



**Report on NPCR Dialogue:
MANUFACTURING REVITALIZATION:
WHITE HOUSE “INVESTING IN MANUFACTURING
COMMUNITIES PARTNERSHIP” (IMCP)**

June 2013

At NPCR’s June 3-4, 2013 Annual Brownfields Summit in Albany, the federal Environmental Protection Agency (EPA) facilitated a Dialogue on President Obama’s new Investing in Manufacturing Communities Partnership (IMCP). The IMCP is aimed at accelerating the resurgence of manufacturing and helping communities to cultivate an environment to attract new investment and create good manufacturing jobs in cities across the country. The EPA has been an active partner, working with other agencies, on the White House IMCP initiative. This session was one of a number of efforts underway for the White House to solicit ideas and input on this emerging approach to make communities better able to secure the public and private partners, and capital needed to support new manufacturing activity. Approximately 150 people participated in the NPCR Dialogue. This is the Report on the ideas and suggestions made during that discussion and in materials submitted by participants following the Dialogue. The primary focus of this Report are the Suggestions and Recommendations to the Administration on how best to design and implement the IMCP grant program and the multi-agency structure that would support the IMCP program. In addition, a number of other recommendations emerged during the Dialogue that could strengthen and enhance the IMCP program as it is being carried out, some of which may require legislation, and they have been captured in the Supplementary section below, as well.

SUGGESTIONS & RECOMMENDATIONS

1. EJ, Resiliency & Smart Growth

RECOMMENDATION: Climate adaptation and community resiliency need to be included in the IMCP, since many of the most promising locations for new industrial investment are waterfront properties.

RECOMMENDATION: Smart growth principles should be integrated within the IMCP implementation process.

Communities should be able to target funding to encourage development within manufacturing zones, city centers and for infill development.

In addition, for the Challenge grants, it will be important to include site preparation costs, as well as costs related to property assessments, soil studies, access to water and sewer, wetland mitigation and permitting, as eligible uses of IMCP funds, or resources provided by other agencies in support of IMCP communities.

RECOMMENDATION: As part of its implementation, the IMCP should encourage cooperative divestment of property owned by railroad companies.

In many cities, there are abandoned or unused railroad right-of-ways in former industrial areas that are centrally located and could be good locations for new manufacturing facilities. Municipal officials report that it is often difficult to get railroad companies to come to the negotiating table, and when they do, their asking price is inflated. Federal leadership via the IMCP, perhaps via a cooperative arrangement with railroad representatives or an MOU could help make railroad companies a more collaborative partner in this national initiative.

RECOMMENDATION: Environmental Justice (EJ) should be integrated into the IMCP initiative.

A high priority objective of the IMCP should be to ensure that facilities that are developed as part of this initiative become helpful to, and are protective of, surrounding communities. New industries should be integrated with communities to expand the benefits of these new investments in ways consistent with other Administration objectives, as opposed to keeping these two separate.

RECOMMENDATION: Utilize the area-wide approach to identify and site manufacturing facilities so that the host community is meaningfully engaged in key decisions and to promote regional coordination.

The area-wide approach of NY's Brownfield Opportunity Areas (BOA) program (upon which EPA's Area-wide Planning initiative was based) can be very useful as the foundation to craft and implement a regional strategy to achieve a wide range of objectives. For example, in Buffalo, where there are four active BOAs, consultants working with the city and stakeholders have already determined priorities and established a vetting process. Also, attracting companies to Buffalo will involve significant effort consistent with the objectives of the IMCP - infrastructure investment, cheap energy, access to labor, support for education and jobs training, transportation and highway access, etc. – and there should be an area-wide strategy to coordinate these things.

RECOMMENDATION: Manufacturing should be re-defined (and re-branded).

The IMCP should consider prioritizing high value-added manufacturers whose operations and processes have a negligible or easily managed environmental footprint. A particular subset of high value added manufacturers – businesses that are “green” because of their material sourcing, their product's design or its end use, or their commitment to eliminating waste in all its forms – should be especially prized as “good actors” that can create community-based, community-supported industrial ecosystems.

In urban areas, it may be particularly important to attract new, sustainable businesses that can achieve federal and state air regulations for new sources of air emissions, since these may be a challenge for traditional manufacturers to overcome in cities that are non-compliant, such as New York City. (Specifically, Part 231 is the NYS DEC's regulation implementing the Clean Air Act's New Source Review program. It provides for the review of the air pollution impacts of new major stationary sources and modifications to existing major stationary sources in air pollution attainment and non-attainment areas of the State. This regulation will require for major air emission sources of non-attainment contaminant - VOC, NOX, PM-10, PM-2.5 - application of the LAER: Lowest Achievable Emission Rate- Emission offset of the new air emissions using retired emission reduction credits.)

In addition, in terms of economic development and maximizing resources, the IMCP should take a broad look at what constitutes “manufacturing” in the context of the challenge grant initiative, recognizing that other types of businesses, such as warehousing/distribution, research and development, and construction, can provide critical

support to manufacturing investment, as well as provide the kind of good-paying, middle class jobs that manufacturing has historically provided.

2. Incubators, Industrial Space & Strong Urban Areas

RECOMMENDATION: IMCP investments should support the role of strong urban centers as incubators of new, emerging industries.

If the focus of the IMCP initiative is to create, incubate and grow new manufacturing in America, then the importance of strong urban centers as incubators for new industries should not be overlooked. For example, New York City has a strong track record of manufacturing start-ups that ultimately grow large enough to need more space, and then, eventually, needing to relocate outside of NYC. Strong cities attract creative entrepreneurs, so cities can play an important role creating and accelerating early growth of industries. In fact, the New York City Economic Development Corporation, recognizing that urban centers are good incubation centers due to their access to knowledge capital (universities), trained labor force and diverse exchange of ideas, has created a rolling grants program which allows for subdividing large vacant spaces in buildings into smaller spaces.

Nevertheless, strong cities, which could play a crucial role in new industry creation & entrepreneurship, because of the health of other sectors, such as commercial, service, retail, etc., do not have an incentive to develop and implement a policy that retains and/or grows manufacturing. In many cases, the ongoing entrepreneurship and new industry creation is happening despite the lack of a supportive, centralized manufacturing policy. IMCP investments should recognize and promote these fledgling manufacturing enterprises.

RECOMMENDATION: The IMCP should recognize and funding decisions/new resources connected to the initiative should specifically address the fact that industrial spaces, which are relatively low revenue generating uses, are constantly in competition with high revenue generating uses.

While strong urban centers, such as New York City have many features that encourage this “incubation” activity, there are also many challenges and threats to industrial space. For example, there is little space for manufacturing in NYC and there is competition for these spaces from residential and commercial land uses, which can command much higher prices per square foot. In addition, there is tremendous pressure for property owners to convert manufacturing space to higher-yielding commercial, retail or residential space (legally or not).

3. Financial Incentives and Tax Policy for Manufacturing

RECOMMENDATION: Use tax policy to promote manufacturing connected to specific objectives.

Tax policy can be used to meet some of a company’s critical cash flow needs, and supportive tax policies should be taken into consideration as part of a prospective IMCP community’s match, or overall strategy to attract manufacturing investment. States and localities can reduce or eliminate taxes on manufacturing income for small manufacturers, where profits up to a certain percentage are not taxed or taxed at a reduced rate. In addition tax policy can be used to promote manufacturing in dense urban areas to encourage new manufacturing businesses.

RECOMMENDATION: The IMCP should encourage cities and states to create new tools to support small scale manufacturing development.

Some existing state economic development programs do not work for small communities and small manufacturers which might be ripe for new manufacturing. For example, in NY, the main target of financial support for

manufacturing is large sites (25 acres) and large annual job creation thresholds, which are beyond the reach of many communities and the types of new business development that they can accommodate.

RECOMMENDATION: The IMCP needs to have a long-term perspective.

An important consideration in attracting new manufacturing is how to ensure industrial succession and understanding the extent to which industries can be made to survive and how IMCP incentives can support this effort and lead to new manufacturing investment including consideration of what new manufacturing can be targeted to vacant sites once former industries leave.

RECOMMENDATION: Target federal subsidies to encourage traditional and high tech manufacturing.

As part of IMCP, communities could commit that a percentage of their Community Development Block Grant (CDBG) funds be earmarked to support manufacturing investments in urban areas..

RECOMMENDATION: The federal government can encourage IMCP communities to use grant resources to set up a manufacturing subsidy program that is patterned after one or more HUD programs to support the development/redevelopment of industrial space used for manufacturing.

Many affordable housing programs have been created which effectively use government gap subsidies to leverage private investment in real estate development for a specific end use - in HUD's case, affordable housing. The IMCP should encourage communities to build on this know-how, to create and promote effective manufacturing gap financing programs.

4. Labor

RECOMMENDATION: Clarify the labor issues & needs.

The IMCP can support municipalities or nonprofits in their efforts to conduct feasibility studies in their localities regarding a number of labor/educational/training issues related to manufacturing to answer questions such as: is there truly a "structural labor issue" in a given locality? If so, what skills are missing? What skills are plentiful? Do local manufacturers have a STEM issue? Or are they asking for other skills and talents?

In addition, there are jobs in "process manufacturing" that require less knowledge of math, science and IT, that pay as low as \$15/hour. This wage is quite low as compared to the jobs that STEM graduates can get, but they are there, so the definition of manufacturing (as noted above) should be broad enough to incorporate these jobs.

5. Connecting with Educational Institutions

RECOMMENDATION: The IMCP should partner with universities and educational institutions.

The potential benefits both to the initiative and also to the surrounding community are tremendous. An example is a program in Syracuse which has been coordinated with the job market.

Supplementary Comments/Suggestions (including those that may require legislation):

- Re-institute the federal 198 federal brownfield tax incentive, which allows expensing of cleanup costs, and consider adding a special manufacturing component.
 - The federal government can link a bonus in CDBG money for urban areas that have an industrial policy that supports manufacturing per federal guidelines (which would need to be established).
 - Re-institute the grant for solar and other renewable energy installations. Tax credits are now offered, but for a short while, as part of ARRA, those credits could be taken as grants. Many manufacturers can self-generate their own power if given enough help at the capital investment end.
 - There would be value in connecting with the National Association of Manufacturers Programs in Rochester and Syracuse.
 - In New York, the entire state is losing jobs in manufacturing, while by some estimates much of the rest of the country has begun to stabilize. One important reason for this is very high property taxes in NY – that make it very difficult for manufacturing to be here. Manufacturers are also paying big corporate taxes, unemployment tax and many other costs that make New York less competitive. In other cases, for businesses to invest in New York, they require a consistent and certain set of incentives with sources of assistance that do not have looming deadlines, so they can confidently move forward with their plans. They need to know in clear terms what NYS offers and why it is beneficial to locate here. Nevertheless, given the rise in wages in China and other nations, higher transportation costs world-wide and political instability, there is an opportunity to promote manufacturing, especially high tech manufacturing that benefits from being close to markets. Using real estate and income tax incentives, relatively low energy costs could make the U.S. and especially upstate NY communities, competitive. The IMCP may prompt states and cities to review their tax codes, to make them more conducive to attracting companies and private capital that focus on manufacturing.
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APPENDIX

#1. List of Questions – to guide the discussion

#2. Links to NYS Resources

#3. Greg Hart, Workforce Development Institute Memo

#4. About NPCR

Appendix #1 – This is the list of questions shared with Summit Participants

Questions for Summit participants:

- What are examples of effective partnerships that support manufacturing in your region? How have various federal agencies participated in them? What can we learn from them and how can we build on existing partnerships?
- What is the optimum federal role in providing technical assistance to promote manufacturing activities? What is the most effective way to carry out that role? How can we ensure that all qualifying communities have fair access to available technical assistance? What is the best way to start it, and maintain it?
- What are the gaps in federal, state, and/or local program support that need to be addressed to support manufacturing and its related needs, such as workforce development, site preparation, and infrastructure?
- How can brownfields or area-wide planning projects promote a local climate that is more suited to attract private manufacturing activity and investment? How can government efforts be streamlined and better coordinated? What supportive institutions need to be in place?
- We know that the process for applying for federal grants can be challenging. We also know that many communities are hamstrung because of staff shortages, expertise gaps, and other capacity challenges. How can we streamline and improve that process to ensure that all eligible applicants are given a fair chance when competing for grants?
- How can we attract an optimal amount of co-investment from non-government partners in seeding a local site reuse/redevelopment strategy? How can capacity-challenged communities be best positioned and supported in those efforts? What would be the appropriate federal role?
- Overall – how can the IMCP best be shaped to accelerate the resurgence of manufacturing, and attract needed investment in manufacturing?

Appendix #2

NEW YORK STATE RESOURCES

Businesses with questions about brownfield redevelopment opportunities and incentives from New York State, can contact Christine Costopoulos at (518) 292-5340 or ccostopoulos@esd.ny.gov

Revitalized properties meeting any of three possible development profiles can qualify for Shovel Ready Certification from ESD:

<http://www.esd.ny.gov/BusinessPrograms/Data/BuildNow/Applications.htm>

Contact Brenda Grober with questions at (518)292-5342 or bgrober@esd.ny.gov

Anyone searching for developable properties in New York State is encouraged to visit New York ESD's Zoom Prospector page:

<http://newyorkstate.zoomprospector.com/>

Property managers and economic developers are encouraged to post property listings, including former brownfields. Contact Sam Filler for assistance at (518) 292-5200 or sfiller@esd.ny.gov .



Appendix #3

Workforce Development Institute

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ICMP and Brownfield Economic Development www.wdiny.org 06/2013 ghart@wdiny.org

In response to the NPCR Dialogue, here are some thoughts regarding the White House IMCP.

Effective Partnerships:

- One partnership in Watertown, NY that we are beginning is pulling machining employers together in a consortium to address a common shortage of candidates that have machining skills. This is a partnership of a group of employers, the Jefferson County IDA, BOCES and my organization.
- In Plattsburgh, NY, my organization is working with Clinton Community College and the Workforce Investment Board (WIB) to do something similar. The centerpiece is a manufacturing skills training program, the Manufacturing Skill Standard Council. Helping on the funding side is money NYS received from the TAACCCT from the US DOL. This is a good program.
- The WDI has worked on this type of model in the Rochester NY area as well and that program has had two classes with almost complete placement.
- We are beginning the process to work with the City of Glens Falls IDA, the WIB and the plumber's local union (UA773) on a grant that the City receive through the EPA. The Superfund Job Training Initiative will get unemployed and underemployed people some targeted training that will get them ready for work.

Some lessons are that some targeted workforce training money can provide the spark necessary to bring partners together to tackle the real shortage of manufacturing work ready candidates. The second part of this is the need employers have to upgrade incumbent worker skills.

Federal Role in TA

The Manufacturing Extension Partnership program is strong in NYS with centers in each region. I am unsure of the funding that they receive through the Federal Government and what they receive from NYS. They do however provide excellent TA for companies from small to large. The service is fee based and new manufacturers haven't the ability to pay.

Gaps

- The gap most evident to my organization is on the workforce side. The few job training initiatives are really helpful, but money for workforce through the NYS Regional Council process and the Workforce Investment Boards is very limited for new and incumbent workers.
- This one came from the Buffalo City engineer: when site preparation and development is ready to move ahead coordinated efforts regarding infrastructure are needed. Water, sewer, power and how workers get to the worksite (light rail, other public trans.)

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APPENDIX #4



About NPCR

New Partners for Community Revitalization (NPCR) is a 501(c)(3) nonprofit organization dedicated to the renewal of low- and moderate-income urban and downtown neighborhoods and communities of color, through brownfield redevelopment policy and program initiatives. NPCR was founded in 2001 by Jody Kass, now President and Executive Director, and by Mathy Stanislaus, now Assistant Administrator of the USEPA Office of Solid Waste and Emergency Response.

NPCR is a leading advocate for policies that support the cleanup, redevelopment and revitalization of brownfield sites. NPCR was instrumental in the conceptualization and creation of the Brownfield Opportunity Areas (BOA) program and has helped secure funding and grant awards for BOA communities. In 2002 NPCR called for the creation of a centralized brownfields response to NYC's brownfield problems, and ultimately helped get legislation passed that institutionalized the NYC Office of Environmental Remediation.

NPCR works to engage the diverse constituencies involved in revitalization projects and fosters beneficial relationships between developers, public officials, community organizations and environmental justice organizations. Community-supported brownfield redevelopment projects create new jobs, new housing, open spaces and a better quality of life for all community members.

Recent NPCR Reports (available at www.npcr.net)

- May 2013: Reform on the Horizon: *A Stakeholder Collaboration to Extend and Maximize the Value of NY's Brownfield Tax Credits*
- June 2012: Brownfields Dilemma: The Impending Sunset of NY's Brownfield Tax Credit
- November 2011: Accelerating Economic Development: The Area-Wide Approach of the BOA Program
- June 2011: The BOA Program: Smart Investment Laying the Groundwork for Economic Development
- January 2011: Smart Growth Outlook 2011: Challenges and Opportunities in Brownfields, Area-wide Planning & Implementation
- May 2010: Update: Excerpt from NPCR's White Paper on Using Public Dollars for Brownfield Site Assessment
- March 2010: Fixing the NYS Brownfield Tax Credits
- November 2009: Addressing the Risk: Making Environmental Insurance Available for Brownfield Sites in New York City

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