

Long Island City Life Sciences Feasibility Study

Executive Summary | OCTOBER 2018



Study Goals:

- Identify and assess the key obstacles that have thus far prevented a life sciences cluster from developing in LIC;
- Estimate the potential magnitude and economic impacts of an LIC Life Sciences Cluster; and
- Identify and recommend what is needed to overcome the barriers and catalyze a self-sustaining cluster

Key Finding:

There is **clear and significant opportunity and enthusiasm** for growing the life sciences in LIC.

Key Findings

The Consultant Team's research indicates that there is **significant opportunity and enthusiasm** for growing the life sciences in LIC. Based upon the work of this study, it is clear that **Long Island City (LIC) is not only suitable but also necessary for creating the critical mass of life sciences space needed to establish New York City (NYC) as a leading national market in this sector.** With appropriate support from the State and City, and concerted action by the local community, LIC can be the key to delivering on NYC's goal of establishing itself as a prominent, self-perpetuating hub for the life sciences.

Introduction

Over the past decade, and especially as a result of recent public investments, NYC has made considerable strides in creating Class-A lab space and incubator facilities in addition to attracting venture capital funding for local start-ups. Both New York State and New York City now offer life sciences incentives that are among the most comprehensive in the nation, changing the national perception of NYC as a life sciences market. For NYC to continue this momentum and double its footprint, it needs more, conveniently located, and affordable space with the right amenities. The City's LifeSciNYC initiative has a stated target of developing three million square feet of life sciences space in the five boroughs. LIC can provide this space in optimal and accessible locations more than any other neighborhood. **LIC provides the city's greatest opportunity to fulfill NYC's life sciences space needs.**

Encouraged by the findings of a number of citywide studies and its own LIC Comprehensive Plan effort¹, the LIC Partnership (LICP), with support from an Empire State Development grant through the New York City Regional Economic Development Council (NYCREDC), set out to study the feasibility of developing a life sciences cluster in LIC. LICP engaged East Egg Project Management (East Egg or the Consultant Team), a strategic consultant team with 15+ years of New York-focused experience in the life sciences, real estate, and economic development, to undertake this study.

East Egg arrived at its findings after conducting an extensive series of interviews with nearly 50 key stakeholders with academic medical and research institutions, government, real estate developers and brokers, life sciences companies at all stages of the business life cycle, and venture capitalists. East Egg also undertook benchmarking analyses of three other U.S. life sciences hubs and conducted an economic impact analysis of two scenarios to identify jobs and spending that could be generated by a cluster's construction and operation. Finally, East Egg developed specific recommendations to address challenges, catalyze a life sciences sector in LIC, and initiate sector growth in both the near and longer terms.

1. The Comprehensive Plan was funded in part by NYS and NYC



LICP is the local development corporation for LIC, Queens, located directly across the East River from Midtown, Manhattan.



East Egg Project Management is a strategic consultant team focused on life sciences, real estate, and economic development.

NYC’s Life Sciences Sector in Context

New York has now entered JLL’s ranking of the top 15 life sciences clusters in the U.S.,² but at **less than three million square feet** it is still relatively small, and trails behind the clusters even in mid-size metro regions like Denver and Minneapolis. By adding **five million square feet**, the NYC region could evolve to the next level as a ‘Breakout Hub’ similar to metro Philadelphia, North Carolina’s Research Triangle Park, and metro DC/Maryland.

NYC’s life sciences sector is experiencing rapid growth and boasts strong fundamentals. The many life sciences incubators open or opening in NYC (LaunchLabs, JLABs, BioLabsNY, Harlem BioSpace, SUNY Downstate) are generating an unprecedented number of **new sources of demand for lab space**. Companies growing out of these spaces and the Alexandria Center are **frustrated by the lack of NYC options**; some have even called it a crisis.

East Egg’s analysis indicates that LIC, with its access to transit, growing amenities, and appropriate building stock, is ideally positioned to develop space that can meet this critical demand. In particular, these spaces could be built near LIC’s transit hubs as an initial play, with ample, larger-scale lab space built out in additional parts of LIC in future phases.

LIC as a Life Sciences Hub: Creating the Value Proposition

LIC’s strengths align well with both universal life sciences company needs and the NYC market’s specific demands. There was a great deal of consensus across East Egg’s stakeholders about how much LIC had to offer the life sciences sector and where improvements could be made. While the East Side, West Side/Hudson Yards, West Harlem, and Hudson Square have also been identified as potential locations for life sciences clusters, LIC’s assets give it a competitive advantage over those Manhattan neighborhoods.

A number of trends within the life sciences industry (e.g., more dry lab requirements) and specific needs of those companies within NYC (e.g., critical need for graduate space), have provided a window of opportunity for the NY market. With the recent opening of new incubators in Manhattan, the increased interest from developers and venture capital, a growing entrepreneurial environment, and LIC’s emergence as a high quality, transit rich live-work-innovate neighborhood **now is the time for LIC to play the decisive role in the City’s life sciences plans**.

NYC Life Sciences Market Conditions

- Unprecedented **demand for small and midsize space** by growing companies in NYC
- Institutional and small-company **needs for shared facilities** too expensive to host on campus/ solo (data storage, imaging, research support facilities)
- Expressed desire by companies and VCs for **alternatives to expensive existing space** in Manhattan

Challenges

- **Misperception** that LIC is far from and hard to get to from Manhattan’s East Side medical corridor and other parts of region
- **Lack of existing cluster** and academic research institutions (AMIs)
- **“Credit/cost conundrum”** increased financing risk due to high construction costs + low/no tenant credit among small companies

Life Sciences Industry Needs

Accessibility

Educated workforce; transit and airports; access to major academic institutions (though not required to be adjacent)



Quality of Life

Attractive and livable communities with good schools and ample amenities, including cafes and conference venues



Affordable, Flexible Space and Ready-to-Go Space

Appropriate zoning and building stock that can more quickly accommodate facilities for companies of all stages with room to grow



LIC Assets

Access to Region and Workforce

Excellent transit (8 subway lines, 15 bus routes, 3 ferry landings); 30 minutes or less to both LGA and JFK; commuter and regional lines that link LIC to entire NYC region

Vibrant Live-Work-Play Neighborhood

39+ arts and cultural destinations; 150 dining and drinking establishments; good schools with more planned; 50,000 higher-education students; diverse housing stock and rich offerings in healthy living

Affordable Space, Strong Building Stock and Appropriate Zoning

Lower land costs; additional incentives for companies relocating

Addressing Perception. Two challenges that East Egg repeatedly heard were common misperceptions about LIC: (1) many decision-makers in the life sciences sector are simply not aware of LIC’s assets (such as restaurants, retail, etc.), and (2) LIC is too far and inconvenient from Manhattan. These same concerns had been felt by the film and television industry in the 1980’s, but were overcome with targeted marketing efforts. Misperceptions of LIC can be addressed through **marketing efforts that illustrate current realities and work that is already going forward.**

Addressing AMI (Academic Medical Institution) Proximity. While some companies, especially smaller ones, prefer to be directly adjacent to AMIs, many successful urban sub-clusters have developed within larger regional clusters without that adjacency. Lower price points, amenities, and transit options make these sub-clusters attractive and viable alternatives to the more established and expensive hubs. LIC is well suited to serve as major sub-cluster with its **lower land costs, ease of access, existing building stock and development sites, and zoning.**

Addressing Financing Challenges. One of the challenges of developing life sciences facilities in NYC is the gap between the cost to develop such space and the rents that life sciences companies, especially new, non-credit ones, are willing to pay for it. This cost/rent gap challenge also applies in LIC, despite rents being lower than they are in Manhattan. **The cost/rent gap needs to be mitigated by public incentives or assistance** in order for LIC, or any other location, to develop an initial cluster.

Given that LIC’s industrial buildings -- with their heavy floor loads, wide column spacing, and appropriate zoning -- are well suited for life sciences companies requiring wet labs, and that life sciences space is trending toward more office/dry lab and less wet lab space, LIC is a step closer than other areas of the city to closing the financing gap, but targeted public incentives will still be needed to do so.

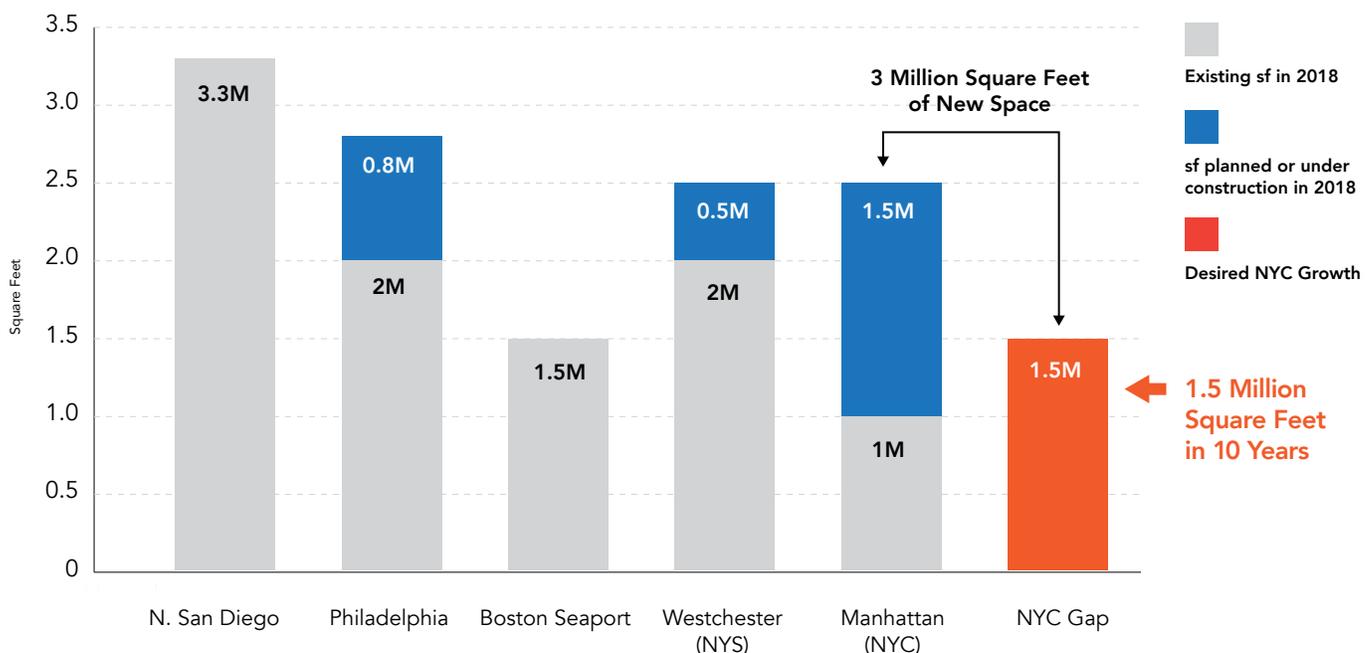
Economic Impacts

In assessing the feasibility of life sciences in LIC, East Egg considered the potential economic impact that such development would have on the NYC economy. Economic impact is measured in, among other metrics, the number of construction (short-term) and permanent jobs created. The development of 1.5M sf of life sciences facilities in LIC by 2028 would provide over 5,500 short-term jobs and almost 15,000 permanent jobs (direct, indirect, and induced), generating over \$2 billion in annual earnings and over \$7 billion in annual citywide economic output.

How to Make it Happen

Based on the findings of their extensive interviews and comprehensive analyses, East Egg developed a series of core recommendations for the public sector and LICP. These Short-Mid- and Longer-Term action items can unlock LIC’s potential in filling in a critical piece of NY’s life sciences cluster puzzle.

TABLE A: NYC Potential Growth in Life Sciences



Short Term

1. Address financing hurdles
2. Address competitive real estate market challenges
3. Establish Life Sciences Resource/Industry Desk at LICP
4. Accelerate and expand placemaking
5. Change perceptions: marketing

Mid Term

6. Support development of shared Facilities
7. Foster live-work aspects of LIC (e.g., schools, retail, open space)
8. Workforce development: encourage AMI and industry collaboration with local groups

Longer Term

9. Leverage critical mass of step-out space, incentive programs, and shared facilities to continue to attract larger life sciences and Pharma companies for ground-up development
10. Invest in improving regional transit
11. Build upon earlier successes

Public Sector

- Identify and develop assistance and incentive programs to close the cost/rent gap:
 - Supply Side: tax abatements; reduce cost for public sites; loan guarantees; capital grants
 - Demand Side: TI fund; loans for security deposits
- Fund a Life Sciences Resource/ Industry Desk
- Accelerate and expand public capital investments in transportation, infrastructure, and streetscape improvements
- Consider LIC for Downtown Revitalization Initiative (DRI) funding
- Invest in placemaking to transform public sites under elevated roadways and viaducts into open-space, plazas, and parks with WiFi
- Partner with LICP in marketing LIC

- Incentivize shared facilities (e.g. large research support facilities, conference and event spaces) through public-private partnerships and zoning
- Expand top-quality primary and secondary schools within LIC
- Create additional active open space
- Invest in workforce development programs at all skill levels (lab techs, data analysts, etc.)
- Expand the State's START-UP NY program to include LIC locations

- Engineer and implement ferry landing at or near East 68th Street
- Implement Sunnyside Intermodal Station accommodating regional and local transit with rail and surface routes

LICP

- Undertake a residual land value analysis and pro forma based on specific sites to quantify gap between construction premium and market rent for lab development in LIC
- Establish a Life Sciences Resource/ Industry Desk at LICP to track pipeline of step-out companies, establish inventory of properties, guide private developers and companies through approvals, etc.
- Expand placemaking and community activities: wayfinding, streetscape and arts initiatives
- Continue to assist in programming events and activities
- Target marketing efforts to life sciences stakeholders

- Work with public and private sectors to locate suitable sites for shared facilities
- Use network, events to connect LaGCC with life sciences stakeholders

- Identify sites that could accommodate ground-up development for AMI expansion needs