

CRAIN'S NEW YORK BUSINESS

November 1, 1993

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BusinessADVISER

Designing sounder firm

For a small business owner, Amie Gross has played in some pretty big ballparks.

Shortly after she founded her Manhattan-based architectural firm, Ms. Gross received a call from Alan Wurtzel, chairman of Circuit City Stores Inc., who wanted her to work on the big electronic chain's store prototype. The assignment gave a jolt to the small firm, which helped the chain roll out 17 units in six months as Circuit City rapidly grew into the country's foremost electronics chain.

"At first it was just me and a bookkeeper, but I quickly had to go out and hire four people. I was consumed by the assignment for six months," says Ms. Gross.

Since then Manhattan-based Amie Gross Architect P.C. has designed prototypes for a host of clients, including Gitano Group Inc., Aileen Inc. and more Circuit City stores. That work has helped the firm endure for 10 years, an admirable track record for a small player in a field where as many as 40% of firms—including some notable big ones—have disappeared since the recession began.

But now Ms. Gross is looking to do more than just endure. The recession has cut commercial work, and Ms. Gross has moved into lower-margin public housing. While that's kept her seven-person firm busy, it hasn't boosted profits or allowed her to invest in her firm.

Crain's has enlisted the aid of two small business consultants to advise Ms. Gross on how to take her firm to the next level. She recognizes the trend to more public work and wants to tap those markets better, perhaps by linking her retail work with housing projects. That would also allow her to do larger scale work to boost profits.

Gone into public housing

Many of Ms. Gross' big retail and apparel clients don't know even about her other work, the stuff that has helped her weather the recession. A former architect with New York City's Department of Housing Preservation and Development, Ms. Gross has shifted her firm into public housing and local economic development in the last several years. That work now constitutes 60% of the firm's projects and includes community residences for the New York State Facilities Development Corp. and the New York State Office of Mental Health.

"We have two separate marketing kits, depending on what we're going after," she says.

Balancing both markets has helped the firm survive, but not thrive. Profit margins in public work are very tight. Also, as the scope and cost of construction have shrunk during the recession, so has the architect's share of a project. But Ms. Gross has refused to take work simply to keep people employed.

"Our profession isn't a very good advocate for itself. I can't believe the way some of my colleagues will give their work away," says Ms. Gross. "I don't want to end up bitter."

From the start, Ms. Gross has proven resourceful at doing what it takes to stay in business. She essentially found the money to start her firm in the junk heap of a construction site. While wandering around the site an attractive old couch caught her eye. She hauled the discarded piece away, discovered it was an example of classic American office furniture and sold it for \$5,000.

But Ms. Gross wants to do more than just scramble to survive. She wants to take her firm to the next



Amie Gross of Amie Gross Architect P.C. at building she designed for homeless and mentally ill on East 4th Street.

level. Her firm's annual expenses amount to about \$500,000, and in the past several years her billings have come in at just about that amount. She hasn't given herself a raise in years.

Expenses climbing

While revenues are stagnant, her expenses continue to rise. She's seen local tax and fee increases. Her

liability insurance alone costs \$20,000 a year. Unlike most small business owners, she provides health insurance to her workers and doesn't want to stop.

To boost her firm out of a cycle of cost cutting just to stay even, she has several goals. Recognizing that public financed work will be an important market in the next several years, she wants to do a better

job pursuing the market. She seeks a strategy that would allow her to better pursue work as it shifts away from big government agencies to small, local development groups.

At the same time, she wants to pull together her two diverse types of work. Much public housing construction is done without reference to local services, and Ms. Gross believes the market for combination retail/residential projects is about to dawn.

That leads her to her final goal: to do bigger scale projects. That's probably most crucial to increasing her profitability. She's made small steps in that regard. Most recently she completed a \$6 million residence in lower Manhattan. She'd like to stay in that range now in housing and in retail. ▼

DAVID GALLAGHER

My recommendations for Amie Gross Architect P.C. are based upon assumptions concerning the economy and real estate development. These assumptions are:

- The New York economy will continue to experience an anemic recovery. However well the national economy does, we'll lag behind.
- The real estate market will remain depressed for the next year and possibly longer. Private developers will remain cautious.
- Small and medium-sized projects will constitute the bulk of the development in the city for the next year. Larger assignments will mean tremendous competition, in some cases from larger firms going after deals they'd ignore in better times.
- Government financed development will be an important element in the market. But city government isn't likely to start any major housing construction programs, given the massive investments made in recent years. So commercial development and possibly some industrial development should be her target market, where she'll have to develop knowledge to complement her familiarity with housing development.

This is a harsh environment. But a strategy that builds on Amie Gross' established familiarity with government-related development can lead to a broader client base and an enhanced network of contacts throughout the city.

The suggested strategy has several elements:

Knowledge of available public development resources.

Continued availability of these resources seems likely. But these resources are not accessible as easily as private resources. Accessing them requires knowledge of specific government programs that may have differing, even contradictory requirements. Nonetheless, knowledge of public development finance programs (and related resources like Community Reinvestment Act programs at private lenders) is valuable, particularly when neighborhood clients—who may be the intended users of the programs—may not be familiar with them. Being able to demystify the "alphabet soup" of government assistance, and not coincidentally, enabling the client to begin the project that will put her to work, is invaluable.

For instance, state government is probably the most likely source for public development finance at the moment. If you can tell potential clients that the state Urban Development Corp. has development assistance programs that will provide funding for feasibility studies, low interest loans, or even outright grants to reduce the costs of development—then you've begun to bring new resources within their grasp.

Be aware of complementary private resources.

Don't forget to become informed about private resources that can be combined with public funding. For example, bank community development corporations and similar bank programs, seeking favorable Community Reinvestment Act ratings, will sometimes invest in projects that wouldn't pass muster with their regular loan programs. CRA-inspired housing programs are relatively common, but in some cases economic development programs are still being formulated—a new frontier to explore for future clients.

Creation of a network of contracts with intermediaries.

Familiarity with available resources and the way to access them is marketable, but you must reach the right customers. Acquaint yourself with citywide groups such as the Local Initiatives Support Corp., the Nonprofit Coordinating Committees, or NPCC, and "umbrella" organizations that hold conferences and other events where marketing is

possible. For example, NPCC sponsors regular briefing sessions on buying health insurance for nonprofits. What about suggesting a briefing session on what architects can do for nonprofits?

Don't stop with citywide groups. Borough development corporations are in touch with local businesses and are good sources of information about development opportunities. For example, the Brooklyn Economic Development Corp. administers a citywide loan fund that makes small business development loans.

Similarly, local development corporations sometimes undertake development projects. One LDC, for example, is currently seeking to develop a 40,000-square-foot commercial parcel but needs a professional evaluation of the pros and cons of the project. LDCs also serve as many as several hundred businesses and are often aware of possible development opportunities well in advance of public announcements.

You must invest time and effort in order to foster relationships that will deepen your network and ultimately your client base.

This is a high-effort prescription. To reach these new clients, you'll have to spend time demonstrating your worth in their arena. That means speaking at conferences, going to Community Board meetings, maybe even testifying at City Council hearings. It means taking the time to monitor the latest news on development sites, city, state and federal programs and new, CRA-driven offerings from private lenders. The network that develops will span a large portion of the city. You'll be introducing yourself and your expertise to skeptical new clients. If you can help them find the route to that long-sought revitalization project and show them that your skills will deploy these resources to maximum advantage, you've got a deal.