

New York Industrial Retention Network



The Garment Center: Still in Fashion

A Land Use Analysis of the Special Garment Center District

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Special Report to
the Union of Needletrades, Industrial and Textile Employees (UNITE)
&
Council for American Fashion
(CAF)

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Executive Summary

Since World War I, the Garment Center in midtown Manhattan has been and continues to be the physical and creative engine for New York City's fashion industry¹. The clustering of companies that design, create, mass produce, market and sell apparel in one concentrated area creates competitive advantages that have propelled New York into the forefront of world fashion. New York's apparel industry employs almost 125,000 persons in a myriad of capacities. While there are production jobs throughout the City, they are anchored in Manhattan by the critical mass of activities in the Garment Center.

The Garment Center, however, is at a critical moment in its history. The space needs of other sectors of the economy have created real estate pressures that threaten the apparel industry's² continued presence in the area and consequently undermine the competitive advantages that are the foundation of the industry. This land-use study by the New York Industrial Retention Network and a companion study by Robert Pauls, LLC were conducted in July and August 2000 to determine the status of the industry in the area. The NYIRN study found that:

- 73% of employment and 74% of occupied space in the Special Garment Center District Preservation Area³ remains in the apparel industry;
- 60% of the leases of garment companies in the Garment Center Preservation Area will expire by the end of 2002;
- New York City has done virtually nothing to enforce the Special Garment Center District zoning and the process is riddled with loopholes;
- There have been over 200 illegal conversions of manufacturing space; and
- The failure to enforce the law has led to

The Union of Needletrades, Industrial and Textile Employees (UNITE) commissioned the New York Industrial Retention Network to conduct this land-use study of the Special Garment Center District. NYIRN is a city-wide economic development organization dedicated to strengthening the manufacturing sector and saving manufacturing jobs. This report presents the findings, recommendations and methodology of that study. It is also available at NYIRN's website, www.nyirn.org. UNITE also commissioned a land use study by Robert Pauls, LLC of the status of Special District avenue buildings and the findings of that study are incorporated into this report.

¹ The term "fashion industry" is broadly inclusive and meant to connote not only the design and production of apparel but the mass marketing, modeling, media and other activities that are closely associated with design and production.

² The term "apparel" or "garment industry" refers to that part of the fashion industry involved in the design, production, and distribution of clothing and related accessories. The terms "apparel" and "garment" are used interchangeably in this report.

³ The Special Garment Center District is a protected area within the Midtown Garment Center. Special zoning limits the amount of conversion from production space to office use in the District.

tremendous uncertainty in the minds of garment tenants, the group the law was intended to protect. Garment tenants have extraordinarily negative expectations about their ability to continue to lease space in the Garment Center due to rising rent levels and conversions of manufacturing space to office use.

Background on this Report

New York's continued strength in financial and business services and the growth of internet-related industries has increased the demand for office space that is easily accessible to midtown Manhattan. The strong demand for new office space has led some to question the continued viability and desirability of Manhattan's Garment Center. This discussion has often assumed that there is little of the apparel industry, particularly production, left in the Garment Center. However, until this report there has not been a systematic assessment of the continued presence of the garment industry in the area.

UNITE commissioned NYIRN to conduct a land-use study of the Preservation Area (see map on following page) within the Special Garment Center District. The purpose of this study was to document the usage of space within every commercial building covered by the zoning provisions of the Special Garment Center District. UNITE also commissioned a study by Robert Pauls, LLC of space usage in the avenue buildings that are not covered by the preservation requirements of the Special District. The findings of that study have been incorporated into this report. Both studies were carried out during July and August 2000.

There are five components to this report. The first discusses the economic impact of the apparel industry in New York City with particular emphasis on the impact of the Garment Center. The second is a land use study that seeks to document the status of the apparel industry in the Special Garment Center District. The third is a qualitative assessment of the City's enforcement of the provisions of the Special District. The fourth is an analysis of real estate trends in the showroom buildings on the avenues, which are not included in the Preservation Area. Finally, a set of strategies are presented that could help address the space concerns of Manhattan's apparel industry.

Introduction

Since World War I, the Garment Center in midtown Manhattan has been the physical and creative engine for New York City's fashion industry. In 1939, the Garment Center stretched from 30th to 42nd Streets, from 6th to 9th Avenues and was home to the largest concentration of apparel manufacturers in the world. Three-quarters of all ready-made women's coats and dresses purchased in the U.S. were produced there.⁴ Particular blocks and buildings were dedicated to certain types of apparel; for example, buildings were reserved exclusively for bridal gowns, children's clothing, blouses, or coats and suits.

Sixty years later, the Garment Center remains New York City's central location for apparel design, sales, distribution and a significant amount of production. It is also the anchor for other areas of garment production that have emerged in Lower Manhattan's Chinatown and the other boroughs. A total of 124,259⁵ persons are employed in apparel and textile manufacturing and wholesaling firms in New York City, and they support one of the largest export-oriented industries in the city.⁶ Of this, the 95,000 jobs⁷ in garment and textiles manufacturing are a crucial source of entry-level employment and entrepreneurial opportunity for New York's growing immigrant population and are the backbone of the fashion industry. In fact, the garment industry represents almost half (46%) of total manufacturing employment in New York City⁸.

In addition to its continuing importance as a center for production, the Garment Center has a unique role as the marketplace for apparel design and sales. While production has diffused to other areas, the creative and front office activities of the industry are located almost exclusively in the Garment Center. Without these strategic activities, it is hard to imagine that production would continue in other areas of the city.

Problematic international trade regulations and the availability of relatively inexpensive labor overseas have taken their toll on the industry citywide. The most serious threat to the garment industry today, however, is arguably due to real estate pressure. Manhattan remains the center

⁴ *WPA Guide To New York City: The Federal Writers' Project Guide to 1930's New York*, The New Press: New York, 1992

⁵ NYS Department of Labor, 3rd Quarter, 1999/Robert Pauls, LLC

⁶ *The Empire Has No Clothes*, Center for an Urban Future, February, 2000

⁷ U.S. Commerce Department, 1997

⁸ U.S. Commerce Department, 1997; total NYC manufacturing employment stands at 208,000

for garment production. Fifty-five percent of garment industry employment is located in Manhattan and it is concentrated in the Garment Center and Chinatown, two areas experiencing tremendous real estate pressures. Between 1993 and 1998, the greatest loss of apparel and textile manufacturing jobs (13,464) occurred in Manhattan, a 23.5% decline, as compared to a decline of 12.2% in Brooklyn, and an increase of 8.1% in Queens. These three boroughs together contain 98% of apparel/textile production in New York City.⁹

Despite the enormous level of economic activity and income generated by New York's apparel industry, public policy, which has supported zoning protections for the Garment Center, is now being challenged. This shift comes at a critical juncture for Garment Center apparel companies. The land-use study conducted by NYIRN in July and August 2000 revealed that 73% of employment and 74% of occupied space in the Special Garment Center District Preservation Area remains in the apparel industry. By the end of 2002, however, 60% of the garment leases in the Preservation Area will expire. The City's failure to enforce the zoning in the Special District undermines the ability of garment companies to renew their leases.

One of the most salient and important findings of NYIRN's study was the pervasive uncertainty of many of the tenants about their ability to remain in the Garment Center. Despite the existence of zoning protections, many buildings are being converted to uses unrelated to apparel and there has been virtually no effort to enforce the Special District protections. Many tenants expect that their leases will not be renewed or that new rents will far exceed their ability to remain in the Garment Center. Several garment tenants reported instances of apparent harassment by landlords seeking to convert their buildings. For example, elevator and other services were curtailed and apparel tenants were denied access to buildings at certain hours while other tenants were given greater access. Practices such as these can lead to dis-investment on the part of garment company owners, creating a self-fulfilling prophecy of industry shrinkage.

Economic Impact of the Apparel Industry:

The fashion industry is one of the largest and most important sectors of the City's economy. In addition to the over 124,000 persons employed by apparel manufacturing and wholesaling establishments, others are employed in such industry activities as modeling and fashion

⁹ *The Empire Has No Clothes*, Center for an Urban Future, February, 2000

photography, fashion publishing, etc. New York City apparel manufacturing and wholesaling firms have a direct payroll in excess of \$2 billion, generate direct sales of over \$11 billion, pay taxes in excess of \$500 million, and have a total economic impact of \$23 billion.¹⁰

In addition, fashion is part of that constellation of industries that enhances New York City's tremendous creative synergy and reputation as a capital of culture. New York is a global center precisely because it is seen as a center for the avant garde in fashion, the performing and visual arts, architecture and interior design, cuisine, etc. This only compliments its strength in the finance, insurance and real estate arenas.

Employment

The size of the fashion industry in New York City can be illustrated by looking at employment totals for other sectors. According to the U.S. Census, there were 123,212 jobs in apparel and textiles manufacturing and wholesaling in 1998. (Please note that other types of employment within the fashion industry are not included in this figure.) This compares favorably with the 149,730 jobs attributed to the "information" sector for the same year. Apparel/textile employment in New York City surpasses other key sectors, such as advertising with 49,397 employees in 1998, legal services with 73,152 employees, and accounting, tax and payroll services with 54,631 employees¹¹.

Despite its high-priced real estate market, Manhattan still remains the focus point for fashion industry marketing, design *and* production activity. Manhattan's apparel and textile manufacturing jobs account for an impressive 62.8% of citywide employment in these sectors.¹² Nonetheless, Manhattan's role as a center for production and distribution is shifting. 80,521 persons worked in apparel and textile manufacturing and wholesale establishments in Manhattan at the end of 1999.¹³ This is a drop of almost 25% since the early 1990's.

Manhattan's traditional Midtown Garment Center has also changed over the past twenty years due to a significant drop in production activities and the growth of other industries. However, it

¹⁰ U.S. Commerce Department/Robert Pauls, LLC

¹¹ County Business Patterns, U.S. Census Bureau, 1998

¹² U.S. Commerce Department, 1997

¹³ NYS Department of Labor, 3rd Quarter, 1999

remains the undisputed center for fashion design, marketing, sales and home for a substantial amount of production.

For research purposes, the Midtown Garment Center is best approximated by zip code 10018 (5th Avenue to the Hudson River, 36th to 42nd streets). Manufacturing still represents a very significant segment of fashion-related employment in the area but has experienced steady decline in terms of total jobs. According to the study by Robert Pauls, LLC, “(apparel and textile manufacturing and wholesaling) employment in zip code 10018 was at 45,300 (in 1999)... The percentage of total employment in the (zip code) area that is garment related has declined from 52.7% to 44.6% since 1996.”¹⁴ The location of apparel manufacturing employment in the Garment Center has shifted to some degree. Robert Pauls, LLC reports that production activity in avenue buildings (at least those on the higher side of the market) has disappeared. In contrast, NYIRN’s study of the Preservation Area on Garment Center side streets (an area much smaller than the zip code) found over 9,000 production workers. Thus production work persists in midtown Manhattan, taking place only hundreds of feet from marketing and design operations.

It is worth noting that the rate of job loss of apparel and textile manufacturing was much slower in zip code 10018 (a significant amount of which is covered by the Preservation Area) than in Manhattan as a whole in which the relative impact of the Preservation Area is reduced. The rate of apparel and textile job loss during the 1990’s for zip code 10018 was 14%;¹⁵ as compared to a rate of loss of 24% for Manhattan during the same period.¹⁶ The rate of job loss in the area was most likely also affected by the number of headquarter jobs based in the Garment Center, given that headquarter jobs are less likely to relocate.

Finally, Garment Center apparel employment is heavily concentrated in two areas: women’s and misses outerwear manufacturing, and apparel piece goods and notions (wholesale activity). While total employment may be declining in apparel, New York’s share of the national market in these industries is actually growing, demonstrating again the competitive advantages that come from the cluster of activities in the Garment Center. Thirty-nine percent of Garment Center apparel employment is concentrated in women’s and misses outerwear manufacturing, while 55% of is concentrated in wholesale activity. A 1999 study by the Industrial Technology

¹⁴ Robert Pauls, LLC

¹⁵ NYS Department of Labor, 4th Quarter, 1999

¹⁶ *The Empire Has No Clothes*, Center for An Urban Future, February, 2000

Assistance Corporation stated that “New York’s share of the key women’s outerwear segment grew substantially, especially over the 1992-1997 period. By 1997 just under 20% of national women’s wear employment was concentrated in New York City.”¹⁷

Sales and Multiplier Effects

The markets for New York apparel are worldwide. Not only is New York home to world famous designers such as Donna Karan, Calvin Klein and Bill Blass, but the proximity of design and production activities to the market where apparel is “displayed” and “consumed” helps designers spot new trends and creates a cutting-edge advantage for New York fashion. Apparel buyers for retail outlets make an estimated 125,000 visits to midtown Manhattan per year.¹⁸ While in New York, buyers patronize hotels, restaurants, entertainment centers and retail establishments, contributing to the city’s booming economy and paying sales tax. The Fashion Institute of Technology, with 12,000 students, and Parsons School of Design attract aspiring designers and marketers to live and work in New York.

Wages

The general public perception of working conditions in the apparel industry is probably one of sweatshops and low wages, but the true picture is much more complex. Many regulated apparel production jobs exist in the City, offering work opportunities for immigrant women and others. While production jobs are relatively low wage, paying generally from \$7.00 to \$10 per hour,¹⁹ those that are unionized provide health benefits for the worker’s entire family, paid holidays, and a wide range of services such as English language classes, legal assistance and vocational training. A continuing problem for the industry, however, is the lack of opportunity for advancement into the high wage segment of the apparel/fashion labor market, discussed below.

New York City apparel and textile manufacturing firms generated over \$2 billion in wages in 1997.²⁰ The average annual earnings for an employee in a New York City apparel manufacturing firm were \$21,356. Production workers were paid an average of \$16,042 annually. Wages were slightly higher for employees in Manhattan manufacturing firms.

¹⁷ *April 1999 NYC Apparel & Textiles Study*, Industrial Technology Assistance Corporation, 1999

¹⁸ Robert Pauls, LLC

¹⁹ Garment Industry Development Corporation

²⁰ U.S. Commerce Department, 1997

Employees earned an annual average of \$23,855, as opposed to production employees who earned average annual wages of \$17,140.²¹

The high wage segment of the apparel industry labor market is concentrated in Manhattan and is mostly associated with non-production occupations. An analysis of 92 salaried positions offered in the help wanted columns of *Women's Wear Daily* (November, 2000) yielded the following results: the median salary offered was \$47,500, and the mean was \$59,880. According to the Census Bureau, 19% of New York apparel industry jobs are in the “executive, administrative and managerial,” “professional specialty” and “marketing and sales” categories, as compared to only 7% nationally.

Background on the Special Garment Center District

The Special Garment Center District was created in 1987 to preserve space at affordable rents for apparel-related production within the traditional Garment Center. The circumstances leading to the creation of the Special Garment Center District were similar to those that affect the garment industry today. A highly competitive commercial real estate market in the late 1980's led to the dislocation of apparel businesses and the conversion of production spaces into offices and apartments. These pressures were fueled, in part, by the planned and heavily subsidized redevelopment of Times Square, which is immediately to the north of the Garment Center. The loss of production space, it was feared, would undermine design, marketing and sales functions, weakening the entire industry.

Today, a portion of the Garment Center is designated as a “special district” in which the basic, citywide manufacturing zones are augmented by additional regulations. In the typical “M zone,” manufacturing space can be converted to office use “as-of-right” and does not require a special approval process. In a tight real estate market where rents are at a premium, manufacturers and their suppliers are then forced to compete with office tenants who generally can afford to pay higher rents for space. The purpose of the Special

“There are only 9 factories left that do high quality/couture work in (the) area. Ordering supplies over the internet is foolhardy. The presence of the suppliers is highly efficient. Extras can be sold back to them. It's important to have workers and factories here.”
-Women's Couture Designer/Showroom

²¹ U.S. Commerce Department, 1997

Garment Center District was to protect the apparel industry against such real estate pressures by limiting the conversion of manufacturing space to office uses. In the Special District, the conversion of space in the Preservation Area, an area corresponding to the mid-blocks between 35th and 40th Streets, is prohibited unless an equivalent amount of space is dedicated in the Preservation Area for apparel manufacturing or other production work. Two of the most critical industry space needs that the creation of the Special District helped to address were 1.) availability of low-cost space for young designers, industry newcomers, small entrepreneurs, etc. and 2.) high accessibility of garment production employment for thousands of persons citywide due to the Garment Center's central location.