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Making Room for Manufacturing—and Manufacturing Jobs

In a new w[…] […]d the Urban Manufacturing Alliance, "All About the Jobs," we describe e[…]mission-driven industrial projects and their financing models. All these projects are creating affordable space for small- and medium-sized manufacturers so they can bring benefits—good jobs, especially—to the surrounding community. But every project is unique: each uses a different set of subsidies and has built a distinct capital stack. And each mission-driven developer has a different story to tell about the long-term value of investing in industrial space. **LISC is investing in projects like these all across the country**. Here, we take a look at why it's so important, and how

Here, we take a look at why it's so important, and how it's getting done, in New York City.

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To anyone unfamiliar with New York City's superheated real estate market, the low-slung warehouse at 500 Stagg Street in East Williamsburg might not seem like coveted urban space. With its two loading bays and graffiti-splattered façade of blond brick, the building sits in an industrial nook of Brooklyn where the sidewalks are sooty and heavy trucks bang and wheeze their way through the neighborhood.

Yet in October, **Evergreen** (aka Your North Brooklyn Business Exchange), a small but energetic nonprofit, was delighted to snap up this 10,000-square-foot property for $4.8 million. "It's a beachhead," explains Leah Archibald, executive director of Evergreen, which serves industrial businesses across North Brooklyn. "It prevents somebody turning the property into offices, a parkour gym, a night club"—all profitable uses, she says, that tend to pressure nearby industrial operators. "And we can use the space to give a handful of small manufacturers affordable real estate so that they can stabilize and grow their businesses here in Brooklyn."

Why does it matter whether industrial businesses can make it work in the Big Apple? For one, the city's development would grind to a halt without, say, concrete, which becomes unusable after 90 minutes in the truck, along with cement, aggregate, and rebar. Its restaurants would serve stale baguettes without nearby bakeries to truck them in twice daily for lunch and dinner service. The right kind of local industry can also make for better sustainability, cutting down on energy and shipping costs.

In a city where those without a college education are increasingly stuck in dead-end, low-paying service jobs, creating space for manufacturing is one way to battle economic inequality—and open pathways to the middle class.

But just as importantly, manufacturing businesses hire local people at living wages, often with benefits, to help them do it. In a city where those without a college education are increasingly stuck in dead-end, low-paying service jobs, creating space for manufacturing is one way to battle economic inequality—and open pathways to the middle class.

Partners in pursuit of a mission

These are the concerns that motivate Evergreen, as well as the mission-driven partners that made the Stagg Street deal possible. Evergreen had won a grant covering 500 Stagg Street's purchase price from the New York City Economic Development Corporation's innovative Industrial Developer Fund, along with a $650,000 state grant from Empire State Development. But it needed a loan to bridge the grants, available only on a reimbursement basis, and conventional lenders weren't biting. “That's where LISC came in, and they were the only ones that would do it,” says Archibald. “They worked super hard with us to construct a deal that really works.”

LISC NYC gave Evergreen a $6.5 million acquisition and construction loan, ready money that allowed Evergreen to buy the property before someone else could scoop it up.

Stagg Street is just one of many projects creating affordable industrial space that LISC has supported in New York City and across the country in places like Los Angeles and San Francisco, Indianapolis and Duluth.

Leah Archibald, CEO of Evergreen, with Evergreen board member, Winston White.

This year **LISC NYC** also contributed $8 million in loan capital to a project in Hunts Point, the Bronx, that will build 50,000 square feet of new light-industrial space for five to seven businesses in the food and media-production spaces, part of a mixed-use campus, “The Peninsula,” that replaces a notorious, long-shuttered juvenile detention complex. It provided $6.9 million in bridge financing to the Brooklyn Navy Yard, located in a bend along the East River, to renovate a historic small-boat construction and repair facility so it can house three industrial tenants and support 300 jobs. And LISC's lending played a small part in helping the nonprofit Greenpoint Manufacturing and Design Center (GMDC) purchase and retool a defunct bicycle factory in Ozone Park, Queens, for renting at below-market prices to some 25 small manufacturers that are expected to create 90 good, permanent jobs.

"Financing these projects is difficult, and there is no blueprint. You need subsidies. And you need a creative lender," says Elizabeth Demetriou, who oversees economic development initiatives at **LISC**. "But we consider them a critical part of place-based economic development because they create an anchor for manufacturing in the district, and good-quality jobs accessible to people from the neighborhood. And owning their own real estate is a stabilizing force for the nonprofits themselves, helping them stay in place to serve businesses over the long term."

Making space for makers

Indeed, rents from the four single-tenant buildings Evergreen already owned cover nearly a third of the nonprofit's operating costs. Adding three or four more tenants when the renovated 500 Stagg Street comes online in 2020 will boost that percentage significantly. In the face of dwindling city and state operating support, these rent revenues allow Evergreen to put on targeted programming that nurtures the business acumen of small manufacturers in North Brooklyn's growing specialty sectors. "We are not going to tell them how to be a better metalworker, or a cabinetmaker, or a taffy puller," says Archibald. "What we can help them do is build capacity to do accounting, improve their human resources function, or go out and get financing."

Make no mistake, though: below-market rent is one of the greatest boons Evergreen and other mission-driven developers have to offer in New York. Here, says LISC NYC community development officer Thomas Mitchell, the stratospheric price of real estate has pushed manufacturers out of traditional industrial neighborhoods—and sometimes out of business—in an under-recognized crisis much like the crisis in affordable housing.

Allison Eden, owner of **Allison Eden Studios**, designs and manufactures shimmering, colorful glass tiles for residential and commercial uses, working with 15 employees who earn a living wage and develop, at her side, valuable skills in the labor-intensive handcraft. Eden had been operating in a loft space in Manhattan's fading garment district for some 15 years when, in 2013, the landlord raised the rent from $6,000 to more than $20,000. "I thought they were joking," she says. "This was my *home*, I mean I was burrowed in like a tick."

But when Eden's husband and business partner showed her a clean, well-lit Evergreen-owned space on East Williamsburg's Cook Street, available for slightly less than the rent they'd been paying in Manhattan, her mood lifted. "I thought, this is perfect, this is wonderful and it's not so far away! I don't have to close up shop!" Eden's employees followed her across the river to Brooklyn, where the studio plays at an active part in North Brooklyn's burgeoning maker culture.

Gaining ground for quality jobs

For **Greenpoint Manufacturing and Design Center** (GMDC), the nonprofit developer of the Ozone Park Industrial Center set to open before the New Year in Queens, the mission is *all* about those good-paying jobs. GMDC owns and manages six industrial buildings around Brooklyn that are home to 110 businesses with upwards of 700 employees.

According to a recent GMDC survey, over 40 percent of these workers have no college degree, and for 37 percent English is a second language. Their average annual salary is $50,704 (roughly $20,000 more than the average service or retail worker makes), with 37 percent of tenant business also providing health benefits.

The great majority of employees in GMDC facilities take public transportation, walk, or bike to work. The upshot: GMDC generates genuine economic opportunity—family-supporting jobs—for local people, including those facing significant barriers to living-wage employment.

The nonprofit achieves these results by selecting industrial tenants with an eye to the number and quality of jobs they'll create, says Brian Coleman, GMDC executive director. "We only allow businesses to occupy our buildings who are going to manufacture things, who make things," he says, "because we know that manufacturing jobs are better than service-sector or retail jobs."

GMDC's Ozone Park Industrial Center facility in the Ozone Park neighborhood of Queens. The building was once a bicycle factor

Not long ago GMDC turned down a company that wanted to lease a large space for warehouse distribution of imported goods. The company boasted accolades in *Crain's* but was going to hire only four people. “Guys or gals pushing boxes around a warehouse,” Coleman observes, “don't get paid much.”

Once industrial tenants have settled in, GMDC promotes their success by offering rents that are at least 15-20 percent below market, and five-year leases with a tenant option to renew for five more years, terms not available in the for-profit marketplace. Many tenants have moved several times before coming to GMDC. “What we give them is stability,” says Coleman. “If you move into one of our buildings you're not worried about being dislocated again.”

Charting a course for the future

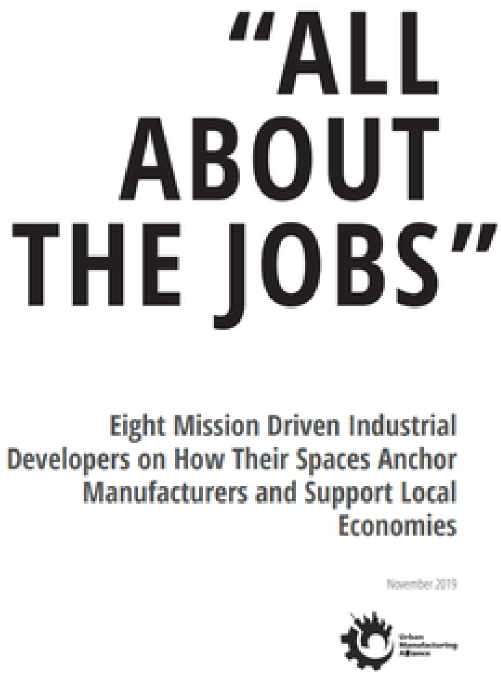
Not surprisingly, GMDC's six Brooklyn facilities are fully rented. In fact, Coleman reports that gentrification pressure and escalating real estate prices in North Brooklyn—GMDC's "traditional backyard"—have made it tough, if not impossible, to develop new GMDC properties in those neighborhoods. Ozone Park, Queens, a working-class and immigrant neighborhood of tidy homes more distant from Manhattan, is a new marketplace for GMDC.

Currently leasing up, the **GMDC Ozone Park Industrial Center** covers an entire city block. The $41 million project to acquire and renovate the brawny but elegant former bicycle factory, built in 1906 for a hatmaker and one of the city's first cast-in-place concrete structures, is GMDC's most expensive to date. Financing it was a complex process involving the first grant from the city's Industrial Developer Fund ($10 million), a $3.7 million loan from the New York City Industrial Development Loan Fund and a $2.1 million grant from Empire State Development. The project also received more than $10 million in New Markets Tax Credits equity from three separate tax credit providers, a tax credits "leverage" loan of $8.7 million made by Enterprise Community Partners (LISC participated by buying $2.9 million of this debt), and $6.3 million in state and federal historic tax credits equity.

Anita Shepherd (left), founder of Anita's Yogurt, and her co-workers have benefited from Evergreen's support for small manufactur in Brooklyn.

LISC, for its part, has been working to develop a well-oiled system for making these projects happen, comparable to the affordable housing world's tried-and-true subsidy and financing mechanisms. In New York City, grantmaking by the city's Industrial Developer Fund, established in 2017, has been crucial. Those dollars have helped Evergreen, GMDC, and the nonprofit developers of **The Peninsula**, bring more square footage into use by stable employers who can generate well-paying jobs.

Though dramatically diminished in size since the mid-twentieth century, the manufacturing sector of America's most populous city brings enormous possibilities for New Yorkers' future. The former owners of GMDC's new Ozone Park property saw that possibility when they accepted a few hundred thousand dollars less for the building from GMDC than was offered by a mini-storage company. One owner told Coleman he just couldn't consign the space to storage when, for so many years, neighborhood people had buzzed around the place making things, and making a living. Soon, they will again.



All About Jobs

Eight Mission Driven Industrial Developers on How Their Spaces Anchor Manufacturers and Support Local Economies

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