



WHITEPAPER

Long Island Innovation Park at Hauppauge: Securing Long Island's Future

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Introduction

Long Island is well known for its sandy beaches, upscale wineries, and charming downtowns; its innovative research laboratories, excellent schools, and world-class universities; and its vibrant arts scene, having produced many acclaimed singers, actors, authors, and artists. In recent years, Long Island has also earned a new claim to fame: it is home to the anchor of the region's tradable economy, the Long Island Innovation Park at Hauppauge (LI-IPH).

Over the past several years, thanks to efforts to quantify the economic impact of the LI-IPH (formerly known as the Hauppauge Industrial Park), the Park's role as the economic hub of the region has become an incontrovertible fact.

Occupying an 11-square-mile tract of land straggling the border of the Towns of Smithtown and Islip, the LI-IPH is the second largest industrial park in the nation (second only to Silicon Valley). It is an epicenter for business, employing 55,000 people – one in 20 jobs on Long Island is dependent on the Park – in about 1,400 companies run by some of the most innovative minds in the country.

The Economic Impact Study

While the Park has existed for decades, its economic impact had long flown under the radar, due to a variety of factors including lack of a cohesive Park identity, lack of common ownership of its buildings, and the simple fact that no one had ever thought to study it. That changed in 2016, when the HIA-LI – under the leadership of President and CEO Terri Alessi-Miceli and LI-IPH Task Force Chairman Joe Campolo – spearheaded the first ever Economic Impact Study (EIS) analyzing the role of the Park in the state and local economy.

Conducted in collaboration with a task force of business owners, the Suffolk County IDA, and the Stony Brook University College of Business, the EIS revealed staggering numbers, including that the Park makes up only .0002% of New York State's 54,556 square miles, yet its sales volume accounts for approximately 1.35% of the gross state product with a total sales volume of \$13,426,521,000. The Park generates over \$19 million in annual tax revenue for the Town of Smithtown, as well as \$64,500,000 in property taxes and payroll, leaving \$2.090 billion to spend locally. The total combined payroll of LI-IPH employees is \$2.897 billion, resulting in \$806,400,000 paid in income taxes.



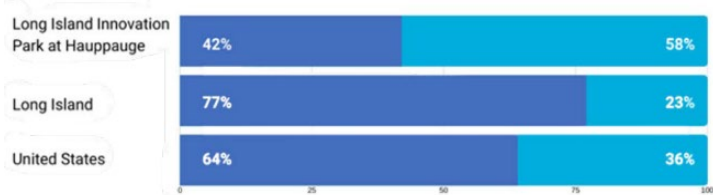


A Tradable Economy

These figures attracted the continued attention of the Suffolk IDA which, along with the Regional Plan Association, commissioned an Opportunity Analysis to do a deeper dive into the businesses that reside in the Park and devise initiatives to further develop the economic impact of the Park. James Lima Planning + Development, an industry leader in “the economics of placemaking,” conducted the next phase of the study, ultimately releasing a 160-page report in 2019. This Opportunity Analysis verified the prior economic analysis that had been conducted, and more significantly, also found that the Park has an extraordinarily high concentration of “tradable” businesses – not only for Long Island, but nationwide.

Tradable sectors, which include such industries as aerospace vehicles and defense, biopharmaceuticals, business services, construction products and services, distribution and electronic commerce, education and research activities, financial services, food processing and manufacturing, and information technology and analytical instruments, play a vital role in high performing economic ecosystems. What makes these industries “tradable” is that they are not dependent on customers from the immediate area to thrive; instead, they enhance the communities they are in by vastly increasing the local tax base by paying higher wages – all of which greatly stimulates the local economy. Tradable industries also attract skilled workers to relocate from other states and cities, which also greatly helps grow the tax base without having to continue to raise taxes. An ecosystem with too few tradable businesses suffers greatly because it finds itself simply recirculating dollars rather than growing the pie.

EMPLOYMENT IN LOCAL SERVICES TRADABLE SECTORS



TRADABLE SECTORS:

9 KEY CLUSTERS FOR LONG ISLAND

AEROSPACE	FINANCIAL SERVICES	BUSINESS SERVICES
BIOPHARMA	DISTRIBUTION	EDUCATION
CONSTRUCTION	FOOD PROCESSING	IT & INSTRUMENTS

SELECTION CRITERIA

Large existing employment; high specialization; outgrowing other regions; validated by experts; represented in the Park.

In Nassau and Suffolk Counties, tradable industries make up only 23% of the economy; the national average is 36%, painting a bleak picture for Long Island. However, the Opportunity Analysis revealed that 58% of the jobs in the Innovation Park are in tradable industries. That means that while Long Island is underperforming in tradable industries, the Innovation Park is outperforming not only Long Island, but the national average – by over 20%.

Since businesses in non-tradable sectors exist primarily to serve the local population, their growth is limited by the currently existing population and income. For example, while it is unlikely that a local restaurant's revenue will grow by 50% in one year, in the tradable tech and manufacturing industries, that level of growth is very possible.

An area's tradable sector businesses (or lack thereof) greatly impacts residents living nearby. When a region has a weak tradable sectors presence, there is a deficit of new people and income flowing into that region. This affects the region's non-tradable sector, which includes small businesses.

Therefore, the driver of household and income growth comes from tradable sectors, which breathe vitality into a region. Communities are only as strong as their tradable sectors. When a decline in a region's tradable sector industries occurs, then a decline of its non-tradable sector will follow, and the subsequent loss of prosperity and growth would be inevitable. Tradable industries are integral to economic growth. With the largest concentration of tradable industries on Long Island, the Innovation Park has the greatest opportunity to spearhead Long Island-wide economic development.

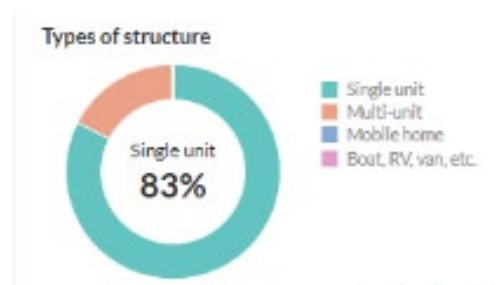
The results of these studies cemented the Innovation Park as a national leader to ensure Long Island's economic viability.

Long Island Workforce Housing

For tradable industries to continue to thrive in the Park, businesses need a talented workforce pipeline for years to come. Indeed, the Opportunity Analysis reported that the top concern of business owners in the LI-IPH is attracting and retaining a talented and competitive workforce.

Unfortunately, according to a Rauch Foundation survey conducted for *Newsday*, approximately 68% of the young people living on Long Island are considering leaving over the next five years. A key reason is lack of housing options.

Due to the ever-increasing cost of living, Long Island's younger generations cannot afford to stay here – and they already feel compelled to leave. Further, without access to housing, new workers cannot come to the area. Many talented young workers cannot afford to purchase Long Island's expensive single-family homes – and many do not want to if they could. Shifting demographics and household dynamics are fueling demand for more walkable neighborhoods where housing, work, and amenities intermingle. The COVID-19 pandemic has only exacerbated these changes. There is also a growing shift from traditional sprawling single-use suburban offices and industrial parks to more inclusive multi-use communities like the Long Island Innovation Park.

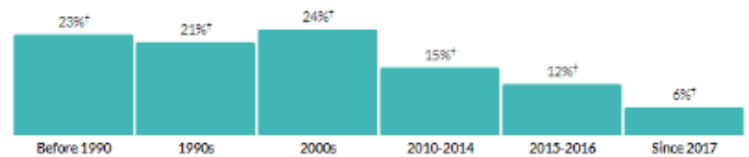


Source: Hauppauge Data from Census Reporter 2019

Therefore, mixed use, multi-family rental housing stock is critical to facilitate job creation and economic growth, as well as appeal to workers searching for the “live-work-play” lifestyle in which educated young workers do not want to travel far to get to work. Currently, Long Island’s rental housing represents just 21% of households compared to the competitive markets of Westchester (35%) and northern New Jersey (37%). Currently, only 6.7% of households in the Town of Smithtown are renter-occupied – extremely low even for Long Island’s already low numbers. Quite simply, expanding housing choices will accommodate a growing population and help attract workers to grow the economy.

Recognizing the critical importance of the Innovation Park’s success – and the role that housing plays in attracting the highly educated professionals who will work there – the Town of Smithtown amended their zoning code in August 2020. The change permits developers to apply for a special exception on 13 parcels in the Park for mixed-use buildings that incorporate ground-floor retail or restaurants with upstairs apartments and offices.

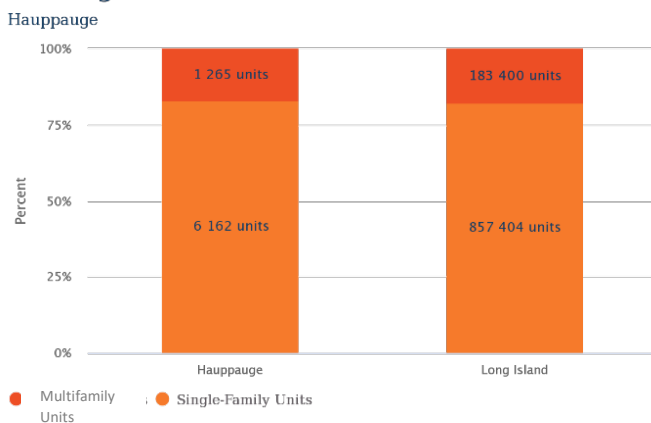
Year moved in, by percentage of population



Source: Hauppauge Data from the Census Reporter 2019

The decision to help convert underutilized industrial space into an economic engine for Long Island came after a fully transparent three-and-a-half-year analysis. This zoning change was the culmination of facts collected in the Economic Impact Study commissioned by the HIA-LI; the extensive Opportunity Analysis by the renowned James Lima Planning + Development, funded by the Suffolk IDA and Regional Plan Association; through meetings with stakeholders, legislators, and local universities and covered in highly publicized press conferences; in *Newsday* and *Long Island Business News* articles; and at countless legislative and economic breakfasts attended by thousands of members of the community.

Housing Units



Source: Hauppauge Data from RPA

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Planning + Development



Long Island
BusinessNEWS
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The zoning code amendments that allow mixed-used development within designated areas of the Innovation Park will help bolster the Park's "livable" work environments and help employers attract talent. Indeed, Long Island needs between 115,000 to 158,000 new households over the next 15 years to meet the demand for housing growth and demographic changes. As Mitch Pally, CEO of the Long Island Builders Institute (LIBI), voiced in support of the Town of Smithtown's zoning change: "To create conditions for sustained economic growth on Long Island, it's essential to act strategically to promote workforce attraction and retention. Modern businesses are mobile and we're competing every day with other parts of the country to maintain and grow our business base here. The Town of Smithtown understands this dynamic."

The creation of multi-use housing will increase the Park's competitiveness and value. The economic benefit is also significant. The construction of 1,000 new housing units will create over 2,900 construction jobs with \$180.7 million in construction earnings and \$472.6 million in construction spending.

However, post-construction of these new multi-family housing units in the Park, over \$25 million in annual spending within the County from new residents is projected. This assumes that residents will be within an income bracket of \$70,000 to \$99,000.

Nearly 350 new jobs will be created as a result of new resident spending and these new jobs have projected earnings of \$15.6 million and spending of \$45 million.



Additional benefits include preserving and enhancing the tax base as well as sustaining the Park in a post-COVID world.

To accompany the zoning change, the Innovation Park already has plans to move forward, spearheading updates to the design and visibility of the park through infrastructure improvements. These include redesigning key corridors for pedestrian and bike accessibility, developing a greenway connection throughout the park, and reclaiming impervious surfaces as green space.

Through improvements such as tree-lined streets, well-manicured lawns, and planted areas, the Innovation Park can create a more attractive environment that is more visible, sustainable, and can attract the next generation of entrepreneurs.

Example:

UConn Cell and Genome Sciences Building



Source: Goody Clancy

Source: Hauppauge Industrial Park
Economic Opportunity Analysis

Challenges

For a place as innovative as Long Island, change sometimes comes slowly, hobbled by red tape or by attempts to preserve the status quo. Given the incontrovertible facts, supporting the LI-IPH is critical to Long Island's long-term survival. However, these efforts currently face challenges.

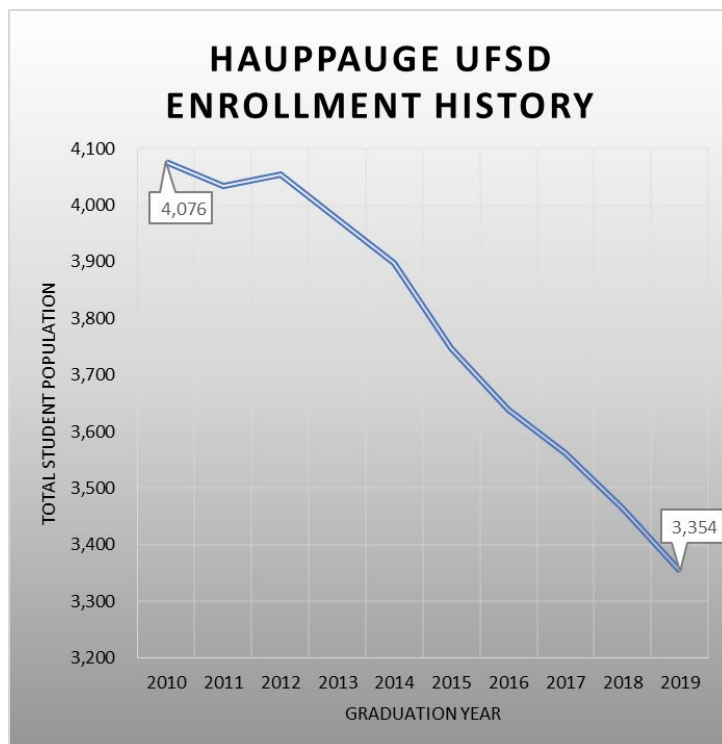
Hauppauge Union Free School District Article 78 Petition

In December 2020, the Board of Education of the Hauppauge Union Free School District and David M. Barshay, individually and as President of the Board of Education, filed an Article 78 petition against the Town of Smithtown and its Town Board in connection with the August 2020 zoning code amendment. The lawsuit seeks to annul the Local Law and Negative Declaration issued by the Town Board, on the grounds that the Board did not comply with the New York State Environmental Quality Review Act (SEQRA). The petitioners allege that the Town Board did not conduct a meaningful environmental review or consider potential impacts related to, among other things, wastewater and an increase in enrollment in the Hauppauge School District.

Even before any decisions have been reached in connection with the lawsuit, its mere existence is already acting as a barrier to economic advancement in the LI-IPH, essentially acting as a de facto lis pendens. Quite simply, no investor wants to buy into a lawsuit. The Article 78 petition is enough of a red flag on the property and unfortunately, has also halted progress in the Park until the lawsuit is resolved.

Addressing Enrollment Concerns

First, these enrollment concerns are not supported by facts. The zoning change created "overlay zoning" to permit mixed-use development in a small portion of the Park. According to school-aged children generation factors developed by the Real Estate Institute at Stony Brook University, the development of rental housing in this area would generate no more than 90 students (seven per grade) over a decade. This number is far fewer than the 110 students the Hauppauge School District lost between the 2017-2018 and 2018-2019 school years alone, and 722 students over the past decade, due to declining enrollment.



Source: data.nysed.gov

Further, a key finding of the Economic and Real Estate Analysis for Sustainable Land Use Outcomes from March 10, 2021, was that school-age children residing in multifamily housing developments constituted less than 20% of new students in Long Island school districts. Based on these local trends, any increase in school district enrollment due to multifamily housing built in the Innovation Park at Hauppauge would be negligible.

Additionally, the study found that there was no relationship between changes in school district spending and student count. Districts across the selected communities (Uniondale UFSD, Mineola UFSD, and Longwood CSD), including those that experienced falling enrollments, saw their budgets consistently grow throughout the time period observed. Essentially, the study found no correlation between student enrollment and budget increases. Rather, school budgets have consistently grown over time, regardless of whether districts have experienced falling or increasing enrollment. While the zoning change in the Innovation Park could increase enrollment in the Hauppauge School District by a mere seven students per grade over a decade, that increase would nevertheless still not be responsible for any increase on the school district's budget.



Addressing Wastewater Concerns

Sewers have long been a hot topic in Suffolk County. Especially within the Innovation Park, making sure that there is sufficient available sewer infrastructure to accommodate changes in the Park is important in order for businesses to thrive and flourish.

The Innovation Park's sewer systems were constructed by two different industrial developers in the 1970s and 1980s to provide for sanitary wastewater treatment in compliance with the requirements of the Suffolk County Sewer Agency. Together, these two sewer systems make up Suffolk County Sewer District No. 18. In 2011, the County undertook a Sewer Expansion Project to provide increased capacity to ensure that every business in the Park had and continues to have access to the sewage capacity it needs. Before the expansion, only one-quarter of the buildings in the Park were connected to the Park's sewage system, limiting the ability of the companies in the Park to expand and grow.

The County has consolidated two plants built by the original developers of the Park into a new and expanded facility and increased total available capacity from 450,000 to 1.6 million gallons per day. Work on the Expansion Project is ongoing. When all phases are completed, the expansion project will connect an additional 239 tax parcels to the sewage treatment plant. Overall, there will be a total of 400 parcels connected. Through this work, the Park will be able to house more companies and help businesses prosper in a community that has modern and updated sewer capacity.

A major consideration in designing the expansion was the determination of wastewater flows. A flow study of existing uses and predicted future development in the Park was used as the basis for the size and design of the collection system, the treatment plant, and leaching beds. Importantly, at the time that the flow study and design were completed, future plans for the Park were limited to industrial uses consistent with the existing zoning. Housing, which generates significantly higher sewage flows than other types of uses pursuant to Article 6 of the Suffolk County Sanitary Code, had not been suggested, so the expansion was not designed to accommodate the higher density uses that are possible under the overlay District.

(Whether the current mandates of Article 6 are overstated is the subject of debate; LIBI has a committee working with the Suffolk County Health and Public Works Departments to revise the standards under Article 6 for the design of privately owned on-site sewage treatment plants constructed in connection with the development of residential projects.)

The County strongly supports the Town's goals for the Innovation Park, and has contracted with H2M architects + engineers to evaluate the increased sewage flows that will result from the addition of housing uses to the Innovation Park, and to clarify what additional infrastructure improvements may be necessary to bring the new vision for the Innovation Park to fruition.

In a reflection of positive change, preliminary information provided to Suffolk County by H2M explains some of the improvements needed to expand the Park's collection system capacity. This information is currently under review. Further, Suffolk County will be authorizing the evaluation of the treatment plant capacity to accept the increased wastewater flow.

The preliminary information provided by H2M suggests that the needs of the Park regarding increasing sewer capacity are absolutely attainable. Therefore, the wastewater concerns will be met with improvements that solve any sewer issues. As Long Island expands and grows with the expectation of attracting talented workers, the sewer capacity needs to expand to grow with the changing times. Improvements to the sewer capacity to accommodate the new zoning will create new possibilities for businesses in the Park.

While that work is being completed, the County will work with the HIA-LI and potential applicants to advance projects on a case-by-case basis while making sure that every business in the Park has access to the sewage capacity it needs.



Conclusion

Attracting and keeping a talented and educated workforce on Long Island is the region's greatest priority. Creating affordable housing is the key to that effort. The Town Board in Smithtown recognized that the Town is extraordinarily fortunate to already have the pieces in place to preserve and grow our economy. The business community and HIA-LI are thankful for the unwavering support of Smithtown Supervisor Ed Wehrheim and the Town Board, as well as Islip Supervisor Angie Carpenter, Suffolk County Executive Steve Bellone, Suffolk County Economic Development Commissioner Natalie Wright, Lieutenant Governor Kathy Hochul, and their respective teams.

The bipartisan support and cooperation of these local governments demonstrates their investment in the future of Long Island and the people working and living here. Long Island is a national model for how business and government should partner; collaboration is key to getting things done on Long Island.

To limit the ability of the LI-IPH to grow and flourish by ignoring fixable sewer issues, or because of concerns that a few additional students over a 10-year period will supposedly strain the school district's resources, would be tremendously short-sighted. Unfortunately, it would also have dire consequences for the surrounding community and Long Island as a whole. Our economy can simply not sustain young workers leaving the area (or not being able to come at all).

We cannot let fear get in the way of facts. As set forth in this paper, the facts clearly favor the development of mixed-use family homes in the Long Island Innovation Park at Hauppauge. If young workers cannot stay in the area due to a shortage of housing, then Long Island businesses will lose workers to competitors in New York City and other states. Long Island's future depends on the success of these efforts.