



The Municipal Art Society of New York

**MAS**NYC

# FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

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FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# PREFACE: WHY THE GARMENT DISTRICT?

# PREFACE

The Printing District and the Meat Market are now fashionable neighborhoods with little but their names to remind us of their original purpose. Yet the Garment District persists into the 21st century where people continue to create, innovate and sell. The Garment District is New York's history and future, a place where factories and fashion have been linked for almost a century.



A livable city must offer diverse opportunities to its citizens—housing, education, transportation, jobs. MAS' core mission is to foster a more livable, more equitable, and more sustainable city. Over the last 20 years, MAS has viewed the Garment District through a variety of lenses: design, manufacturing, architecture. We see a district that has evolved from a heavy manufacturing hub to a laboratory of research and development, its nimble entrepreneurs adapting themselves to the vicissitudes of fortune and fashion.

Today, according to the New York City Economic Development Corp., the fashion industry employs approximately 165,000 people, accounting for 5.5% of NYC's workforce. Over 900 fashion companies headquartered here

generate \$9 billion in total wages with tax revenues of \$1.7 billion for New York City. Every year the leading design schools - FIT, Parsons and Pratt - turn out thousands of educated designers looking for employment. New York City is also the nerve center of fashion marketing and journalism, with *Vogue* and *Women's Wear Daily* as well as new media outlets such as The Business of Fashion, Refinery29, The Sartorialist, and StyleCaster based here.

At the figurative and literal center of all of this activity is the Garment District. The district has become an innovative urban campus where designers engage directly in the iterative process of creating a product. Within the space of a few blocks a designer can purchase raw material, work with manufactur-

ers to cut, sew and assemble a finished garment to be shown and sold in these same blocks. This clustering facilitates discovery and creativity as well as efficiency, particularly important now that the costs of outsourcing are rising.

To continue to lead in an industry as competitive, demanding, and creative as fashion, New York must support fashion entrepreneurs. As it has done for many industries, we must explore mechanisms to protect and promote an industry that contributes so much to the economic and creative vitality of NYC and the US.

This report outlines some approaches to build on the very real strengths of the industry. We recognize the futility of dependence on government alone. Collaboration is crucial among the design community, manufacturers, educational institutions, non-profits, fashion media, consumers and property owners; they all play a critical role in ensuring the success of the district and the broader fashion industry which depends upon it.

The Garment District has already proven that it responds to change, provides an economic ladder for many recent immigrants, and contributes to the city's iconic status as a fashion capital. Against the odds, the district continues to create, innovate, and produce.

FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

The fashion industry is an essential part of the economic and cultural vitality of New York City. In 2010 the industry accounted for 4.6% of the country's total fashion employment. This is almost equal to financial services, where NYC accounts for 5.6% of the nation's finance jobs; or media and entertainment, where 5.1% of the American jobs in that sector are located in NYC. But numbers are only one part of the story. As many researchers have documented the Garment District is one of the few remaining manufacturing and design clusters where young entrepreneurs can launch a company at the same time that a recent immigrant can put their skills to use and begin to climb the economic ladder.

Over the last year MAS has conducted case studies, gathered new data, interviewed dozens of experts, researched the history and explored a variety of policy recommendations. The recommendations outlined in this report flow from a careful recording of the history of the fashion industry, an examination of our competitors, and a thorough analysis of the competitive advantages of the Garment District.

These recommendations offer an agenda for a conversation that needs to continue to develop between the stakeholders. Ultimately lasting solutions for supporting the fashion industry and the Garment District will emerge from the creativity and energy of those that help make NYC the fashion capital of the world. It's important that the discussion include strategies to grow the fashion economy and not focus exclusively on the particulars of outdated zoning regulations or the specific amount of space to set aside for manufacturing. The costs of doing nothing are lost jobs, missed opportunities for strengthening a vital industry, and the erosion of a sector of the economy that inspires entrepreneurship and helps shape NYC's identity

## Made in NYC

In the US, a growing number of consumers want to know where the products they buy are made. A recent survey conducted by American Express and the Harrison Group, a marketing research firm, found that sixty-five percent of affluent Americans try to buy local goods whenever possible.

New York City is well positioned to take advantage of this trend given its strength in high end manufacturing. New York City's reputation also lends itself well to a place-based marketing campaign as companies like DKNY and Brooklyn Industries already demonstrate. With more retailers than anywhere else in the country, with some of the best design and marketing minds, and with billions of dollars in visitor spending, we should be able to develop a successful *Made in NYC* campaign.

## Market the District

The streets, particularly the side streets, give little indication of the sophisticated fashion industry that calls this area home. This atmosphere has been touted as a reason some fashion firms have moved out of the district, opting for trendier locations such as Chelsea or the Meatpacking District. Improving

and programming the physical spaces within the district will help maintain the critical mass of fashion businesses needed to keep this neighborhood the city's fashion center and enliven the neighborhood with the creativity and energy that is hidden behind building walls.

## Consolidation of Manufacturing

Today, manufacturing tenants face an uncertain future. A lack of affordable space is one critical issue. In an effort to secure affordable space manufacturing tenants should be consolidated into several buildings. The total building capacity of the nine buildings with the most amount of occupied manufacturing space would be sufficient to host the total amount of manufacturing space within the garment center zoning district, approximately 1.34 million square feet. These buildings should be managed by a non-profit organization(s) chartered to maintain the buildings, offer space at below market rates, and serve as an advocacy organization for the manufacturing tenants. In addition to a number of incentives we have identified the following funding streams to help secure this space:

## EXECUTIVE SUMMARY

- By changing the zoning, tremendous value for the property owners is unlocked. Property tax revenues increase because the value of the property increases. A significant portion of the increased tax revenue generated from a re-zoning should help finance a bond to purchase space for manufacturing potentially through a non-profit entity representing manufacturers.
- Currently, properties within the Fashion Center BID pay an assessment to support the activities of the Fashion Center BID which includes marketing, programming, sanitation, security and other services. An idea that has already been discussed by the Fashion Center BID, among others, is to charge an additional BID assessment dedicated to helping secure a long term home for manufacturers.
- Shared responsibility is critical in order to find a workable solution. A commitment from existing manufacturing/design tenants to provide funding and/or a long term lease commitment to secure the space should also part of any funding package. By combining these funding sources

and creating a non-profit to manage the space we think there is a tremendous opportunity to provide a long term and affordable home for manufacturing in the Garment District.

### Update the Zoning

The zoning needs to clearly express the economic development priorities for this area and should only be amended in concert with a broader plan and commitment to grow the fashion industry and provide security for garment manufacturers. If a mechanism can be created to protect the amount of manufacturing space that exists today in the Garment District then a relaxing of the zoning to introduce other uses should be carefully examined.

### Explore Tariff Reduction

A US Foreign Trade Zone is a government-designated, restricted-access site used as an import/export financial management tool. This regulatory mechanism allows foreign and domestic merchandise to be admitted for storage, assembly, processing and manufacture, while reducing or eliminating duties on imports and exports.

There are also foreign trade sub-zones for companies with manufacturing facilities outside the foreign-trade zone area. Companies seeking sub-zone status must apply to the federal government through the NYC Economic Development Corporation (NYC EDC).

According to NYC EDC, New York City is home to two subzones: a Pfizer's pharmaceutical manufacturing facility in Williamsburg, Brooklyn and a Bulova watch manufacturing facility in Jackson Heights, Queens. Potentially, those buildings in the Garment District where manufacturing has been consolidated could be designated a sub-zone which would allow for the importing of raw materials duty free and significantly reduce the cost of manufacturing many items of clothing which have high import tariffs.

This report outlines approaches to build on the very real strengths of the industry. Against the odds, the district continues to create, innovate, and produce and hopefully, with the right policies and partnerships, it will continue to inspire for many years to come.



FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# I. THE MAKING OF A FASHION CAPITAL



# THE MAKING OF A FASHION CAPITAL

The history of New York City's Garment District is about much more than clothing. This area and the fashion industry has played a vital role in New York City's economic history and the district has served as a stage for many of the demographic, regulatory, cultural and economic changes of the last 100 years. The garment industry has been instrumental in the development of a variety of industries including finance, marketing, merchandising, advertising, and publishing. It has provided relatively steady and skilled jobs for generations of recent immigrants and working class New Yorkers, while at the same time, sustaining a ladder to the middle class. The flexibility required to thrive in the business - riding the waves of slack seasons, quickly changing styles, variable pricing on materials - has allowed those with entrepreneurial temperament to thrive, adjust and even expand their businesses, and bring their business talents, honed in the garment district, into other fields.



Fig. I Boat unloading immigrants at Ellis Island in New York City harbor.

The area that comprises today's Garment District – roughly bounded by West 35th Street, Fifth Avenue, West 41st Street, and Ninth Avenue - serves as a reminder of how vital entrepreneurs, industrious workers and changing retail patterns turned Manhattan into a place that once manufactured 78% of America's clothing. The history of the Garment District is an essential part of New York City's history.

## 19<sup>th</sup> century

Throughout the history of New York City's fashion industry, proximity to labor, supplies and supporting trades has been a critical element in its success. New York's fashion industry began in the mid-19th century and was largely built on ready-to-wear clothing that was mass-marketed and mass-produced. The industry thrived on the large influx of a cheap, skilled labor force—mostly Italians and Eastern European Jews— many of whom came from a tradition of tailoring. Equally important was New York City's status as a major seaport, which allowed the

## THE MAKING OF A FASHION CAPITAL



Fig. 2 A.T. Stewart's store on Broadway, one of the nation's first department stores.

easy import of supplies, such as material from European and New England mills and provided manufacturers access to major markets.

New York's shopping culture was cultivated by the first department stores, which arrived in the mid-19th century, and began merchandising products in store windows in order to increase consumer interest. To gain greater access to their customers, these stores followed Manhattan's residential development north. In the 1880s, large department stores were built in a concentration up along Sixth Avenue and Broadway between 14th and 23rd



Fig. 3 Family finishing garments in their tenement apartment located at 7 Elizabeth Street, 1908.

Streets creating what became known as "Fashion Row" and "the Ladies' Mile." (Robbins, 2009) These enormous stores appealed to the middle class shopper and helped create a market for ready-to-wear women's clothing.

Towards the end of the 19th century, the city's garment industry was growing rapidly. As Manhattan's Lower East Side drew the majority of early immigrants, the neighborhood subsequently became an early center of garment production. Much of New York's clothing was created by workers sewing pieces of garments together at home - in often crowded tenement apartments - or in small rooms that became known as "sweatshops" getting paid by the number of pieces. Small contractors often hired new immigrants because they were easy to manipulate and willing to work long hours at low wages in often unsanitary and dangerous conditions

As the Lower East Side became more crowded and as production demands rose, concern over working conditions grew, prompting new reforms

and regulations. This was due in large part to the increasing number of immigrants that opposed the long hours and sweatshop conditions and began to strike, demanding improvements. These strikes led to the New York State Factory Act of 1892, which required a minimum of 250 cubic feet of air for each worker and to a succession of other industry rules and regulations. (Soyer, 2005) The success of these strikes led to organized unions that were powerful enough to change industry standards and influence politics and policy at the local, state and national level.

### Early 20<sup>th</sup> century

The city's garment industry continued to grow rapidly, expanding from 562 manufacturing firms in 1880 to over 1,800 firms in 1900, effectively establishing New York City as the hub of the nation's ready-to-wear industry. (Rantisi, 2004) This growth reflected societal changes—notably transformations in retailing and an expanded market in middle and working class consumers.

### *Garment workers unions*

The 1901 Tenement House Act further pushed garment production out of the cramped working conditions of the tenements into more regulated commercial loft buildings. Once the factory system was established, garment industry unions followed quickly and forcefully. These groups organized by the thousands to demand improved working conditions. One of the largest unions was established in 1900 when Jewish immigrants - soon joined by Italian immigrants - came together to form the International Ladies' Garment Workers' Union (ILGWU). One of the ILGWU's early accomplishments came from initiating a series



## THE MAKING OF A FASHION CAPITAL



Fig. 4 Group of striking New York City shirtwaist workers, 1909.]

of influential strikes that led to established guidelines for hygiene and a variety of worker protections—resulting in the founding of *Women's Wear Daily* in 1910, whose initial mission was to cover these strikes. By 1912 the ILGWU claimed 84,000 members and their strikes helped establish the “Protocol of Peace” which created several joint commissions that would help settle disputes between labor and management. Another influential union, the Amalgamated Clothing Workers of America (ACWA) was founded in 1914 after the men’s tailors’ strike of 1913. The ACWA pioneered provisions to empower working people by founding the Amalgamated Bank and building middle class housing. (Soyer, 2005)



Fig. 5 Crowd celebrating the 40th anniversary of the International Ladies Garment Workers Union at the New York World's Fair, 1940.

New York City’s garment industry reached its peak during the 1920’s and women began to outnumber men as union members. Despite the industry’s success, power struggles and instability within the ILGWU in the early part of the 20th century almost destroyed it, causing membership to decline from 129,000 at the end of World War I to 23,800 in 1931.

The ILGWU regained its strength under the leadership of David Dubinsky, becoming a major political force and was instrumental in forming New York City’s American Labor Party and the Liberal Party, with which the ILGWU was closely allied for twenty-five years. Pro-union provisions of the New Deal and the National Labor Relations Act of 1935 inspired a surge in membership in the ILGWU, and by 1966 the union had grown to more than 450,000 members

### Triangle Shirtwaist Fire

The greatest push for social reform occurred after the Triangle Shirtwaist factory tragedy of 1911, which is still considered one of the worst industrial disasters in American history. The tragedy occurred on the top floors of a building located on the corner of Greene Street and Washington Place in Manhattan which was home to one of the city’s leading producers of the shirtwaist, a blouse that came in to fashion around 1890 and became one of the most popular products of the city’s early ready-to-wear industry. Two Russian-born Jewish immigrants, Max Blanck and Isaac Harris, who were known as the “Shirtwaist Kings”, owned the Triangle factory. They were also known as two of the industry’s worst employers, routinely ignoring safety laws and locking their workers in without breaks until the end of their shifts. They charged their employees for errors and required that they supply their own needles and thread.

The fire broke out on March 25, 1911, on the building’s eighth floor just before closing time. Most of the workers on the eighth floor escaped; however the fire quickly spread to the floors above, claiming the lives of 146 garment workers, most of whom were young immigrant women. The magnitude of the tragedy prompted a series of new city and state laws to protect the public from fires and to ensure the health and safety of workers. These new laws were the most advanced and comprehensive in the country and reformed garment industry practices as well as the buildings that housed these businesses. (NYC LPC, 2003))

with nearly half of its members in New York City and assets of approximately \$570 million. (Soyer, 2005)

### Move uptown

At the beginning of the 20th century, most garment manufacturers were located in loft buildings in the blocks just north of Houston Street. The industry however was growing at an explosive rate—the number of women’s wear industry workers grew from 39,000

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Fig. 6 Corner of Seventh Avenue and West 28th St, showing garment workers leaving factories during their lunch hour, 1936.]

in 1889 to 165,000 in 1919—requiring more factory space. Factories continued to follow the lead of residential and retail development north to what had become a major shopping area from Fifth and Sixth Avenues between 14th and 23rd Streets—known as Ladies Mile. The high ceilings and large windows of the area’s loft buildings provided more light and air for garment workers and also had electricity, making it possible to increase output by using electric sewing machines and other equipment. (Robbins, 2009) By 1912 the side streets off Broadway and Sixth Avenue above 23rd Street were beginning to fill in with manufacturing lofts and by 1917 they began expanding north of 34th Street, encroaching on Fifth Avenue.

In an attempt to distance themselves from the manufacturing businesses, many elite department stores began relocating from Ladies Mile to Fifth Avenue north of 34th Street. In 1907, partly in response to manufacturers’

increasing proximity, Fifth Avenue business owners and residents created the Fifth Avenue Association (FAA), a civic association devoted to preventing factories and factory workers from crowding the streets during their breaks in front of their carriage trade establishments. In 1916 the FAA created the Save New York Committee, which started a campaign that effectively convinced many, including city officials and manufacturers, that manufacturing had a detrimental effect on the city’s elegant residential and commercial neighborhoods. The campaign suggested that it was in everyone’s best interest for manufacturers to either stay in the sections of the city already designated for manufacturing or move from the commercial areas around Fifth Avenue to those sections. (Robbins, 2009) The FAA’s actions played a major role in the creation of what became New York City’s 1916 Zoning Resolution, which regulated the height and bulk of new buildings and set aside specific zones for manufacturing, preventing

industrial uses from encroaching on residential districts. The Committee opposed industrial uses above retail ground floors and supported height limits in the belief that shorter buildings would be economically unfeasible for manufacturing. The zoning resolution placed Fifth Avenue in the lowest height district in Midtown.

### Early – Mid 20<sup>th</sup> century

Initially the Committee’s efforts were successful; however the industry was quickly outgrowing the older production areas. Members of the Save New York Committee consulted with manufacturers and came to the conclusion that the area from Sixth to Ninth Avenue from 23rd to the block below Pennsylvania Station would be designated for manufacturing. Locating near Pennsylvania Station and the variety of transit lines in Midtown gave manufacturers greater access to both employees, who began moving to new residential developments in the outer boroughs, and to out-of-town



Fig.8 Garment District Streetscape, 1944.

# THE MAKING OF A FASHION CAPITAL

## ARCHITECTURE:

The 1916 zoning resolution set parameters that both influenced where industry, such as garment manufacturers, could locate in the city and also determined to a great extent the form of the new buildings. As much of today's Garment District developed between 1916 and 1935, its buildings reflect the physical mandates of the 1916 zoning resolution more coherently than anywhere else in the city.

Before it was used for garment manufacturing, the area was an early tenement and theater district as well as a publishing and printing district. The 1920's loft buildings built almost exclusively for the garment industry characterize the majority of area's existing building stock today. Although individually these loft buildings are not remarkable, together with their similar heights and setbacks along the district's long, narrow blocks they give the streets a unique visual character. (Robbins, 2009)



Fig. 7 View looking southwest from 42nd Street, showing the district's stepped back architecture, 1935.]

the garment economy and included larger more extravagantly decorated lobbies, meant to impress clients. (Dolkart, 2011)

In 2008, the National Register of Historic Places recognized the cultural and architectural significance of New York City's Garment District by listing the Garment Center Historic District on the National Register. The designated area covers nearly 25 blocks of Midtown between Sixth and Ninth Avenues from West 34<sup>th</sup> to West 41<sup>st</sup> Streets. This area includes a wealth of building types and styles but is distinguished by the 1920s era garment industry loft buildings. The nationally recognized district contains a total of 251 buildings, 215 of which are listed as contributing to the chief character of the area.

A stone base generally characterizes a typical mid-block loft building with some ornamentation along the base and upper stories of the building. Small lobbies lead to upper floors designed to be as open as possible to allow light and air circulation. The large open floor plates complied with the specifications of insurance companies and city and state regulations and allowed the spaces to be subdivided to accommodate multiple tenants and also allowed employers to better see and supervise large numbers of employees at a time. (Robbins, 2009) The larger buildings along Seventh Avenue and Broadway were favored by the non-manufacturing segments of

buyers. (Robbins, 2009) At this time manufacturers were responsible for every aspect of the garment industry, including selling the finished product. Their central location allowed them to cater to out-of-town buyers by setting up showrooms in the area to display their merchandise and by establishing resident buying offices, which helped out-of-town buyers navigate the city's apparel market. Manufacturers' proximity to the city's retail centers also proved to be a vital asset to the industry. Visiting buyers were able to view products in manufacturers' showrooms and visit the nearby department stores and shops to see first-hand the merchandising of the same garment. (Rantisi, 2004)



Fig. 9 View of Midtown Manhattan, 1928

## Developing midtown

The impetus for the development of what is today's Garment District was the 1919 cooperative venture between one of the area's most prominent builders, Mack Kanner, and Saul Singer the former President of the Cloak, Suit and Skirt Manufacturers Protective Association. The syndicate created by



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these two former garment manufacturers turned real estate developers built one seventeen-story building and one twenty-four-story building on the west side of Seventh Avenue between West 36th and 38th Streets. The buildings were known as the Garment Center Capitol buildings and were initially meant to house showrooms and manufacturing space for the garment industry cloak and suit trade of New York, who were some of the most important manufacturers in the city. To promote this venture, Kanner explained that compared to the current going rental rates of \$2.50 per square foot, the Capitol would cost manufacturers closer to \$0.50 per square foot – a fifth of the cost, thereby making manufacturing in Manhattan significantly more affordable. (Robbins, 2009)

The Capitol buildings initiated a building boom in the area between 35<sup>th</sup> and 40<sup>th</sup> Streets and 6<sup>th</sup> and 9<sup>th</sup> Avenues that created a new Garment District. The most prolific building occurred in the district from 1924 to 1925, when 47 new lofts were built, housing various aspects of the garment industry including offices, factories and showrooms. During the boom the demand for manufacturing space was tremendous. Kanner stated that “more than 20,000 manufacturers in certain women’s wear industries, still located in the older sections outside of the garment zone, are fully awake to the need of getting into the zone – the mart for buyers the country over. With 20,000 potential tenants in this one class alone I see no saturation point in building for years to come – if ever.” (Robbins, 2009)

### *New York’s growing industries*

As New York’s garment industry grew, proximity to other industries played a major role in its development. The in-

dustry’s tremendous growth prompted the development of numerous supporting businesses, creating an infrastructure unlike any other in the world. Many of these businesses and institutions can still be found in the Garment District and throughout the city today.

Innovations in industries, such as merchandising and marketing increased demand for products made in the Garment District and encouraged the growth of the larger fashion industry. Department stores, mail order catalogues and fashion magazines like *Harper’s Bazaar* and *Vogue* began marketing simplified versions of European fashions to American consumers. One of the country’s most prominent early 20th century publishers, Cyrus H.K. Curtis, of the *Ladies’ Home Journal* and the *Saturday Evening Post*, noted the critical relationship between production and the burgeoning fashion publishing industry when he wrote:

*“The editor of the Ladies’ Home Journal thinks we publish it for the benefit of American women... The real reason, the publisher’s reason, is to give you who manufacture things that American women want and buy a chance to tell them about your products.” (Martin, 237)*

While increasing production for garment manufacturing, magazine advertising itself became a major industry, reaching total gross revenues of \$196.3 million by 1929. (Rantisi, 2004)

New York’s garment industry added a new component with the emergence of fashion schools. The school now known as Parsons began a costume design program in 1904, and then launched the nation’s first fashion design program in 1906. The High School of Needle Trades was founded in 1926 in a Garment District loft on West 31st Street to train

Fig. 10 Advertisement in the *Ladies Home Journal* for women’s blouses, 1910.

immigrants and their children in various garment industry trades. A year later the Tobe Report, a weekly fashion consulting report for retailers was established followed by the Tobe-Coburn School in 1937, which specialized in retailing and merchandising and emphasized the industry’s economic importance. The Fashion Institute of Technology (FIT) followed, opening in 1944. In addition to the schools, the industry also created support and service institutions, such as textile and trim suppliers and lending institutions. All of these establishments located in



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close proximity to the manufacturers, creating a network of supporting businesses.

New York City's booming women's wear trade peaked in the 1920s when 78% of the nation's clothing was made in the city. Although the 1920s saw the strengthening of unions and a robust garment industry, a shift began to occur that would profoundly affect the garment manufacturing industry for years to come. Before WWI, manufacturers were performing every aspect of production, from design to sewing to sales. After the war New York saw the rise the "jobber," a position created in part to get around working with the unions. Jobbers effectively took the place of the manufacturer as the primary mover in the industry, designing garments and sometimes cutting fabric, but contracting out the sewing to contractors or sub-manufacturers located in the city or out of state. Because jobbers used contractors they avoided dealing with labor issues and unions thereby reducing the cost of production. This newly developed position reduced the size of many manufacturing shops and was the first step in the separation of the actual production of the clothing from



Fig. II New York City dress factory workers located in the Garment District.

### HISTORY OF NEW YORK'S FASHION INSTITUTE OF TECHNOLOGY - FIT

New York's Fashion Institute of Technology was started in response to the apparel industry's need for skilled labors. In the 1940s, New York's apparel workforce was dwindling. After an unsuccessful attempt to persuade area colleges to add fashion programs to their curricula, Mortimer C. Ritter, an educator, and Max Meyer, a retired menswear manufacturer, along with a group of designers, ILGWU officials, coat-and-suit manufacturers and other industry leaders raised \$100,000 and founded the Educational Foundation for the Fashion Industries. The Foundation obtained a charter from the New York State Board of Regents to establish a "fashion institute of technology and design." The institute opened in 1944 with 100 students, and was located on the top two floors of the High School of Needle Trades on W. 24th St. (FIT, 2011)

The school grew quickly, becoming a community college in 1951 and moving to a 9-story building on Seventh Avenue in 1960. Initially the school had a close relationship with industry professionals. Night classes enabled faculty to work in the industry during the day and many apparel manufacturers and processors served on committees that reviewed and revised new courses. When the school needed money for new equipment, patrons within the district often provided it.

During the 1970s two-thirds of the courses at FIT were technical or professional, the remaining third were liberal arts offerings. At this time representatives and industry supporters lobbied to further expand the school's curriculum by offering bachelor's and master's degrees— something that was unheard of at the time for a community college. In 1975, an amendment to the Education Law of New York State permitted FIT to offer BS and BFA programs and in 1979 its master's programs were authorized. (Bard, 1974)

the design and marketing, a rift that would continue to grow. (Soyer, 2005)

### Mid-20<sup>th</sup> Century

#### *Fashion capitol*

Although New York's early 20<sup>th</sup> century fashion industry was thriving, it was not distinguished by its design capabilities. The city's industry succeeded by copying designs that came out of Paris and simplifying them to make them easier to replicate on a mass scale. For decades New York's industry was focused on production, as one 1940s stylist noted, New York was, "... not so interested in

making something good, as in making it cheap – and cheaper..." (Rantisi, 2004) New York did not gain prestige as a design center until World War II, when the Nazis' occupation of Paris cut the city off from the rest of the world. Around this time fashion magazines, such as *Women's Wear Daily* (WWD) began highlighting American designers, who focused on what they knew best, ready-to-wear. The focus on ready-to-wear came at a time when increasing numbers of women were entering the workforce and had less time for custom-fittings or to make

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their own clothing. This major social change combined with increased media attention and Manhattan's status as a cultural center and hotspot for high society helped New York achieve status as an international fashion capital.



Fig. 12 American fashion designer Norman Norell assisting fashion design student, 1960.

In the mid-20<sup>th</sup> century New York City's fashion industry continued to draw global attention with the help of innovative designers, such as Norman Norell and Bill Blass. In a 1999 interview with *Vogue*, Bill Blass explained how 1950's era Paris *WWD* correspondent, John Fairchild figured out that you could make the paper more interesting by writing about the designers instead of the manufacturers. (Gandee, 1999) This type of promotion caught on and in ensuing years fashion editors from esteemed publications became the champions of new talent, furthering the careers of today's most renowned designers. For the first time manufacturers were no longer the most prominent name on a label, a trend that continues today with Calvin Klein, Ralph Lauren and Donna Karan,



Fig. 13 Ralph Lauren, photograph by Edgar de Evia, 1978

Many of today's most recognizable designer brands have roots in New York's Garment District. Ralph Lauren started out in New York by creating a line of handmade ties that he sold to Bloomingdales and specialty boutiques throughout the city. Calvin Klein, a Bronx native, spent some time at the Fashion Institute of Technology and briefly worked as a copy boy at *Women's Wear Daily* before going to work as an apprentice to a coat maker. In 1967, with \$10,000 from his childhood friend turned business partner, Klein started his business, creating his first collection of six coats and three dresses which he rolled on a rack the full twenty-three blocks from Seventh Avenue to the Bonwit Teller department store on 57th Street, where he was given his first order. (Clurman, 1982)

designers who have created internationally recognized labels.

Designers were further supported by the emergence of the Council of Fashion Designers of America (CFDA), which was founded in 1962 by American publicist Eleanor Lambert. Before founding the CFDA, Lambert was Press Director for the American fashion industry's first

promotional organization, the New York Dress Institute. The Institute was created in 1941 by the union and dress manufacturers with the goal of making New York City a world fashion center. At the institute, Lambert organized the semi-annual Fashion Press Week in New York to showcase designer collections for the international press. She initiated a similar schedule for the



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European fashion capitals establishing the coordinated centralized showings now followed around the world. (Rantisi, 2004)

The pioneering marketing spear-headed by the CFDA in the 1960s gave American fashion designers star status and also brought recognition to the area of Manhattan in which they worked. Many of the most prestigious designers could be found along the stretch of Seventh Avenue between 34th and 42nd Streets, an area re-named Fashion Avenue in 1972. One New York Times article stated that “for many designers a showroom at 530 Seventh Avenue is something to work toward and a 550 Seventh Avenue address may be a sign of arrival.” (Wedemeyer, 1978) An address on Fashion Avenue was important not only in name; it also played a practical role, keeping the industry centrally located and easily accessible to buyers.

By the end of the 1950s, New York’s decline in manufacturing was beginning to become apparent as the number of these jobs began to fall due to higher costs of production. Manufacturing began moving out of the city while designers, showrooms and distribution centers remained in the district. It was also during this time that clothing began to be produced overseas in places like Japan and Hong Kong. The unions were the first to notice that these imported garments were cutting into their profits and they helped negotiate the first agreements meant to protect the domestic industry by limiting imports- these later evolved in to the Multi-Fiber Agreement. (Soyer, 2005) The union’s efforts however could not combat the push to increase profit margins by manufacturing offshore and union membership continued to decline as garment industry jobs moved overseas.

### Late 20<sup>th</sup> century

By the end of the twentieth century, more and more retailers and designers had their own labels and were choosing to keep costs down by sending their manufacturing jobs out to contractors overseas. In 1970 the industry employed 173,304 workers locally but by 1987 only 105,000 remained. (Soyer, 2005)

Concerned that real estate pressures were accelerating manufacturing job loss in the district, the ILGWU asked the city to study the advantages of a central garment center and to determine how the district’s apparel firms could be expected to withstand development pressures. At the time of the study, 69% of all space in the center was characterized by apparel uses. The Department of City Planning released the results, which stated that firms depend on proximity with manufacturers to maintain relationships and be efficient. The study also determined the industry

to be vital to the economic diversity of the city and that it was an important source of employment for minorities. These findings resulted in the creation in 1987 of the Special Garment Center District (SGCD), which mandated that approximately 8.7 million square feet of space be conserved for manufacturing and apparel-related uses. The special zoning was created to inhibit building conversions by requiring buildings to commit space within mid-block buildings to apparel production activities. (DCP, 1987)

In the 1990s, unions lost members and influence and were dealing once again with competition from unregulated sweatshop labor. Unions all over the US found themselves in similar situations and began to seek each other out in order to stay afloat. In 1995 ILGWU’s 125,000 remaining members nationwide merged with the Amalgamated Clothing and Textile Worker’s Union (which itself was a merger



Fig. 14 2009 Save the Garment Center Rally.

## THE MAKING OF A FASHION CAPITAL

between the Amalgamated Clothing Workers of America with the Textile Workers Union). The new union was called Union of Needle Trades, Industrial, and Textile Employees or UNITE. In 2004, UNITE merged with the Hotel Employees and Restaurant Employees International Union (HERE) to form UNITE HERE. (Soyer, 2005)

### 21<sup>st</sup> century

Most recently in 2007, the city, in response to ongoing complaints from landlords that the zoning is outdated and depresses rents, looked at changing the regulations and drastically

reducing the amount of square footage reserved for manufacturing. Serious objections were raised by designers, manufacturers, and others concerned about the future of the Garment District.

The fashion industry has a long history of economic vitality in New York. The rise in imports and offshore manufacturing has led to the loss of significant portions of the garment manufacturing sector that once dominated the industry. Today wholesale and retail are the most profitable areas of the industry. (EDC, 2010) However, there remains a very

vital core of the Garment District that has adapted and even thrived in response to changes in the marketplace, moving away from mass production to specialize in areas where they have a competitive advantage. And the marketplace itself is constantly changing as consumers re-think their relationship with products they consume. The sections of the report that follow document many of the important assets of the Garment District that need to be more effectively leveraged in support of the broader fashion industry.

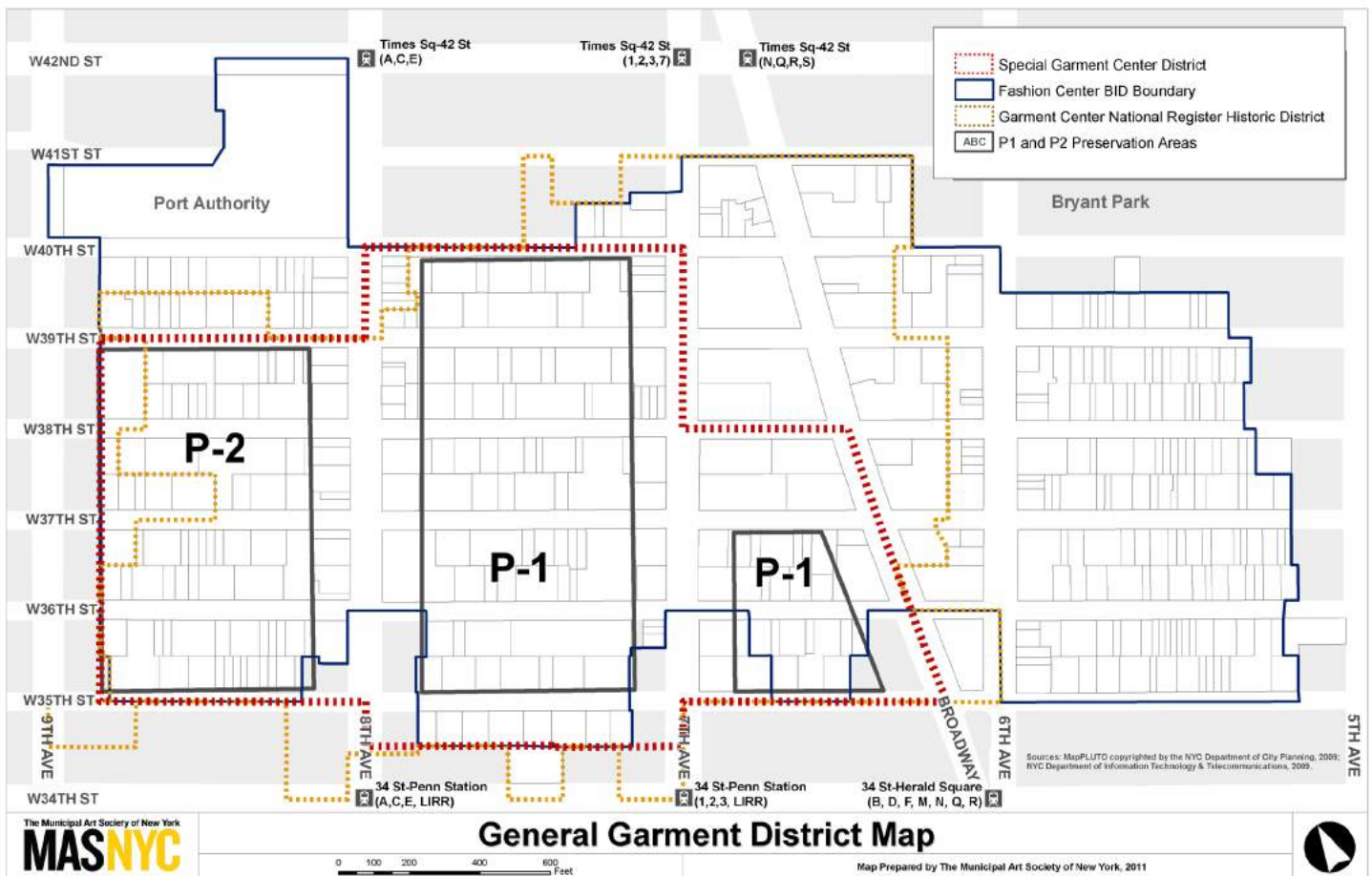


FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# II. WHERE WE ARE TODAY

# WHERE WE ARE TODAY

Over the years, the fashion industry has played a major role in shaping the social, cultural, and political landscape of New York City and it continues to energize and strengthen the city today. The following section details some of the direct and indirect contributions the fashion industry makes to the city's economy with a particular focus on the importance of the Garment District.



General Garment District Map

## Where is the Garment District?

The physical core of the district is defined by the zoning regulations of the Special Garment Center District. This special purpose district was created in 1987 to retain and preserve production and showroom uses in the blocks located roughly between 35<sup>th</sup> and 40<sup>th</sup> Streets, Broadway and 9<sup>th</sup> Avenue in Midtown Manhattan.

The midblock portions of this district were designated manufacturing preservation areas (P1), where residential uses and hotels are not allowed as-of-right, and the conversion of manufacturing to office space is restricted, requiring a certification from the City Planning Commission (CPC) that an equal amount of floor area is preserved for garment manufacturing. (NYC DCP, 2011)

In 2005, the re-zoning of Hudson Yards was approved affecting the blocks between West 30<sup>th</sup> and West 43<sup>rd</sup> Streets, between 7<sup>th</sup> and 8<sup>th</sup> Avenues on the east, and the Hudson River to the west. This proposal created a new preservation area (P2) in the Special Garment Center District in the midblocks between 8<sup>th</sup> and 9<sup>th</sup> Avenues. The Hudson Yards proposal imagined a new mixed-use central



## WHERE WE ARE TODAY



Fur businesses along 29th Street

business district. (NYC DCP, 2004) New residential and commercial space was permitted on lots with less than 70,000 square feet of floor area. The conversion of larger buildings (over 70,000 square feet) to residential, hotel, or office use is permitted by authorization of the CPC. (NYC DCP, 2011) These provisions have begun to erode the manufacturing protections put in place in 1987.

The boundaries of New York City's Garment District have been defined in a number of ways – the special zoning district, the state historic district, and the Fashion Center BID are a few of the commonly used ones. Our research has focused within the Fashion Center BID's boundaries primarily because we have the best data and information from which to make recommendations. There is nonetheless a significant amount of fashion related activity in the blocks outside the Fashion Center BID boundaries. Although the precise boundaries of the Garment District can be debated, what is clear is that the neighborhood has a concentration of fashion designers, garment manufacturers, showroom operators, wholesalers, retailers and buyers engaging in

the activities that make NYC an international fashion capital.

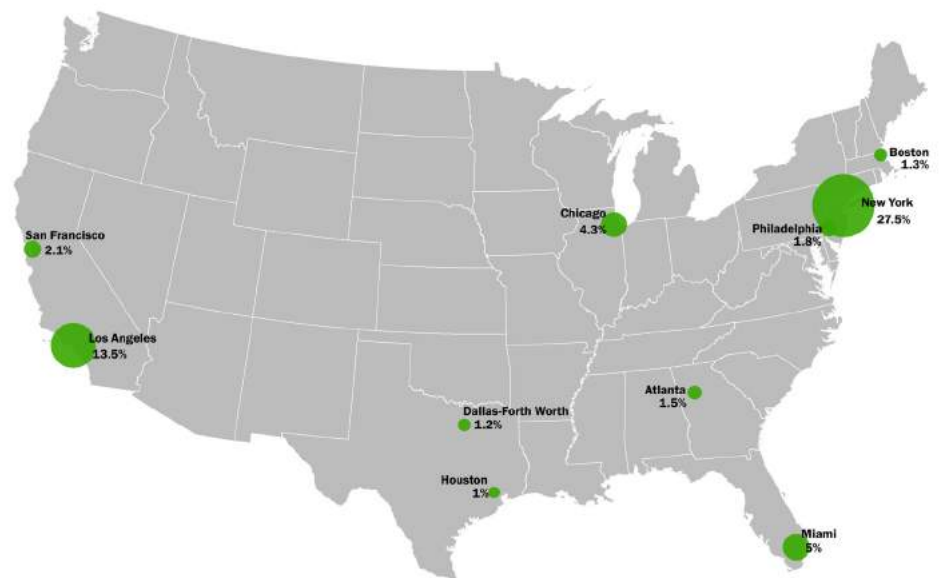
### What role does the fashion industry play in NYC?

New York City is an international leader in fashion design and innovation. This city is considered the most important fashion wholesale destination in the country, mainly because of the reputation, quality, and diversity of products.

According to a recent comparative analysis of American fashion cities, New York City has more fashion establishments than anywhere else in the country. New York City stands out nationwide for its concentration of wholesale and design establishments. These two segments of the industry account for 30% and 27.5% of the national share. New York City also accounts for 17% of the nation's total manufacturing establishments; and 14% of the suppliers in the country. (Currid; Williams. 2011)

Industry growth in New York City and LA has taken place through a process of market specialization that builds on specific niches. New York City is internationally renowned for its high-end fashion, while LA has emerged as a new hub for high-end casual sportswear, particularly denim. Both of these markets are heavily anchored in a downtown production cluster. (Currid; Williams. 2011)

In the case of NYC, the Garment District is both at the center of the city



National share of specialized design establishments, 2007. Image Courtesy of Sarah Williams, Co-Director, Spatial Information Design Lab, Graduate School of Architecture, Planning, Preservation (GSAPP), Columbia University.

## WHERE WE ARE TODAY

and region. Just as the city's financial sector helps support a larger regional economy with benefits that extend far beyond the city's boundaries, the fashion industry helps support regional employment. As documented by the New York City Economic Development Corporation, NYC's fashion industry employed 165,000 individuals in 2009. The total employment includes 50,000 working in wholesale / design (30%), 25,000 in manufacturing (15%) and 90,000 in retail (55%). (NYC EDC, 2010)

A recent calculation estimates that the concentration of fashion jobs in New York in 2010 accounted for 4.6% of the country's total. This is almost equal to that of financial services, which account for 5.6% of the nation's total; or that of media and entertainment, at 5.1%. Moreover, the concentration of fashion jobs in NYC is much higher than the concentration of total private jobs, at 2.9% nationwide, and that of other industries like bioscience, at 0.8%. (NYC EDC, 2011) It is clear from these numbers that the fashion industry is incredibly important to the city's economy. And, just as New York City invests in sectors like media and financial services it must continue to make investments in the fashion sector to secure this unique position.

The contribution of the fashion industry to New York City can be measured in a variety of ways. This industry is at the center of a larger economy that contributes to finance, marketing, merchandising, advertising, photography, modeling, higher education, theater and tourism. All of these sectors benefit from a network of economic activity that is often described as the "fashion ecosystem". Fashion is also essential to the city's cultural prominence, acting as an engine of the creative economy.

New York City share of US employment for specific industries, 2010				
Sources: NYS Department of Labor and U.S. Bureau of Labor Statistics, as quoted by NYC Economic Development Corporation, 2011				
		NYC	US	NYC Employment Market Share
		Employment	Employment	
Fashion Industry	Wholesale	50,261	406,053	12.4%
	Manufacturing	23,838	362,168	6.6%
	Retail	95,718	2,923,464	3.3%
	<b>Total Fashion</b>	<b>169,817</b>	<b>3,691,685</b>	<b>4.6%</b>
Total Financial Services		300,569	5,341,687	5.6%
Total Media & Entertainment		288,101	5,686,997	5.1%
Total Bioscience		8,673	1,144,529	0.8%
<b>Total Private</b>		<b>3,043,490</b>	<b>106,198,248</b>	<b>2.9%</b>

New York City share of U.S. employment for specific industries, 2010] (NYC EDC, 2011)

Its cultural impact goes far beyond numbers, but the most concrete way to understand its importance would be to measure its contribution to the economy of New York City. (NYC EDC, 2009; NYC EDC, 2010)

- The fashion industry generates \$9 billion in total wages citywide, and \$1.7 billion annually in tax revenues;
- Total sales are estimated at \$55.6 billion per year--\$34.7 billion from wholesale / design; \$8.7 billion from manufacturing; and \$12.8 billion from fashion retail;
- Wholesale is the most prominent sector, and is structured around a semi-annual fashion week (250 fashion shows), a series of trade shows that take place in Javits Center and approximately 5,000 showrooms;
- The wholesale market contributes \$16.2 billion annually in direct spending;
- The contribution of fashion week, a semiannual event that takes place in September and February, is estimated at \$466 million in direct visitor spending per year leading to \$773 million in economic impact per year;
- About 578,000 individual wholesale buyers and fashion event attendees

visit NYC every year. In fact, 14% of all NYC conventioners are fashion buyers—international fashion buyers are considered "high-end" and "high-spend" visitors compared to other conventioners, and spend \$11,903 per visit;

- The average buyer visits New York City 4.2 times a year to attend fashion trade shows, staying 4 days and 3.4 nights.

To secure the economic contribution of these visits, the city needs to support the origin of much of that activity – the Garment District. The district is a tremendous asset that makes fashion innovation, research and development in New York City possible. A strong interaction between designers, manufacturers, wholesalers and retailers, makes the city a vibrant capital of fashion innovation. These activities are anchored in the Garment District, where the density of fashion-services and the formal and informal relationships that exist in the neighborhood do not exist anywhere else in the world. (Teng, 2011) The direct and indirect contributions of the industry to the city's economy are heavily anchored in this neighborhood, attracting fashion designers from all over the city, country and abroad. (CFDA; DTFPS, 2010)

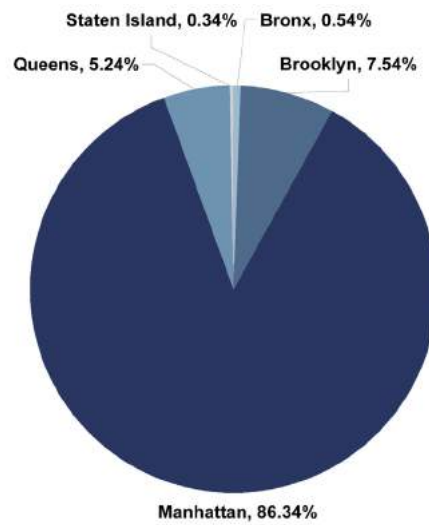
Brands like Nepenthes New York, or

## WHERE WE ARE TODAY

Owner Operator, are excellent examples of a creative breed of young design talent creating new fashion trends, while building relationships with factories in the district, where they base 100% of their production. Designers like these set New York City apart from London or Paris—cities that have either lost or are struggling to sustain the diversity of services that designers require for product development.

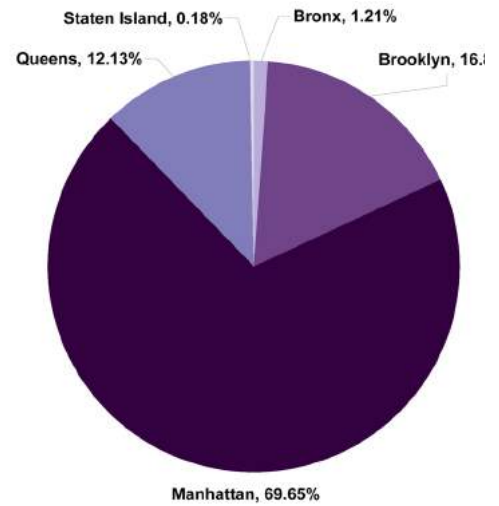
The New York State Department of Labor confirms that New York City fashion activity is concentrated in Manhattan, followed by Brooklyn and Queens<sup>1</sup>. Manhattan hosts more businesses and employees across different sectors of the industry than the other boroughs, with the majority of that fashion activity heavily clustered in and around the Garment District.

Zip codes 10018, 10036 and 10001 together, which include the blocks in and around the Garment District, have a much higher concentration of non-retail fashion establishments and employees than the rest of the city's zip codes. According to the New York State Department of Labor, zip code 10018, which roughly corresponds to the Garment District boundaries, has a total of 2,213 fashion establishments, or 16% of the total fashion businesses in the city. The concentration of activity in the Garment District is also true for the number of industry employees, where this zip code employs 25,412 people, or 16% of the city's total fashion jobs. Excluding fashion retail, the economic activity generated in the Garment District from wholesale, design and manufacturing combined, accounts for 1,953 establishments, or 25% of the fashion establishments, and

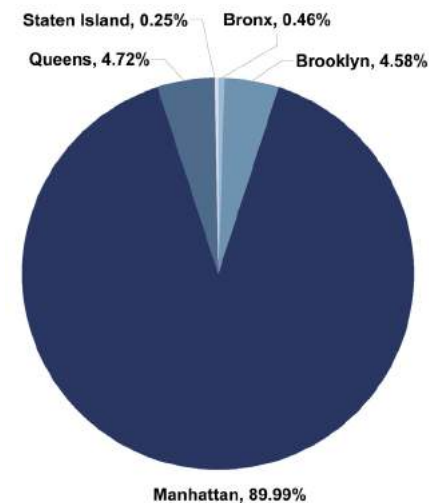


Wholesale / design

Distribution of fashion establishments in NYC, 2009

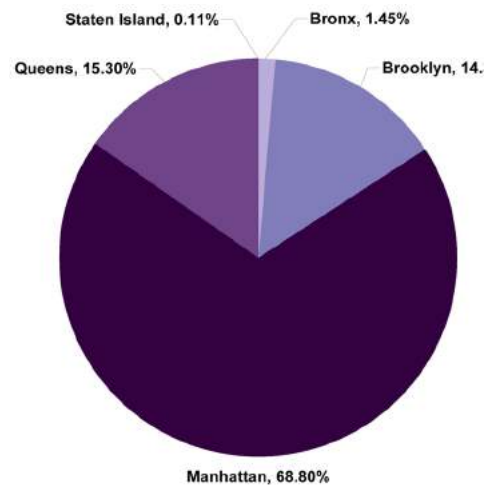


Manufacturing



Wholesale / Design

Distribution of fashion average annual employment in NYC, 2009



Manufacturing

22,171 jobs, or 31% of the total fashion annual employment. (NYS DOL, 2009)

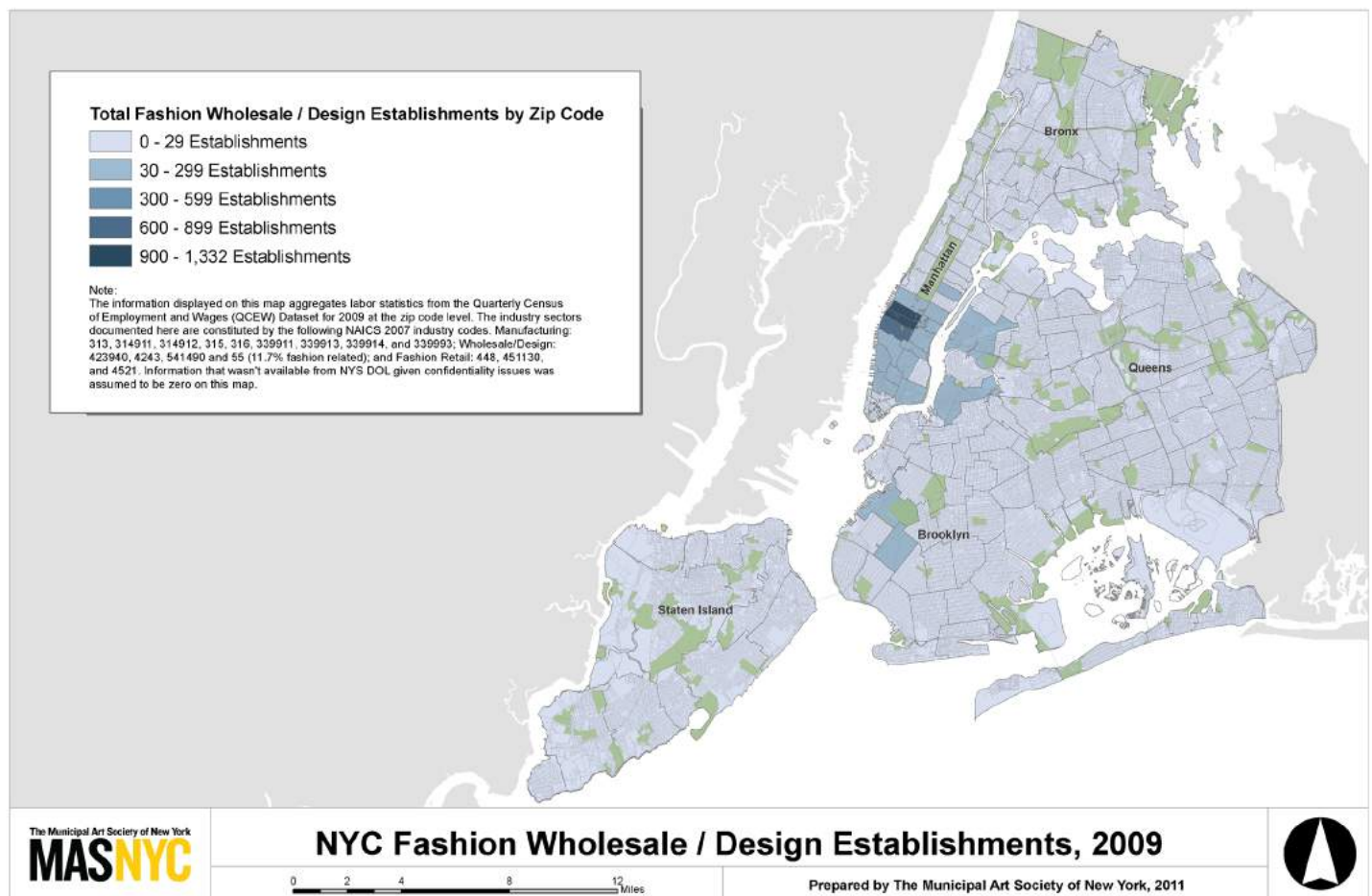
The Fashion Center BID 2010 Tenants Survey<sup>2</sup> is a useful resource to further understand how fashion services are distributed across the Garment District. Most

of the total of 3,348 fashion services surveyed are within the blocks between 7<sup>th</sup> and 8<sup>th</sup> Avenues. This area has a diverse mix of wholesalers, showrooms, production services and suppliers. This activity occurs primarily on the midblocks as well as in a few buildings along 8<sup>th</sup>

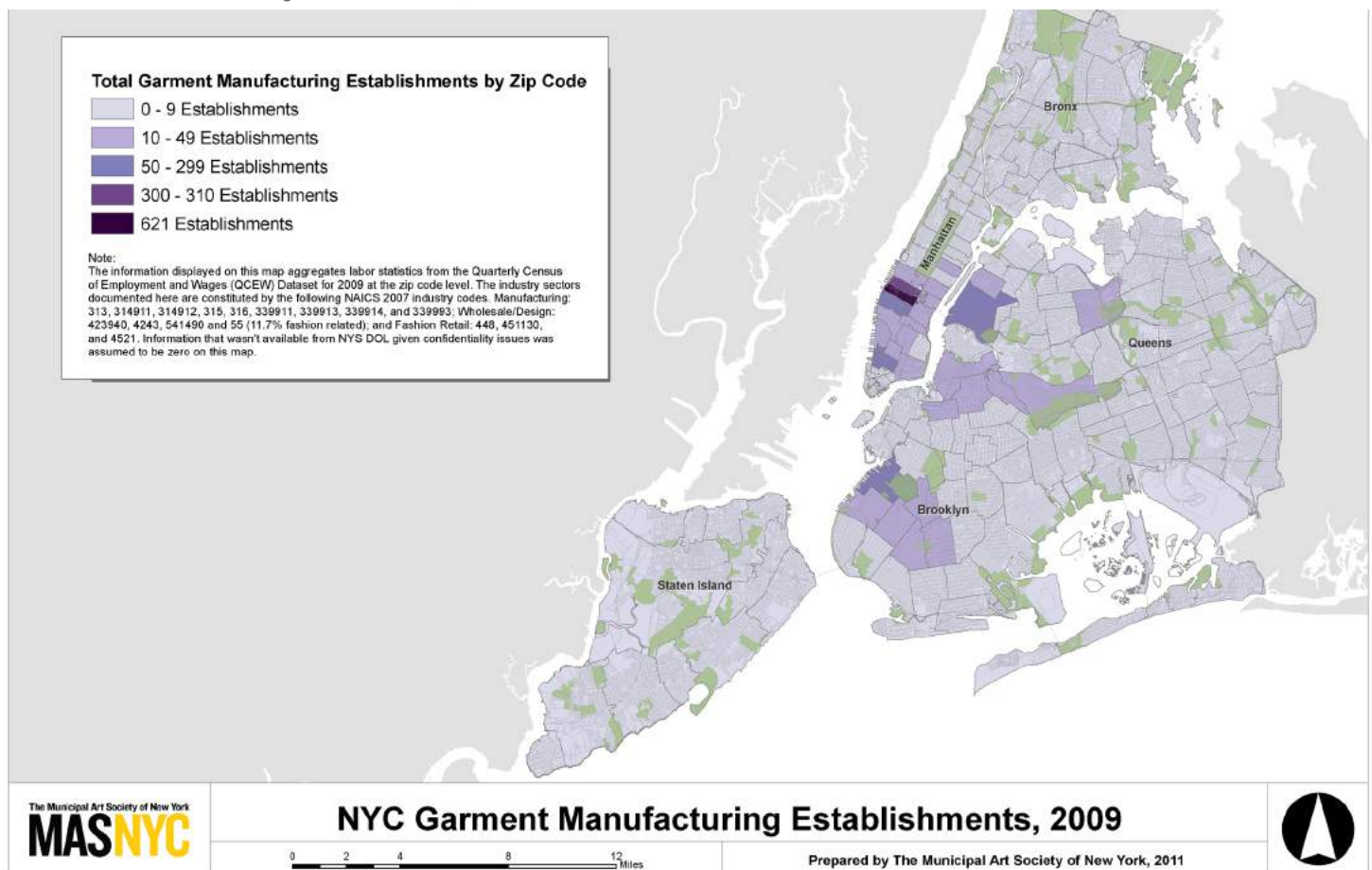
<sup>1</sup>At the time of this research the most updated complete dataset available from the New York State Department of Labor was the Quarterly Census of Employment and Wages (QCEW) 2009 Data.

<sup>2</sup>The information in these paragraphs is from the 2010 FCBID survey of commercial tenants. Results of the voluntary and self-categorizing survey are based upon a 64.4% response rate of 3,526 distributed forms. Data plotted reflects service location and is not adjusted for square footage occupied, number of employees, amount of sales, or number of establishments.





Distribution of fashion wholesale / design establishments in NYC, 2009



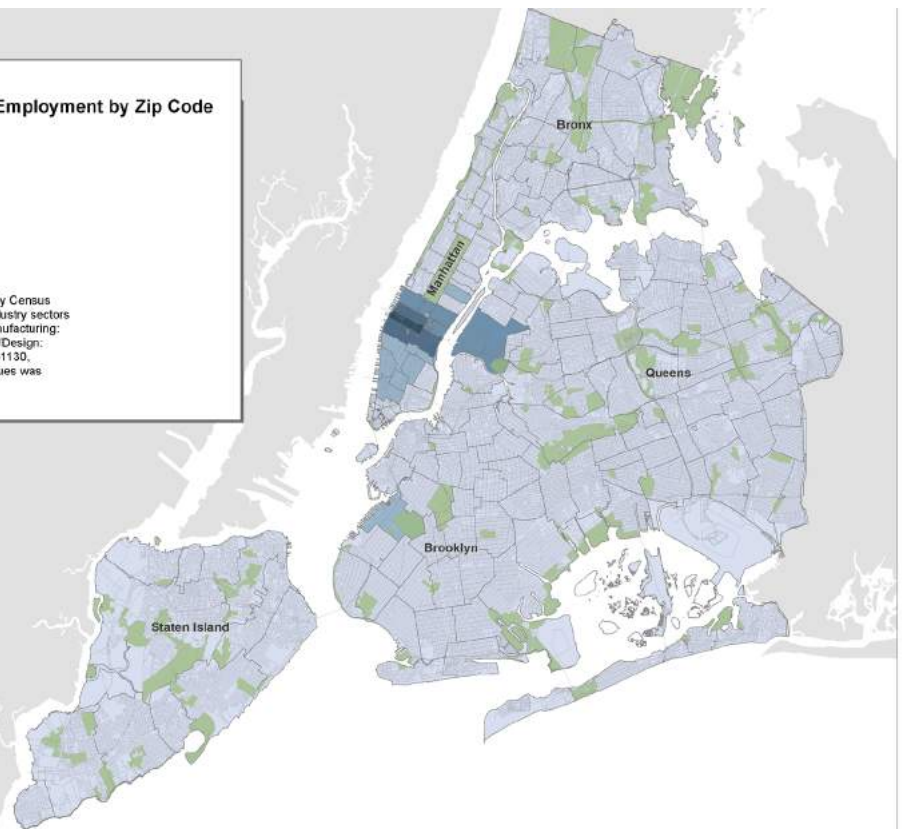
Distribution of apparel manufacturing establishments in NYC, 2009

### Total Fashion Wholesale / Design Average Annual Employment by Zip Code

- 0 - 249 Employees
- 250 - 1,199 Employees
- 1,200 - 2,499 Employees
- 2,500 - 7,028 Employees
- 14,171 Employees

**Note:**

The information displayed on this map aggregates labor statistics from the Quarterly Census of Employment and Wages (QCEW) Dataset for 2009 at the zip code level. The industry sectors documented here are constituted by the following NAICS 2007 industry codes. Manufacturing: 313, 314911, 314912, 315, 316, 339911, 339913, 339914, and 339993; Wholesale/Design: 423940, 4243, 541490 and 55 (11.7% fashion related); and Fashion Retail: 448, 451130, and 4521. Information that wasn't available from NYS DOL given confidentiality issues was assumed to be zero on this map.



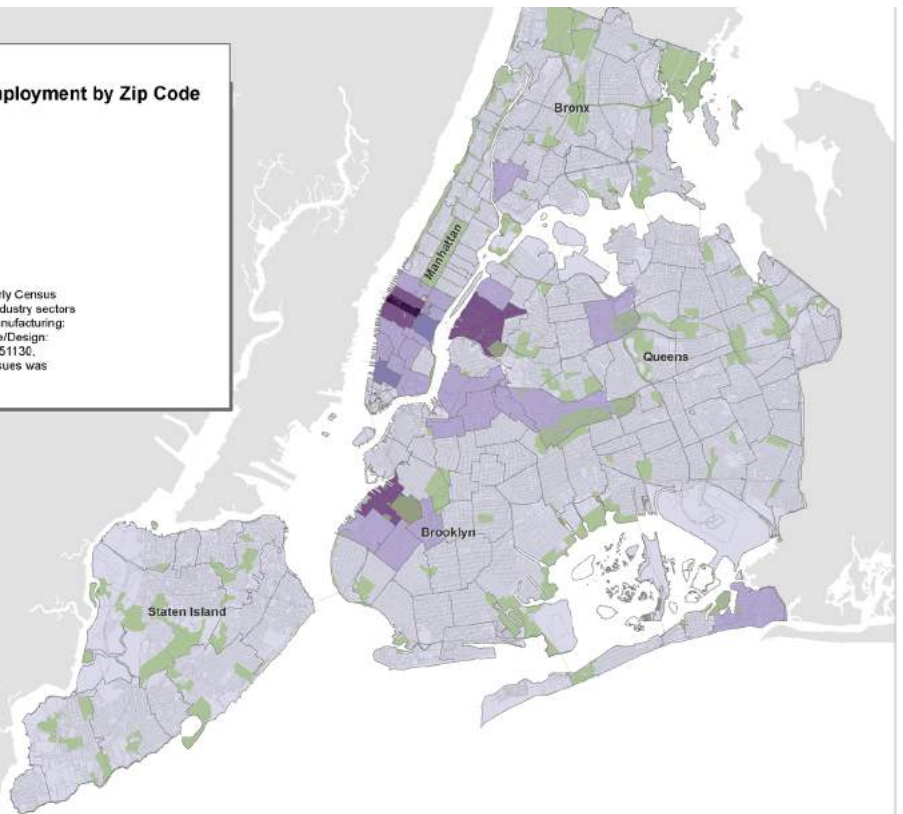
Distribution of fashion wholesale / design average annual employment in NYC, 2009

### Total Garment Manufacturing Average Annual Employment by Zip Code

- 0 - 99 Employees
- 100 - 499 Employees
- 500 - 999 Employees
- 1,000 - 1,884 Employees
- 8,000 Employees

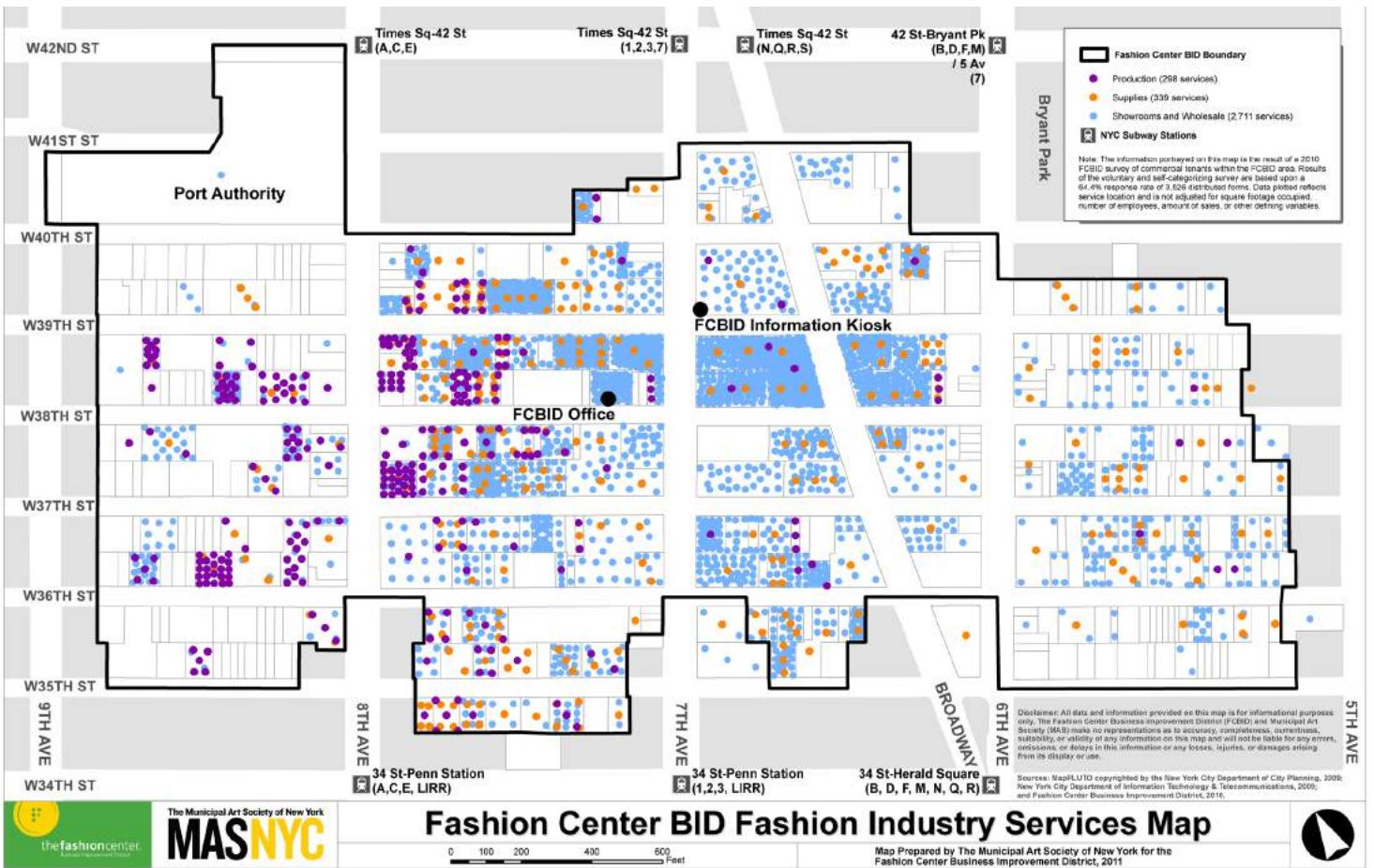
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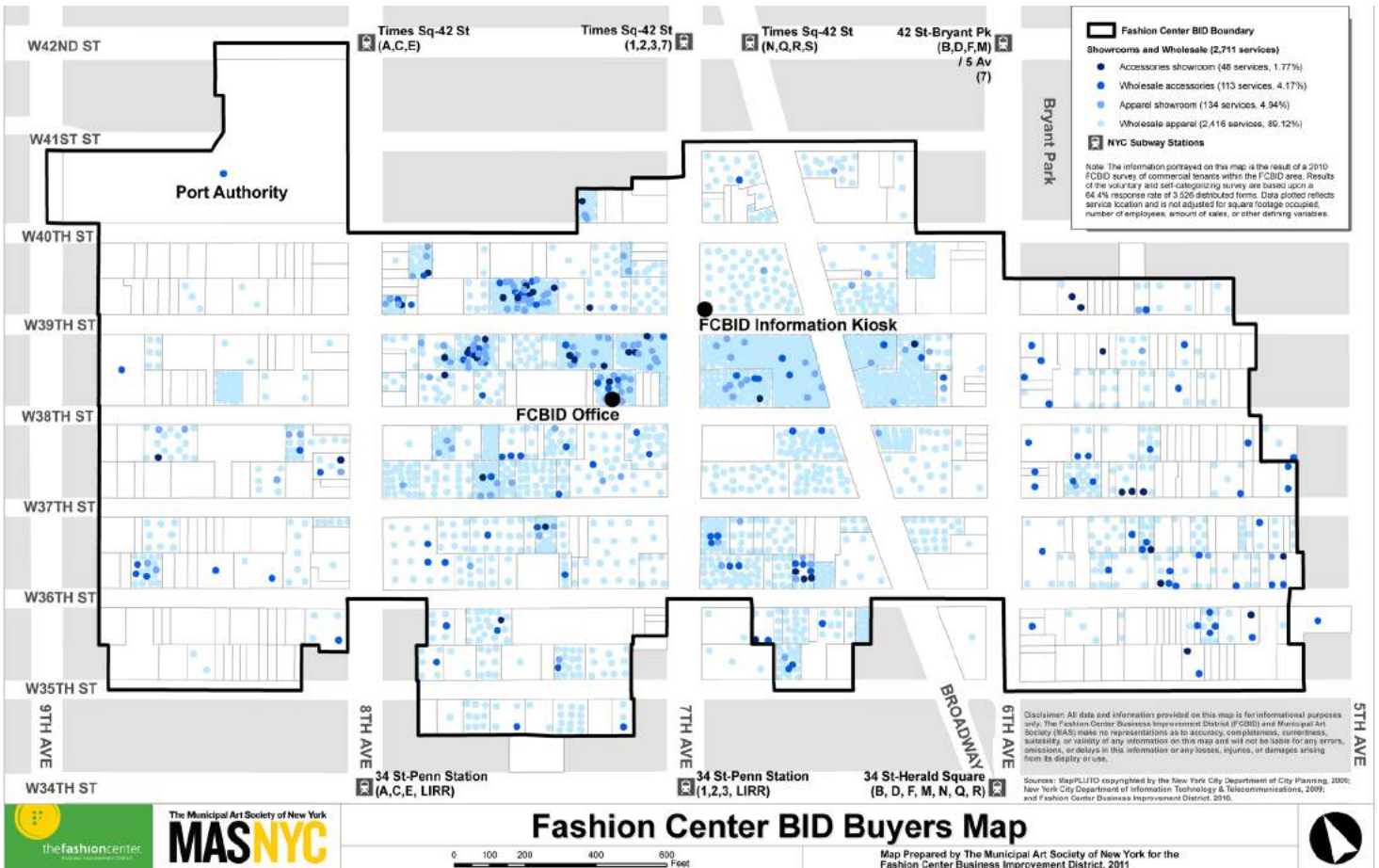


Distribution of apparel manufacturing average annual employment in NYC, 2009



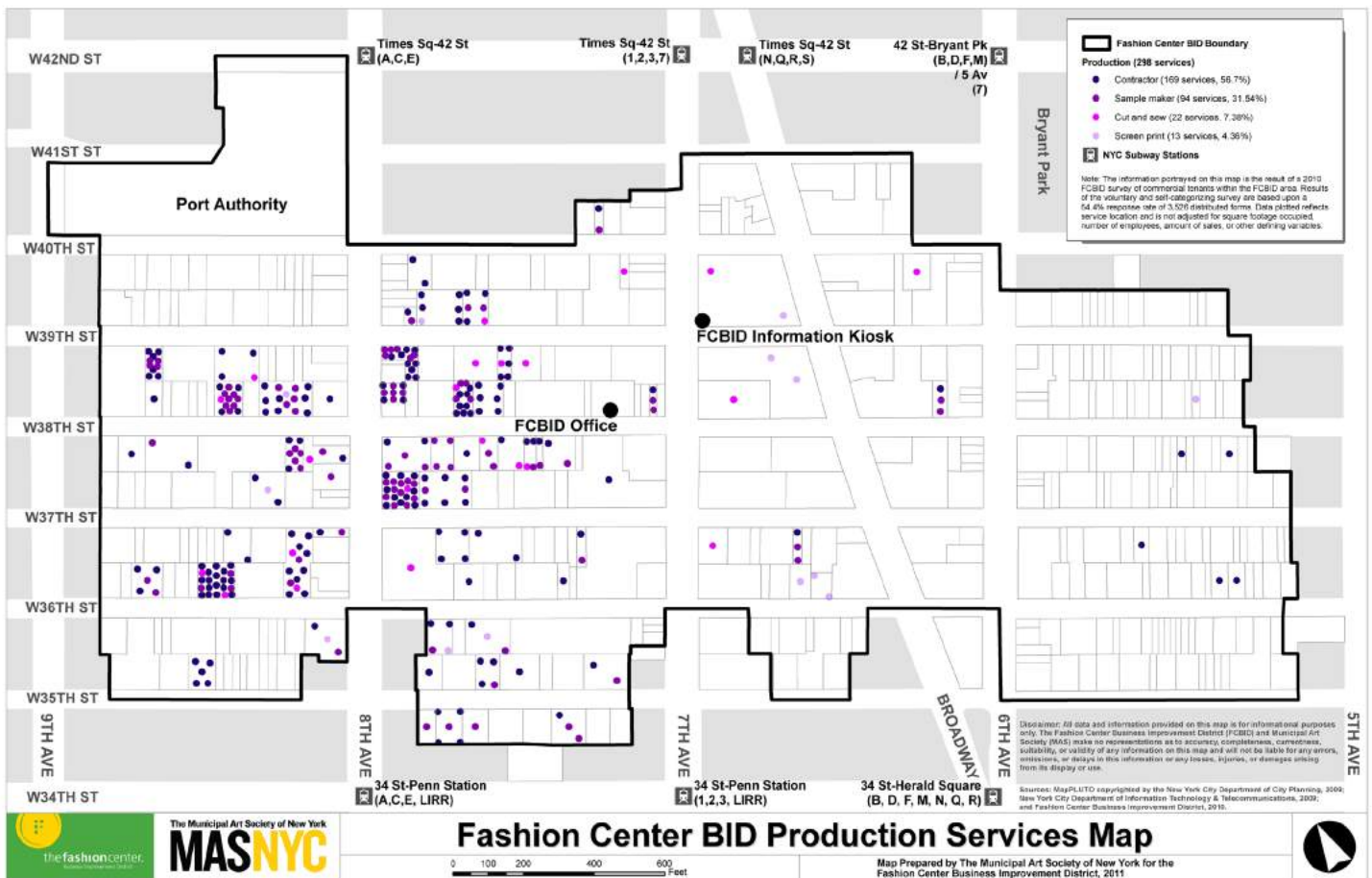


FCBID general fashion industry services map, 2010

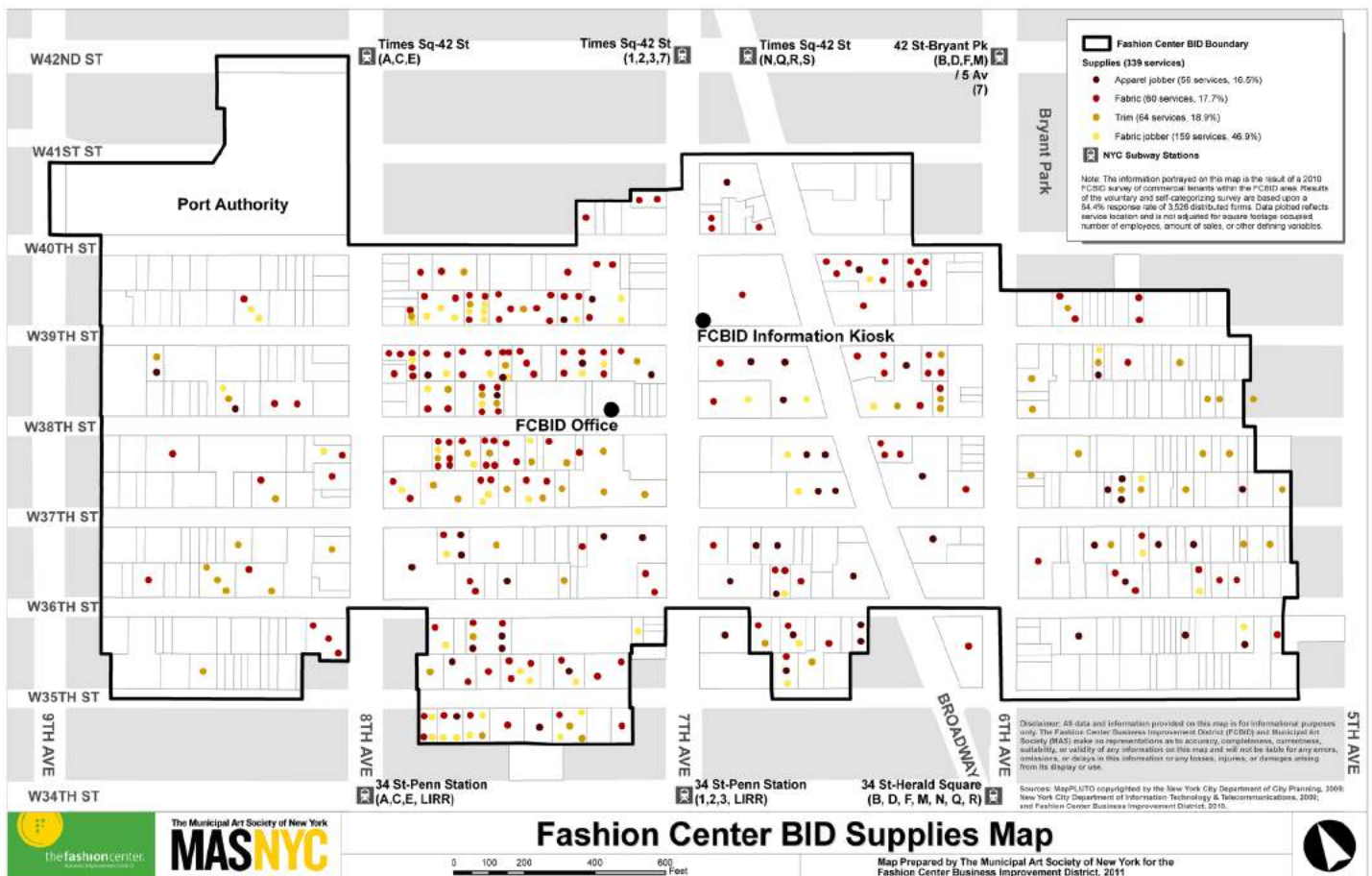


FCBID buyers map, 2010





FCBID production services map, 2010



FCBID suppliers map, 2010

## WHERE WE ARE TODAY

Avenue. This clustering attracts designers who need to be in close proximity to production businesses, and suppliers to buy the necessary raw materials. This is one critical asset that gives New York City an advantage over other fashion centers. (CFDA; DTFPS, 2010)

The majority of fashion services are classified as showrooms / wholesalers, constituting 2,711 services, or 81% of the total surveyed. These companies display, store and sell designs and finished garments to retail stores and buyers that visit the Garment District from all over the world. (CFDA; DTFPS, 2010) According to the survey, these businesses can be found throughout the district, but the blocks between West 37<sup>th</sup> and West 40<sup>th</sup> Streets, between 6<sup>th</sup> and 8<sup>th</sup> Avenue have a particular concentration. The location of showrooms clustered in large buildings along Broadway and 7<sup>th</sup> Avenue make it easier for buyers to shop more efficiently and the location along these central streets gives the showrooms additional prominence.

Survey data shows that production services are not only concentrated in a few blocks but in a few specific buildings. The survey identified a total of 298 production services, including an array of contractors that support designers, translating their ideas into garment samples. This includes specialty manufacturers such as pattern makers that turn the designer's drawings into fabrication pieces; experts in cutting fabric; assemblers that sew and finish the garments; and suppliers that sell the raw materials or decorate fabrics through embroidering or screen printing for silk and other materials (CFDA; DTFPS, 2010) There were 207 production service providers, or 69.5% of the total surveyed, located within



FCBID street furniture / signage



Garment District along 7<sup>th</sup> Avenue

the blocks between West 36<sup>th</sup> and West 40<sup>th</sup> Streets, between 7<sup>th</sup> and 9<sup>th</sup> Avenues.

### Who is in the Garment District?

The Garment Center Supplier Association (GCSA) is a trade association that voices the needs of apparel manufacturers and suppliers in the neighborhood. Their mission is to retain the vital services that NYC designers use to translate a sketch into a finished piece. Today, the GCSA is one of the few organizations that provides a voice for the needs of garment manufacturers—a largely immigrant and non-unionized workforce.

In 2009, the GCSA developed a survey of factories in New York City that sheds additional light on the characteristics of the manufacturing businesses. The survey interviewed 148 manufacturing companies, of which 108, or 73%, were located in zip code 10018. The median number of employees for the companies surveyed during the busiest part of the year is 14 employees—although the largest five companies employ be-

tween 65 to 120 workers. The median amount of space occupied by these companies is 3,400 square feet—where the five largest companies occupy between 9,000 to 12,500 square feet.

Almost half of these companies (48.1%) report a total annual revenue between \$100,000 and \$500,000. The rest of them evenly reported revenues under \$100,000, and between \$500,000 and \$5 million—with only two companies reporting over \$5 million. (GCSA, 2009)

To better understand these companies, we conducted five case studies of garment manufacturing companies operating in the district. These studies were developed as semi-structured conversations with factory owners, whose businesses were representative of the kinds of firms in the district based on size, but varied in terms of manufacturing skills. As defined by the factories, the services range from cutting and sewing, and sample making to sophisticated embroidery.



## WHERE WE ARE TODAY

Manufacturers in the Garment District are highly entrepreneurial. They often engage in more than one venture, and sometimes they run their own design labels. The relatively small size of these companies allows factories to expand and contract in relation to these cycles in order to adapt to changes in demand, or fluctuations in the economy. Although inexpensive rent is helpful, manufacturers find one of their greatest challenges to be attracting a constant number of orders year-round. The demand peaks twice a year around Fashion Week, but it slows during the rest of the year.

Garment manufacturers are niche players that survive primarily because of their locational advantage in the center of NYC's fashion industry—in close proximity to fashion designers and buyers. Other advantages derive from artisanal production techniques, relatively skilled workers, trust they have established with designers, and their ability to turn around small orders quickly. They are not equipped to compete for large production runs. These companies confirm that their most important competitive advantage is their ability to interact one on one with designers and their capacity to produce high-quality manufacturing goods.

### Where is manufacturing?

The most reliable resource available for determining how space is being utilized in the Garment District is the Comprehensive Study of Tenants in Buildings within the P1 and P2 Sections of the Special Garment Center District. This study was a joint effort of the Council of Fashion Designers of America (CFDA) and the Fashion Center BID. (CFDA / FCBID, 2009)

In order to provide a comprehensive view of the land uses and building



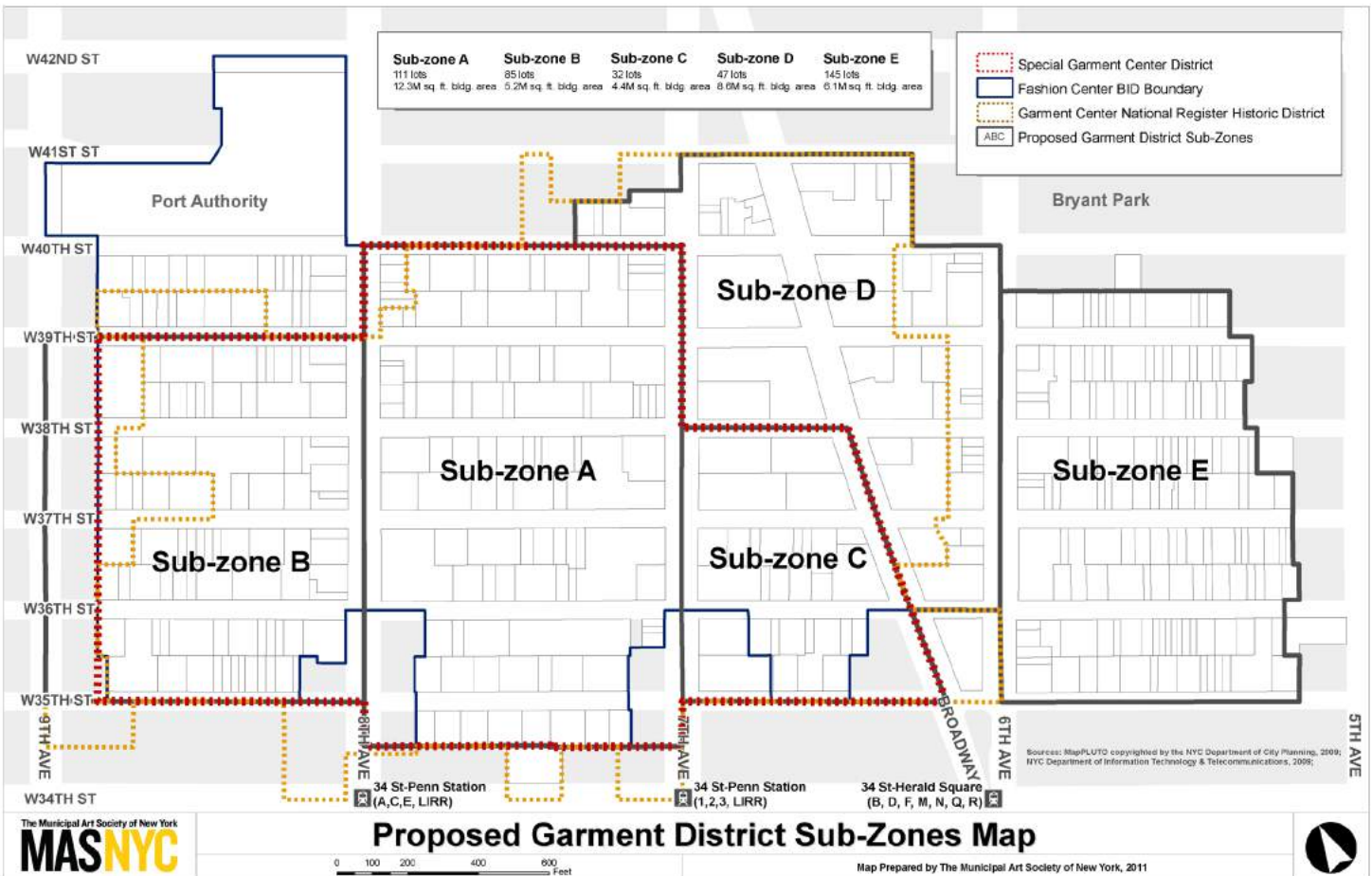
Garment District factories

forms in the Garment District we have blended the information from the CFDA / Fashion Center BID survey with data from the NYC Departments of City Planning and Buildings, as well as the Fashion Center BID tenant's survey described earlier. These datasets reveal important differences within the Garment District. Based upon these differences we have broken down the district into 5 sub-zones which help to inform

our land use recommendations.

The CFDA / Fashion Center BID land use survey determined that there are 1,447 fashion tenants including manufacturers, designers with in-house manufacturing, showrooms, warehouses, retailers, and other office uses related to the industry. In contrast, there are 1,029 non-fashion tenants in the district—space used for other types

## WHERE WE ARE TODAY

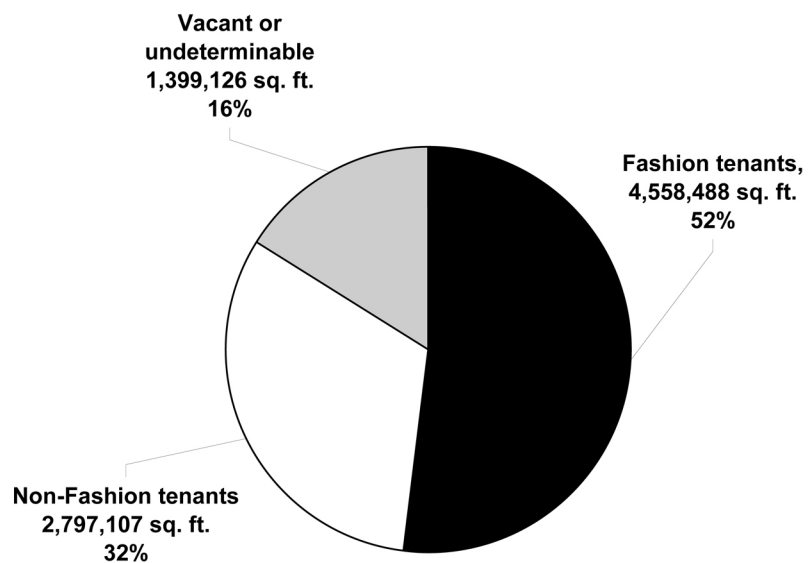


Proposed garment district sub-zones map

of manufacturing, offices, institutional uses, and other forms of retail.

From the total 8,754,721 square feet of building area surveyed, 4,588,488 square feet, or 52%, is occupied by these fashion tenants. 2,797,107 square feet, or 32%, is occupied by non-fashion tenants. The remaining 1,399,126 square feet, or 16%, is either vacant or undeterminable.

In general, the land use survey documents a predominance of office space over manufacturing. 3,458,525 square feet is occupied by office space. This is 40% of the total area surveyed, which is used both by fashion and non-fashion tenants. In comparison, total manufacturing uses occupy 1,569,557



Distribution of fashion and non-fashion uses in comprehensive study of tenants in buildings within PI and P2 sections of the special garment center district. (CFDA / FCBID, 2009)

## WHERE WE ARE TODAY

square feet, or 18% of the surveyed area—1,324,176 square feet, or 15% of the total area surveyed, was determined to be used by fashion related manufacturing tenants.

Of the total commercial space, 3,234,312 square feet are occupied by fashion tenants. 1,327,870 square feet, or 15.2% of the total area surveyed, was classified as fashion office space. Showrooms occupy 1,029,690 square feet, or 11.8%; warehousing accounts for 662,353 square feet, or 7.6%; and retail occupies the remaining 214,399 square feet of space, or 2.4% of the total area.

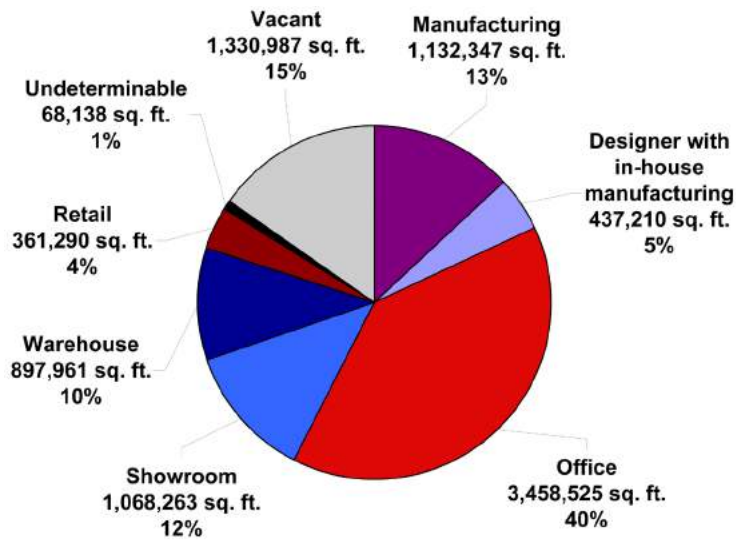
A large concentration of fashion activity within the Special Garment Center District is located between 7<sup>th</sup> and 8<sup>th</sup> Avenues. These blocks have the largest share of apparel manufacturing space. The second largest share is in the blocks between 8<sup>th</sup> and 9<sup>th</sup> Avenues. Manufacturing within these two areas is not evenly distributed but is further concentrated in several buildings.

### Sub-Zone A

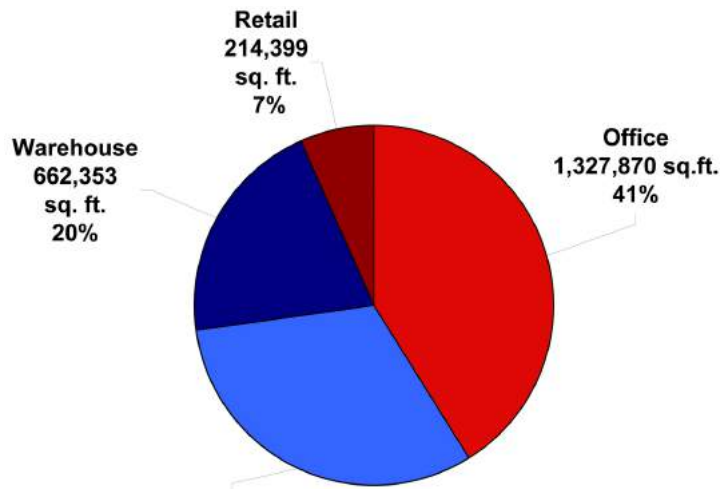
111 lots, total gross building area of 12,311,483 square feet. (NYC DCP, 2009)<sup>3</sup>

Sub-zone A includes the lots between West 35<sup>th</sup> and West 40<sup>th</sup> Streets between 7<sup>th</sup> and 8<sup>th</sup> Avenues. This area includes the P1 preservation area between 7<sup>th</sup> and 8<sup>th</sup> Avenues and is zoned M1-6.

Sub-zone A has the largest share of fashion activity in the Garment District. The midblocks in this sub-zone account for more than half of the documented manufacturing space (50.3%), and an even higher share of the total space occupied by designers



Distribution of land uses in CFDA / FCBID comprehensive study of tenants in buildings within P1 and P2 sections of the special garment center district (CFDA / FCBID, 2009)



Distribution of fashion, non-manufacturing, land uses in CFDA / FCBID comprehensive study of tenants in buildings within P1 and P2 sections of the special garment center district (CFDA / FCBID, 2009)]

<sup>3</sup>Two lots in this section extend beyond the boundaries of the sub-zone, occupying the entire depth of the block between 34<sup>th</sup> and 35<sup>th</sup> Streets.



## WHERE WE ARE TODAY

with in-house manufacturing (71.4%). Combining these two types of manufacturing space, these blocks account for more than half of the total manufacturing area surveyed (56.2%). Sub-zone A is also the primary location of showrooms, with almost three quarters (74.5%) of the total showroom space located in this area.

According to the Department of City Planning PLUTO data, there are important distinctions between the individual buildings in sub-zone A. The buildings in the midblocks, with a few exceptions along 8th Avenue, are mostly pre-war loft buildings with an average height of 12 stories, designed for manufacturing. In contrast, most structures along 7th Avenue are a combination of retail and office and are considerably higher, reaching 45 stories between West 37th and West 39th Streets. (NYC DCP, 2009)

Although the CFDA / Fashion Center BID land use survey didn't include buildings along the avenues, both the GCSA factory survey and the Fashion Center BID tenants survey document an important concentration of production activity on 8th Avenue. The GCSA factory survey documented 9 manufacturing companies on the east side of 8th Avenue, on the blocks between West 39th and West 37th Streets. We estimate that these businesses occupy a total of 22,000 square feet. In addition, the Fashion Center BID's tenants survey documents additional pockets of manufacturing services in these blocks.

### Sub-Zone B

*85 lots, total gross building area of 5,268,941 square feet. (NYC DCP, 2009)*

This sub-zone includes the blocks located between West 35th and West 39th Streets, and 8th and 9th Avenues—



photo: Giles Ashford



photo: Giles Ashford

Building fabric in sub-zone A

including the P2 preservation area of the Special Garment Center District. In contrast to sub-zone A, only the lots abutting 8th Avenue are zoned M1-6. The lots along 9th Avenue are zoned C1-7A, and the midblocks are zoned C6-4M. These blocks were re-zoned in 2005 as part of the larger Hudson Yards re-zoning, which allowed residential and hotel construction on lots less than 70,000 square feet in floor area. This re-zoning has introduced non-industrial land uses—including residential, commercial,

public facilities and institutions to the mix of manufacturing and commercial uses that existed prior to the re-zoning. According to the Fashion Center BID's 2009 and 2010 economic profiles, there have been 6 recent hotel developments with 987 hotel rooms and more under construction. (NYC EDC, 2009; NYC EDC, 2010)

Sub-zone B is the second most important concentration of fashion activity in the neighborhood. 45.4% of the man-



## WHERE WE ARE TODAY



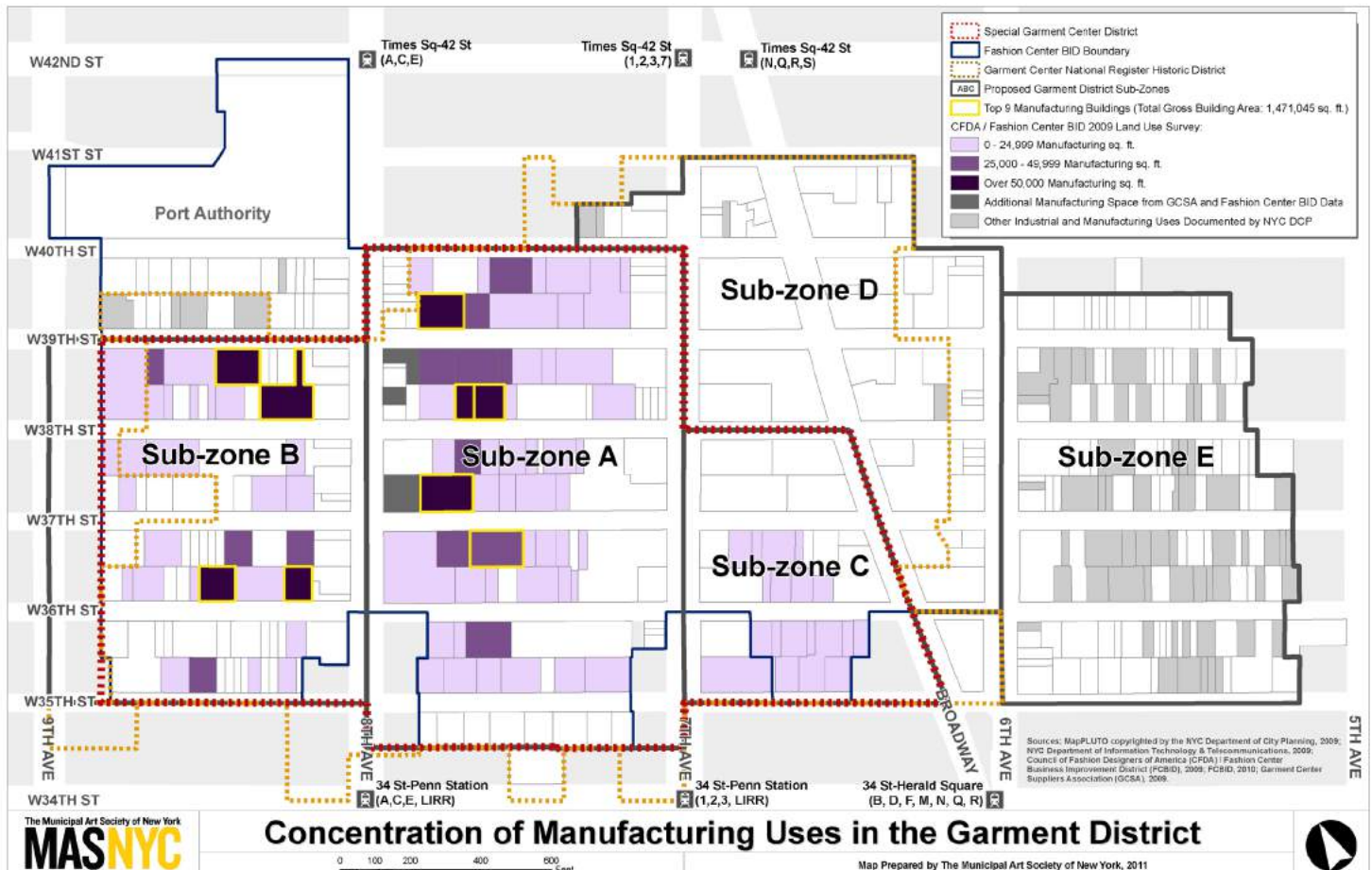
Fig. 24 (24a + 24b) Building fabric in sub-zone B

ufacturing area, and 15% of the space surveyed for design companies with in-house manufacturing, is contained in this sub-zone. More than a third of the total manufacturing space, or 37.1% of the total manufacturing space surveyed,

is located there<sup>4</sup>. However, there are considerably fewer showrooms in sub-zone B, only 8.2% of the total assessed for this land use group in the CFDA / FCBID survey. Just as with sub-zone A, manufacturing is not distributed evenly

and there is an important concentration of production activity in specific buildings between West 36<sup>th</sup> and West 39<sup>th</sup> Streets.

Sub-zone B has a more diverse mix of building types. There is still a significant collection of pre-war loft buildings in the midblocks; however, this area also has a number of residential buildings, office buildings, and recent hotel developments between West 39<sup>th</sup> and West 40<sup>th</sup> Streets, in proximity to the Port Authority. 9<sup>th</sup> Avenue, in particular, has a number of walk-up residential buildings. In contrast, structures along the west side of 8th Avenue tend to be much taller and primarily consist of retail and offices. (NYC DCP, 2009)



Concentration of manufacturing uses in the garment district map

<sup>4</sup>According to the CFDA / Fashion Center BID survey, there is a total of 7 non-fashion manufacturing spaces in the study area.

## WHERE WE ARE TODAY

According to the CFDA / Fashion Center BID land use survey, 589,820 square feet, or 44.5% of the total 1,324,176 square feet assessed for fashion-related manufacturing, are concentrated in 9 buildings within sub-zones A and B<sup>5</sup>. These buildings were originally built for manufacturing in the 1920s and 1930s and based on the concentration of manufacturing tenants in these buildings today still continue to provide functional manufacturing space. An additional 306,416 square feet of manufacturing space, or 23.1%, is located within a second tier of 9 buildings, and the remaining is spread out across the rest of the surveyed area.

The total gross square footage of the top 9 manufacturing buildings is equal to 1,471,045 square feet. This is larger than the total amount of fashion-related manufacturing space in the special district. Given that manufacturing is concentrated in relatively few buildings within the study area, there is potential to further consolidate manufacturing in a select few buildings, and allow the introduction of other complementary uses elsewhere in the Garment District.

### Sub-Zone C

*32 lots; total gross building area of 4,370,675 square feet. (NYC DCP, 2009)*

Sub-zone C contains the remaining lots within the Special Garment Center District, between West 36<sup>th</sup> and West 39<sup>th</sup> Streets, Broadway and 7<sup>th</sup> Avenue. This area is very similar to sub-zone A in terms of zoning. There is a second P1 preservation area in this sub-zone, and all lots are zoned M1-6. According to the CFDA / Fashion Center BID land use survey, the midblocks in this sub-zone have the lowest neighborhood share of factory space, where manufacturing and designers with in-house

<sup>5</sup>This area accounts for fashion related manufacturing space.

manufacturing space account for just 6.7% of the total manufacturing space in the survey.

These blocks stand out for the large number of showrooms. 17.3% of the total showroom space is located in this area. Following sub-zone A, this is the second largest concentration of showrooms in the district, particularly between West 37<sup>th</sup> and West 38<sup>th</sup> Streets, to the north of the P1 preservation area.

Within the P1 area, the majority of the buildings are pre-war loft buildings. The avenues, however, have a number of post-war buildings that are better suited for office and showroom space. (NYC DCP, 2009) Recently, some of the buildings have sold and the new building owners are trying to market the office space to industries other than fashion.

### Sub-Zone D

*47 lots; total gross building area of 8,544,331 square feet. (NYC DCP, 2009)*



Building fabric in sub-zone C



Building fabric in sub-zone D

Sub-zone D includes a series of lots within the Fashion Center BID service area including the blocks between West 36<sup>th</sup> and West 41<sup>st</sup> Streets, 6<sup>th</sup> Avenue, Broadway and 7<sup>th</sup> Avenue. These blocks are located outside of the Special Garment Center District and overlap with the Special Midtown District. The properties in this area located north of West 38<sup>th</sup> Street are zoned C5-3, and those located to the south are zoned C6-6. Although this area wasn't surveyed by the CFDA / Fashion Center BID land use survey, the Fashion Center BID's tenants survey documents the presence of a number of showrooms and wholesalers along Broadway, particularly between West 38<sup>th</sup> and West 39<sup>th</sup> Streets. The building stock in this section has a strong commercial office character with a number of post-war office buildings that reach 42 stories along the avenues. (NYC DCP, 2009)

### Sub-Zone E

*145 tax lots, total gross building area of 6,149,721 square feet. (NYC DCP, 2009)*

Sub-zone E contains the remaining lots located within the Fashion Center BID service area to the east of 6<sup>th</sup> Avenue. This section is located outside of the Special Garment Center District, and



## WHERE WE ARE TODAY



Building fabric in sub-zone E

is zoned M1-6. According to the Department of City Planning PLUTO data, there is a mix of industrial uses with some residential and mixed commercial-residential buildings. Nonetheless, the Fashion Center BID's tenants survey documents a very small number of production businesses spread across the area. The survey does document scattered showrooms and wholesalers between 5<sup>th</sup> and 6<sup>th</sup> Avenues.

This is the area of the Garment District that is least connected to the fashion economy, housing a variety of other businesses that make use of the Class B & C office space.

According to the Department of City Planning PLUTO data, this sub-zone stands out for having much smaller lots than those in the other sub-zones, and

narrower buildings. These structures are predominantly a combination of loft and other commercial buildings on the midblocks, and a series of taller structures along the avenues—including mixed-residential and commercial buildings.

The neighborhood offers a concentrated array of services to the fashion industry, attracting designers from around the country and abroad. The economic activity derived from designers interacting with manufacturers, suppliers, showrooms and buyers, among others, represents an important contribution to the city's economy—extending to other sectors beyond the fashion industry.

None of this would be possible without a core of manufacturing businesses in the Garment District. These are highly entrepreneurial, specialized companies that stand out for their ability to adapt to change and fluctuation in the industry. Their geographic concentration within several blocks and in specific buildings should be secured in order to ensure their long-term presence in the neighborhood, thereby maintaining New York City's preeminence over other domestic and international fashion capitals.





FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# III. LESSONS FROM OTHER FASHION CAPITALS

# LESSONS FROM OTHER FASHION CAPITALS

In June 2010, MAS and the Design Trust for Public Space hosted two panels focused on the Garment District and the findings of the Design Trust's study, *Made in Midtown*, [www.madeinmidtown.org](http://www.madeinmidtown.org), researched in collaboration with the Council of Fashion Designers of America (CFDA). *Made in Midtown* conclusively documented the critical relationship between the Garment District and the broader fashion industry. The report noted that as manufacturing has declined since its midcentury heyday, the district has evolved from a concentrated production hub to a research and development center. Although mass production has mostly moved overseas where costs are much lower, the Garment District remains a vital resource during the design phase when designers need quick turnaround of their prototypes and input from manufacturers regarding production techniques. As IDEO's Fred Dust explained at one of these discussions, design and manufacturing are inextricably linked through a highly iterative design process.



photo: Giles Ashford

In an effort to determine what New York City could learn from its competitors, MAS contributed research to *Made in Midtown*, which focused on three international fashion capitals—Paris, Milan and London. MAS looked at the proximities of fashion companies in these three cities and analyzed the effects of industry clustering, and the official policies and informal

mechanisms that nurture opportunities for entrepreneurship. We also explored the emergence of the Asian fashion economy with a particular focus on China in order to better understand where New York City is positioned globally. Our research revealed some very clear competitive advantages for New York City as well as some important opportunities.

Known as fertile ground for young entrepreneurs, New York City attracts young designers from all over the world. Start-up designers with small runs who cannot afford to start production overseas can cost-effectively produce limited quantities in the Garment District. Former Chair of the Department of Fashion Design at Parsons, Tim Gunn, who moderated one of the Garment District panels, reflected on the importance of the district saying, “The Garment District is for designers at all levels, not just those at the top like Yeohlee Teng; it’s for the young entrepreneurial designers, those at the midpoint in their careers. It provides incredible resources for everyone.” MAS’ international research reinforced the importance of these resources; they give New York City a critical competitive advantage over other international fashion capitals that have lost this type of small-scale production ability.

London’s manufacturing core was lost

## LESSONS FROM OTHER FASHION CAPITALS



Google maps 2010: Milan

due to real estate pressures, Milan has re-assembled a regional manufacturing network under the Made in Italy system, and Paris, like London, is struggling to recover its manufacturing capacity. China and Asia have seen incredible growth over the last two decades with a very different model, but changes in larger global forces raise questions about a production model that is built on large amounts of cheap labor, inexpensive transportation costs, government subsidies, a trade regulatory scheme which is subject to change, and scarce environmental resources, which are being heavily depleted.

### Milan

Milan's manufacturing sector is the most robust of the European fashion centers. The model of small manufacturing firms is very similar to the kinds of firms producing in the Garment District – specialized and nimble. Generally, the public sector support for the fashion industry is much stronger

than in the US, however, for emerging designers, opportunities are limited.

The Milanese industry is largely comprised of small, family-owned operations—many of them with only 5-10 employees. State fiscal policies promote this tradition of small-sized companies through certain tax benefits. In addition, the network of small, clustered companies exploits economies of scale and allows firms to stay lean and tap into a market of subcontractors. These companies excel in employing proven methods of craftsmanship and maintaining a tradition of high-quality artisan work such that in 2001 the Italian textile and clothing sector's total output (wages and profits) was more than three times larger than the British industry. Italy's manufacturing sector is successful because the cost of production is lower than in many other European countries, the Italian government offers more state aid to its manufacturing sector than other European governments and provides and encourages vocational

training creating a highly skilled workforce. (Owen, 2003)

Even though the Italian government provided more than four times as much aid (as a percentage of manufacturing value added) than the British government in the period from 1997-1999, starting a new business in Italy as a young designer is reportedly very difficult. The institutionalized, insular structure dominated by a few large brands (Armani, Prada, Valentino, Versace) means that working for one of these large corporations is frequently the only realistic option for many emerging designers. In New York, meanwhile, the Garment District serves as a neighborhood-wide incubator, providing internships and training for students. When they graduate they can draw on this network of resources and support to start their own lines, as young designers like Jason Wu, Alexander Wang, and labels such as Proenza Schouler have demonstrated.

### London

Start-up designers in London have some advantages over young designers in other cities because of the British



Google maps 2010: London



## LESSONS FROM OTHER FASHION CAPITALS

Fashion Council's (equivalent to New York's CFDA) numerous initiatives. Nevertheless, once their talent is recognized, young designers tend to leave London for New York, Paris and Milan (Stella McCartney, John Galiano and Alexander McQueen are prominent examples). Because designers have reported difficulty locating reliable, high-quality manufacturers, UK industrial policy has started to focus on training and building skills in an effort to bridge the gap between designers and manufacturers. The UK is historically very entrepreneurial and there is less start-up administrative bureaucracy than in France or Italy. Still proximity is an issue; the once-recognizable cluster in west London, formerly known as "Fitztruvia" has largely dispersed, relocating to cheaper real estate in East London. One new initiative, released in 2010, is an online database called "Let's Make it Here" that contains a complete directory of manufacturers. This was a public/private venture created as a step toward simplifying the process of finding skilled manufacturing services in the UK.

If New York City—like London—loses its core manufacturing services, designers will need to search for these services elsewhere and may leave in order to be closer to centers of design and production. London has responded to this loss of its garment core by helping to create a sourcing database to connect the manufacturers that remain with designers, an initiative that relies on the collaboration of the design community and the government.

### Paris

In Paris, the fashion industry has been historically clustered in the 2nd and 3rd arrondissements. Initially, the industry grew in the eastern suburbs because of a concentration of skilled



Google maps 2010: Paris

immigrant labor. Designers tend to be more evenly distributed throughout the city and less clustered than the manufacturers, wholesalers, and suppliers. Paris is home to nearly 8,000 firms in the apparel industry but New York has more than Paris and Milan combined. (Lepore/Ryan, 2010) Much manufacturing has fled to Asia and very little takes place in Paris. Of the manufacturing that continues in France, it is mostly found in the western and southern parts of the country. An effort is underway by French design companies to restore manufacturing capacity in an attempt to restore the prominence of the Made in France label.

### Globalization of production

Over the last five decades, the US and Europe have increasingly relied on imports from developing countries. The low cost of labor in Asia and Latin America provides, in many cases, significant costs savings. Emerging economies typically follow this development process partially because garment production requires a comparatively lower investment in technology. This was the case during the mid 19th century when

New York City was building its ready-to-wear industry and in Japan which rebuilt its economy after World War II by developing a textile industry. In Japan, this industry accounted for 48% of exports in 1950, but decreased to 4.9% by 1980, as the economy changed.

The majority of supplies to the U.S. and Europe come from Asia, with China as the clear leader. Chinese advantages with respect to other countries in the region such as Bangladesh, Cambodia, and the Philippines, is abundant labor, proximity to fabric sources, high productivity, and better infrastructure—an improving highway system, and easier access to air, marine and rail transportation terminals.

### Asia

China has been the largest garment exporter since 1994; however it has few big design brands of its own. While mass production of garment goods has relocated to various Asian countries, China has maintained the lead through a combination of models for streamlined garment manufacturing.

## LESSONS FROM OTHER FASHION CAPITALS

Many of the models of mass production that are now in place in China are simply not possible in the Garment District with its space constraints; however the approach to coordinating manufacturing is something that has potential in New York City. In addition, despite China's meteoric rise there are a number of challenges the manufacturing industry faces which over the coming years may call in to question decisions to locate production there. While there may be significant cost advantages to production in China, the trade-off is less flexibility in terms of production schedules and the iterative design processes can often be difficult if the designer is based elsewhere.

Garment production in China has traditionally been located in coastal areas where manufacturers were able to find qualified workers and easy access to transportation infrastructure for exporting. Beginning in the 1970s, the government's Open Door policy and Economic Development Zones targeted coastal areas for building industry. More than 70% of China's apparel production is concentrated in three coastal provinces (Guangdong, Zhejiang, Jiangsu) and two river deltas (Pearl River and Yangtze River). Besides the well-equipped infrastructure in the region and the low cost of labor, the higher population density, higher incomes, and better education of residents means more fashion awareness and better domestic market potential than what is available further inland.

As China's industrial economy matures, garment manufacturing is migrating further inland moving closer to cheap and low-skilled labor. Meanwhile, higher skilled labor centers, which include more advanced garment production, electronics, and heavy equipment, are replacing the low-skill factories.

One of the key strengths of the Chinese production model is their ability to coordinate sophisticated sourcing and production. By having considerable administrative operations and systems in place, these companies are able to respond quickly to change and add value at each step of the product development process and save design companies a lot of the work of sourcing and coordinating production. Two large companies, Luen Thai and Li & Fung represent two different but important models of large scale manufacturing in Asia.

Luen Thai improved the interaction between designers and the rest of the supply system through a two-fold strategy. Creating large apparel design facilities called "supply-chain cities" enabled Luen Thai to integrate the different phases required to launch a new apparel product from start to finish in one place. This model consolidated the creative process where designers could create the initial design, choose fabric, buttons and other components, see a prototype, alter it, and have the finished product shipped directly to their store, all under one roof.

The first "supply chain city" was built in Dongguan in 1999. This facility was

strategically located in China to take advantage of the low-cost labor supply, and most importantly the reliability of the infrastructure. This manufacturing complex is a ninety-minute drive from Hong Kong, where foreign companies had already been relocating design and development employees. It was built to accommodate 8,400 employees in 1.4 million square feet of production and worker housing space. The Luen Thai campus factory model provides full amenities to designers, production developers and retail executives with the center's first-class hotel and consolidates all of the services a designer or buyer would need in one location.

Manufacturing generally represents about one-third of the total costs of garment production. The other two-thirds are soft costs—design, logistics, handling, and transportation. Apparel companies often focus on reducing the manufacturing cost but Luen Thai realizes savings for its customers by cutting other costs as well. With everything in one location, development teams from designer firms are able to reduce development time to a matter of hours rather than the days it might take to source materials from other locations. Some supply chain city



photo: Giles Ashford



## LESSONS FROM OTHER FASHION CAPITALS

factories even have in-house designers on staff to work with product developers from the large design firms. This opportunity resulted in a considerable shortening of the development phase, reducing a process that would normally take weeks into just a couple of days, considerably increasing profits.

The “supply-chain city” model transformed the apparel industry, allowing the designer to develop the prototype at the overseas factory and have it shipped directly to the retailer. The “city” included design studio space for companies to relocate design and development staff. In addition, the concept also incorporated free show-room space for material providers. This guaranteed a permanent opportunity to interact with suppliers of raw material, allowing them to evaluate and re-consider materials during the development phases of the product. Finally, Luen Thai developed inventory management programs to create a more efficient interaction between designers/retailers that improved the effectiveness of distribution.

Luen Thai is a firm that helps a designer develop, source, produce, pack and ship their product all with one company. Difficulty finding that much space may prevent manufacturers from being able to replicate the Luen Thai model at the same scale in New York City; nonetheless, the Garment District is uniquely positioned to build on existing concentrations of apparel manufacturers, suppliers and designers, to better coordinate services and create shared spaces for designers and related service providers.

Another important production model is represented by firms like Li & Fung which is a family- owned business that started in Canton, China in the

early 1900s with the founder acting as intermediary between American and European companies and Chinese factories. Over the years, the company’s foreign clients became more sophisticated and traditional models of Chinese trade began to change. In the late 1970s, the company underwent a major overhaul and developed what has now become the modern supply chain management model. Li & Fung is considered a “smokeless factory”, a producer that doesn’t own factories or manage factory workers. Instead they manage production, contracting out to several different manufacturers at a time. Not owning factories allows Li & Fung to have greater flexibility because it is able to base decisions on meeting client’s needs instead of exhausting its own production capacity. It also allows the company to respond quickly to changes in tariffs, regulations and labor shortages.

Dispersed manufacturing allows individual components of each product to be sourced, produced and finished in

different countries and from multiple manufacturers and suppliers. This model of manufacturing was particularly useful when the quota system restricted the amount of production for specific countries. Large agents, like Li & Fung, advise clients when and where to move production to remain in compliance. They also specialize in helping their clients find the most cost-effective solutions during each portion of the design, manufacturing and shipping process. For every garment, agents source the best quality materials and services at the lowest price. A single garment may consist of yarn from Korea that was dyed and weaved in Taiwan with zip-pers from a Japanese company that produces in China. The same garment may then be manufactured simultaneously across five Thai factories to provide a quick turnaround for a 100,000 piece order. This method of supply- chain management can reduce a typical eight-week production cycle to three weeks and allow clients to replenish their merchandise more frequently, allowing a quick response to consumer trends.



photo: Giles Ashford



## LESSONS FROM OTHER FASHION CAPITALS



Li & Fung works with over 12,000 manufacturers and suppliers. As a valuable customer, Li & Fung is able to leverage its relationships with suppliers and manufacturers to drive down cost, ensure higher quality, and place reserves on raw materials and production availability on its clients' behalf. However, there are disadvantages to this supply chain model. For instance, Li & Fung must build close relationships with manufacturers and suppliers to ensure quality and labor standards are met. Clients must also turn over a great deal of trust to the agent as they have less ability to exert control when dispersed production occurs. For fashion companies where the interaction between the designer and the manufacturer is critical for product development - particularly when developing innovative styles- this model does not work as well.

### Industry challenges faced by China

Costs for raw materials and labor have risen steadily in China, forcing some companies to look at sourcing from even less expensive production centers like Vietnam and Cambodia. Labor shortages in China's manufacturing zones, particularly in the lowest-paying jobs, are forcing manufacturers to pay higher wages. This labor crunch

### HOW DOES THE QUOTA SYSTEM WORK?

In order to protect their domestic apparel industries, industrialized countries have created bilateral agreements between importers and exporters establishing a quota system for the amount of apparel to be traded. The quotas were part of the Agreement on Textiles and Clothing or ATC, that were originally established under the auspices of the World Trade Organization (WTO) as a short-term measure to allow the US and Europe to adjust to emerging competition from other parts of the world. This system led to the creation of the Multi Fiber Agreement (MFA) in 1974. This mechanism set annual quotas to limit the amount of apparel imported from each country. By 1983 the quota system heavily regulated the apparel industry to control the volume of exports from developing countries to industrialized nations.

To circumvent the quota system, US and European designers and retailers import from multiple suppliers, creating markets to trade import rights for different products, and between countries. As a result, this process created a fragmented array of individual supplying companies that required coordination. Intermediary firms became necessary to coordinate products that sometimes were made in different factories and even different countries. In order to orchestrate this multi-stakeholder sourcing process, these companies have been in charge of contracting with factories, monitoring compliance with contracts, arranging the sourcing of raw materials and getting them delivered to the factories and then managing the logistics of getting finished goods back to designers and retailers.

The memorandum of understanding or "Bilateral Textile Agreement" between the US Government and the People's Republic of China concerning trade in textile and apparel products was implemented on January 1, 2006 and expired on December 31, 2008. The agreement included 34 categories of textiles and apparel from China that were covered by 21 annual absolute quota limits. On January 1st, 2005 over 40 years of quotas on global trade in clothing and textiles were eliminated. Over the past several years, ATC quotas have been removed in phases.

## LESSONS FROM OTHER FASHION CAPITALS



photo: Giles Ashford

has hit the textile industry particularly hard and many factories have had to close or move to lower-cost areas.

In addition, the environmentally hazardous process of making fabrics and leather goods tends to dictate where these facilities can locate. Countries with the least strenuous environmental regulations tend to become hosts for these processes. This has triggered shifts in leather manufacturing from Europe to emerging Asian countries due to tightening European environmental regulations.

Although China's government has created environmental guidelines and policies to curb pollution, there is little enforcement of national environmental policies at the local level. Local agencies often ignore violations because of economic development incentives. With Chinese activists linking factories with questionable practices to the companies that purchase their products, large American retailers that source from China, such as Wal-Mart and Nike, need to be mindful of their reputation.

Recently it has become clear to the Chinese government that the pollution problem is and will continue to negatively impact the economy. To begin to deal with the issue, China's Development Research Center commissioned researchers from around the world to come up with solutions. Researchers suggested the creation of a "Green Trade Policy" to encourage sustainable cotton growing, supply chains, and textile production. The commission also suggested the use of dyeing technology that uses decreased levels of toxic chemicals and does not require massive amounts of water. The Chinese government has also begun working with organizations such as the Natural Resources Defense Council (NRDC), who has developed a process outlining the "Ten Best Practices for Textile Mills to Save Money and Reduce Pollution." (Greer, 2010)

As the regulatory system in China begins to tighten some of the production advantages of manufacturing in China will diminish or disappear entirely.

### Las Vegas & Los Angeles

There is no other city in North America with the same concentration of fashion and apparel designers, manufacturers, and wholesale businesses as NYC. Its diversity of brands, including international designers, and its strategic location in Midtown Manhattan—close to hotels, cultural attractions, restaurants and other amenities—give the district a comparative advantage for national and international buyers.

Wholesale represents the largest sector of the NYC fashion industry. As documented in the EDC 2011 snapshot of the fashion industry, wholesale and design employ 50,000 people and include 5,932 businesses. Altogether, these operations represent \$34.7 billion dollars in annual

sales. Despite the strengths that make NYC the most important US destination for fashion buyers, cities like Las Vegas constitute growing competition.

The 2009 NYCEDC report *Strengthening NYC's Fashion Wholesale Market* highlighted some of the challenges. Half of NYC's fashion event attendees and buyers surveyed in this study agree that Las Vegas is NYC's biggest competitor, followed by 22% of respondents that identify Los Angeles. In addition, 31% of the buyers surveyed had reduced their number of annual visits to NYC in the past two to three years.

The survey indicates that the higher cost associated with visiting NYC (mainly hotel expenses) is one of the biggest concerns. Along with accommodation cost, hotel availability, difficulty getting to and from facilities and to and from NYC, represent some of the other reasons visitors prefer Las Vegas instead of NYC.

Las Vegas has emerged as one of the biggest apparel and fashion wholesale locations in the US. Seven of the largest apparel shows in the country take place in Las Vegas, drawing 380,000 attendees. Some of the most important events are the Men's Apparel Guild in California (MAGIC) and the World Shoe Show (WSS).

Today, MAGIC is a 1 million square foot exhibition show, attracting over 95,000 visitors from the US and abroad. It is one of the largest trade shows of men's, women's, children's apparel and accessories. Founded in 1933 as an association of Los Angeles menswear manufacturers, the show opened to worldwide manufacturers in 1979, and relocated to Las Vegas ten years after to accommodate this growth. In 1995, MAGIC expanded to include

## LESSONS FROM OTHER FASHION CAPITALS

women's apparel in a joint venture with *Women's Wear Daily*, creating WWD-MAGIC. And in 1997, MAGIC purchased Children's Trade Expo to launch MAGIC kids. These tradeshowes were then acquired to become a subsidiary of Advanstar Communications, Inc.

Las Vegas trade shows take advantage of the hotel infrastructure developed to cater to the needs of the casino industry. As documented by EDC, Las Vegas had 140,000 hotel rooms in 2009 with 40,000 in the pipeline. These amenities have positioned the city as an ideal destination for trade shows, with approximately 490,000 trade show visitors over the course of 33 shows. In comparison, NYC convenes 300,000 people throughout 70 shows.

In order to compete more effectively, NYC apparel and fashion event producers need additional exhibit space. Of the 15 existing apparel and fashion events studied by EDC that require additional space 11 of them require 400,000 square feet, while the remaining 4 require 80,000 square feet. However, not all of them believe this additional space should be built as an extension to Javits Center. 67% believe that creating new convention centers in Manhattan would be the ideal venue investment. Others divide equally between those that favor expanding Javits Center, expanding other venues in the city, creating more special event spaces, and increasing the number of hotels. Only a minority consider expanding the meeting space or creating new venues in the other boroughs a priority. An expansion that allowed for 10 additional shows, drawing 2,000 out-of-town attendees would represent a \$100 million economic impact.

### Los Angeles

Los Angeles' fashion district is the epi-



photos: Timothy Coghlan

center of fashion-related activity in LA county with 41% of all fashion-related businesses located there. Like New York's Garment District, LA's fashion district is comprised of a mix of retail, manufacturing, design and wholesaling uses.

This concentration of fashion services has allowed Los Angeles to emerge as the major hub for design and production of US denim and casual wear in the country. Over the last decades, manufacturing and supply businesses have increased in LA while they have steadily decreased in the rest of the country. These services have positioned the city as an important hub of innovation, allowing the establishment of medium to high end labels for jeans and sports-wear. LA has successfully strengthened its manufacturing industry by creating a design, production, and wholesale destination focused on the development of a specialized niche product. (Currid; Williams, 2011)..

### LA's wholesale business

Similar to New York City's Garment

District, wholesaling represents the largest sector of growth in the LA's fashion district. According to a 2007 study released by LA's Fashion District BID, over 80% of businesses in the district are wholesalers with over 53,000 buyers visiting the district annually. As noted in the previous section, NYC fashion event attendees and buyers surveyed by NYCEDC in 2009 believed LA is New York's second largest competitor for wholesale business, with Las Vegas number one.

"The Intersection," a cluster of buildings in the district located at the intersection of 9<sup>th</sup> and Los Angeles Ave., is the center of LA's wholesale business. This well-known intersection houses approximately 1,200 showrooms and 4,500 fashion brands. In 2003, this intersection was branded "The Intersection," to promote awareness of this incredible concentration of wholesalers and the value of the fashion district overall. In addition to providing regular service to buyers, businesses work collectively to host five market weeks at "The Intersection." Like a trade show, buyers are able to visit multiple



## LESSONS FROM OTHER FASHION CAPITALS

wholesalers in a well-defined area and shop the market more efficiently. This unique model allows wholesalers to work out of their own space, while buyers can remain centrally located instead of traveling to a less accessible convention center.

### **LA denim business: creating a niche**

Los Angeles has positioned itself as the Silicon Valley of designer denim—serving as the capital for luxury denim brands and developing new, innovative manufacturing processes for high-end denim looks. After experiencing significant decline when key denim brands such as Tommy Hilfiger and Guess Jeans Inc. moved their production overseas in the late 1980's, LA denim manufacturers were forced to retool their businesses to remain competitive. Because of their existing denim infrastructure, LA's denim manufacturers were uniquely positioned to meet the emerging demand for high-end denim in early 2000.

Caitac Garment Processing has emerged as a leader in premium denim manufacturing—producing jeans for brands such as 7 for All Mankind, Paper Denim & Cloth, and True Religion. What makes Caitac and other local denim manufacturers competitive is their ability to provide handcrafted details that meet the expectations of

savvy customers. Luxury denim manufacturers often rely on hand stitching, sanding and other fine details that are difficult to mass produce. In addition, manufacturers like Caitac have invested substantial resources in developing the unique equipment and technologies that allow luxury brands to create the perfect wash, color and fit.

These technologies have been developed over a number of years and have made local manufacturers so competitive that premium denim companies, such as Bread, moved their production back to the US in the mid 2000's to take advantage of the high quality manufacturing and low minimums. As a result, the luxury denim industry has helped revive US-based denim manufacturing. While these manufacturers no longer produce large volumes of denim, the margins they create from small luxury denim orders are significant. Caitac earns approximately \$30/pair for creating unique washes on premium denim, versus \$2/pair on traditional denim. In addition, emerging designers are able to place smaller orders and like those in NYC's Garment District, they benefit from having hands-on access to their products through the entire product development process.

These denim manufacturers took the time and resources to create produc-

tion methods that were unique to the designer's needs—oven-baking denim, using balloons to mimic the feel of legs for hand sanding, creating plastic coatings to prevent dye rubbing off etc. In order to build on the success of the neighborhood the City Redevelopment Authority has undertaken a government sponsored \$1 million study entitled "Fashion District Design for Development" to expand the presence of the industry in the area, and explore long-term opportunities for the neighborhood as a mixed-use district.

This research initiative has been structured as a participatory process. It involved different industry stakeholders to envision collectively how to build on the progress made given the neighborhood's capacity for innovation, which relies on local design and manufacturing skills and the proximity of businesses. The study examines different areas of opportunity including physical and economic development, long-term industry opportunities, the encouragement of other creative industries, and promotional opportunities for LA's garment center. (Los Angeles City Redevelopment Authority, 2011)



FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# IV. AREAS OF OPPORTUNITY

# AREAS OF OPPORTUNITY

The emergence of manufacturing overseas, particularly in Asia, means that the garment center will never be the global manufacturing hub it was at its peak in the early to mid-20th century. Nonetheless our analysis of the Garment District clearly demonstrates that it is the most important fashion hub in the world with critical strengths to build on, as well as some important challenges to be addressed. As New York City considers the future of manufacturing and the design industries the Garment District helps to support, we need to be very mindful of these strengths in order to fully realize NYC's economic potential.

The following areas of opportunities and challenges lay the groundwork for our recommendations.

## **The garment district offers an incredibly unique combination of resources to support fashion innovation.**

The Garment District cluster is an important resource for the entire fashion industry and fashion related industries. A comparable cluster does not exist anywhere else in the world. This core of manufacturing, design, and wholesale is surrounded by unparalleled fashion schools and fashion media – an incredibly unique asset.

Our research in Europe has documented that many other international fashion capitals have lost their manufacturing core and are struggling to re-build it. London's manufacturing core for example was lost due to real estate pressures and lack of a long term planning framework. With significant government support, Milan has rebuilt their manufacturing base in a regional manufacturing network under the Made in Italy system. New York needs to be very careful to not lose this cluster. The resources it would take to re-create it are much more significant than finding ways to put it on firmer footing.

Los Angeles has proven that it is possible to build a district that supports garment manufacturing. In the last twenty years Los Angeles' garment district has emerged as an international center of design, development and production of denim and sportswear—a process that is anchored in its downtown manufacturing cluster. The City of Los Angeles is in the process of completing an 18 month long study to find

ways to support this area as a unique neighborhood, integrated with the rest of Downtown; while also reinforcing the district's position as a preeminent international fashion center. The study will develop an implementation plan and address multiple issues including: market feasibility, land use, streetscapes improvements, transportation, sustainability, and public art & creativity. This is exactly the kind of





## AREAS OF OPPORTUNITY

careful analysis we think New York City's Garment District needs, reaching far beyond the real estate and zoning questions that often dominate the discussion. If we fail to carefully examine these opportunities NYC runs the very real risk of falling behind our American competitors.

**Meanwhile, garment manufacturers in China have expanded their role from production to managing other aspects of the supply chain.**

To make the research and development process possible overseas, Chinese garment factories have created an interface that enables designers to interact with the manufacturing process.

Companies like Luen Thai have consolidated production in a few factories and expanded their services to cover many aspects of the supply chain. They have created entire garment manufacturing campuses to offer all the amenities required by designers, from manufacturing facilities, to logistics and accommodation. Designers can visit one of these supply chain cities and develop a prototype, produce it, and then distribute it all from one place.

This type of interactivity represents a structural difference in the role of the garment manufacturing company, where under traditional garment manufacturing models, designers would place orders with a non-manufacturing third party who would then orchestrate production with multiple factories often located in different countries to assemble a finished product.

This coordinated model for manufacturing and distribution accompanied by the relatively low cost of production works very efficiently for larger orders,



but does not work as well for small runs or sample development, when designers need to be in close contact with the manufacturing process in order to shape and adapt the garment throughout production. It is also a very rigid and capital intensive production model, with large facilities and large initial investment, often with significant government subsidy, that does not lend itself well to market changes.

**However, given changing conditions in China design brands have moved their production to other countries.**

Costs for raw materials and labor have risen steadily in China, forcing some companies to source from cheaper countries like Vietnam and Cambodia. Labor shortages in China's manufacturing zones, particularly in the lowest-paying jobs, are lifting wages. This labor crunch has hit the textile industry particularly hard and many factories have had to close or move to lower-cost areas. Some production activity has shifted to interior provinces from the traditional coastal manufacturing hubs. Guangdong in par-

ticular is experiencing a labor shortage of 2 million workers. (Bradsher, 2007)

**Trends in Asian manufacturing highlight the comparative advantages of the Garment District as a platform to sample, develop and produce short runs in their own neighborhood.**

At the 2010 MAS Summit for New York City Andrew Rosen, President of Theory, explained that it is becoming more and more expensive and challenging to produce in Asia, particularly in China, because of transportation and logistical expenses.

The important pool of skilled labor that exists in the district and its capacity to turn around orders quickly, reducing the waiting time dramatically, have been two important reasons NYC based design companies continue to focus segments of their production in the US.

The Garment District allows designers to respond more quickly to the demands of the marketplace and capitalize on trends. Established designers take advantage of the services in the district to produce second and third runs of pieces that have sold out in stores. As described by staff from Nanette Lepore, a well-known NYC based design label, they work with local companies to respond to the market and quickly produce merchandise to replenish popular collections. Producing with local factories, allows them to fill these orders in significantly less time than it takes to produce overseas.

The Garment District is also a critical resource for emerging designers who cannot afford to export production and rely on the interaction with manufacturers to shape the product. The relationship between emerging designers

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is one of the most important elements of the Garment District. Manufacturers will often produce samples for a young designer at cost in an attempt to help get a designer started and hopefully build a relationship which will lead to more orders.

### **Manufacturers are also constantly evolving to better fit the demands of the marketplace and have incredible entrepreneurial energy.**

Garment manufacturers are specialists that survive primarily because of their locational advantage in the center of NYC's fashion industry, near designers and buyers, and because of their specific expertise.

Like Milan, garment manufacturers in the district tend to be small companies, generally between 5-20 employees. Their small size allows much more flexibility to adapt to market changes and demands.

Based upon our case study research of garment manufacturing firms that remain in the district, they have continued to diversify their businesses. Some have begun to use their expertise in manufacturing to start labels of their own.

In addition, many have grown increasingly technologically savvy using newer machinery to improve production techniques

### **The fashion and design schools that owe their existence to the Garment District are an incredible asset that needs to be more fully leveraged.**

In New York City students can begin a career in the fashion industry as early as the 9th grade by attending Manhattan's High School of Fashion Industries (HSFI). Founded in 1926, the HSFI was originally established to

train students in vocational skills such as sewing, cutting, grading and tailoring, in order to provide the industry with a trained workforce. Located just blocks away from the Garment District on West 24th Street, HSFI's current curriculum reflects the needs of today's industry and offers four majors: Fashion Design, Fashion Marketing, Visual Merchandising and Graphics and Illustration.

The Garment District is also home to two of the most prestigious fashion schools in the world- Parsons the New School for Design and the Fashion Institute of Technology (FIT). These schools, with the addition of Manhattan's LIM College, the New York School of Design, the Wood Tobe-Coburn School and Pratt, another notable fashion school located in Brooklyn, create one of the greatest fashion industry training grounds available anywhere in the world.

New York's fashion schools draw talented students from all over the world. According to Parsons' estimates, 78% of their students come from out of state with 34% from out of the country. Their students come to New York for the opportunity to learn from industry professionals, many of whom continue to work as consultants to major brands or in fashion labels of their own. Parsons' curriculum also stresses innovation by encouraging interdepartmental collaborations and external partnerships and helps students secure internships with established labels such as Calvin Klein, J Crew and Ralph Lauren.

As part of the State University of New York or SUNY system, the Fashion Institute of Technology (FIT) attracts a number of in-state students. With a staggering 93% of FIT's students remaining in the city after graduation, the

school provides a rich pool of resources for the city's fashion industry. (US News & World Report: College Guide, 2011)

In addition to their undergraduate and graduate programs, FIT offers executive education programs designed for senior and mid-level executives working in retail, fashion and related businesses. These programs are tailored to the needs of individual companies and are focused on variety of topics including; managing in a creative industry, entrepreneurship and leadership.

### **Marketing efforts need to leverage the CFDA and the fashion media and build on other efforts.**

One of the American fashion industry's greatest promoters is the Council of Fashion Designers of America Inc. (CFDA). Since its inception, the CFDA has helped promote the work of American fashion designers throughout the world. Founded in 1962 by American publicist Eleanor Lambert, the CFDA is a non-profit trade association invested in ensuring the future of the industry. Before founding the CFDA, Eleanor Lambert was Press Director for the American fashion industry's first promotional organization, the New York Dress institute, created in 1941 by the union and dress manufacturers with the objective of making New York a world fashion center. (Rantisi, 2004) At the institute, Lambert organized New York's semi-annual Fashion Press Week to showcase designer collections for the international press. She initiated a similar schedule for European fashion capitals, establishing the coordinated centralized showings now followed around the world.

The CFDA remains vital to the American Fashion industry by promoting

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the work of American designers and encouraging industry innovation. Located in the heart of New York City's Garment District, CFDA membership includes 370 of America's leading womenswear, menswear, jewelry, and accessory designers, such as Diane von Furstenberg and Michael Kors. The Council promotes the industry by hosting annual awards such as the Designer of the Year /Swarovski Awards, among others, which recognize leading designers for their outstanding contribution to the industry. These events receive a great deal of media attention, promoting the American fashion industry throughout the world.

The CFDA has also partnered with some of the nation's top companies such as Vogue, Target and Saks Fifth Avenue to offer initiatives to help support education in the industry. The marketing power of the CFDA and the fashion media based in New York City to support the design and production that happens in NYC is a tremendously underutilized asset.

There have been some encouraging signs of investment, including the

CFDA partnering with the New York City Economic Development Corporation (NYC EDC) to create the CFDA Fashion Incubator. Located in Manhattan's Garment District, the incubator provides twelve designers with two years of low-cost design studio space, business mentoring, educational seminars, and networking opportunities. In May of 2012, the second round of startups will move in to the incubator, replacing designers—such as Prabal Gurung, Bibhu Mohapatra and Alice Ritter—that have been in the space since 2010. The NYC EDC provided the CFDA with a three-year, \$200,000 grant to help establish the incubator, after which they hope it will be self-sustaining.

With the consolidation of industry unions and the decision to move manufacturing overseas, garment industry businesses have become more dependent on designers for their voice. The manufacturers located in the district are small businesses and without a unifying entity, such as unions, they lack the platform they once had. These businesses need the strong voice of the CFDA and the fashion media along with a coalition of like-minded organizations

to communicate the importance of this industry to broader audiences and to consumers.

### Changing Consumer Behavior

In the US, a growing number of consumers want to know where the products they buy are made. A recent survey conducted by American Express and the Harrison Group, a luxury research firm, found that sixty-five percent of wealthy Americans try to buy local goods whenever possible. Another marketing firm, Unity Marketing, found a similar trend:

*“One of the most powerful trends to emerge in the latest survey is that luxury consumers are getting more aware of where their favorite luxury brands are sourced... It suggests opportunities for brands to create awareness in the minds of luxury consumers about the place of manufacture and how to position ‘place’ to influence the consumer toward purchase.” (Danziger, 2011)*

New York City is incredibly well positioned to take advantage of this increasing trend in the luxury market. Although manufacturing has declined sharply in the last decade, New York remains a niche market for high end manufacturing. (Crean/ Doeringer, 2006)

In addition to its manufacturing base, New York City's name lends itself well to a marketing campaign as it already has for companies like DKNY or Brooklyn Industries. The city attracted 48.8 million visitors in 2010 alone. (NYC & Co., 2011) With more retailers than anywhere else in the country and billions of dollars in visitor spending, New York City is an ideal location for a well-designed and executed place-based marketing campaign.





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### Sustainability is an increasingly important concept in manufacturing.

A recent Harvard Business Review article noted that sustainability is a key driver of innovation. Companies that invest in it to improve their public image, end-up reducing costs and/or creating new business. (Hanson, Joyce. 2009) A focus on the environmental and social costs of garment production will only make domestic production—where labor and environmental standards are higher—more attractive for companies. In addition, as consumers become increasingly aware of environmental and labor practices abroad, designers may be less willing to take the risk of linking their companies with these practices.

As reported in the New York Times, in places like Xintang, China -- the world capital of blue jeans production -- consumers can see blue dye and other chemicals washing down the river with just a few clicks in Google Earth. (Zeller, 2011) Chemicals used in the dying process along with other organic materials, starches and bleach create toxic wastewater that requires careful disposal. Due to the high demand of low cost cotton products, China has traditionally forgone the expensive treatment necessary to treat contaminated water. (Scott, 2005) Much of this water has been discarded straight into China's rivers without treatment or dilution. This situation has generated international interest in finding collaborative solutions to reduce the various impacts of garment manufacturing.

The Sustainable Apparel Coalition Group is a volunteer coalition that works with major stakeholders like Patagonia, Timberland, Wal-Mart, JC Penney, H&M, and the US Environmental Protection Agency, among

others. Since 2009 these groups have been working toward an industry-wide index to measure the environmental performance of individual products. This initiative builds on previous work undertaken through the Outdoor Industry Association Eco Index, and Nike's Environmental Apparel Design tools. (Sustainable Apparel Industry Coalition Group. 2011)

This information will be made public, allowing consumers to quantify the individual impact of each product. This will be a critical piece of information, given the growing consumer demand for organic and environmentally friendly products--which is expected to increase with a better informed audience on the environmental and social impacts of clothing. More broadly, this initiative will create industry standards, like the minimum number of miles per gallon set by the US government for automobiles, allowing companies to clean their supply chains, locally and abroad.

Some US-based companies are already

beginning to address these questions. Transprint, a company with offices in New York City's Garment District and manufacturing plants in Harrisonburg, Virginia is developing AirDye, an innovative technology that uses air instead of water to convey dye and decorate textiles, reducing the dependency on water and the emission of hazardous waste. (AirDye. 2011.) Through a design center located in the Garment District, designers have the opportunity to explore the possibilities of this product with the manufacturer, taking this product straight to the runways of fashion week.

Jeffrey Costello and Robert Tagliapietra's collection launched at the Spring 2010 Ready-To-Wear NYC fashion week is an example of the possibilities of the AirDye technology. As published by *Women's Wear Daily*, these designers "... turned out a collection of eco-friendly clothes, without sacrificing beauty and design." (AirDye 2011.) This type of technological innovation, deriving from the manufacturers of



photo: Giles Ashford

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photo: Giles Ashford

highly engineered raw materials working with designers, enables product innovation, while improving environmental performance.

**Most of the recent attention that has been given to the fashion industry has been focused on the needs of designers.**

Recently, the New York City Economic Development Corporation created six initiatives to bolster long-term growth in the fashion industry. These initiatives combined with the creation of the fashion incubator, which was created in partnership with the CFDA in the spring of 2010 constitute an important collection of government-sponsored mechanisms meant to support the future of the industry. (NYCEDC, 2010; NYCEDC, 2009) However, these initiatives focus almost exclusively on the needs of young and emerging designers, helping them develop successful business plans, expand their retail opportunities, and provide them with temporary affordable space in the garment district.

**Without a clear commitment to light manufacturing activity, manufacturing tenants find themselves competing with speculation and the prospect of other higher paying tenants that threaten to displace them—particularly office tenants in search of class B and C office space.**

The zoning framework put in place in 1987 and modified in 2005 no longer represents a clear regulatory

framework. As reported by several stakeholders, such as the New York Industrial Retention Network, lack of enforcement of zoning restrictions has allowed the conversion of hundreds of thousands of square feet of manufacturing space to other uses, mostly office space.

There is a need for a more up-to-date plan for the neighborhood and the industry's future. Such a plan would need to recognize that the introduction of new uses - in particular Class B and C office space - is reflective of an important evolution in the city's economy, but also must seek to provide a stable home for manufacturing and design to flourish.

**Manufacturing is clustering in specific buildings within the Garment District.**

589,820 square feet or 44.5% of the total manufacturing space surveyed by the CFDA and the Fashion Center BID is concentrated in just 9 buildings. An additional 306,416 square feet of manufacturing space, or 23.1%, is located within another 9 buildings.

By further concentrating these manu-

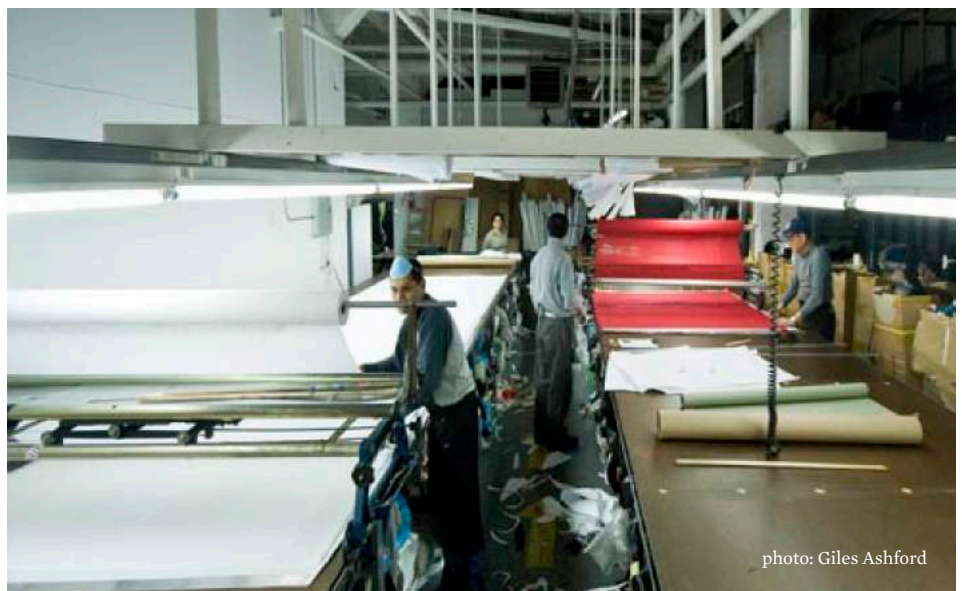
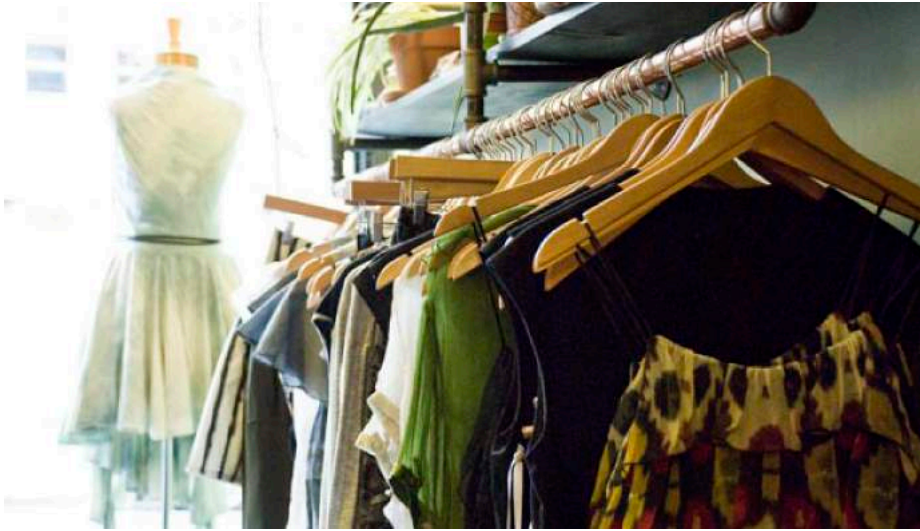


photo: Giles Ashford



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facturing uses in particular buildings we can provide a sustainable platform for the amount of manufacturing that exists in the Garment District today. These garment manufacturing buildings can potentially also provide a convenient location for designers and buyers and help create a more sophisticated and vertical manufacturing model similar to what companies like Luen Thai have done with their supply chain city.

### **The current real estate market has created some breathing room for manufacturing tenants and policy-makers.**

In 2007 when the last rezoning proposal was discussed, the real estate market was at a high point. Since the

economic downturn, the pressure to convert apparel manufacturing space to other uses is no longer as intense. The companies MAS interviewed suggest that the current economic climate has slowed down real estate pressures and landlords are now more likely to secure longer leases to manufacturing tenants, or provide them with rent deferrals. However, all of them expressed that there is a struggle to find affordable manufacturing space, which often forces them to move once their lease expires. This provides an important opportunity to re-think the regulatory structure; the recommendations that follow is an effort to lay out some new approaches to these questions.





FASHIONING THE FUTURE: NYC's GARMENT DISTRICT

# V. RECOMMENDATIONS

# RECOMMENDATIONS

The following recommendations flow from a careful recording of the history of the fashion industry, an examination of our competitors, and a thorough analysis of the competitive advantages of the Garment District. These recommendations offer an agenda for a conversation that needs to continue to develop between the stakeholders. Ultimately lasting solutions for supporting the fashion industry and the Garment District will emerge from the creativity and energy of those that helped make NYC the fashion capital of the world. What is clear is that we need to focus on this neighborhood. The costs of doing nothing are lost jobs, missed opportunities for strengthening a vital industry, and the erosion of a sector of the economy that inspires entrepreneurship and helps shape NYC's identity

## "Made in NYC"

In the US, a growing number of consumers want to know where the products they buy are made. A recent survey conducted by American Express and the Harrison Group, a luxury research firm, found that sixty-five percent of affluent Americans try to buy local goods whenever possible. Another marketing firm found a similar trend. Unity Marketing president Pam Danziger noted that:

*"One of the most powerful trends to emerge in the latest survey is that luxury consumers are getting more aware of where their favorite luxury brands are sourced... It suggests opportunities for brands to create awareness in the minds of luxury consumers about the place of manufacture and how to position 'place' to influence the consumer toward purchase."* (Danziger, 2011)

New York City is well positioned to take advantage of this trend given its strength in high end manufacturing. (Crean/ Doeringer, 2006) New York City's reputation and name recogni-



The Garment District at work

tion translates well into a place-based marketing campaign as companies like DKNY and Brooklyn Industries have demonstrated. The city attracted 48.8 million visitors in 2010. (NYC & Co., 2011) <http://www.nycgo.com/articles/nyc-statistics-page>. With more retailers than anywhere else in the country, with

some of the best design and marketing minds, and with billions of dollars in visitor spending, we should be able to develop a successful a Made in NYC campaign.

New York currently has a number of groups engaged in promotional campaigns focused on products that are made in New York. The website [madeinnyc.org](http://madeinnyc.org) for instance was created by the New York Industrial Retention Network (NYIRN) to support New York City businesses, providing manufacturers a place to list their products. Other resources include, Make it in Midtown, a site created by James Belzer & handbag designer Michelle Vale, which aims to promote New York as a fashion capital by highlighting the importance of domestic manufacturing options. <http://www.makeitinmanhattan.com/index.html>

In addition to these groups, New York City's official marketing arm, NYC & Co. and the NY State's I Love NY site help increase the visibility of New York City based products and services. As

## RECOMMENDATIONS



Yeohlee Teng's storefront on West 38<sup>th</sup> Street

important as these efforts are, they are not connected to each other and they lack the level of visibility that could be created by a more substantial and far-reaching branding campaign. The public sector, the CFDA and the larger design community, in addition to the NYC based fashion media all have very important roles to play in the development of a Made in NYC label and marketing campaign.

### *Case Study of Made in Italy*

The Italian Institute for Foreign Trade also known as the Italian Trade Commission or ICE is a government agency that develops and promotes trade between Italy and other countries. The agency is funded by public and private funds from the Ministry of International Trade and the companies that utilize their services. ICE works to support the internationalization of Italian firms and their consolidation in foreign markets. Although ICE is not solely responsible for fashion products, Italian fashion figures prominently in the agency's roster of promotional events.

The National Chamber for Italian Fashion or Camera Nazionale della Moda Italiana (CNMI,) is an Italian organization similar to the CFDA that works to promote Italy's fashion industries. Located in Milan, it represents over 200 Italian fashion companies in various sectors of the industry encompassing the entire production chain from materials to finished product. One of CNMI's main functions is to safeguard and promote Italian fashion.

In 2000 CNMI and the Federation Francaise de la Couture signed a French-Italian protocol agreement aimed at developing and circulating luxury products in non-euro areas. The objective of the agreement is to create a shared commitment to spreading haute couture fashion products in international markets, counter imitations, cooperate in professional training, monitor imports from non-European countries, and increase the industry's competitiveness within the European Union.

In the US, national efforts are also underway to support American manufacturing. The Obama Administration has established a much publicized goal to double exports by 2014. To achieve this goal the Departments of Commerce created the Trade Promotion Coordinating Committee which developed a strategy, outlined in the National Export Initiative, to increase exports. (National Export Strategy, 2011)

With these policy initiatives at the federal level to increase exports, now is a perfect time to consider a collaborative campaign to promote American products abroad. As the government works on fostering connections between American manufacturing and foreign markets, a concurrent effort focused on promoting American made products would help inform international con-

sumers and increase demand for goods manufactured in America. This would help American industries break into foreign markets, such as China where a demand for designer American brands already exists. Prabal Gurung, a critically acclaimed fashion designer, chosen to participate in the CFDA's Fashion Incubator, said that having a "Made in New York" line has helped him break into the Asian market, stating that "There has definitely been more openness to my brand because we're made in the US..." (Dawson, 2010)

A suite of initiatives focused on supporting local manufacturing could include the following:

- Develop a "Made in NYC" campaign to encourage designers to use local businesses and manufacturers for sourcing and production and as a way of more effectively marketing those products that are made in New York City. The marketing talent for this kind of initiative rests with the design, advertising, retail sectors but it is nonetheless an initiative that the public sector should throw its weight behind.
- Create an incentive program that offers benefits to designers that manufacture in the district or elsewhere in NYC potentially through a reduction or elimination of sales tax for goods purchased in New York City. The State of NY has a tax incentive for films made in New York and the City of New York, until very recently, had a similar incentive which was considered a success. In addition, the City of New York offers free publicity on bus shelters for films made in NYC that meet certain criteria, expanding this campaign to garment manufacturing – particularly in the area around the Garment District and in key retail destinations – should also be explored.



## RECOMMENDATIONS

- Produce an annual trade show featuring designers that manufacture in New York City. Potentially, as Yeohlee Teng and others have suggested, the streets of the Garment District could be used for an open air fashion show. This event could be coordinated with Fashion Week or could be held at another time of the year.

### Market the Garment District

Much has been said about the lackluster nature of today's Garment District streetscape. The streets, particularly the side streets, give little indication of the sophisticated fashion industry that calls this area home. This atmosphere has been touted as a reason some fashion firms have moved out of the district, opting for trendier locations such as Chelsea or the Meatpacking District. Improving the physical spaces within the district may help maintain the critical mass of fashion businesses needed to keep this neighborhood New York's fashion center.

The Fashion Center BID has made some strides in enlivening the streets over the past few years. One such event, 2010's SIDEWALK CATWALK, is a public art event to celebrate American fashion. The event featured custom built mannequins designed by thirty of the New York City's most prominent designers along Broadway from Times Square to Herald Square. Two student teams, one each from Parsons and FIT, were also invited to design a mannequin for the show. The show was promoted by Macy's and the New York Times. More recently, the Fashion Center BID initiated the Tour de Fashion, a free bicycle program designed for Fashion Week. Thirty bicycles were customized by top designers for use during September 2011's fashion week. Each bike had maps of safe routes between the Garment District and the



### THE NEW YORK CREATION LABEL

Before the CFDA, dress manufacturers joined forces with the International Ladies Garment Union and in 1941 formed an organization known as the New York Dress Institute. The Dress Institute's goal was to market clothing made in New York by promoting New York as a fashion capitol. The institute created an agreement that specified that one half of one percent of the cost of every union dress would go into a fund for advertising American clothes. These clothes were distinguished by a label, called the New York Creation label, designed to identify dresses made in New York. With the help of America's first fashion publicist, Eleanor Lambert, the institute started a group called the New York Couture Group, which was comprised of the highest quality garment manufacturers in the city and highlighted the top designers of the time. Lambert then started Press Week, inviting fashion editors from all over the country to New York to get the first glimpse of the latest fashion. In addition, she established the Best-Dressed list, which has since been taken up by Vanity Fair; and created the Coty Awards, the precursor of today's Council of the Fashion Designers of America Awards. Collectively these innovations helped New York attain its current status as a major international fashion capitol.

locations of Fashion Week shows. As Broadway has been transformed to the north with the investment and energy of the Department of Transportation and the Times Square Alliance, opportunities to reinvent the public spaces in the Garment District need to be explored. Some examples include:

- Facilitate permitting for street closures in order to hold fashion shows that are

focused on design and production that is happening in the Garment District. DOT during particular days during the summer closes off certain streets and creatively programs these streets for use as recreational space. Something similar could be done in the Garment District to showcase the creativity and energy of this neighborhood.

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- Streetscape investments particularly on the avenues where showrooms tend to be clustered. Broadway, Seventh Avenue, and Eighth Avenues have a tremendous amount of activity to the north of the Garment District in Times Square and further to the south in the Herald Square/Penn Station neighborhood. Improvements along these streets should seek to draw people from these surrounding hubs into and through the Garment District. Because of the very heavy pedestrian volumes, expanding the sidewalks in critical locations and potentially at intersections should also be considered in order to improve the pedestrian experience.

- As the Fashion Center BID has noted in their annual reports there is significant retail vacancy throughout the BID area. Aggressively using this underused space for fashion pop up stores would help to both create a livelier environment on the street and potentially market the design and manufacturing talent of the Garment District.

- “The Intersection” a cluster of buildings located at the intersection of 9<sup>th</sup> and Los Angeles Ave., is the center of LA’s wholesale business. This well-known intersection houses approximately 1,200 showrooms and 4,500 fashion brands. In 2003, this intersection was branded “The Intersection”, to promote awareness of this incredible concentration of wholesalers and the value of the fashion district overall. In addition to providing regular service to buyers, businesses work collectively to host five market weeks at “The Intersection.” Like a trade show, buyers are able to visit multiple wholesalers in a well-defined area and shop the market more efficiently. This unique model allows wholesalers to work out of their own space, while buyers can more easily and quickly locate goods and

services. This is an approach that could apply in the Garment District which has a similar concentration of wholesalers.

### Develop capsule collections

Domestic production largely involves small manufacturers and contractors serving niche markets where order sizes tend to be smaller. The scale of this type of production could be a model for expanding local production through capsule collections. The idea of a capsule collection is to extend the production season, by developing smaller collections created during periods in the fashion season when manufacturers are not as busy. Smaller runs are often more cost-effective because the higher cost of labor for each garment is recouped through cost savings for freight and through marketing opportunities for a select, more exclusive collection. One approach, working closely with some of the prominent design firms based in New York, the CFDA, and retailers would be to establish a commitment to either produce or help to promote a particular

in Made in New York capsule collection. For instance, the Made in New York tote bag or the Made in New York tie. This modest commitment on the part of established designers would help to demonstrate the manufacturing is still viable in Midtown and simultaneously create a new marketing hook for the designer and retailer.

### Improve the trade show experience

In a survey of fashion designers that EDC conducted with the assistance of the Council of Fashion Designers of America, designers said they needed help marketing the importance and value of NYC fashion to buyers, trade show exhibitors and event producers. They also pointed out the need to improve the scheduling and marketing of the NYC Market Week/Fashion Week, and improve trade show/runway show facilities.

The majority of showroom tenants and owners agree that having a large



8<sup>th</sup> Avenue



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cluster in and around the NYC Garment District is important. A number of the respondents identified a need to create a mart with dedicated trade-show space, improve signage, maps and way-finding, and establish a visitor center or buyer center with computers, bathrooms, and meeting spaces for buyers who are out of town but need to do work in the Garment District. The wholesale segment of the fashion economy is one of its strongest assets and improving convention space in Manhattan, whether at Javits or elsewhere, and finding better ways to connect visitors with this space will be an important step in growing the wholesale segment of the industry. This will have the added benefit of improving this experience for buyers across a range of sectors of the economy, not just fashion buyers.

### Leverage partnerships

Fundamental to any successful plan for the Garment District is harnessing the talents of those who are experts in this field and bringing these groups together to form partnerships to help

address industry needs. The public sector and the design community have a particularly important role in leading these conversations. NYC is blessed with a number of the top fashion and design schools in the world and there is also an important opportunity for them to play a more vocal role in these conversations.

The relationship between universities and particular industry clusters is well-documented especially for biomedical and engineering. The cluster around Stanford in Silicon Valley as well as the high tech corridor around Boston are two prominent examples. What both of these regions make clear is that universities can play a key role in the development of knowledge intensive industrial corridors. The synergies between university research departments and commercial industries allow biotechnology innovations to be quickly adopted, developed, refined, and marketed by local businesses.

In Boston, universities like Harvard and MIT train students that take jobs at

local firms upon graduating. However, the reliance on universities goes deeper than simply hiring their graduates. In medical fields like biotechnology a large number of innovations come directly from university laboratories. A biological breakthrough is often made in a research department, patented, and then the university enters into an agreement with a private firm that refines the discovery and investigates opportunities for commercialization.

Proximity of private firms near universities is what makes this process successful. It allows discovery and innovation to be translated into commercial opportunity. Through internships at design firms, NYC fashion students make connections with potential employers and learn to navigate the resources of the Garment District.

EDC has recognized this connection and as part of their Fashion NYC 2020 campaign has targeted a number of their investments towards students and young designers. Programs like Fashion Campus NYC provide young designers with networking opportunities and time to learn from more established industry professionals. There is potential to go further and think about how the Garment District itself can serve as a better resource for these designers.

- The fashion schools, using the extensive help and on the ground expertise of students and faculty can help to create a fashion or Garment District mobile app to orient new students to the wealth of suppliers/manufacturers/retailers and to then help provide reviews for these companies. Much of the industry operates on a word of mouth basis and connecting young designers with these companies will only help to expand the customer base



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for manufacturers and better equip designers to one day launch their own companies.

- Partnering with business schools to create MBA & designer teams to help develop the next generation of fashion companies. One of the challenges for getting fashion companies off the ground is a lack of business expertise. NYC has an incredible wealth of MBA programs so formally connecting the young entrepreneurs in fashion with those in business could help to create the kind of collaboration to launch an idea and start a business.
- Helping to expand the network of offerings for vocational support. As fashion designer Yeohlee Teng asked in MAS's first panel discussion: "I think that besides it being a real estate and a zoning issue, there's a human issue we need to contend with... If you build an incubator for supporting young designers, what are you doing to replace the [manufacturing] skills that support them?"

### Consolidate manufacturing

The role of the factories extends beyond their individual economic contribution to providing a structural support to fashion designers and the industry overall. However, most of the recent attention that has been given to the industry has been focused on the needs of fashion designers. EDC's creation of six initiatives to bolster long-term growth in the fashion industry is the most significant initiative since the creation of the fashion incubator, which took place in partnership with the CFDA in the spring of 2010 (NYCEDC, 2010; NYCEDC, 2009). Altogether, these initiatives constitute an important collection of government-sponsored mechanisms to support the future of the industry but they focus

### THE SILICON VALLEY INFORMATION TECHNOLOGY CLUSTER

Frederick Terman was a Stanford University professor, Dean of Engineering and Provost. Terman modeled Stanford's electrical engineering department on MIT after realizing the significance of cooperative education programs sponsored by companies such as GE and AT&T. By the 1930s Terman had built a nationally-recognized graduate program in electronics at Stanford that both supported student-entrepreneurs such as Hewlett, Packard and Charles Litton and encouraged investment from large companies such as GE and RCA, which then contributed to the industry's growth.

Terman focused on creating an environment for innovation. Key to Terman's success was what he called the "steeple-building" strategy. Instead of competing directly with established universities and firms such as General Electric, he concentrated on the technical niches where northern California had an edge. By hiring some of the best in electronics (many of them former students) he was able to build highly visible research and teaching programs in selected specialties that attracted top students, federal funding, government (mainly military) subsidies and local industry support. In 1951, because his model proved successful, he was able to create the Stanford Industrial (later Research) Park, which is considered one of the most successful efforts to foster academic-industrial cooperation. By developing a high tech park on university land, companies such as Hewlett-Packard, were eager to co-locate and ended up creating jobs and contributing millions in rent to Stanford.

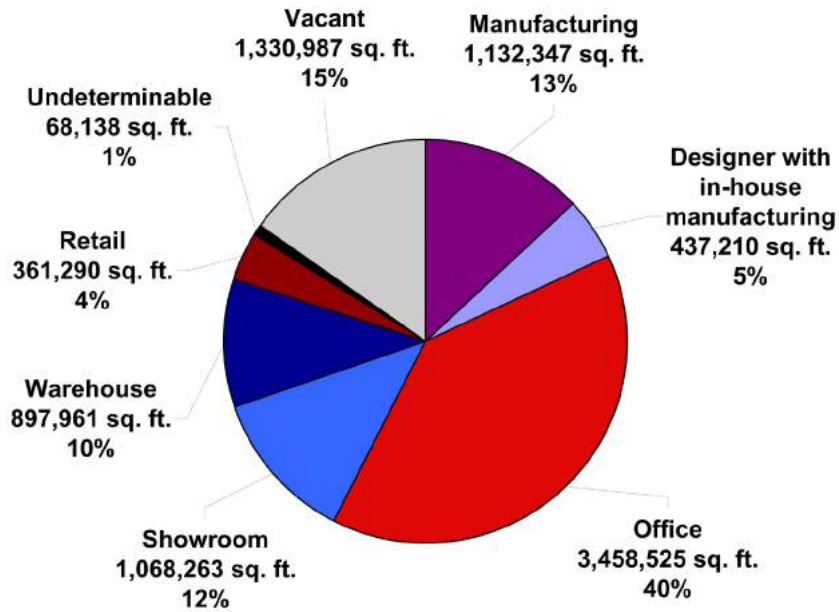
almost exclusively on support to young and emerging designers – helping them to develop successful business plans, expand their retail opportunities, and access long-term affordable space in the Garment District.

In addition to ideas to help grow the fashion economy, which will help manufacturers increase their orders, there also must be careful attention paid to securing affordable space.

As our analysis of land use as well as the analysis undertaken by Joerg Schwartz – land use consultant to CFDA - indi-

cates the total building capacity of the nine buildings with the most amount of occupied manufacturing space would be sufficient to host the total amount of occupied garment manufacturing space currently in use in the preservation areas of the special zoning district. The CFDA/BID land use survey documented the presence of approximately 1.34 million square feet of garment manufacturing; this includes space that is exclusively garment manufacturing and some space that is a mixture of manufacturing and design. The 9 buildings with the most amount of manufacturing in the district can

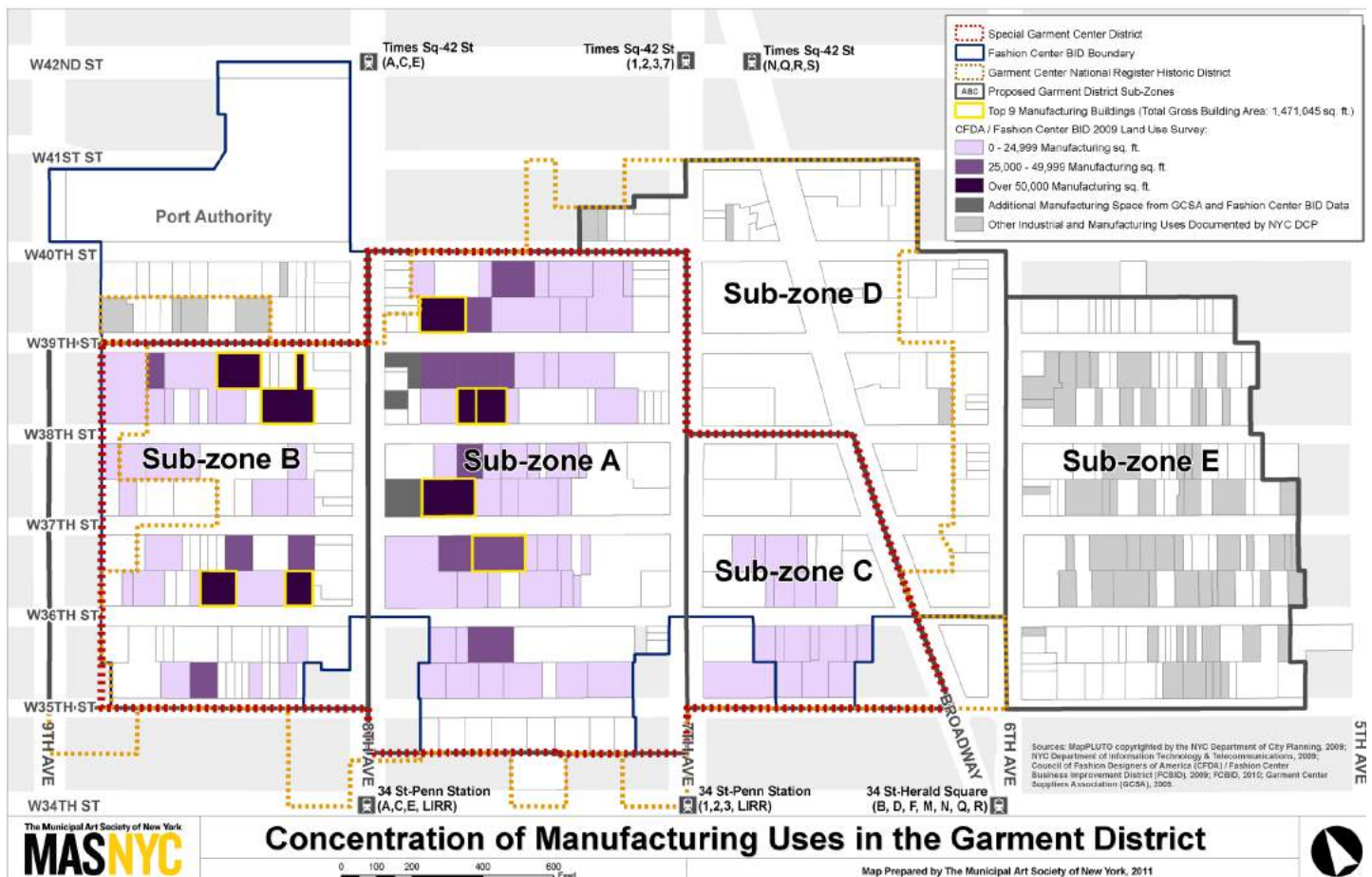
## RECOMMENDATIONS



Caption: Distribution of land uses in CFDA / FCBID comprehensive study of tenants in buildings within PI and P2 sections of the special garment center district (CFDA / FCBID, 2009)

hold over 1.4 million square feet of manufacturing space. Our approach doesn't necessarily require these particular 9 buildings be the only ones designated for garment manufacturing but because these buildings already have a very significant manufacturing presence there will be a minimum amount of relocation involved.

In order to consolidate manufacturing in these building there would need to be a sustainable financing mechanism to secure the space, pay for maintenance and operation costs, and any required capital improvements. We have identified a number of potential funding streams:



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- Create a tax increment finance mechanism for areas of the district to be re-zoned. When land is re-zoned from manufacturing to other uses or when use restrictions are lifted the public sector is unlocking tremendous value for the property owners. A portion of the increased tax revenue generated needs to be returned to the Garment District in order to help manufacturers secure space. This additional money could help fund a bond which would finance the purchase of space by manufacturers or a non-profit entity representing manufacturers thereby helping to alleviate the business displacement that would otherwise occur in a re-zoning.
- Increase the assessment on properties within the Fashion Center BID. One particular initiative highlighted by the Fashion Center BID in their discussions of land use, is a proposal to designate a building or a couple of buildings with 300,000 to 500,000 square feet of space for manufacturing tenants. Funding for this proposal would be secured by issuing a bond that would be funded through an additional business improvement district assessment. Potentially, those properties owner that stand to benefit the most through a change in the zoning could pay a higher assessment
- Combine the investment of the public sector and the property owners with funding by a coalition of manufacturers. A commitment on the part of the Fashion Center BID to increase its assessment and on the part of the City to direct additional tax revenues toward financing manufacturing space combined with a commitment on the part of the manufacturers to help fund this space would go a long way to securing manufacturing space.

In addition to these funding sources, there are a number of incentives to help support this manufacturing space:

- NYC Office of Small Business - Industrial Business Zone Credit (IBZ)

A tax credit of \$1,000 per relocated employee is available to help industrial and manufacturing firms that relocate to one of the City's sixteen IBZs. Only firms that moved into an IBZ after July 1, 2005 are eligible. Currently, the Garment District is designated an IBZ ombudsman zone with limited benefit to the manufacturers. If manufacturing in the Garment District were to be successfully consolidated, these building should be designated IBZs and therefore eligible for the relocation benefits that come with the program. The IBZ program would serve as a modest incentive for companies to move production into these buildings.

- NYC Department of Finance - Industrial and Commercial Abatement Program (ICAP)  
Property tax abatement for renovation or construction. To be eligible for benefits for commercial renovation, the building owner may be modernizing or improving an existing structure. Potentially, this program could be helpful in upgrading these consolidated manufacturing buildings and create a modern and technologically sophisticated vertical manufacturing facility. Andrew Rosen, President of Theory, among others has noted the need for more advanced manufacturing facilities.

- Industrial Development Agency Manufacturing Facilities Bond Program  
Manufacturers that are acquiring, developing, renovating, or equipping facilities for their own use can access triple tax-exempt bond financing and reduction in real estate tax, deferral of mortgage-recording tax, and exemption from sales tax. Financing a project with triple

tax-exempt bonds enables borrowers to initiate needed capital improvements at the lower cost and to better manage the timing of their capital investments.

### Create a governance model for this manufacturing space

With the waning influence of unions another organization needs to step into this vacuum in order to carefully manage the space that is set aside for manufacturing. Potentially, a non-profit entity could be created to help manage, maintain, and tenant the space. This non-profit would need to be representative of the needs of the manufacturing and design community. Space in the building could be leased at a rent that would be below market rates or potentially space could be purchased by a manufacturer at a below market price but with restrictions on re-sale value to ensure its affordability. Strict enforcement provisions would be prescribed in the lease or in the case of ownership recorded in a restrictive declaration which would run with the property. A non-profit management structure would also bring with it some tax benefits that would be helpful in making this consolidation of manufacturing financially feasible and help limit the incentives for illegal conversion.

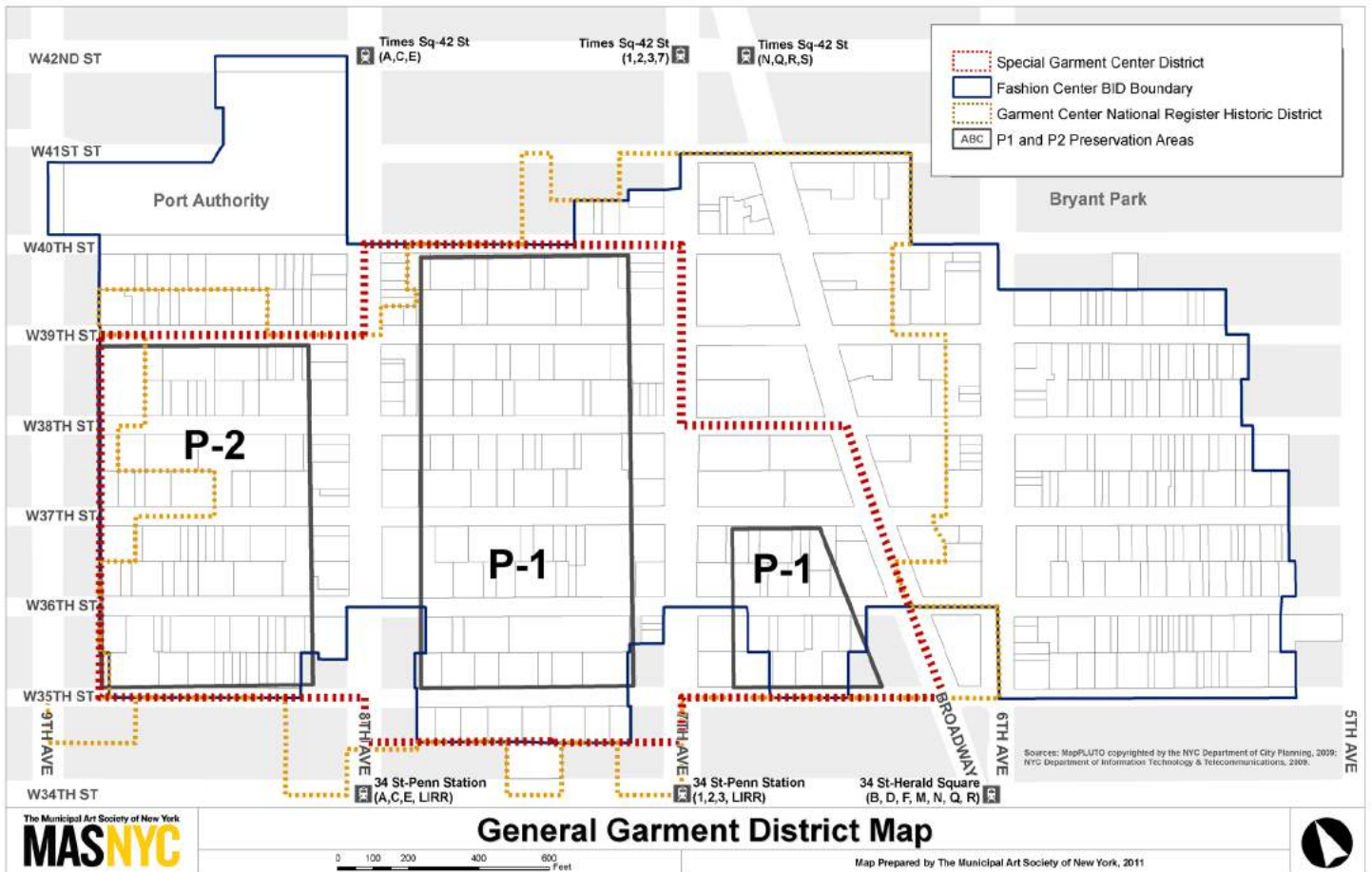
### Update the zoning

Since the 1987 Special Garment Center District was put in place there have been many changes in New York City's economy and in the Garment District in particular. As is documented by the CFDA/Fashion Center BID land use survey a significant percentage of the building's floor area is no longer garment related space.

The current zoning framework doesn't match the diversity of activity in the Garment District nor has it encouraged much investment beyond the blocks



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Preservation Areas in the Special Garment Center District

between 8<sup>th</sup> and 9<sup>th</sup> Avenues which were re-zoned in 2005 as a part of the broader Hudson Yards re-zoning.

The neighborhood is positioned between the tourist, commercial, and transit center that is Times Square a few blocks to the north, an emerging commercial district with a significant residential and retail component in Hudson Yards to the west, and the best transit access point in New York City in Penn Station a few blocks to the south. As Hudson Yards develops, as 8<sup>th</sup> Avenue continues to see the kind of development it has seen recently with the addition of the NY Times building and 11 Times Square, and potentially as Moynihan Station is constructed to the south, the Garment District will

only become a more important corridor between these neighborhoods. It has tremendous potential to be a hub of manufacturing, design, and wholesale, surrounded by a diverse mix of commercial uses.

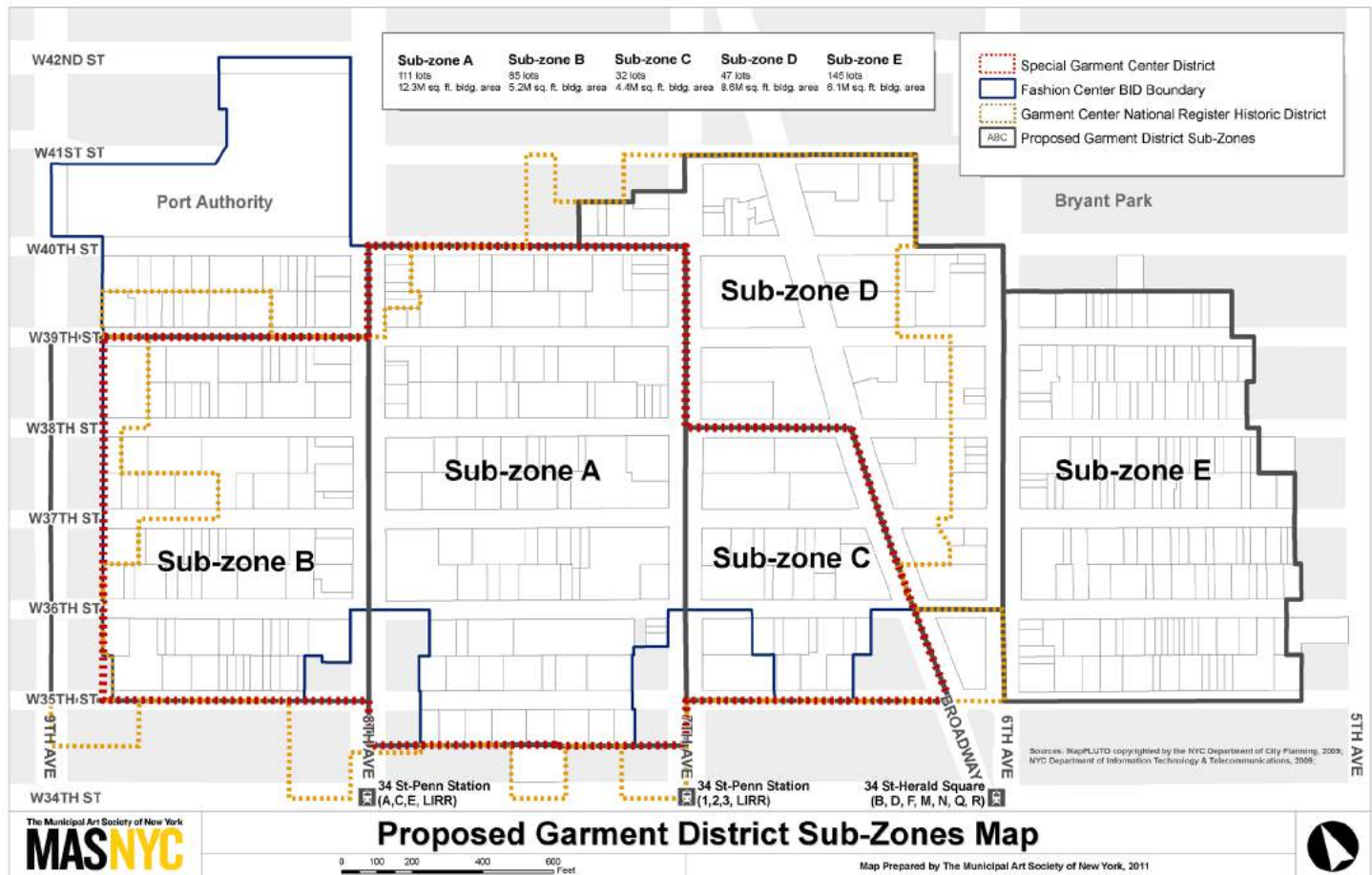
The area is now poorly served by an overly complicated regulatory framework which doesn't articulate a vision or direction forward. Fundamentally, the zoning needs to clearly express the economic development priorities for this area and should only be amended in concert with a broader plan and commitment to grow the fashion industry and provide some security for garment manufacturing.

In examining the zoning we identified three important goals:

- recognize the importance of other commercial uses including Class B&C office space
- allow for other complementary uses to support manufacturing and design to bring additional energy into the district
- update outdated bulk rules

The following recommendations were developed in support of these goals. The Garment District has many boundaries but if we use the boundaries of the Fashion Center BID we believe it makes sense to break the district down into five sub-zones – each with distinct features.

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Garment District Sub-Areas

**Sub-Zone A & B:** These two areas remain the heart of the Garment District. Sub-zone A includes the lots between West 35<sup>th</sup> and West 40<sup>th</sup> Streets between 7<sup>th</sup> and 8<sup>th</sup> Avenues. This area includes the P1 preservation area between 7<sup>th</sup> and 8<sup>th</sup> Avenues and is zoned M1-6. M1-6 is a high density manufacturing zoning district. Sub-zone B includes the blocks located between West 35<sup>th</sup> and West 39<sup>th</sup> Streets, and 8<sup>th</sup> and 9<sup>th</sup> Avenues—including the P2 preservation area of the Special Garment Center District. In contrast to sub-zone A, only the lots abutting 8th Avenue are zoned M1-6.

We don't propose to change any of the requirements put in place as a part of

the Hudson Yards re-zoning but this area should remain predominately commercial in character. Provided a safe home can be secured for manufacturing the zoning should be relaxed to allow for commercial office space and complementary uses such as hotels, cultural uses – galleries, theaters – and potentially nightclubs. Given the suitability of these buildings for commercial use, their location in the heart of NYC's central business district, and the lack of affordable office space we don't think the introduction of residential is appropriate.

The M1-6 bulk rules should be updated to require high street walls in order to facilitate the construction of buildings that complement the high street wall charac-

ter of these blocks. An up-zoning on 7th Avenue & Broadway could also be considered to regularize these blocks with avenue zoning in the rest of Midtown. Any increase in density would need to be evaluated with a more detailed study and should focus on improving pedestrian circulation and subway entrances throughout the district.

**Sub-Zone C:** Sub-zone C contains the remaining lots within the Special Garment Center District, between West 36<sup>th</sup> and West 39<sup>th</sup> Streets, Broadway and 7<sup>th</sup> Avenue. This area is very similar to sub-zone A in terms of zoning. There is a second P1 preservation area in this sub-zone, and all lots are zoned M1-6.

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These blocks stand out for the large number of showrooms. 17.3% of the total showroom space is located in this area. Within the P1 area, the majority of the buildings are pre-war loft buildings. The avenues, however, have a number of post-war buildings that are better suited for office and showroom space. Given the lack of manufacturing space in this sub-zone we think it would be appropriate to lift the P1 protections and allow commercial uses as-of-right. Lifting the P1 restriction would continue to allow showroom and manufacturing uses but also allow for the introduction of new Class B&C office tenants. Much like sub-zones A and B, given the incredible location between 7<sup>th</sup> Avenue and Broadway and the commercial nature of these large floor plate buildings, residential should not be allowed.

**Sub Zone D:** Sub-zone D includes a series of lots within the Fashion Center BID service area including the blocks between West 36<sup>th</sup> and West 41<sup>st</sup> Streets, 6<sup>th</sup> Avenue, Broadway and 7<sup>th</sup> Avenue. These blocks are located outside of the Special Garment Center District and overlap with the Special Midtown District. The properties in this area located north of West 38<sup>th</sup> Street are zoned C5-3, and those located to the south are zoned C6-6. Although this area wasn't surveyed by the CFDA / Fashion Center BID land use survey, the Fashion Center BID's tenants survey documents the presence of a number of showrooms and wholesalers along Broadway, particularly between West 38<sup>th</sup> and West 39<sup>th</sup> Streets. The building stock in this section has a strong commercial office character with a number of post-war office buildings that reach 42 stories along the avenues. The zoning represents its location in the center of Midtown – a high density commercial



Midblock in Sub-Zone C

district which allows a wide variety of commercial uses. There is no need to change the zoning in this sub-zone.

**Sub-Zone E:** Sub-zone E contains the remaining lots located within the Fashion Center BID service area to the east of 6<sup>th</sup> Avenue. This sub-zone is located outside of the Special Garment Center District, and is zoned M1-6. This is an area outside of the special zoning district that has a very limited amount of manufacturing although it does have some fashion wholesale and retail mixed in to a predominantly commercial area. The buildings in this neighborhood tend to be significantly smaller than other portions of the Garment District and built on smaller lots. This area is an important home to many commercial uses because of its relatively less expensive commercial space. The only new construction are hotels that don't bear any architectural rela-

tionship to the surrounding buildings. The area should continue to serve as primarily a light manufacturing/commercial district but the zoning should be updated to require street walls. The introduction of residential on a limited basis should be examined, the neighborhoods to the north, south, and east all permit residential. Furthermore, it's an area that has a prevalence of underdeveloped sites including parking and doesn't have the same commercial/manufacturing core as the portions of the Garment District further to the west.

### Explore tariff reduction

The US Textile Industry is the third largest exporter of textile products in the world. In 2009, the total combined value of US textile and apparel shipments was \$62.8 billion (\$47.2 billion in textile industry shipments, \$15.6 billion in apparel industry ship-



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ments) and the U.S. earned \$9 billion in revenue on imports of textile and apparel products. The textile industry is located primarily in the Southeast, while the apparel industry is concentrated in California, New York and North Carolina.

The Office of Textile and Apparel (OTEXA) is the US government agency responsible for textile and apparel issues. OTEXA negotiates and executes Free Trade Agreement (FTA) provisions to ensure fair and balanced trade. They are responsible for supporting the US textile industry through research and marketing. OTEXA works with lobbying groups such as the National Council of Textile Organizations (NCTO) on efforts to preserve the textile industry. In addition to quotas, the US and other countries are able to set tariffs which are designed to protect the nation's domestic manufacturing market. The US tariff rates on clothing and textiles are broken down into 14 chapters; there is significant cost variation from product to product in addition to peak rates that can be applied in special circumstances. General rates vary from zero to 32 percent of the product's cost.

Recently President Obama signed legislation authorizing duty-free importation of some 800 components, including some man-made-fiber products. The legislation is a one-year extension of the Miscellaneous Tariff Bill which allows raw materials not made in the US to be imported duty-free.

The Miscellaneous Tariff Bill is meant to help domestic manufacturers compete by giving them tariff breaks on components such as yarns and fibers that are no longer made in the US. According to law, duty breaks in each grouping cannot amount to a total loss in tariff revenue to the US government of more than \$500,000 a year. If trade grows in a given category, lawmakers increase duties to bring overall tariff revenue loss back under the cap.

A US Foreign Trade Zone is a government-designated, restricted-access site used as an import/export financial management tool. The FTZ allows foreign and domestic merchandise to be admitted for storage, assembly, processing and manufacture, while reducing or eliminating duty on imports and exports. There are two general purpose FTZs in New York City: the Brooklyn

Navy Yard and John F. Kennedy International Airport.

A Foreign Trade subzone can be established for operations that do not fit into one of the two New York City general purpose FTZs. Companies seeking subzone status apply for certification from the federal FTZ Board through the NYC EDC. Currently, New York City is home to two FTZ subzones a Pfizer's pharmaceutical manufacturing facility in Williamsburg, Brooklyn and a Bulova's wristwatch manufacturing plant in Jackson Heights, Queens.

The costs of tariffs can represent a significant portion of the cost of the raw material in some cases up to 30% of the costs of the raw material. If garment manufacturing space can be successfully consolidated in a several buildings then designating the companies/buildings foreign trade sub-zones would help make these companies more competitive by reducing the costs of acquiring materials which are not readily available in the US.

This report outlines some approaches to build on the very real strengths of the industry. Collaboration will be crucial among the design community, manufacturers, educational institutions, non-profits, fashion media, consumers and property owners in helping to implement these ideas. Against the odds, the district continues to create, innovate, and produce and hopefully, with the right policies and partnerships, it will continue to inspire for many years to come

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Vin Cipolla, President

Eugenie Birch, Chair MAS Program Committee

Hugh Hardy, Chair MAS Planning Committee

Kitty Hawks, MAS Board of Directors

Anthony Kiser, MAS Board of Directors

Brendan Sexton, Vice Chair MAS Planning Committee

Yeohlee Teng, MAS Board of Directors

Ronda Wist, Senior Vice President, Policy and Advocacy

Raju Mann, Director of Planning

Juan Camilo Osorio, Senior Planner / GIS Analyst

Sideya Sherman, Senior Planner

Aileen Gorsuch, Associate Planner

Kokutona Kaijage, Assistant GIS Analyst

Paul Kelterborn, Project Manager, Public Programs

Joel Kolkman, Project Manager, Policy and Advocacy

Hazel Balaban, Manager, Communications and Marketing

Tamara Coombs, Director of Tours and Programs

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The Municipal Art Society of New York

**MASNYC**

THE MUNICIPAL ART SOCIETY OF NEW YORK  
111 WEST 57TH STREET  
NEW YORK, NY 10019

T 212 935 3960  
F 212 753 1816

[MAS.ORG](http://MAS.ORG)