

NYC sees progress in quest to become tech capital (Update)

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New York's mayor has made no secret of his quest to have the Big Apple rival Silicon Valley as a high-tech hub.

The city isn't there, at least not yet, but it can point to a series of promising signs. Tech titans including Google and Facebook have ramped up their presences in New York in recent years. Some big-name newcomers are headquartered here. Plans for an elite technology graduate school, attracted with city money, are getting enough attention that a federal patent officer is being stationed on campus in a first-of-its-kind arrangement.

Entrepreneurs say New York also faces particular challenges, including spotty broadband access in some areas and a limited tech talent base, though the city is trying to address the concerns.

"Over the last few years, what we've seen over and over again is a commitment to make New York City a viable alternative to Silicon Valley and a place where true innovation occurs," Google Executive Chairman Eric Schmidt said after a closed-door discussion that Mayor Michael Bloomberg convened with tech-sector leaders this month.

Bloomberg threw down the cross-country gantlet in July 2011, when he predicted the city could surpass Silicon Valley as a tech startup capital, though he noted that could take decades.

To be sure, California's Bay Area—home of generations of digital

giants, from Intel to Google to Twitter—is still front and center in tech's collective consciousness. Cities including Austin, Texas, and Boston also have potent tech clusters.

New York has had a niche in financial technology and online publishing, but the growth of social media and digital marketing opens new prospects for a city known for communications, design and advertising.

New York was the ideal place to launch Gilt Groupe, for instance, because the luxury-discount site needed fashion buyers' expertise, says founder Kevin Ryan.

"If we weren't here, we'd have to have a huge office in New York anyway," said Ryan, who has run a series of online business news, advertising and other companies in New York since the mid-1990s. Gilt dates to 2007.

Statistics on tech employment vary widely, depending on what's counted. But some heavy hitters have recently expanded beachheads in the city. Google bought a Manhattan office building in 2010. Facebook is adding engineers to its New York marketing and recruiting presence. EBay recently leased a sizeable Manhattan office.

Some prominent startups, including Foursquare, Tumblr, Kickstarter and Gilt Groupe, were established in New York in the past five years. More than 120 New York technology startups have raised at least \$10 million in investments since 2007, and 15 have raked in more than \$50 million, according to a May report by the Center for an Urban Future, a public policy think tank.

The New York area has occasionally lapped the northeastern New England region in venture capital investments in recent quarters, though neither comes close to Silicon Valley, said David Silverman, a partner at

PriceWaterhouseCoopers, which tracks such investments.

Bloomberg sees technology companies as key to diversifying the city's finance-heavy economy, and his administration hasn't been shy in courting them. The city's Economic Development Corp. has established a \$22.5 million startup investment fund, supported 10 business incubators and created contests for software that draws on city data and tech businesses that open or move downtown.

The city's biggest move: offering 12 acres (five hectares) of land and up to \$100 million in improvements for a tech-focused graduate school. Cornell University and Technion-Israel Institute of Technology won a competition to run the school, set to start with a handful of students in January. It will be the first institution in the country to boast an on-campus patent officer, acting U.S. Commerce Secretary Rebecca Blank announced this month.

The city also awarded Columbia University and New York University \$15 million apiece in incentives to create new technology programs.

"People that say, 'Oh, we have no chance of being bigger in technology than Silicon Valley'—that's not true," Bloomberg said Thursday while celebrating the expansion of Shapeways, a high-tech manufacturer.

"Once you get the critical mass here, I've always thought that New York's value proposition is a better one" because of its cultural offerings and diversity, the mayor said.

If the rivalry is fueled by a bit of New York braggadocio, some entrepreneurs see the city as a welcome break from the industry hothouse of Silicon Valley.

"It's a much more diverse atmosphere, and I think diversity is always

important to creativity," says Avner Ronen, a co-founder of Boxee, a Manhattan-based company that makes devices for watching TV and video. "I like the fact that not everybody I meet and talk to is involved in a technology company."

Still, even New York enthusiasts acknowledge there can be downsides.

While the competition for engineers and other talent is a complaint throughout the tech world, it doesn't help to be across the country from several of the universities best known for producing them. New York officials expect the new Cornell, Columbia and NYU programs to help.

And some tech entrepreneurs say broadband service is subpar or simply unavailable in some older, often formerly industrial buildings attractive to startups. A snide Twitter account has lamented broadband woes on Manhattan's tech-heavy 21st Street. Chris Dixon, a founder of Hunch, a recommendation engine now owned by eBay, pronounced Manhattan's service "embarrassing" on his personal blog in December.

The city has since announced plans to rank some office buildings' broadband service, and officials started accepting applications last week for a new contest for small and medium-sized businesses to get wired for free.

For all that, it will be difficult for New York—or anywhere—to match Silicon Valley's decades-deep grounding in technology innovation, said AnnaLee Saxenian, the dean of the School of Information at the University of California, Berkeley, and the author of a book about Silicon Valley.

Still, she said, "there's nothing in the economy that says you can't have tech startups in both places doing well."

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