New York City is second only to Silicon Valley as the world’s most active setting for venture capital investment, emerging growth companies, and startup culture. New York has positioned itself as a global leader in the startup economy. The life science and technology industries, with prominent investors and companies increasingly active in the space, comprise two of New York’s most active venture ecosystems.

As interest in the New York startup market grows, and in a push to nurture Gotham’s startup scene, the City of New York, along with partners in private industry, recently launched two tools: LifeSci NYC and the website Digital.nyc. We seek to uncover the benefits offered by these two initiatives and discover whether this municipal push to encourage a growing startup economy will be effective.

**How Big Is the New York Market?**

Although Silicon Valley remains the pinnacle of startup and venture capital culture, New York City is a growing and intriguing market. In the third quarter of 2017, as reported by Business Insider, the New York City metropolitan area became the most highly-funded geographical region in the United States in terms of venture capital investment, edging out San Francisco from its long-held top spot. Although it is unlikely that New York will permanently displace Silicon Valley, this is the latest in a series of triumphs for New York’s venture capital economy. According to the 2016 Annual Report by Built in NYC (an online network for technology companies and startups based in the five boroughs), over $9.5 billion in venture capital funding was raised by New York-based companies in 2016. Of the nearly 400 companies that secured funding, over 90% raised $1 million or more. More than 100 exits were accomplished over those 12 months. Not surprisingly, business-to-business, consumer technology, and fintech companies raised the bulk of those funds. Other big investments were made in healthcare and e-commerce companies.

Despite recent nationwide trends of diminishing early-stage investments, the New York metropolitan area is one of the most active hubs of technology gatherings and meet-ups. According to Pitchbook’s 2017 Venture Ecosystem Factbook, the City’s early-stage players are more active now than at any other point in the past five years. Moreover, follow-on funding in New York has proven resistant to downturns in the venture economy. Ultimately, market trends suggest an increasingly self-sustaining venture marketplace in the New York metropolitan area, with local funding leading the pack.
Moving forward, New York-based companies will likely continue to garner interest from investors. One reason to expect that these companies will continue to pique investors’ interest is that New York has all the resources necessary to develop a thriving venture capital ecosystem. There are over 120 institutions of higher education, including some of the top universities in the world, training more than 600,000 students. The City is home to multiple major research institutions, particularly in the life sciences space. Global powerhouses in finance, technology, and law call New York home. Finally, historically, New York has enjoyed a reputation of innovation and, as the country’s most important metropolitan center, a focal point of industry.

The excitement about New York City as fertile ground for entrepreneurial innovation is not limited to the private sector. Rather, the City itself has taken steps to solidify its place in this growing marketplace.

A Municipal Push

As more and more entrepreneurial-minded young professionals seek careers in New York, the City has undertaken initiatives through which it can more ably support startup companies. For example, the groundbreaking of Cornell Tech’s Roosevelt Island campus, made possible by large donations, institutional investment, and political will, is a tangible reminder of forward-thinking. Along with an ever-growing technology-based economy and a local government intent on bringing new businesses to the City, New York will likely continue to make strides in becoming an emerging growth company destination.

Industry Focus: Life Sciences

New York City’s institutional enthusiasm for emerging growth companies is most evident in the life sciences industry. New York is home to some of the biggest players in the pharmaceutical industry. However, there is an active push to invite companies in the early stages of fundraising to plant roots in the City as well. In December 2016, Mayor Bill de Blasio announced a ten-point plan to “create a springboard into the innovative life science economy for our workers, innovators and startup businesses.” The program, LifeSci NYC, called for the City to devote $500 million to create a new Applied Life Sciences Campus, expand incubator networks and create programs to assist entrepreneurs. New York City hopes to accomplish these goals through a multi-pronged strategy which includes providing strategic tax incentives and investing millions every year to match private funds raised by early-stage businesses.

Not to be outdone, the New York City Economic Development Corporation unrolled its own funds-matching initiative to help emerging growth companies. The City of New York Early-Stage Life Sciences Funding Initiative will deploy a minimum of $150 million in startup funds and will strive to support 20 businesses by the year 2020. The co-investment partnership among the New York City Economic Development Corporation and numerous private companies will directly invest in early-stage companies at the seed and Series A stages. The goal is to allocate significant resources to “accelerate the growth of New York City’s ecosystem for venture creation and early-stage research and development.”

Digital.nyc

The City’s investment, with the goal in mind of cultivating a thriving venture capital ecosystem, is not limited to subsidizing infrastructure projects and matching private fundraising. New York City has also endeavored to improve the venture ecosystem by providing entrepreneurs resources online. Digital.nyc is self-styled as “the official online hub of the New York City startup and technology
ecosystem.” Even though New York City can’t directly inject money into every nascent local endeavor, Digital.nyc offers entrepreneurs a vehicle through which to best position themselves for sustainable success.

Launched in late 2014 in response to the City’s tech boom, Digital.nyc is a private-public partnership among the Mayor's office, the New York City Economic Development Corporation, and for-profit institutions. An overview of the site reveals that Digital.nyc is part news source and news aggregator, search engine, networking service, event planning forum, classifieds resource, educational provider, office space listing service, and directory for startups, investors and incubators. The breadth of information on Digital.nyc is impressive. However, the sheer amount of material to be found at Digital.nyc requires a deeper look into its offerings to properly gauge its utility.

Given the widespread offerings available online, understanding the usefulness of Digital.nyc may at first be difficult. It’s true that numerous similar services and resources are available, some of which are also specifically focused on New York City (e.g., AlleyWatch, New York Venture Capital Association and Built in NYC). Other resources are more general (e.g., Y Combinator and the National Venture Capital Association). Yet, Digital.nyc is unique because it signals the New York City government’s interest in the continued success of the tech economy in the five boroughs.

**Top Features of Digital.nyc**

Digital.nyc has a number of features and the reader would be well-served exploring the site in detail. We found the following resources particularly valuable.

**News:**

The News section of Digital.nyc provides up-to-date information on New York’s startups, venture capitalists and incubators. Although mostly a news aggregator, one segment entitled “NYC Voices” features commentary from New York’s venture capital leaders. Its list of contributors includes founders and CEOs of companies, journalists and managing partners of venture capital firms. Insights from experienced professionals are a useful tool for the entrepreneur who wishes to gain knowledge from experts in the field.

**Resources:**

The Resources section aggregates links to startup-related websites maintained by both government institutions and private companies. Users can also access a variety of how-to guides. These resources provide the new entrepreneur at the earliest stages of founding a company useful knowledge regarding which governmental organizations he or she is likely to encounter. The page also includes links for mentoring programs, volunteering opportunities and networking services, all aimed at fostering a more robust entrepreneurial community.

**Events:**

Finally, the Events section of Digital.nyc lists networking events taking place in the tri-state area. In order to eventually secure funding, founders must meet investors. Having a centralized calendar of daily goings-on can be a potent tool for raising a company’s profile.
Outlook for the Future

It seems easier now more than ever to get involved in New York City’s startup, emerging growth company, and venture capital scenes. Not only are entrepreneurs and young professionals eager to build and participate in new and exciting companies, but the City itself is encouraging their enthusiasm. Whether through construction of technology campuses, funds-matching programs, or maintenance of a one-stop-shop website, City officials seem intent on fostering the continued upward trajectory of “Silicon Alley.”

LifeSci NYC, its related funds-matching initiatives, and Digital.nyc are impressive private-public partnerships. There is a concerted effort to cultivate two of New York’s most active venture spaces: life sciences and technology. The City’s official push to improve Gotham’s venture space has only just begun, but the measures, which will hopefully continue, should have a positive impact on the region’s startup market and culture.

If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings New York lawyers:

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