

# WHAT DID BLOOMBERG DO IN NEW YORK CITY?

## *He Created the World's #2 Startup Ecosystem*

Twenty years ago, Silicon Valley and Boston dominated U.S. (and, thus, global) startup ecosystems. Today, in rankings from the 2017 Global Startup Ecosystem Report (Compass)—which tracks the number of startups, their total value, and the number of IPOs and exits—Silicon Valley is #1 in the world, New York City is #2, and Boston is #5. (London is #3 and Beijing is #4; see “Global Startup Ecosystems”). ) New York, with roughly 7,000 startups that have attracted at least \$1 million in venture funding, is the third most *valuable* ecosystem, with companies worth an estimated \$71 billion.

New York City now counts 14 unicorns (third most), with an aggregate valuation of more than \$30 billion. To name a few: Warby Parker, BuzzFeed, FanDuel, OscarHealth, ZocDoc, and MongoDB (although it dipped below \$1B after 2017 IPO) are all valued at more than \$1 billion. In recent years, OnDeck Capital, Tumblr, Blue Apron, and Etsy have gone public at valuations of greater than \$1 billion. Not bad for a city that 20 years ago had no venture industry to speak of, no top-flight engineering school, and no startup culture with mountains of cash and mentors.

New York's perch in the startup pantheon is something few would have expected 15 years ago. When the dot-com bubble burst circa 2000-2001, it also burst the bubble of New York's fledgling Silicon Alley *wannabe* startup culture. But post-crash, as the internet matured and broadband access accelerated, a new wave of startups began to take advantage of the advertising, media, and financial-services talent in New York to develop cutting-edge internet companies. Indeed, New York's ecosystem is reflective of a larger trend that sees innovation moving from suburban areas like Silicon Valley and Route 128 in Boston to large, dense, walkable cities. As the urban academic Richard Florida notes: “The reality is that startups and high-tech industry have become urban. Downtown San Francisco now has more high-tech startups than suburban

Silicon Valley. Urban areas from Lower Manhattan to downtown London, Berlin, and Toronto have become the new entrepreneurial zones.”

But New York also had a secret weapon: the entrepreneurial businessman and multibillionaire Michael Bloomberg was Mayor for three terms, 2002-2013, and proactive in shaping this ecosystem. “Mayor Bloomberg was a great champion of the startup community,” says Neil Blumenthal, co-founder of Warby Parker. “He used his bully pulpit to promote the New York-startup scene nationally and internationally—helping us attract new talent and customers, the lifeblood of startups.”

**BLOOMBERG’S STRATEGY**

Like China and Israel, New York City had a strategy. As in China and Israel, the strategy is working. Big country, small country, big city, but same strategic approach: identify systemic weaknesses and fill the holes. Like China in the 1980's, Bloomberg saw clearly that NY was missing key ingredients of the startup ecosystem: infrastructure, incubators, high-risk seed capital, a great engineering school, and others. Bloomberg proceeded to address those deficiencies one by one.

| <b>STARTUP ECOSYTEM</b> | <b>STARTUP ORIGINS</b> | <b>STARTUP CATALYST</b>      |
|-------------------------|------------------------|------------------------------|
|                         |                        |                              |
| China                   | 1978                   | Open Door Policy (Deng)      |
| Israel                  | 1993                   | Yozma venture capital        |
| Singapore               | 2001                   | SEEDS (gov’t matching funds) |
| New York City           | 2002                   | Mayor Bloomberg              |

Bloomberg also saw, however, that NY had some tremendous advantages to leverage—especially the headquarters of dozens of Fortune 500 companies that held leadership positions

in advertising, media, publishing, financial services, fashion, design, and medicine (the most post-graduate life sciences degrees awarded annually in the United States, alongside a major biopharma cluster). Bloomberg played to every one of those advantages. NYCEDC, for example, organized separate task groups for each major industry. Each task group (finance, media, etc.) would convene a group of Industry leaders (50-75 CEO's or senior execs), to explain its strategy and elicit support. Bloomberg attended those meetings. Subsequently, those CEOs met with CEOs of relevant startups (meetings of 100-120 people). Ideas were presented, connections made. The customer-development cycle for many entrepreneurs was cut from two years to one—or less.

One of Bloomberg's early "digital" moves came in 2005, when he introduced NYC Business Express, an e-government project dedicated to creating a one-stop website through which business owners can file for permits, licenses, and incentive programs from city agencies. In 2011, maintaining this initiative, Bloomberg hired 27-year old Rachel Sterne, founder of GroundReport and digital-strategy firm Upward Strategy, as the City's first Chief Digital Officer. Her mandate was to connect citizens to government via social media and technology, developing a long-term digital roadmap. In 2014, [Digital.nyc](http://www.digital.nyc) launched, a comprehensive platform listing companies, investors, jobs, meetings, and startup news.

In 2009, after the Great Recession and financial-services layoffs hit New York hard, Bloomberg initiated an 11-point plan to connect entrepreneurs to VCs and corporate investors. New York City developed business-plan competitions, angel and venture funds, information and support portals, FastTrac training programs, JumpStart NYC for hiring laid off workers, and BigApps competitions. The City, primarily through NYCEDC (Economic Development Corp.), also developed extensive data resources and sponsored incubators—low-cost, shared-office space with free fiber-speed broadband and equipment, next to peers and mentors, and close to or part of universities. At last count, New York had more than 100 incubators!<sup>1</sup>

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<sup>1</sup> <http://www.digital.nyc/incubators>



*The Data Future Lab at NYU, launched in 2009 in partnership with the New York City Economic Development Corporation, is open to all startup businesses but is particularly targeted toward data, cyber security, financial tech and IT.*

In 2010, the City launched the New York City Entrepreneurial Fund, the first city-sponsored seed and early-stage investment fund located outside of Silicon Valley. The \$22 million fund—\$3 million from the city, \$19 million from FirstMark—invests up to \$750,000 in startups. This was a crucial spark because New York, unlike Boston and Silicon Valley, did not have a culture of venture or even seed investors. Overall, VC investment in the greater New York City area rose from \$2 billion every year from 2006 to 2010—to \$8 billion (and 700 investments) in 2016. In 2017, venture investment exceeded \$8 billion in the first three quarters of the year.

This brings New York a long way from Silicon Alley and makes it one of the top magnets for investment funds in the world. As Richard Florida notes, just six metro areas—San Francisco Bay Area, New York, Boston, Washington, DC, San Diego, and London—attract nearly half of all high-tech venture capital investment across the entire world.

## TOP 20 U.S. MAGNETS FOR VENTURE INVESTMENTS

| Metro                                        | Venture Capital Investment (in millions) | Share of U.S. Total |
|----------------------------------------------|------------------------------------------|---------------------|
| San Francisco-Oakland-Hayward, CA            | \$23B                                    | 34.13%              |
| New York-Newark-Jersey City, NY-NJ-PA        | \$7.5B                                   | 11.03%              |
| San Jose-Sunnyvale-Santa Clara, CA           | \$6.7B                                   | 9.8%                |
| Boston-Cambridge-Newton, MA-NH               | \$6.0B                                   | 9.79%               |
| Los Angeles-Long Beach-Santa Ana, CA         | \$5.5B                                   | 7.94%               |
| San Diego-Carlsbad, CA                       | \$1.5B                                   | 2.26%               |
| Seattle-Tacoma-Bellevue, WA                  | \$1.5B                                   | 2.19%               |
| Miami-Fort Lauderdale-West Palm Beach, FL    | \$1.2B                                   | 1.89%               |
| Chicago-Naperville-Elgin, IL-IN-WI           | \$1,245                                  | 1.82%               |
| Washington-Arlington-Alexandria, DC-VA-MD-WV | \$1.1B                                   | 1.59%               |
| Austin-Round Rock, TX                        | \$977m                                   | 1.43%               |
| Philadelphia-Camden-Wilmington, PA-NJ-DE-MD  | \$897m                                   | 1.31%               |
| Atlanta-Sandy Springs-Roswell, GA            | \$754m                                   | 1.10%               |
| Dallas-Fort Worth-Arlington, TX              | \$678m                                   | 0.99%               |
| Salt Lake City, UT                           | \$633m                                   | 0.92%               |
| Provo-Orem, UT                               | \$549m                                   | 0.80%               |
| Denver-Aurora-Lakewood, CO                   | \$502m                                   | 0.73%               |
| Minneapolis-St. Paul-Bloomington, MN-WI      | \$491m                                   | 0.72%               |
| Boulder, CO                                  | \$368m                                   | 0.54%               |
| Durham-Chapel Hill, NC                       | \$351m                                   | 0.51%               |

The city has launched various initiatives to attract talent and spark innovation. Made in New York, for example, an initiative of the Pratt Center for Community Development that is funded by the City Council, provides resources for startups, highlights their growth in the city, and promotes job opportunities. Digital companies that base at least 75 percent of their development in New York City, employ at least one person full-time in New York City, and have at least 10,000 users or monthly visitors, are eligible to use the “Made in NY” mark. “Mayor Bloomberg put what was once quaintly referred to as ‘the New York startup scene’ on the map. Literally, on the map,” say Soraya Darabi and Maxine Bédard, co-founders of Zady. “The “Made in NY Jobs Map” initiative made it easier for college graduates and midcareer professionals alike to seek out employment with young innovative companies, whereas before they would gravitate toward only giant brands.”



*The Made in NY Digital Map is a living resource that reflects New York City's dynamic innovation ecosystem. Browse by neighborhood, review job postings, or add your own startup to the digital landscape.*

### **A NEW EMPAHSIS ON ENGINEERING SCHOOLS**

Since New York City didn't have a Stanford, as Silicon Valley does, or an MIT, as Boston does, to drive innovation, Bloomberg developed a new engineering school: Cornell Tech, in partnership with Technion-Israel Institute of Technology. Bloomberg hailed Cornell Tech as a "gamechanger" that is expected to create 600 companies, leading to \$23 billion in economic benefits and an additional \$1.4 billion in taxes, during its first three decades of operation. The City pumped in \$100 million "seed" capital to the \$2 billion initiative in 2009.



*Bloomberg's most recent legacy: The \$2 billion Cornell Tech campus on Roosevelt Island, New York, opened in September 2017*

Announcing the university, which was part of a competitive bid process organized by the City's groundbreaking *Applied Sciences NYC*, Bloomberg said: "Our goal has been to make New York City the global capital of technological innovation, and this new campus on Roosevelt Island is a central part of our strategy for achieving it. It is one of the most ambitious and forward-looking economic development projects any city has ever undertaken, and it's going to help add thousands of new jobs to our economy in the decades ahead."

Cornell Tech (for now, strictly a graduate school) started in 2012 in temporary space provided by Google (which opened its largest engineering office outside Mountain View and largest sales office in the world in New York in 2007). The new campus on Roosevelt Island, in between Manhattan and Queens, opened in September 2017. Imagine the impact Cornell Tech will have as it meshes into the ecosystem. Already, Cornell Tech's 300 graduate students have spun off 38 startups, roughly 95 percent of which remain in New York, according to Cornell Tech's Dean, Daniel Huttenlocher.<sup>2</sup> (see "Cornell Tech Collaboration: A University Without Walls"). Long Island City, one subway stop from the new Roosevelt Island campus, offers cheaper office space (\$35-\$40 per sq. ft.) than the other side of the river in Manhattan (\$60-\$80 per sq. ft.), a bargain that will appeal to cash-strapped startups.

Columbia and NYU, of course, already had engineering schools, and the city under Bloomberg funded new initiatives in those institutions as well. In 2013, NYU unveiled its new Center for Urban Science and Progress in downtown Brooklyn, which focuses on energy and environmental issues in crowded cities. The city gave NYU \$15 million to build the 26,000-square-foot facility. At the same time, NYU announced the creation of its Media and Games Network (MAGNET) facility in Brooklyn's MetroTech Center.

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<sup>2</sup> <https://www.dnainfo.com/new-york/20170913/roosevelt-island/cornell-tech-roosevelt-island>



Also in 2013, the *Applied Sciences NYC* initiative announced a partnership with Columbia University to create the Institute for Data Sciences and Engineering (which opened in 2016)—and contributed \$15 million. The Institute’s 250 faculty members come from 12 different schools at Columbia.

Finally, the New York Genome Center in lower Manhattan, opened in 2013, boasts advanced research labs and an “Innovation Center” for the creation of new technologies. Clearly, under Bloomberg’s watch, the city notably expanded its reach in applied sciences, which will drive innovation for years to come.

These new institutions could easily become the future epicenter of the New York innovation ecosystem, playing the same role as Stanford does in Silicon Valley. But for the last decade-plus, the cornerstone of the New York ecosystem has been NY Tech Meetup, which emerged from the dot-com ashes. When it started in 2004, it attracted 4 people (including the two founders). By 2007, it had 7,000 members; by 2017, 60,000. Run by NY Tech Alliance, a non-profit organization formed by the merger of NY Tech Meetup (the non-profit) and New York Tech Council in 2016—NY Tech Meetup is the largest meetup group in the world, and has become a *de facto* ground zero for the city’s startup community. Monthly meetings, which are now mobbed and videocast to multiple locations, feature founders pitching their new companies. At a November 2007 Meetup, for example, David Karp first gained wide attention for his new blogging platform, Tumblr. In 2013, when it was acquired by Yahoo for \$1.1 billion, Tumblr became New York’s first unicorn. A 2009 Meetup demo by Foursquare was widely credited with building initial buzz for the location-based network.



*October 2017 NY Tech Meetup*

The various initiatives launched and supported by the City were all part of a strategy to build and grow a startup ecosystem that attracts business talent, engineers, and venture funding. All were in scant supply 15 years ago. Of course, New York never had any trouble handling IPOs or providing lawyers, the other key elements of an ecosystem. The only thing New York has not yet accomplished is spawning a global blockbuster that generates billions in cash and valuation, the way Silicon Valley and San Francisco have done with firms from Apple and Google to Uber and Airbnb. *Oh, wait, there's Bloomberg News!* At any rate, the system is clearly robust and self-sustaining, not to mention still expanding and deepening. For now, that is a victory.

"If you're an entrepreneur, and you're thinking you want to build a crazy, world-changing company, I would ask that person, 'Can you recruit, can you fundraise, and can you access your

customers?' says Charlie O'Donnell, founder of Brooklyn Bridge Ventures. "Most people can say 'yes' to those in New York."<sup>3</sup>

## GLOBAL STARTUP ECOSYSTEM RANKING (COMPASS)

| Rank | 2015           | Change |  | 2016           | Change |
|------|----------------|--------|--|----------------|--------|
|      |                |        |  |                |        |
| 1    | Silicon Valley | --     |  | Silicon Valley | --     |
| 2    | New York       | +3     |  | New York       | --     |
| 3    | Los Angeles    | --     |  | London         | +3     |
| 4    | Boston         | +2     |  | Beijing        | NEW    |
| 5    | Tel Aviv       | -3     |  | Boston         | -1     |
| 6    | London         | +1     |  | Tel Aviv       | -1     |
| 7    | Chicago        | +3     |  | Berlin         | +2     |
| 8    | Seattle        | -4     |  | Shanghai       | NEW    |
| 9    | Berlin         | +6     |  | Los Angeles    | -6     |
| 10   | Singapore      | +7     |  | Seattle        | -2     |
| 11   | Paris          | --     |  | Paris          | --     |
| 12   | Sao Paulo      | +1     |  | Singapore      | -2     |
| 13   | Moscow         | +1     |  | Austin         | +1     |
| 14   | Austin         | NEW    |  | Stockholm      | NEW    |
| 15   | Bangalore      | +4     |  | Vancouver      | +3     |
| 16   | Sydney         | -4     |  | Toronto        | +1     |
| 17   | Toronto        | -9     |  | Sydney         | -1     |
| 18   | Vancouver      | -9     |  | Chicago        | -11    |
| 19   | Amsterdam      | NEW    |  | Amsterdam      | --     |

<sup>3</sup> <https://www.inc.com/christine-lagorio/state-of-new-york-city-startup-ecosystem.html>

|    |          |     |  |           |    |
|----|----------|-----|--|-----------|----|
| 20 | Montreal | NEW |  | Bangalore | -5 |
|----|----------|-----|--|-----------|----|

*Each city is ranked for Performance, Funding, Talent, Market Reach, and Startup Experience.*

*Our index does not currently include startup ecosystems from China, Taiwan, Japan, and South Korea.*

## ***SIDEBAR***

### **COLLABORATION AT CORNELL TECH:**

#### **A UNIVERSITY WITHOUT WALLS**

“This may be the only university in the world where there are no private offices,” said Michael Bloomberg at the official opening (September 2017) of Cornell Tech’s \$2 billion, net-zero campus, to which his philanthropic foundation contributed \$100 million.<sup>4</sup> To foster connectivity and collaboration, the academic buildings have few walls and the professors have no private offices—like Bloomberg’s City Hall office (the “bullpen”), not to mention Bloomberg News itself.

Noting that “the art of discovery involves collaboration,” Bloomberg pointed out that the school is based on collaborations between the private and public sector, between academics and businesspeople and artists and architects. And there are no “academic silos.” Engineering students work with law students, business students, and computer-science students.

“Mike Bloomberg understood we needed a diversified economy,” said Mayor DeBlasio at the openin. “We are a very different city because of it and a stronger city.” He noted that salaries of tech-sector jobs grew three times faster than other private sector jobs since 2010.

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<sup>4</sup> <https://www.dnainfo.com/new-york/20170913/roosevelt-island/cornell-tech-roosevelt-island>