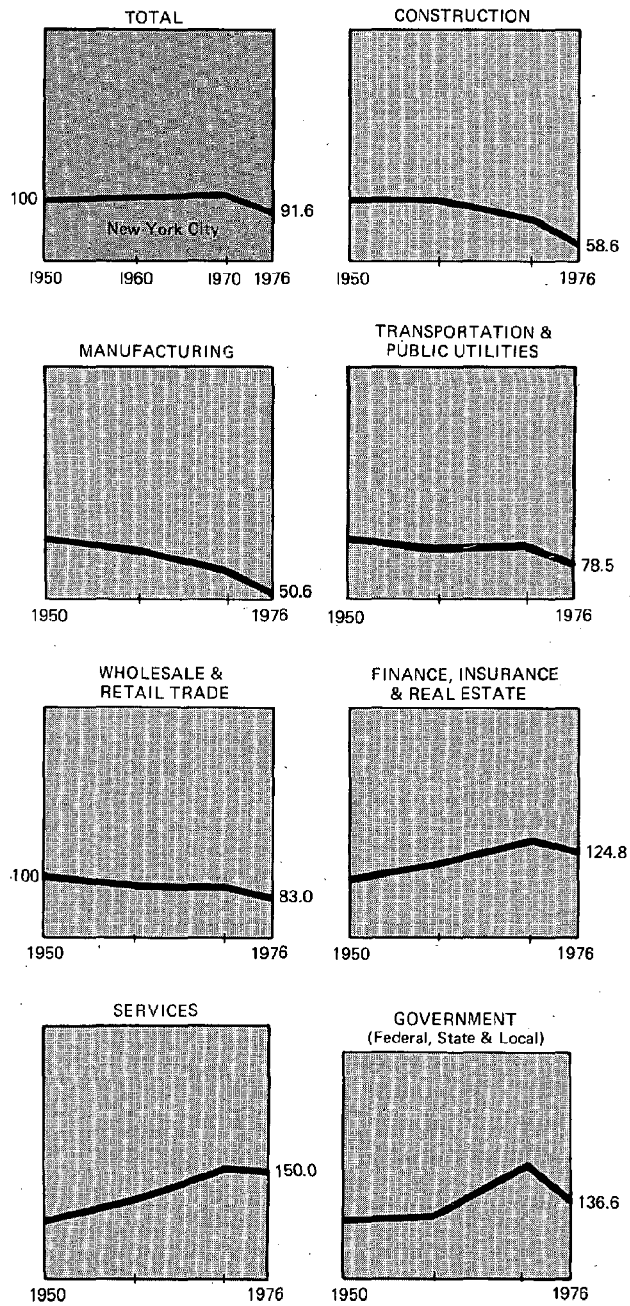
*Major sectors of this category include advertising, accounting, engineering, consulting, data processing, legal assistance, health and educational services, hotels, entertainment and cultural services, and such businesses as beauty parlors, laundries and dry cleaning establishments.

GRAPH III

INDEX OF EMPLOYMENT*

BY MAJOR SECTORS: NEW YORK CITY 1950, 1960, 1970, and 1976

1950 = 100



*Non-agricultural payroll employment

Source: U.S. Bureau of Labor Statistics
1976 Estimates: Dept. of City Planning

- Manufacturing, despite its recent decline, was still the City's fourth largest employment sector with about 528,000 jobs or 16 percent of total employment. Leading manufacturing industries are apparel (142,000 employees) and printing and publishing (92,000 employees).
- Finance, insurance and real estate employed 422,000 individuals or 13 percent of the job base. Finance, with 225,000 workers, was the largest element, followed by insurance and real estate.
- Transportation, Communications and Public Utilities, which include such quasi-public enterprises as Consolidated Edison and New York Telephone, had about 260,000 employees or 8 percent of the work force.
- Construction employed about 2 percent of the work force, or about 28,000 workers, a drop of 25 percent from 1969.

Three Economic Prospects for 1981

What can the City hope to achieve with its five year Economic Recovery Program? Obviously, any attempt to quantify the impact can be only an educated guess.

Nevertheless, in order to provide some framework for assessing the Program and the reasonableness of its goals, the City has developed three sets of estimates for 1977 through 1981 based on overall economic indicators – estimates of Gross City Product (GCP); total employment; the unemployment rate in New York City and the gap between the City rate and the U.S. rate; and the fiscal impact of the City's economic circumstances on the City government.*

Table I presents three prospects for 1981 as shown by selected indicators. The statistics indicated do not represent definitive forecasts or targets. Rather, they represent a set of "what if" statements to indicate a range of possible future responses by New York City's economy to the Program.

*The methodology used represents an amalgam of input-output tables developed by the City's Office of Management and Budget (OMB), the Wharton Econometric Forecasting Associates projections of the national economy for 1981 as related to the City economy by OMB, and demographic forecasts and other economic analysis developed by the Department of City Planning in consultation with leading private economists.

TABLE I

THREE PROSPECTS FOR 1981*

	Estimated 1976	Without Program	With Economic Recovery Program: Limited Response	With Economic Recovery Program: Strong Response
G. C. P. (billions of dollars)	77	72	77	81
Employment (millions of jobs)	3.180	3.040	3.180	3.310
Unemployment Rate, New York City	10.6%	7.9%	6.9%	5.9%
Unemployment Rate Gap: NYC vs. U.S.	3% points	3	2	1
Fiscal Impact		Service cutbacks and/or new revenues	Possible service cutbacks or new revenues	Improved service delivery and no tax increases

*All money terms are in constant 1976 dollars.

TABLE II

ADDED PRIVATE SECTOR CONTRIBUTION TO GCP FOR 1976-1981 COMPARED WITH PAST PERIODS

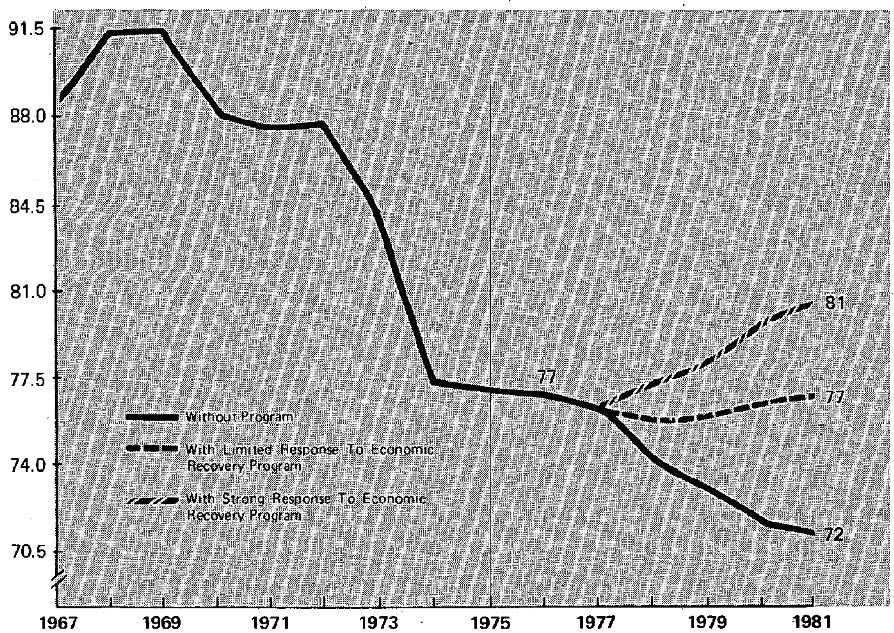
(in billions of constant 1976 dollars)

	1961-65	1966-70	1971-75	1977-81 With Economic Recovery Program: Without Program	Limited Response	Strong Response
Private Sector Expenditures (before multiplier)	$+ 4.87	$+ 1.73	$— 4.32	$—1.46	$— .30 $+1.16*	$+ .75 $+2.21*
Private Sector Contribution to GCP (after multiplier)	$+17.06	$+ 5.58	$—15.13	$—5.11	$—1.45 $+3.66*	$+1.69 $+6.80*
Change in GCP (all sectors after multipliers)	$+20.54	$+ 7.58	$—12.20	$—5.11	$— .54 $+4.57*	$+3.62 $+8.73*

*Represents change from "Without Program" column.

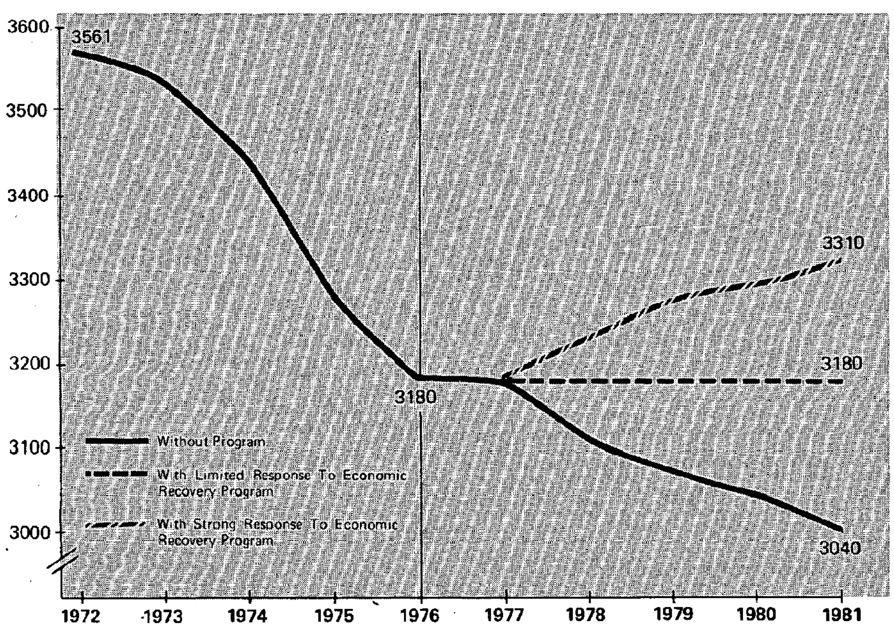
GRAPH IV

GROSS CITY PRODUCT IN CONSTANT 1976 DOLLARS
1967 - 1981
(Billions of Dollars)



GRAPH V

TOTAL WAGE AND SALARY EMPLOYMENT
Thousands of Jobs



The three estimates:

- What if current trends continue and no economic recovery program is undertaken? In that case, it is estimated that the GCP of $77 billion could decline (in constant 1976 dollars) to $72 billion by 1981, and that the City could lose an additional 140,000 jobs.
- What if the Economic Recovery Program is adopted and there is only limited response to it from the business community and limited support from the Federal and State governments? Then, it is estimated that GCP and employment would remain at the current levels. Employment would remain constant at 3.18 million but an expected shrinkage in the size of the labor force would bring the unemployment rate down to about 6.9 percent.
- What if there is a strong response to the Economic Recovery Program from the business community along with strong support from the State and Federal governments? In that case, it is projected that GCP could increase to $81 billion in constant value dollars, while employment could rise by 130,000 jobs to 3,310,000. The unemployment rate is projected to decline to 5.9 percent or about one percentage point higher than the projected national unemployment rate.

The impact of the Economic Recovery Program on the City government's fiscal situation is also significant. With no program and a continuation of existing trends, the City would have to make further service cutbacks, find new revenues, or both. In the "Strong Response" projection, municipal services could be improved without new or increased taxes. With only "Limited Response", the City's budgetary position would probably remain very tight, with some cuts or new revenues possibly needed.*

The estimated changes are conservative and well within the range of recent experience in New York City. In fact, they are far below the levels of expansion experienced in the first five years of the 1960's. In the "Strong Response", the five-year increase in Gross City Product achieved by 1981 is $8.73 billion in 1976 dollars – well below the $20.54 billion increase which occurred during the first half of the 1960's, and of roughly the same magnitude as the real growth observed in the second half of the decade.**

*Graphs IV and V describe the three alternate prospects for 1981 for employment and Gross City Product (GCP).

**Table II.

Primary Strategies for City Action

Tax Program

Taxes on business in New York are among the highest in the nation. The City is placed at a distinct disadvantage in competing with other areas for new industries and jobs – especially during periods of national economic decline. This is true in relation not only to the Sunbelt and other low-wage sections of the country but also to neighboring states, such as New Jersey and Connecticut.

The decisions of firms to stay or come here or to go elsewhere involve many considerations. But there is mounting evidence that pyramiding and duplicative business taxes, enacted to support an unparalleled municipal service system, can tip the balance away from the City.

The revision of tax policies that help to drive business away from the City and prevent it from attracting new jobs in competition with other jurisdictions is a crucial ingredient of a program of economic recovery.

It goes without saying that tax policies cannot be separated from the City's fiscal situation as set out in the Financial Plan. Pledges to stabilize or reduce certain taxes inevitably involve projections and decisions about all expenditures and revenues.

Following a careful assessment of the other elements of the City's fiscal mix – continued close control of municipal expenditures, a moderate growth in State and Federal aid, a sound national economy, a stretch-out of some portion of the MAC debt and a favorable response by the private sector to the City's efforts to improve the business climate – the City has decided to:

- Hold the line on taxes that tend to undermine a hospitable climate for business;
- Reduce, where possible, specific business taxes that place the City at a competitive disadvantage in retaining and attracting jobs;
- Encourage business expansion and job creation through tax abatement, investment credits and similar tools.

The City's tax program includes the following major actions:

- A cap on the real property tax rate.
- Elimination of the City sales tax on machinery and equipment.
- A phased reduction of the commercial rent tax.
- Expanded use of tax abatement and incentive programs.

The City will also urge the State to reduce the state franchise tax on small manufacturing and processing concerns and to review its personal income tax structure. The City will join with the Federal and State governments to explore a tax incentive credit for job creation.

CAP THE REAL PROPERTY TAX RATE

The City will cap the real property tax rate at the rate implicit in the current Financial Plan for Fiscal Year 1978 and will hold it at that rate for five years. If the tax rate is adjusted downward in Fiscal Year 1978 as a result of a revision in the Financial Plan, the tax rate will be held at the reduced level for the five year period.

This tax cap will not deprive the City of any revenues now being received. The choice facing the Administration over five years is whether it should plan to obtain *added* revenues of up to $140 million by increasing the property tax or whether this course of action would be self-defeating. The City believes its interests are best served by capping the rate since endless increases in the property tax rate tend to produce company move-outs, shutdowns and housing abandonment which shrink the tax base.

Since 1960, the real property tax rate has more than doubled and the increase has been steepest since 1970. In the past six years, the rate jumped from 5.51 to 8.795. Because businesses traditionally plan ahead several years, the tax cap will stabilize what has been an unpredictable, but always escalating, cost. The certainty that this important tax will remain stable should encourage business and industry to make new plans and investments.

ELIMINATE THE CITY SALES TAX ON MACHINERY AND EQUIPMENT

Machinery and equipment purchased by manufacturers for use in the production process are subject to a 4 percent City sales tax.* The tax is particularly onerous because it is imposed at the critical point in a firm's life cycle when the decision to invest in new equipment or machinery must be made.

The City will introduce legislation during the next session of the State Legislature to eliminate the 4 percent sales tax on machinery and equipment by granting manufacturers a credit against other taxes. (This procedure is required because the sales tax is earmarked to repay Municipal Assistance Corporation bonds.)

In the short run, lifting the tax will cost the City up to $15 million annually. This will be more than paid back in the long run by the new investment generated and additional plants and jobs created.

PHASED REDUCTION OF COMMERCIAL RENT TAX

The City will seek legislation at the next session of the State Legislature to begin a phased reduction of the Commercial Rent Tax (often referred to as the "Occupancy Tax") on tenants of premises used for business, professional or commercial activities.

The City proposes that a business subject to this tax earn a 5 percent tax credit in the base year to be applied against commercial rent tax payments in the following year. Thus, a business could realize the credit during Fiscal Year 1978, and at the same time, the City could postpone its revenue loss until Fiscal Year 1979. The credit would increase 5 percent per year until a total credit of 20 percent has been achieved in Fiscal Year 1982.

The estimated revenue loss from reduction of the Commercial Rent Tax would run from about $10 million in the first year (1979) to $40 million by 1982.

The possibility of further reductions in this tax, especially for the small firms most burdened by its imposition, will be explored by the City as part of its study of business taxes.

The Commercial Rent Tax, which is imposed only in New York City, has been an irritant to large segments of the business community. In part, this is because it is pegged (at rates from 2½ to 7½ percent) to annual rentals which, in turn, rise automatically under escalation clauses keyed to increases in real property taxes.

*This tax is not levied anywhere else in New York State.

HOLD THE LINE ON BUSINESS TAXES AND EVALUATE FURTHER REDUCTIONS

Earlier this year, the City was instrumental in obtaining repeal of the Bond Transfer Tax and the Stock Transfer Tax on market makers.

In addition to these tax actions and those recommended above, the City is committed to holding the line on other business taxes that place it at a competitive disadvantage in holding and attracting jobs.

To this end, the Department of City Planning and the Finance Administration have initiated a study on whether and how the business tax system should be restructured. The study will determine the relative importance and contribution of particular industries to the City, and the impact of changes in tax policy on particular industries. In its first phase, the study will translate each sector's level of taxation into costs per employee so that possible changes in taxes can be weighed in terms of jobs as well as revenues.

The City urges the State to analyze the impact on business of key State-imposed taxes. The combined impact of the State's Franchise Tax and the City's Business Income Tax places City firms at a competitive disadvantage with other jurisdictions. For small manufacturers, in particular, these two taxes impose an aggregate burden of approximately 20 percent on net income, the same rate imposed on multi-national corporations and about double the rates in other major states.

In addition, recent studies by both public and private agencies indicate that personal income taxes in New York are among the highest in the nation (in terms of dollars per resident) and that such "taxes have been the single complaint given most often by businesses leaving the State."* The combined State and City tax rate on incomes above $25,000 per year is more than twice the level in any other industrial state.** Compared to the 20 percent combined rate in New York City, Connecticut imposes no personal income tax on earned income.

Because the progressive State personal income tax is the prime ingredient that places New York at a competitive disadvantage with neighboring states, the State should take the lead in evaluating the overall tax structure as it relates to the problem.

*Report of Citizens Public Expenditures Survey, Inc. of New York State, November, 1976.

**N.Y.S. Department of Commerce 1975 survey of New York City firms.

INCREASE STATE INVESTMENT TAX CREDIT FOR EXPANSION OF PRODUCTION FACILITIES

The State allows an investment credit at a base rate of 2 percent for the expansion of manufacturing facilities.* The City proposes that the base rate for the New York State Investment Tax Credit on production facilities be increased to 5 percent. In addition, the City will explore the feasibility of introducing its own investment credit for the purchase of new machinery, equipment and structures. Instead of an investment credit, the City uses a deduction based on the State's double depreciation for production facilities. This is not satisfactory because the deduction does not adequately balance the effective business tax on new investment.

Finally, the State special employment credit (Job Incentive Program) for investments in new and expanded manufacturing facilities has been extended to include all areas in New York State. Prior to this change only qualified low-income areas were eligible.

Under the Job Incentive Program, a credit against the corporate franchise or unincorporated business tax is allowed to qualifying firms that retain or create at least five jobs and provide an approved on-the-job training program. Eligibility under the program is renewable each year for up to ten years, and the credit proportional to the value of the firms' real and tangible property in the State, and the amount of wages and salaries paid in the newly-created or retained jobs.

The City will work closely with the State Department of Commerce to insure the maximum participation of City firms in the program.

INCREASE USE OF TAX ABATEMENTS TO STIMULATE INVESTMENT

The City has developed and is implementing new tax incentives to spur industrial and commercial growth and expansion. They include:

Section 489 of the Real Property Law

This new legislation provides for a Commercial and Industrial Incentive Board, chaired by the Deputy Mayor for Economic Development, which will grant sliding scale exemptions from the real property tax for newly built and reconstructed commercial and industrial buildings according to the following formula:

- New construction: An initial 50 percent exemption for the difference between the assessed value of the property before and after construction, decreasing by 5 percent annually over ten years;

*Increasing to 5 percent in succeeding years depending on a company's ability to create additional jobs each year.

- Major modernization or expansion: An initial 95 percent exemption for the difference in the assessed value of the building before and after reconstruction, diminishing by 5 percent annually over nineteen years.

The Mayor's Business Incentive Program

Long-term tax abatement can make it possible for developers to finance and build major commercial projects requiring substantial private investment. By transferring ownership of land and buildings to a tax exempt agency, such as the Urban Development Corporation, the developer makes payments in lieu of taxes negotiated on a project-by-project basis. To qualify, projects must have the potential for revitalizing an entire area, as well as provide a needed facility and generate additional City sales and business income taxes. These public benefits must outweigh taxes foregone by the City during early operating years. The City will also participate in the profits of successful ventures when these exceed a reasonable rate of return. The program will be applied on a selective basis. The Commodore Hotel in Midtown Manhattan is to be renovated under this program.

JOB INCENTIVE TAX CREDITS

New York City has suffered much higher unemployment than the nation at large, and one cause of this, shared by other older urban areas, has been its inability to generate job-creating expansion in certain industrial categories in recent years. To begin to turn this situation around, the City will explore with the Federal and State governments a joint program to provide tax credits to businesses based on the number of new jobs created. Since the Federal government, in particular, would stand to gain from reduced costs of unemployment, such a program would depend primarily on a Federal job incentive tax credit, but the City would be willing to add its own tax credit to Federal and State incentives.

PROPERTY ASSESSMENTS

City officials assigned to review various factors that are known to impede the redevelopment of vacant and underutilized commercial and industrial property are now focusing their attention on the impact of real estate taxes. During the last few years, significant progress has been made by the City to reduce the tax levels imposed on a large volume of distressed parcels where current occupancy ratios, rentals and sales prices support such downward revisions. To provide further impetus, the City's Real Property Assessment Bureau is now actively reviewing assessments of owner-occupied and income-producing real estate in order to achieve an equitable level of taxation that reflects the City's policy to encourage redevelopment and the maximum utilization of commercial and industrial facilities.

SPECIAL ASSESSMENT DISTRICTS TO DEFRAY COSTS OF IMPROVEMENTS

During the last session, the State Legislature enacted a bill authorizing the City to designate specified commercial areas as special assessment districts for limited public improvements. The intent of the bill was to defray the maintenance costs of proposed pedestrian malls in Downtown Brooklyn and Jamaica Center by taxing those merchants and property owners who would benefit.

The City will explore other areas (and accompanying legislation) where the use of special assessment districts for malls or other public improvements might enhance economic potential.

Office of Economic Development

The instrument for pursuing – and attaining – the City's economic recovery is already in place. A new Office of Economic Development (O.E.D.) has been established, headed by a newly appointed Deputy Mayor for Economic Development. The Deputy Mayor will formulate and implement economic development policy on behalf of the Mayor and will serve as advocate for economic development projects and actions.

Additional funds will be allocated to O.E.D. for the balance of this fiscal year to enable it to launch its expanded programs. A budget of $10 million will be provided to O.E.D. for Fiscal Year 1978, placing it on a par with State commitments in this area.

The Office's major responsibilities are now defined as follows:

- Package and negotiate major commercial and industrial developments for the City;
- Organize (with the private sector) a comprehensive marketing program to attract new businesses to the City and to retain and expand existing firms;
- Develop reliable research data on the City's economic strengths and weaknesses for specific industries;
- Provide business and financial services to companies in need of help;
- Serve as ombudsman (and shredder of red tape) for businesses in their dealings with City government.

Two new bodies will establish the partnership and interaction between the public and private sectors that alone can guarantee the success of the Economic Recovery Program:

An Economic Development Board will guide and review economic development policies and help coordinate the appropriate City agencies. Under the chairmanship of the Deputy Mayor for Economic Development, the Board will include the First Deputy Mayor, the Deputy Mayor for Finance, the Director of the Office of Management and Budget, the Chairman of the City Planning Commission, two business representatives, two labor representatives and a representative of community interests.

A Business/Labor Council for Economic Development, drawn from different sectors of the economy, will help (a) plan economic development programs, (b) enlist the resources of the private sector for projects, and (c) advise on economic issues of concern to the business and labor communities.

In addition, industry liaison committees will be formed with key segments of the economy to counsel O.E.D. and the Economic Development Board on specific industry problems and to provide two-way communication.

PROGRAMS

The new and strengthened Office of Economic Development will handle its responsibilities in a variety of ways:

Development. A Development Coordinator will be appointed to oversee all of the City's commercial and industrial development and financial assistance programs. This official will coordinate the development activities of the various City and quasi-public agencies involved in the development process.

As a longer range objective, O.E.D. has established a task force to explore the feasibility of a single, city-wide economic development corporation equipped to handle all aspects of land development, project financing and tax incentives for commercial and industrial projects, and having the capacity to initiate and package complex developments. The purposes of such a public/private development corporation are three-fold: (1) to consolidate the development programs and agencies that have proliferated in recent years; (2) to marry public financing tools to private financing and packaging expertise, and (3) to provide continuity for major development efforts that take years to bring to fruition.

Over the short run, the City will publicize and expand existing development assistance programs to spur industrial and commercial growth. The role and funding of the Industrial Development Agency (IDA)will be expanded. Established in 1974, IDA is empowered to finance new or expanded plant facilities by issuing tax exempt revenue bonds secured by rental or other income created by the project. The proceeds from the bonds provide low-cost financing for the acquisition of land and the construction and equipping of improvements. Eighteen projects involving the retention of over 3,000 jobs and the creation of approximately 1,000 new jobs are already in the pipeline. A commitment will be sought from the City's commercial banks to purchase IDA revenue bonds in cases involving credit worthy applicants. Revisions in the State enabling legislation will be asked to enable IDA to finance commercial as well as industrial projects.

Marketing and Public Information. A small, professional marketing unit will be created within O.E.D. to assist in planning the comprehensive public-private marketing effort to sell the City as a place to do business, discussed more fully in the section entitled "Marketing the City" (see page 34). The O.E.D. unit will also be responsible for:

- Making known to the business community O.E.D.'s business and financial service programs;
- Providing information to the business community about the City's activities, finances, and agencies;
- Encouraging public and private groups to market and promote the City.

O.E.D.'s marketing unit will enlist individual New York-based corporations in a campaign to spread the word about the City's efforts to improve the business climate. Individual companies will be asked to devote parts of their advertising campaigns to pro-New York messages, and local utilities will be requested to disseminate messages through their billing mechanisms and advertising.

The marketing unit will consider the establishment of a quality business information center, privately funded, where information on the City's advantages as a business location and major activities and plans of the business community can be displayed to the public and out-of-town visitors.

Corporate Retention. A systematic program to discourage moveouts will include the following elements:

- Analysis of problems confronting corporate headquarters and other industry sectors, including a study of why companies leave and why companies remain. Individual files will be developed on major New York businesses;
- An "early warning" system, based on private sector contacts, to obtain advance intelligence of potential moveouts;
- O.E.D. and high level City officials' contact with problem companies;
- Creation of a cadre of business volunteers to work with companies considering moving out of the City.

Small Business Services. The City's 190,000 small business firms will receive special attention from O.E.D. This will include the following:

- *SBA Direct Loan Funds.* O.E.D. will fight to double funds for working capital allocated to the region and the City by the Small Business Administration in Washington.* The demand for SBA funds in the City far exceeds allocations to the region. Yet, in other areas of the country, funds remain unused. The formulas and methods used to allocate SBA funds should be changed to ensure that the City receives a fair share based on need.
- *City-wide Local Development Corporation.* O.E.D. will activate a City-wide local development corporation (under the SBA 502 program) to provide Federal funds, on a nine-to-one matching basis, to small businesses for equipment and other capital improvements. This would enable O.E.D. to provide a 100 percent financial package to small business applicants: Federal money for equipment and brick and mortar to go with SBA direct loans and guarantees for working capital. O.E.D. will also request from the City's financial institutions a pool of private funds to be used for working capital and mortgage loans to small businesses.
- *OMBE.* O.E.D. has requested additional Federal support to upgrade its Office of Minority Business Enterprise and to in-

*The City's current allocation is $9.6 million.

crease that unit's capacity to provide counseling and technical and financial assistance to new and existing minority businesses.

- *Trade Act Assistance.* O.E.D. is expanding its efforts to assist local companies hurt by import competition that may be eligible for Federal loans and technical assistance under the Federal Trade Act of 1974. Four New York companies have already received $3.5 million in Federal loans as the result of O.E.D.'s efforts. O.E.D. will publicize the program, identify New York firms that need help, and assist them in making applications.

Business Services. O.E.D. will strengthen its financial counseling and guidance to individual businesses seeking assistance for a particular problem – for example, how to make a loan application or obtain help from a City agency:

- *Business Services Director.* To ensure improved management of O.E.D. business services, a Business Services Director will be retained to supervise the "One Stop" business service, the industry-wide services and other assistance programs.

- *"One Stop" Services.* O.E.D.'s "One Stop" business service which helps individual firms in their dealings with other City agencies, will be enlarged, improved and publicized. The Mayor will issue an Executive Order requiring the head of each City agency to designate a high-level liaison to work with "One Stop" in resolving problems and unnecessary delays in the department's dealings with the business community.

- *Industry Wide Services.* Because of staff shortages in this important unit, many sections of the City's economy are unserved. O.E.D. will establish "industry desks" manned by specialists serving as ombudsmen and advocates for the following segments of the economy: manufacturing, wholesale and retail, transportation, services, finance, communications, trade organizations and unions.

- *Community Business Services*. EDA has had no presence in the boroughs or communities to assist local business groups, commercial revitalization and neighborhood improvement efforts.* O.E.D. Business Liaisons will be assigned in each borough to:

  – Provide one-stop outreach to businesses having problems with City agencies at the local level;

  – Disseminate information about O.E.D.'s business and financial service programs in local communities, and funnel requests for help to O.E.D. central units;

  – Organize and strengthen local merchant associations and involve them in community improvement projects;

  – Work with local business and community groups on projects to revitalize and improve commercial strips;

  – Serve as liaison to local business groups, community boards and other organizations involved with economic development;

  – Assist and support local economic development groups in their development of plans and programs for commercial and industrial revitalization in local areas.

Federal Aid Coordinator. The City has not received its fair share of funds for economic development and job creation available under Federal and State programs. Accordingly, O.E.D. will designate an intergovernmental aid coordinator (1) to search out funds under existing Federal and State assistance programs for job creating projects and (2) to keep abreast of administrative and legislative actions, at both the Federal and State levels, with implications for the Economic Recovery Program.

*By contrast, the City of Boston has eight business coordinators assigned to local areas.

Marketing the City

It is paradoxical that the home of the world's largest, most energetic communications and marketing industries should beat its own drum so seldom and so softly. Many other cities throughout the country have mounted well-financed programs to sell themselves as places to do business and visit. In some cities, local government works closely with the private sector on marketing and promotion efforts – engaging the talents and resources of the highest level corporate executives.*

Until recently, New Yorkers tended to assume that business would take care of itself and that the City's size and natural strengths would function as an automatic magnet. Many leading business groups paid little attention to events outside their own industries.

The financial crisis in particular has changed many of these attitudes - spurring the City's determination to become a self-promoter and enlisting the loyalties of local businessmen.

*Philadelphia, for example, last year launched a three-year marketing program to attract new businesses supported by $1.2 million in private subscriptions from fifty companies and $495,000 in funds provided by the Philadelphia Industrial Development Corporation, a quasi-public agency. In recent months, the "New Philadelphians" have written to many New York firms inviting them to come on down.

A comprehensive marketing program is being prepared joining the City, business and labor in a campaign to:

- Convey New York's advantages as a place to do business and to stress the City's positive attitude toward business;
- Encourage companies to locate in the City and to stay and expand here; and
- Attract more tourists and conventions.

PRIVATE/PUBLIC MARKETING ENTITY

The Deputy Mayor for Economic Development will organize a public/private, non-profit marketing vehicle, consisting of chief executives of major corporations, the heads of business organizations, senior City officials and labor leaders, to spearhead a five year marketing, promotion and advertising campaign to attract and retain business.* The City will commit $1.5 million to this effort during Fiscal Year 1978; the private sector will be asked to contribute $2 million.

Planning for this major effort will be handled by O.E.D. and a task force from the communications industry.

The overall program of this new marketing vehicle will include the following elements:

- *Market Analyses:* Two studies are underway: The City is conducting an in-depth study of twenty-four industries under a Federal grant; and the Fantus Company, under contract with a group of foundations, is preparing target industry reports documenting the economic advantages of New York City for fourteen domestic industries in the fields of manufacturing, distribution, research and development, science and services. In addition, the State Department of Commerce has begun a market research program that will be made available to the City. Comparable marketing analyses will be undertaken for international companies and corporate headquarters.
- *Advertising Campaign:* For the first time, there will be advertising in the print and broadcast media to encourage new and expanded investment in the City for companies likely to profit from a New York location. Depending on the level of resources, this campaign will be targeted to international as well as local, regional and national markets.

*Possibilities of State involvement as a partner will be explored.

- *Ambassador Corps:* High and middle-level local executives will be enlisted to describe the City's advantages as a business center to their colleagues in other U.S. cities and abroad. O.E.D. will provide training and back-up marketing materials for the Ambassador Corps.
- *Marketing Presentations:* Professional presentations highlighting the City's advantages for business will be developed for use by business leaders and City officials in other states and abroad.* Presentation packages will consist of charts, films, slideshows and booklets designed for different audiences, and presentations will be scheduled systematically beginning in mid-1977.
- *Hospitality Center:* A proposal will be developed for a hospitality center to provide information, assistance and counseling to corporate middle managers and executives who are locating in the City for the first time and to business visitors from other states.
- *Promotional Literature:* Special booklets and brochures will be developed for both domestic and foreign markets describing the attractions of New York City as a place to do business.

PROMOTING TOURISM

Tourism sustains, directly or indirectly, 150,000 jobs in the City; in most cases, these jobs in hotels, restaurants, etc. are filled by low-skill workers with limited opportunities for alternative employment.

Tourism is the second most important revenue-producing industry in the City. Last year 16 million visitors brought in $1.4 billion in revenues. New York City receives approximately $50 million in taxes related to the hotel industry. It is also conservatively estimated that the City receives direct tax funds amounting to at least $100 million annually from hotels, restaurants, stores, sightseeing attractions and other elements of the visitor industry.

In Fiscal Year 1977, the City contributed only $300,000 to the New York Convention and Visitors Bureau. This is less than the municipalities of Tucson, Little Rock, Long Beach, San Antonio, Louisville and Palm Springs provide to their convention and visitors bureaus, and far

*Every year, Los Angeles and other cities and states come to New York to put on professional, high level presentations of their attractions for business.

less than the City's major competitors. (For example, Las Vegas contributes \$3.6 million; Miami \$1.9 million; San Francisco \$1 million; St. Louis \$800,000 and Chicago \$768,000.) New York City ranks 24th among major U.S. cities in funds expended to promote tourism.

The case for expanded public support of programs to promote tourism is overwhelming. A four-pronged program is proposed that will begin to accord the tourist industry the attention it merits.

- For Fiscal 1978, the City will increase its contribution to the Convention and Visitors Bureau to at least \$500,000, which will be added to the private sector's current \$600,000 contribution.
- The City, through O.E.D. and volunteers from the private sector, will plan and promote special events designed to increase the tourist traffic, benefit the economy and improve the image of the City.
- The State, which lags in tourist promotion, will be requested to enact a program comparable in magnitude to the financial commitments of other states; and
- The State will be urged to establish state-financed tourist bureaus in key locations throughout the country.

Cutting Red Tape

A persistent source of irritation to the New York business community is the red tape that too often snarls dealings with City, State and Federal agencies and regulatory bodies. Rigorous building and environmental reviews, in particular, have created a lengthy and duplicative process which discourages development. Safety, environmental and equal opportunity standards should not be diluted. However, the process of enforcement should not become so bureaucratic that it obstructs reasonable operating needs or legitimate job-creating development. Efforts to correct overly burdensome regulatory procedures include:

- *Directory of City Agencies:* Preparation by the Department of City Planning of a directory of City agencies and other offices involved in development, including an index of required permits.
- *Time Limits for Permits:* Where appropriate, reasonable schedules for processing and acting on permits will be instituted. In certain areas, automatic permit approvals will be granted if no denial is forthcoming within a specified period of days.
- *Unified Service for Building Permits and Certifications:* To streamline the granting of building permits and certificates of occupancy, the City will establish by mid-1977 single points of contact in each borough, for major or commercial projects. Joint agency building inspections will also be introduced to expedite approvals, where feasible.

- *Agency Bottlenecks:* The "One Stop" Business Service has been assigned the task of cataloguing and analyzing procedures in City agencies that unduly hamper business activities. These bottlenecks will be reviewed by the Economic Development Board for possible correction.
- *Single Application Form For Financial Assistance:* Numerous businesses and developers that need the City's help to expand or build commercial and industrial facilities have been frustrated by the maze of offices and mountains of forms they must deal with to obtain financial assistance and essential approvals under City, State and Federal programs. As a start in remedying this problem, O.E.D. will seek to develop a single application form for City, State and Federal assistance programs.

Private Sector Involvement

An economic revitalization strategy premised solely on governmental action cannot succeed. The City's business community must be heavily involved in any comprehensive program to create and attract private sector jobs. As a key element of its Economic Recovery Program, the City will enlist the vast talents and resources of the business/labor communities as partners in the overall effort to improve the business climate:

- Business and Labor representatives will serve on the new Economic Development Board to provide guidance for the overall Program and to monitor its progress.
- A Business/Labor Council will be convened to work with the Deputy Mayor for Economic Development on specific programs to improve the business climate. Through industry subcommittees, O.E.D. will obtain the advice and assistance of specific segments of the City's economy.
- The business community and the City will jointly sponsor a comprehensive marketing program to sell the City in this country and abroad as a place to do business.
- The business community will be asked to assist O.E.D. in planning a single, public/private economic development corporation (comparable to that which exists in other cities) with the capacity and financial resources to carry through on major industrial and commercial projects.

- The financial institutions will be asked by O.E.D. to establish a privately financed and managed commercial and industrial development bank, funded on a pooled basis, to channel debt and equity capital to promising firms that want to locate or expand in the City, and as a source of placement for revenue bonds issued by the Industrial Development Agency for new plant construction and improvements.
- The City vigorously supports a revitalized and strengthened New York Chamber of Commerce, and O.E.D. will explore with the Chamber's new leadership joint projects to involve the private sector in economic development.
- Industry groups (investment and commercial banks, utilities, etc.) and individual companies will be enlisted by O.E.D. to develop an intelligence network on potential moveouts, move-ins and expansions, and the problems of individual firms and industries, and as a source for economic data needed for overall economic planning.
- On-loan executives and volunteer specialists from companies in the City will be recruited by O.E.D. to work on projects with its development, business and financial service units.
- The Executive Volunteer Corps, which this year alone provided counseling and business advice to more than 7,000 people, will be strengthened, and its outreach extended to local businesses in the five boroughs and to cooperative efforts with merchant associations and community groups.

Supportive City Strategies

Energy

Electrical costs in the New York area are the highest among the 23 major metropolitan areas in the United States. Boston, the second highest cost area, still pays 37 percent less for electricity. Con Edison charges 190 percent of the national average for commercial users and 220 percent for industrial users.

City tax levels are a major factor in boosting electric service costs, amounting to about 25 percent of customer charges. Property taxes on Con Edison facilities, sales taxes on fuel, and other levies add up to a local tax load more than twice that borne by electric utilities serving any other major city.

Other factors inflating energy costs here include:

- The City's reliance, along with most of the Northeast, on oil. Prices have tripled since the 1973-1974 embargo. Imported oil accounts for about 90 percent of the City's oil supplies for power generation, heating, and industrial uses.
- The shortage of natural gas on the interstate market. Although this clean-burning fuel is especially valuable in urban areas, it is available to meet only 20 percent of the City's energy needs. Nationally, natural gas satisfies about half of America's energy requirements. (Both figures exclude gasoline usage.)

- The prohibition against the use of less expensive higher-sulfur-content oil or coal under City, State and Federal air pollution controls.
- The unavailability of less expensive hydro-electric power, which constitutes one-third of the retail power of the State's six other electric utilities.
- The sharp disparity between daytime peak demand for electric and off-peak requirements. This variation requires that Con Edison maintain extra generating capacity which is used only during peak periods. Resultant high fixed costs per unit are passed on to consumers.

Although most of these problems cannot be solved by the municipal government alone, the City will pursue short and long-term strategies to stabilize and, ultimately, bring down the cost of energy to local businesses.

STABILIZE ELECTRIC POWER COSTS TO BUSINESS

The City's commitment to cap the real property tax rate, detailed elsewhere in this report, will help to stabilize Con Edison's local tax burden.

In addition, the City's Environmental Protection Administration is giving serious consideration to Con Edison's pending application to burn higher sulfur fuel at one or more of its plants. To the extent that higher sulfur fuel can be burned, the savings will be passed on directly to Con Edison's customers.

The City supports proposals now pending before the State Public Service Commission (PSC) to lower off-peak rates provided that the PSC can assure minimal impact on businesses which cannot shift any part of their power usage to off-peak periods. So-called "time-of-day" pricing will ultimately aid all consumers of electricity by reducing the utility's capital costs for power plant construction.

The City Administration will study the possibility of granting a special tax exemption for electricity to new, properly certified job-creating industries that locate in the City.

DEVELOP LOWER-COST ALTERNATIVE SOURCES OF ELECTRIC POWER

The City is evaluating the feasibility of providing lower-cost electric power to tenants of City-owned industrial and commercial parks. This may be possible when the Power Authority of the State of New York

(PASNY) begins delivering lower-cost Canadian hydroelectric power to New York City in 1978. The legality of this use of PASNY power is under review, and safeguards against higher Con Edison rates to other commercial and residential users will have to be provided.

Energy-intensive industries will be encouraged by the City to construct their own electric/steam generators on site. Specifically, the City will seek legislation providing real property tax relief for seven years on the added value created by such investments and will explore favorable financing mechanisms for self-generating systems. The City will also request from the PSC a reduction in the current high rates charged by Con Edison to firms with self-generating systems for "stand-by" availability of electric power.

In cooperation with other levels of government, the City is investigating the feasibility of an "integrated utility complex" to service City industrial parks. A Federal funding proposal is being developed for a first demonstration site to include electrical energy generation (with solid waste as a partial fuel source) and the recapture of excess heat energy for space heating and hot water.

LONG RANGE DEVELOPMENT OF ALTERNATIVE FUELS

The problems of fuel cost and supply here have spurred City efforts to derive fuel from solid waste through new technologies. These include several proposals now under study involving the use of solid waste as a fuel for electric and steam generating plants. In addition, the City has awarded a contract to a firm which plans to extract methane gas from a Staten Island landfill site and sell it to the Brooklyn Union Gas Company.

The City of New York is encouraging development of possible oil and natural gas reserves off-shore, with appropriate environmental controls. Major oil and gas finds off the East Coast would reduce the City's dependence on imported oil and could ease the critical shortage of natural gas and reduce the delivered cost of natural gas to local utilities.

CONSERVATION OF ENERGY

The City actively supported recently approved Federal legislation to finance energy conservation investments by businesses to be administered through the Small Business Administration. Municipal agencies will promote the program locally once Congress appropriates funds.

Land Use for Economic Development

A series of interlocked strategies are proposed to find economic uses for City-owned land and to create a land use regulatory climate that will encourage job-creating development by the private sector.

Proposed elements of this land use program include the following:

Land Disposition Policy: The City will develop a consistent and realistic pricing policy supportive of economic development. It will also formulate a coherent policy on when to sell City-owned land at auction and when to bank it for future use. A survey will be conducted by the Department of City Planning and O.E.D. to identify and analyze City-owned land usable for commercial and industrial purposes. In addition, as a resource tool for its development functions, O.E.D., in conjunction with the real estate industry, will prepare and keep current an inventory of available industrial and commercial space.

Industrial Renewal: Of 1,110 acres of land acquired by the City under its industrial renewal program, hundreds are still vacant. Economic uses will be sought for this land, particularly for parcels of one acre or more. Experienced industrial realtors will be offered commissions to find tenants or purchasers. A moratorium will be placed on large-scale speculative acquisition of industrial land until existing industrial renewal areas are fully occupied.

Non-residential Use of Land Acquired for Housing: With the slowdown of Federal funding, the City finds itself holding hundreds of acres of land acquired under Federal categorical grant programs. With housing construction stalled for the foreseeable future, the City will seek revisions in HUD regulations to permit it to dispose of land at current market prices for commercial and industrial purposes where appropriate. An example of productive recycling involved the transfer of land in the central Brooklyn Model Cities area to the IBM Corporation to enable it to construct a 168,000 sq. ft. manufacturing facility that will employ 400 people.

Leasing of Federal Surplus Property: Procedures of the General Services Administration should be changed to permit long-term leasing of surplus Federal property for economic development. GSA, which is charged with disposing of surplus property owned by the Federal government, will only enter into short-term (less than a year) leasing arrangements for property under its jurisdiction (the Brooklyn Army Terminal, for example). Given the fiscal crisis, this precludes the City from leasing surplus property for economic development. Outright purchase is prohibitive for New York City at the present time. Under a long-term lease arrangement, the City would be able to make necessary improvements on the property and negotiate a lease with a private developer. Costs to the City would be at a minimum since improvement costs would be amortized over a number of years, and City rental payments to the Federal government would run concurrent with rental income to the City by the private developer.

In-Place Industrial Parks in Built-Up Manufacturing Areas: The City Planning Department has begun a program to designate and develop in-place industrial parks in a few built-up manufacturing areas in the City. Such in-place industrial parks will offer many of the same features — controlled access, ample parking and loading areas — as their suburban counterparts.

Areas of approximately four to ten blocks will be designated as industrial districts. Certain streets will be closed to traffic to provide improved parking and loading space; access to the district will be limited to specified streets and security fencing will be established in some areas. With the cooperation of local businessmen and landlords, landscaping and other amenities will be provided. City-owned land within designated districts will be set aside for employee parking or earmarked for expansion space for existing firms. Prime candidates for this program are Long Island City, Hunts Point (Bronx) and the garment district.

Zoning as an Economic Development Tool: Zoning is the City's major land use tool and; while it does not create a market for economic activity, certain changes in regulations can stimulate development. The City will pursue the following initiatives:

- Recycle loft space in special districts;
- Allow the reuse of certain vacant buildings;
- Permit on-site industrial expansion;
- Tailor zoning to local needs.

Recycle Loft Space: There is more loft space on the market than industry can fill. As a result, many loft buildings are wholly or partly vacant and in tax arrears. Lofts no longer needed for industry can be recycled for housing provided that space suitable for industry is protected. In both SoHo (Canal to Houston Streets, between Sixth Avenue and Centre Street and NoHo (north of Houston Street to Astor Place), where loft conversion is permitted, the Broadway corridor housing manufacturing firms is protected from major residential conversion. In Tribeca, the triangle below Canal Street, a special zoning district with vertical mixed-use regulations protects manufacturing and allows loft dwellings for the general housing market.

Reuse Vacant Space in Existing Buildings: Zoning text amendments will facilitate business activity by allowing certain kinds of economic uses in non-conforming situations. For example, vacant storefronts in certain commercial districts which have excess space can be used for light manufacturing.

Permit On-Site Industrial Expansion: Zoning text amendments will facilitate on-site industrial expansion. These will include altering use regulations to reduce the need for certificates of occupancy when changing to a similar use within an existing building and liberalizing zoning provisions to enable expansions despite minor noncompliance with present regulations.

Tailor Zoning to Special Needs: The Department of City Planning is undertaking a comprehensive zoning review with the twin objectives of encouraging new investment and redevelopment and promoting neighborhood stability. The City will enlarge the concept of special purpose districts, using zoning incentives to encourage desired developments in targeted areas. The incentive of additional residential bulk can be used to encourage commercial development in new mixed-use projects. Additional revenue generated by the residential portion can subsidize commercial space which, particularly in redevelopment areas, may not be viable at market rents.

Areas which are over-zoned for commercial use will be re-zoned to concentrate commercial activity in the most viable areas and to encourage other uses in areas where vacancies prevail. Off-street parking regulations will be modified to assure provision of sufficient spaces when older shopping centers expand and appropriate distribution between parking areas and open space in mixed-use development.

Commercial Revitalization

Among the City's sources of economic strength are its major commercial centers and hundreds of smaller commercial strips located throughout the five boroughs.

Commercial Centers: There are six major business districts in the City: Midtown and Lower Manhattan; Downtown Brooklyn; Jamaica Center in Queens; Fordham Road in the Bronx; and St. George's in Staten Island. There are several other major retail centers in each of the boroughs that house community shopping facilities, local offices and community entertainment facilities. Of these the largest are 125th Street and 14th Street in Manhattan, Flatbush Avenue and Kings Plaza in Brooklyn, Rego Park and Flushing in Queens and 149th Street (the Hub) in the Bronx.

For many years the City has recognized the need to strengthen its commercial centers. A subcenter renewal strategy was defined in the early 1970's. However, while downtown revitalization is highly desirable, private developers tend generally to view reinvestment in downtowns as a risky venture, comparing unfavorably with new development opportunities on vacant land along major highways. Therefore, the City must undertake joint ventures with private entrepreneurs if the economic viability of existing downtowns – along with their tax-paying capacity – is to be preserved.

With innovative mechanisms, downtown revitalization can move forward. The major requirements are low-cost land for new development, tax relief for major new projects during start up periods, and adequate parking. In addition, the provisions of amenities, such as landscaped malls and sitting areas, will enhance the appeal of urban downtowns.

The City has initiated new strategies for commercial revitalization in several major commercial centers. Funds were included in the Community Development Act block grants to allow land acquisition for extension of the Fordham Road shopping district. Legislation was passed last year in Albany to allow special assessments for shopping mall maintenance in Fulton Street, Downtown Brooklyn, and 165th Street, Jamaica Center. The Board of Estimate has approved the Commodore Hotel project, in which a developer will receive property tax abatement for a specified period of years in exchange for renovating the hotel over Grand Central Station.

The comprehensive program to renovate the Times Square Corridor, Avenue of the Americas extending from Sixth to Eighth Avenues, 42nd to 50th Streets, illustrates the range of City actions that can be brought to bear — zoning controls, reassessment of properties, and pre-certification for tax abatements for residential and non-residential conversions.

Special redevelopment districts will be identified and designated early next year. Other districts under consideration are Downtown Brooklyn, Fordham Road and Union Square.

Neighborhood Commercial Strips: In recent years, many smaller commercial strips have either deteriorated or exhibited signs of instability. The City can help to re-establish the viability of its smaller commercial areas through such programs as storefront renovations, special beautification, pedestrian malls, street improvements, self-help projects to improve security, etc. Traditional tools include unassisted urban renewal, tax incentives and zoning. A greater proportion of Federal Community Development funds will be allocated to local redevelopment efforts, especially those which emphasize joint private/public ventures where limited use of public funds can leverage private investment.*

*For example, Newkirk Plaza in Brooklyn, a 68-year-old shopping center that includes a pedestrian mall, stores, and a subway station, was slowly declining until local merchants asked the City for help. The results: $150,000 in Community Development funds, $150,000 in matching State funds, and $50,000 raised by local businessmen, redesign of the Plaza by City architects and continuous participation in planning and implementation by the Newkirk Plaza Merchants Association. Community Development funds have been earmarked for Far Rockaway, where $1.3 million will be spent on the main shopping thoroughfare of Beach 20th Street; to the Bronx, for demolition of the Third Avenue El; and to Mermaid Avenue in Coney Island. Other projects are under consideration.

The City will encourage and assist the economic revitalization plans and projects of local economic development corporations established under the Federal Public Works and Economic Development Act of 1965, as amended, for specific redevelopment areas in the City, and community development corporations, such as the Bedford Stuyvesant Restoration Corporation and the Harlem Commonwealth Council.

Finally, working with local chambers of commerce, O.E.D. will encourage merchant associations in neighborhoods throughout the City and their involvement in self-help improvement projects.

Manpower Training and Education

To serve the needs of business and labor, training programs administered by the City and the private sector must do a better job in preparing workers for entry level jobs with advancement potential and in helping new workers learn what is expected of them in office and plant routine.

The City spends nearly $100 million annually in various job training programs. For years, significant changes in City manpower training programs have been called for by the private sector to make them more responsive to the needs of business and industry. Training programs should be based upon actual needs and entry level jobs, on an understanding of the impact of changing technology in the City, and on accurate projections of industry trends.

As part of its economic development strategy, and to insure a link between public manpower training and the needs of business, the City will seek to expand on-the-job training programs for businesses and integrate them with its other business services programs. A Federal funding increase from $4 million to $8 million will be sought for O.E.D.'s Office of Manpower responsible for administering on-the-job training programs under the Comprehensive Employment Training Act of 1973, which promotes employment opportunities for the economically disadvantaged, whether unemployed or underemployed.

Experience has demonstrated that the City cannot do the job alone. Strong business consortia are needed to assume responsibility for training with guaranteed jobs as the end, and the Business Labor Council will be asked to explore program possibilities in this area.

Another major problem is the performance of the United States Employment Service. The State and Federal governments will be asked to undertake a thorough review of the Employment Service, comparable to that in other states, to make it more responsive to the needs of the City's business community.

Finally, the City will seek additional Federal funds to support public service jobs. The City now employs approximately 13,500 persons under the CETA programs and 1,920 under the Commerce Department's Job Opportunities Program. Obviously, with a 9.9 percent unemployment rate, thousands of additional workers would qualify for public jobs programs if these efforts were expanded by the Federal government.

CAREER EDUCATION IN THE SCHOOLS

The City school system is the crucial link between business and the labor force. The availability of an educated labor force is a key factor in the locational decisions of many firms, and even companies offering blue collar jobs prefer high school graduates with basic skills who can be trained for particular vocational skills.

The City's education process cannot succeed unless students believe it is worthwhile for them to complete their education. In simple terms, it is impossible to maintain student motivation if there is no perceived payoff in terms of job opportunity. The more the educational system and the business community can build confidence that such will be the case, the greater the benefit to both.

Private organizations, such as the New York Urban Coalition and individual companies, have experimented successfully with programs to instill the concept of education leading to jobs into selected schools throughout the City. However, new mechanisms are needed whereby the business community can provide a greater range of work/study opportunities.

As part of its mandate to guide the Economic Recovery Program, the Economic Development Board, under the authority of the Mayor, will open a dialogue with the Board of Education to explore:

- Basic changes in curriculum to emphasize basic skills needed for work;
- Increased on-the-job training and work/study opportunities for high school students;

- Increased career education in the intermediate and high schools;
- Whether changes are needed in the vocational high school system to meet the needs of the business community.

Under the reporting provisions of the new City Charter (Section 130), the Board of Education is required to account to the Mayor for its expenditure of City tax levy funds on a quarterly basis. The Mayor will exercise review of the Board of Education's performance in preparing students for the labor market.

New Technologies

The City will identify and look to attract new industries which are just emerging and whose locational criteria have not yet been established. To begin this effort, the City Planning Department will enlist the help of the City's extraordinary complex of universities, medical institutions, and research and development firms as a source of ideas which could spin off new industries and technologies. A research and development advisory council will be established and a workshop held on high technology potential in conjunction with research and educational institutions.

A team of investigators assembled by O.E.D. will interview selected individuals in the research and development offices of non-profit institutions, private corporations, and governmental agencies to assemble information on breakthrough activities. This research will yield a list of development opportunities, a set of locational and cost criteria, and a list of services which local government could offer new industries. A joint City-State program will then be designed in 1977 to encourage breakthrough enterprises.

Federal and State Legislation and Financial Assistance

Key State and Federal Legislation

A number of the proposals discussed in other sections of the Economic Recovery Program, especially in the area of taxes, are being incorporated into an economic development package to be submitted to the next session of the State Legislature.

In addition, the City will press for legislative action in Albany and Washington on two measures of fundamental, long-range importance to the City's economic revitalization:

- removal of the State Constitutional prohibition against use of public funds for economic development and, specifically, an amendment to include job creation as a "public benefit";
- a national urban development bank to provide low interest loans, interest subsidies or guarantees to qualified industrial and commercial plants in urban areas where private lenders cannot meet business credit requirements.

CHANGE IN STATE CONSTITUTION

Other states have a battery of direct financing mechanisms and incentives to lure businesses away from New York. Such tools are unavailable here because the State Constitution forbids gifts and loans for economic development purposes.

Removal of this prohibition would make possible the creation of a State-backed revolving fund to guarantee first mortgages issued by financial institutions for industrial and commercial developments in the City. Several New England states offer models of mortgage guarantee programs that use the State's credit to back financing of industrial projects where sufficient funds cannot be obtained through conventional channels. In effect, such mortgage guarantees would encourage banks to finance more projects and larger shares of project costs.

In support of a State constitutional amendment, O.E.D. will prepare a brief documenting the negative impact of the gifts and loans provision on the City's economic revitalization capability, and the competitive disadvantage created for the City relative to other jurisdictions.

NATIONAL URBAN DEVELOPMENT BANK

A shortage of long-term credit is hindering the replacement of aging industrial and commercial plants and equipment in New York City and other older central cities, thereby accelerating the flight of businesses from urban core areas.

This trend could be reversed by encouraging investment in older urban areas through low-cost credit and loan guarantees with the flexibility to accommodate differing local needs.

A national urban development bank supported by the Federal government should be established to meet the long-term financing needs of credit-worthy central city firms and to aid municipalities. The bank would offer low-interest loans, interest subsidies, or guarantees to qualified firms located in urban areas where private lenders cannot meet business credit requirements. The City joins with the Congressional Joint Economic Committee and the U.S. Conference of Mayors in urging support of such legislation by the new Federal Administration and the Congress.

Non-City Public Capital Investment

Since City capital funds will be limited for the foreseeable future, it will be essential to find other sources of funds for economic development projects important to the Economic Recovery Program. Major projects include the following:

WESTWAY

Westway is proposed to replace the derelict West Side Highway. The replacement is more than a transportation facility.

It is a key economic development project that will generate an annual average of 2,000 jobs for the 10 years of its construction. It will cost $1.1 billion, but this public money would be instrumental in triggering billions more in private investment and creating many thousands of jobs.

New parks and a riverside promenade will be provided on the new land above the roadway, as well as space for housing and commercial development controlled by a special zoning district. A container facility is also proposed in conjunction with the new highway.

The improved circulation system will aid industrial and commercial development in many parts of the City, and be particularly helpful to the garment district.

CONVENTION CENTER

Financing for this top priority project is being explored at one of several possible sites. The convention center will help sustain the $1.4 billion visitor industry. It will reinforce the City's hotels, shops, restaurants, theaters, movies – which in turn attract and keep headquarters firms here along with the army of lawyers, printers, stationers, accountants, communications people and others who service them. It will add weight and dimension to the critical mass that keeps New York a magnetic and dynamic business center exerting its pull across the country and throughout the world.

COMMUNITY DEVELOPMENT FUNDS FOR ECONOMIC DEVELOPMENT

A total of $23 million will be requested this year from the Federal government for job-generating projects throughout the City. Additional CD funds for commercial and industrial development will be requested next year. Among the City's projects that are being considered for funding are:

- Harlem River Yards Acquisition
- Brooklyn Army Terminal
- Staten Island Industrial Park
- Jamaica Mall
- Fulton Mall
- Jamaica Avenue Commercial Renewal
- Linden Boulevard Commercial Renewal
- Main Street – Flushing Commercial Renewal

U.S. EDA INFRASTRUCTURE GRANTS FOR INDUSTRIAL AND COMMERCIAL PROJECTS

The City's shrinking capital budget has traditionally funded relocation and site preparation for industrial and commercial renewal projects. Now, Federal EDA and Public Works funds are needed to continue critical projects. This year the City has applied for $25 million for new construction as well as infrastructure and site improvements. The City will seek to augment its annual assistance from Federal EDA in each of the five years of the Economic Recovery Program to support such developments as College Point Industrial Park in Queens, Waterfront/Pier Improvements (Brooklyn and Manhattan), Zerega Avenue Industrial Park in the Bronx, the Howland Hook Containerport in Staten Island and Northeast Marine Terminal in Brooklyn.

STATE, FEDERAL AND PORT AUTHORITY FUNDS AND OTHER ASSISTANCE FOR THE CITY'S RAIL SYSTEM

New York State is implementing the Rail Preservation Bond Issue, approved by the voters in 1974, which will provide some $45 million for City Projects.* Priority projects for funding are:

- Improvements on the Brooklyn Waterfront (totaling $27.5 million), including a major rail yard and carfloat bridges (for trans-Hudson freight).
- Improved security at the Oak Point Yards in the Bronx, the City's major yard for sorting rail traffic for local delivery, and installation and repair of security fencing along railroad rights-of-way.**
- Establishment of a rail link to Howland Hook for transport of containers and breakbulk shipments.
- Provision of a rail service to the Staten Island Industrial Park to improve its marketability as an industrial complex.

The City also supports efforts to enhance rail freight competitiveness within the New York metropolitan area. It will seek from Conrail favorable consideration for extension of the Delaware and Hudson Railroad to permit access to the New York Harbor marine operations; steps to restore competitive freight service over the Poughkeepsie Bridge; and preservation of the City's local freight routes. In addition, Conrail should immediately make available floating rail equipment to New York Harbor marine rail operators at incentive prices.

Finally, international freight rates for movement of containers (both to and within the Port of New York) are not equal; nor are total rates for container movements to dockside facilities within the Port of New York equitable. As a result, dock facilities in New York are at a competitive disadvantage. The City will request Federal regulatory agencies (the I.C.C. and the Federal Maritime Commission) to approve equitable rate structures that will equalize total rates for container movement from inland points to Atlantic ports.

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*The Port Authority has agreed to allocate $25 million for rail improvements in New York Harbor.

**The City also proposes that Conrail commit funds to capital improvements to provide security fencing in the Bronx and Brooklyn and classification and facility improvements to the Oak Point Yards in the Bronx.

FEDERAL AND PORT AUTHORITY PARTICIPATION IN MAINTAINING AND CONSTRUCTING PORT FACILITIES

At least $20 million is still required to complete the Northeast Marine Terminal in Brooklyn and $5 million is needed to complete Howland Hook in Staten Island. The City is exploring with the Port Authority the possibility of its assisting with these projects. (The New Jersey side of the port, now has 24 berths for containerports.)

Any development plan worked out with the Port Authority would recognize the City's right to a fair share of port activity, including break-bulk as well as container operations. Completion of the Northeast Marine Terminal and Howland Hook would give the City 17 container berths and enable it to compete with the New Jersey side.

MASS TRANSIT ASSISTANCE: STABILIZE THE FARE

The New York City subway system, consisting of more than 11,000 vehicles and 1,200 route-miles, provides service to 3.6 million riders 24 hours a day. The vast majority of trips are work-trips and maintenance of fast service at acceptable fares is an advantage the City offers to both employers and employees.

The annual transit operating budget has risen to approximately $1.2 billion, less than 55 percent of which is covered by revenues from fares. The City's most important transit need is for a substantial increase in operating assistance. The principle of operating subsidies was incorporated in Federal mass transit legislation for the first time in 1974, but, under the present law, both the level of Federal assistance and the formula for its allocation are inequitable to the City of New York. New York City has more than one-third of the nation's mass transit ridership. By contrast, the operating assistance formula grants New York City only 10 percent of program funds. As a result, the City now has the highest rapid transit fare in the United States. It is essential that a mass transit assistance program provide funds to localities commensurate with their actual needs. The City advocates a flexible, block grant approach to transit financing that includes need and usage factors. A bill employing these concepts passed the House of Representatives in 1974.

Also, to maintain and upgrade the existing transit system, the City will seek increased Federal funds (although they require 5 percent local matching funds) to improve the system's safety and efficiency.

The new Queens subway line will relieve the Queens subway corridor – the most overcrowded in the system. Construction is underway, and its various segments are expected to proceed on schedule at a total cost to the City of $220 million. A significant by-product of the Queens transit program will be the many thousands of construction jobs generated.

PUBLIC WORKS

The authorization and appropriation of the Public Works Program, Title I, should be increased and its provisions extended to fund additional projects for which applications have already been submitted.

PL 94-369 Public Works, Title I, provided $2 billion for public works projects. New York State's share is approximately $230 million. New York City alone has submitted that amount in project proposals. While awards have not been made, it can be assumed that the City will receive about $100 million. Additional capital funds are needed to complete projects and provide jobs in areas of high unemployment. If $2 billion is added nationally, this would provide up to $100 million in funds to the City for capital projects.

Northeast Coalition — Regional Economic Actions

The Coalition of Northeastern Governors was organized for the purpose of proposing policies and strategies to revitalize the region's stagnant economy. This inter-regional effort at cooperation, rather than competition, is fully supported by the City, which considers it an essential step in dealing with common problems that plague the Northeast. Furthermore, the City supports the recommendations of the Coalition at its recent conference at Saratoga for Federal action and regional self-help programs related to energy generation and conservation, private investment, public service employment, welfare reform, and transportation. In particular, the City endorses the proposal for a Regional Energy and Development Committee to finance regional development projects, such as the accelerated development of Eastern coal resources, through the use of Federally guaranteed taxable bonds. Other proposals include a feasibility study of a regional sea-land-rail piggyback freight service, and the establishment of a national surface transportation trust fund to provide flexibility in disbursing Federal transportation funds and to develop a program for port rehabilitation.

In addition, the City advocates the creation of a sub-unit within the Coalition to address the special problems facing urban centers in the Northeast region.

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Division of Economic Planning and Development

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Fiscal and Revenue Analysis Unit

OFFICE OF ECONOMIC DEVELOPMENT

OFFICE OF THE FIRST DEPUTY MAYOR

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