

NEW YORK CITY'S HIDDEN ASSET: SMALL BUSINESS¹

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Small businesses are thriving in New York City. advances in communications technology, immediate access to global financial markets, dramatic improvements in the quality of life and new municipal policies an public/private partner ships have strengthened the city's capacity to attract and retain small businesses. New York City's population is highly educated; more than 600,000 residents have earned bachelor's degrees, and almost half a million have received graduate and professional degrees. This gives small businesses access to a vast labor market with skills ranging from fashion design to accounting to computer-based animation to audio engineering.

A GROWING SECTOR

Firms with fewer than 500 employees account for 70% of the city's private sector employment. From 1992 to 1995, the city gained almost 80,000 jobs in small business, and this trend is continuing.

In 1996, New York City gained more than 44,500 private sector jobs, the largest increase in more than a decade. In January 1997, private employment rose by 16,900 jobs, the largest monthly increase since December 1989. New York City brings people and ideas together from all parts of the globe making it an especially hospitable setting for small, dynamic, and fast-moving businesses. For example, John F. Kennedy International Airport has direct air service to more than 85 international destinations, allowing easy access to markets throughout the world. Further, the presence of leading law firms, financial institutions, and advertising agencies generates intense demand for specialized services that are often best provided by small firms.

REAL ESTATE: KEY TO ECONOMIC DEVELOPMENT

New York City has a remarkable supply of commercial and industrial space that can accommodate every conceivable type of business. As Stephen B. Siegel, President of Insignia/Edward S. Gordon, observes, "Small growth companies have always been the engine that fuels the Manhattan office market, and we're seeing an even greater impact now than in the past." In 1996, 72% of the leases signed in midtown Manhattan were for less than 10,000 sq. ft. and 90% were for less than 25,000 sq. ft., as reported by Insignia/ESG. Even in the heart of midtown Manhattan, small businesses are taking root. For example, a modern high-rise tower with one million square feet of office space at 590 Madison Avenue - initially designed for one principal tenant - is now occupied by small financial, entertainment, and publishing firms that each occupy 15,000 sq., ft. or less.

New York City has more commercial office space, 400 million sq. ft., than any other city in the U.S. And, occupancy costs are a bargain compared to other international cities. According to Cushman & Wakefield, total occupancy costs in midtown Manhattan were \$35.74 per square foot in 1996, less than half as much as in London, Hong Kong, and Tokyo.

As Thomas P. Falus, Executive Managing Director of Cushman & Wakefield points out, "New York has the largest collection of antiquated office buildings in the world." Many are ideally situated near

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commuter transportation hubs and shopping districts. As a result, all types of small businesses are flourishing in New York City: jewelry design and production in Brooklyn; multimedia and financial service in Manhattan; recycling in the Bronx; and furniture manufacturing in Queens.

NEW MEDIA IN NEW YORK CITY

The emergence of new technologies for distributing news and entertainment is generating a demand for new sources to deliver information electronically. Drawing on its strengths in advertising, publishing, the arts, and finance. New York City is rapidly becoming one of the leaders for this growing multimedia industry. The major broadcast radio and TV networks have always been based in New York City along with the major book and magazine publishers.

Today, an entire new set of small firms is creating content for electronic media in an area of Manhattan known as "Silicon Alley" which stretches from the southern tip of Manhattan to 34th Street. For these firms, Manhattan offers unparalleled access to graphic designers, musicians, and most important, to students and faculty from leading educational institutions. New York University's Interactive Telecommunications Program, for example, is a leading source of talent for the multimedia industry. Clearly, New York City is a "hotbed" of small business activity in the multimedia industry, like the following New York City enterprises.

EARTHWEB

EarthWeb, a leader in high-technology and Internet services based in midtown Manhattan, was founded in 1994. The firm is a leading resource for online communities, as demonstrated by its Web site Gamelan (www.gamelan.com) which has been designated by Sun Microsystem's JavaSoft as The Official Directory for Java Resources. The company also operates EarthWeb Direct, a marketplace for Internet users and developers where customers can purchase software, books, and other products via the Internet.

The firm is privately-held and has more than 70 full-time employees. A key factor that makes New York City an ideal location for EarthWeb is the easy access to leaders in advertising, entertainment, and finance, according to Jack D. Hidary, President and CEO of EarthWeb. More than 16,000 Web sites are licensed to use EarthWeb software and 150 new sites are licensed each day.

TRANSACTION INFORMATION SYSTEMS

Founded in 1988, Transaction Information Systems (TIS) is based in lower Manhattan where it is developing FLITE, the first interactive technology laboratory created for the financial industry. Ranked #103 on Inc. magazine's 500 fastest-growing private companies, TIS' revenue has grown from \$2 million in 1992 to \$30 million in 1996. The firm is a software development and consulting company. It specializes in building electronic commerce, online transactions and customer service applications for the World Wide Web, interactive kiosks and other online channels.

According to Bob Gold, one of the founders of TIS, "A firm must be in New York City to attract the best talent." Gold also believes that the "next city to be the financial capital of the world will be the city entrenched in the concept of electronic banking." The firm's new laboratory, FLITE, will be a hands-on state-of-the-art environment where business leaders can test and try out new technological strategies and solutions.

INTERACTIVE IMAGINATIONS

Founded less than four years ago in a New York City living room, Interactive Imaginations has emerged as one of the most sophisticated multimedia companies in the world. Established with financial support from GE, Travelers, and Random House, Interactive Imaginations is based in Manhattan's Flatiron District, close to major advertising agencies and publishers.

Interactive Imaginations' has launched "The Commonwealth Network," an advertising network for more than 8,500 Web sites. This new Web site, www.commonwealthnetwork.com, generates more than 75 million impressions monthly. In 1996, Segasoft Inc. licensed the advertising technology developed by Interactive Imaginations that permits advertisements to be targeted in real time on the Internet. Today, this high-tech firm has more than 80 employees and serves customers worldwide.

IMMIGRANTS AND SMALL BUSINESS

According to the New York City Department of City Planning, from 1990 to 1994, New York City attracted 113,000 immigrants annually. These immigrants are revitalizing old industries and helping to generate thousands of new businesses. Today, about 30% of New Yorkers are foreign born. These immigrants are helping to replenish the city with a new supply of skilled labor.

ERIKSEN TRANSLATIONS

More than 20 years ago, a young woman named Vigdis Eriksen came to New York from Norway to study acting and began translating part-time to support herself. Today, Vigdis Eriksen is president of an international translation company, Eriksen Translations, which provides skilled language services to insurance companies, banks, advertising agencies, and manufacturers that must have their documents and publications printed in multiple languages, including English.

Eriksen Translations, which is based in a Brooklyn office tower overlooking New York Harbor, has 15 full-time employees. The firm benefits from the plethora of New Yorkers who are equipped to read and write in multiple languages. Eriksen uses skilled translators and editors and advanced computer technology to translate legal documents, insurance policies, financial statements, advertising copy, and equipment manuals for more than 100 corporations and individuals representing all parts of the world.

MANUFACTURING: A DISTINCT ASSET

Although business and financial services dominate the economic life of New York City, manufacturing accounts for more than 200,000 jobs and is a major factor in the world of small business. According to the Municipal Art Society of New York, the average manufacturing firm in New York City employs 24 individuals. Manufacturing in New York consists of small businesses that take advantage of New York City's distinct assets: skilled designers, productive workers, new technologies, and access to local and international markets.

LOUIS BALDINGER LIGHTING

This company has been manufacturing lighting fixtures in New York City for more than 100 years. Working closely with top architects and designers, Baldinger makes decorative lighting fixtures that are used in the public spaces of world-class hotels in many large cities. And, the tallest building in the world, now under construction in Kuala Lumpur, the capital of Malaysia, Kuala will include lighting fixtures made by Baldinger.

THE BID-MATCH PROGRAM

New York City has a broad set of policies and programs to help small businesses grow and prosper. The Department of Business Services (DBS) is the lead city agency in providing assistance to small and medium-sized businesses. Under the direction of Deputy Mayor Rudy Washington, DBS has developed the "Bid-Match Program" which is designed to increase procurement opportunities for small and medium-sized businesses seeking to compete for municipal contracts. The program allows vendors who register

with the computerized Bid-Match Program to have access to New York City's multimillion dollar small purchase procurement pool.

Small businesses are notified through a computer network of opportunities to bid for goods and services under \$25,000 with municipal agencies. The Bid-Match Program also offers technical support and training on proper bidding techniques, and assists small businesses in payment resolutions. Through involvement in the Bid-Match Program, small firms gain experience and expertise so that they can become prime contractors on major jobs.

DBS also operates a program to assist minority and woman-owned businesses in obtaining municipal contracts by providing technical assistance to small businesses, monitoring the compliance of municipal agencies with city objectives, and certifying participating firms.

JENNIFER TEMPORARIES

Jennifer Singleton, a New Yorker who founded a placement firm, Jennifer Temporaries, in 1993, benefited from the Bid-Match Program to assist minority women when she won a two-year contract to provide office temporaries to the New York City Department of Aging. Singleton, who worked as an office temp while completing her BA and BA degrees, provides secretaries, word processors, and clerks for financial service firms, law firms, and insurance companies as well as municipal government and non-profit agencies.

The New York City Partnership Apart from the public initiatives to help small businesses, the city's leading business organization, The; New York City Partnership, is also actively involved in promoting small- and medium-sized businesses. In 1996, the Partnership established the New York City Investment Fund headed by Kathryn Wylde which is designed to create jobs and promote economic growth. One objective of the Fund is to strengthen relationships among large and small businesses. The Fund will invest 40% of its portfolio in growth sector industries, 40% in projects that create jobs and stimulate economic development in the city's poorest communities, and the balance in public/private initiatives and venture capital funds.

Robert Kiley, President of the New York City Partnership and Chamber of Commerce, has also identified small business as a high priority in the organization's economic development agenda.

THE GROWTH OF SMALL BUSINESSES

From 1980-1990, self-employment in the 31-county New York Metropolitan Region rose by 33%. In fact, more than one-third of the jobs created in the New York Metropolitan Region between 1980 and 1996 were created through self-employment. In 1990, Manhattan's rate of self-employment was approximately twice the national rate of 10.1%. Since self-employment is sometimes the basis for ultimately creating a larger enterprise, it is clear that New York City provides a favorable milieu for entrepreneurs and start-up firms.

The growth of small business and self-employment in New York City has, in part, been made possible by advances in computing and telecommunications. The reduced cost of personal computers mobile telephony plus the ease of access to sophisticated databases the Internet has allowed small to compete without extensive staffs. Furthermore, the State of New York has actively encouraged competition in telecommunications, and, as a result, businesses in New York City have an abundant choice of long distance telephone carriers and access to the latest innovations in telecommunications systems.