

17 Allow Nonprofits to Access REAP and Other Incentive Programs Open to Small Businesses

Nonprofit arts groups have demonstrated their positive economic impact in communities around New York City. As is true of for-profit businesses, they employ workers who spend money in neighborhood restaurants, copy shops and other services. Many arts groups that offer performances, galleries, classes or other public programming provide an additional benefit: they regularly bring in people from other neighborhoods and, often, from outside the city, who both pay for creative offerings and spend money eating and shopping nearby.

Yet, despite all of this, nonprofits usually don't qualify for the city's economic development incentive programs. The problem is that the city's financial incentive programs typically include an exemption or abatement from taxes, a system that makes perfect sense for businesses but which leaves nonprofits, which usually don't pay taxes, out in the cold.

EDC should review their incentive programs to consider changes that would enable nonprofits to utilize them. The agency could create a working group to examine the feasibility of extending each of their current incentive programs to nonprofits, but the obvious place to start is the Relocation and Employment Assistance Program (REAP).

Designed to spark growth in neighborhoods outside of Manhattan's central districts, REAP provides significant tax credits to companies that relocate from most parts of Manhattan—or from outside the city entirely—to the other four boroughs and upper Manhattan. Companies receive a \$3,000 tax credit per year for each job relocated, for up to 12 years. Firms also receive the same tax credit for each new job added within five years of the move. Real estate experts interviewed for this study say that companies which fully take advantage of REAP can lower their rent from \$25 to \$10 per square foot.

Excluding nonprofits from REAP doesn't make much sense. After all, nonprofits might be

even more willing than businesses to consider the idea of relocating outside of Manhattan; REAP might provide the final push they need. Their employees would help create demand for the local amenities that emerging business districts often lack, perhaps to an even greater extent than large corporations. Indeed, several companies that relocated, with the help of city incentives, to Long Island City and downtown Brooklyn built cafeterias into their office buildings; nonprofit employees probably would be more likely to patronize local food options and other shops.

"Nonprofits are essentially at a disadvantage to go into neighborhoods that the city is trying to incentivize people to locate in," one real estate developer says about the REAP program. Another executive of a nonprofit arts organization asked: "My organization can be an engine for economic development; why should we be barred from participating?"

David Lebenstein of Cassidy Turley suggests that the city create a small fund that would provide nonprofits that move from Manhattan to space in the other four boroughs or above 96th Street in Manhattan with grants of \$1,000 to \$3,000 per employee. To keep the costs down and to ensure that small- and medium-sized nonprofits benefit, he suggests limiting the total amount of grants available to any one organization.

artists living at Westbeth have included Diane Arbus, Moses Gunn, Gil Evans and John Scofield.

Manhattan Plaza

Today, Manhattan Plaza Apartments is arguably one of New York City's greatest assets when it comes to retaining artistic talent. In a city where exorbitant housing costs often makes it difficult if not impossible for those working in the creative sector to remain in the five boroughs, Manhattan Plaza is a subsidized housing complex that sets aside 70 percent of 1,689 units to members of the performing arts. One of just a handful of subsidized residential buildings for the arts, Manhattan Plaza has functioned as a performing arts incubator since it opened in June 1977, providing performers with affordable living and rehearsal space and with opportunities for networking and professional development.

But Manhattan Plaza was not originally designed to be an arts haven. It came about only because of government action to resuscitate a stalled development project in the downturn of the mid-1970s.

In 1973, developer Richard Ravitch began construction on his privately financed project called Manhattan Plaza Apartments in the city's Hell's Kitchen neighborhood. The development was originally designed for middle-income living and was intended to be a driver in reviving the area, which was then regarded as one of the seediest areas in the city. To attract prospective tenants to the area, Ravitch included a host of amenities such as a pool, multi-story garage and a fitness center in his development. The city also saw the value of bringing middle-income housing to the area and committed itself to a \$90 million mortgage commitment on the development, in return for a designation that 10 percent of the units would be covered by Mitchell-Lama income ceilings.

About halfway through the project's completion, a lethal confluence of the City's financial crisis, a nationwide recession and an energy crisis lead to soaring construction costs. The city was unable to keep up with the project's inflated costs

and eventually defaulted on its mortgage commitment. After a request for help from city officials, the federal government saved the project by converting Manhattan Plaza to a Section 8 public housing complex, offering rent subsidies in exchange for mandating that the project target both low and moderate income tenants. Given the project's proximity to the Broadway theater district, many also saw the development of this complex as an opportunity to support the theater community. Many performers and arts leaders successfully advocated for affordable housing specifically designated for members of the city's theater community.

The New 42nd Street

Times Square today is the site of some of the most expensive real estate in New York City. But thanks to a series of bold, forward-looking actions taken by city and state officials in the downturn of the early 1990s, the heart of this high-priced entertainment district is also home to a non-profit children's theater, five floors of affordable rehearsal space for performing arts companies, three floors of permanent office space for non-profit theater groups and a 199-seat experimental theater.

All of these critical arts spaces—the New Victory Theater, the New 42nd Street Studios and The Duke on 42nd Street—came about as part of a decades-long process to revitalize 42nd Street, which had become a seedy stretch of sex shops by the 1980s. These projects succeeded in large part due to strong leadership and clever planning by the staff of the New 42nd Street, an independent organization set up in 1990 by the city and state to solicit proposals for resuscitating several historic theaters and oversee their renovation and management. But it's unlikely that so much space for nonprofit arts groups to rehearse and perform would have been included in the revival plan if not for the sharp drop in the real estate market at the end of the '80s. "By the time we got involved in 1990, the market really turned," says one official involved in the original project. "No one cared about 42nd Street by then. Had it been a good

economic time, the city and state would never have signed off on [our plan]. One of the lessons learned is that slow times are really good for doing planning and getting the legal and financial infrastructure in place, so when the market hits again you're already there."

Equally important to the success of these developments was the use of creative financing mechanisms: city and state officials essentially mandated that future office, retail and entertainment developments would cross-subsidize the nonprofit spaces. City and state officials had provided lavish government incentives to spur development of four office towers at the intersection of 42nd Street, Broadway and Seventh Avenue; in return, the developers were required to pay millions of dollars—based on a formula related to amount of rentable square feet—toward the development of two nonprofit theaters down the block. Developers of future commercial projects elsewhere on 42nd Street—from the AMC Movie complex to the E-Walk Hotel—also had to kick in money to the New 42nd Street based on a similar formula.

Greenpoint Manufacturing and Design Center

The Greenpoint Manufacturing and Design Center's (GMDC) showcase building at 1155 Manhattan Avenue in North Brooklyn today serves as a refuge for more than 70 woodworkers, graphic artists and artisan manufacturers. Thirty six percent of the buildings tenants are in the arts, including a metal worker who creates dinosaur sculptures for the Museum of Natural History and an artist who designs window displays for Saks Fifth Avenue and Lord & Taylor. The building has had a long waiting list since shortly after its redevelopment in the early 1990s, an unsurprising fact given that this is one of a small handful of industrial properties left in New York where rents are affordable and guaranteed to stay that way.

The building's unique status as an affordable incubator for light manufacturing and crafts companies stems from a decision by Mayor David Dinkins in the early 1990s to turn the facility, then a largely empty factory building in a state of

disrepair, over to a nonprofit industrial developer whose mission is to create and maintain sustainable spaces for small and mid-sized manufacturers. Because the owner is not looking to turn a profit, tenants aren't subject to astronomic rent increases and don't have to worry about their building being converted into a luxury condominium—a problem that caused hundreds of New York manufacturers to be displaced over the past decade.

1155 Manhattan Avenue became the first of six buildings redeveloped and managed by GMDC in 1994, when the city sold the building to the nonprofit developer for \$1 in 1994. The city had come to own the factory as a result of a tax foreclosure in 1974, but over the years lacked the money to maintain or upgrade the facility. While the building deteriorated, a handful of woodworkers and other commercial tenants set up production shops and artist's studios. The city gave these tenants month-to-month leases, while simultaneously exploring other long-term options for the building; among other things, government officials invited private developers to the site to gauge their interest in converting it to a residential property and also considered demolishing the structure.

By the downturn of the early 1990s, however, city officials agreed to sell 1155 Manhattan Avenue to GMDC and make it a haven for artisan manufacturers. In addition to purchasing the property from the city for next-to-nothing, GMDC secured around \$7 million in grants and creative, low-cost financing from government, foundations and lenders to undertake the structural repairs needed to make the space inhabitable.