

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON ECONOMIC DEVELOPMENT

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December 14, 2017

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HELD AT: 250 Broadway - Committee Rm.
16th Fl.

B E F O R E: DANIEL R. GARODNICK
Chairperson

COUNCIL MEMBERS: Vincent J. Gentile
Julissa Ferreras-Copeland
Karen Koslowitz
Donovan J. Richards
Inez D. Barron
I. Daneek Miller
Adrienne E. Adams
Joseph C. Borelli

A P P E A R A N C E S (CONTINUED)

Rachel Van Tosh, Deputy Commissioner
Business Services
NYC Department of Small Business Services, SBS

Deputy Commissioner Blaise Backer
NYC Department of Small Business Services, SBS

Sheela Feinberg, Director. Intergovernmental Affairs
NYC Department of Finance

Gale Brewer, Manhattan Borough President

Brian Paul, Project Manager
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Justin Levinson, Vacant New York Project

Lena Afridi, Policy Coordinator
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Ken Adams, Dean of Economic Development
Bronx Community College

Avi Leshes, Director of Government Affairs
Brooklyn Chamber of Commerce

Victoria Hagman, Community Board 6 Member, Real State
Broker & Masters in Historic Preservation Planning

Ty Beatty, Acting District Manager
Brooklyn Community Board 6

Christine Lynch, Owner, Local Color NYC

Joanna Cawley, Executive Director
Carnegie Hill Neighbors

Robert Joseph, Project Manager
Municipal Art Society of New York.

2 [sound check, pause]

3 CHAIRPERSON GARODNICK: Good afternoon

4 and welcome to the Economic Development Committee of

5 the New York City Council. My name is Dan Garodnick

6 and I have the privilege of chairing this hearing.

7 I'm so pleased that we are joined today by Council

8 Members Adams, Borelli, and Koslowitz and to Council

9 Member Adams we welcome you to the committee. We're

10 so glad that you are here and, of course, always good

11 to see Council Members Borelli and Koslowitz. For

12 some time now, New York City residents have been have

13 been noticing an uptick in the number of empty

14 storefronts along our streets. A favorite restaurant

15 disappears here, a beloved small clothing shop there,

16 and they are replaced by nothing. In many cases

17 businesses that have been at a location for decades

18 are suddenly gone with only a sign in the window:

19 Lost Our Lease, and then eventually Store for Rent.

20 Ad the number of vacant storefronts has gone up and

21 up, we have all become more and more alarmed. The

22 growing number of vacancies drains vitality from our

23 neighborhoods and reduces the number of local jobs,

24 and these vacancies are everywhere, though the

25 problem is particularly acute in Manhattan and in

2 some of our city's most commercially desirable high
3 traffic neighborhoods. Along Manhattan's 14th Street
4 a study last summer by Vacant New York found a third
5 of storefronts shuttered. State Senator Brad
6 Hoylman's examination of Bleecker Street found that
7 it had a nearly 20% vacancy rate. An analysis by
8 Manhattan Borough President Gale Brewer found 200
9 empty storefronts along Broadway. So, the question
10 becomes what's going on? We've heard of many
11 businesses closing when their rents were increased by
12 three, four, five times what they were paying
13 previously. That phenomenon acquire the moniker of
14 high rent blight. We are seeing storefronts that had
15 housed high-end boutiques, which had displaced local
16 businesses and are now themselves gone. Yet, now
17 many storefronts have been vacant for too many months
18 making it obvious that stratospheric rents are no
19 longer an option, raising the question of why
20 landlords would continue to hold such spaces vacant
21 rather than lowering rents and attracting new
22 tenants. What are the factors that motivate the
23 owners of these spaces, and what can we do to change
24 that incentive structure? We've also heard about the
25 challenges that the retail sector faces quite apart

2 from commercial rents. Online shopping has take a
3 real toll on brick and mortar businesses as more and
4 more people prefer to do their shopping from home.
5 The retail sector is in a transitional moment as
6 companies that traditionally have relied on selling
7 physical goods to customers in a physical space are
8 forced to reconsider their business models. Macy's
9 an iconic New York City retailer announced earlier
10 this year that it was closing 63 stores nationwide,
11 and cutting 10,000 jobs. While these were not
12 necessarily New York City stores and jobs, it is an
13 indicator of the difficulties faced by the sector
14 more broadly. As a city, we need to understand the
15 forces driving the retail vacancy crisis so that we
16 can craft solutions that will improve our local
17 economy and our quality of life. Today the City
18 Council released a report with a number of
19 recommendations aimed at supporting struggling small
20 businesses and at developing new ones. With New York
21 City's strong economy and unique character depending
22 on these neighborhood shops, it is critical that we
23 continue to push forward with other efforts. Some of
24 the recommendations include establishing the
25 Department of Small Business Services as the point

2 agency for dealing with the vacancy crisis, improved
3 data collection on vacancies, adjusting land use
4 policy and creating financial incentives to
5 facilitate renting out spaces. As this report
6 indicates, the retail vacancy crisis will require a
7 raft of policy approaches potentially. No one silver
8 bullet will likely fix this problem. Our recent
9 reform of the Commercial Rent Tax is a start
10 reducing taxes on nearly 3,000 small businesses in
11 Manhattan, but we need to keep thinking creatively
12 about this. That's why as my last hearing as Chair
13 of this committee and likely the last committee that
14 I'll be chair as a member of the City Council I'm
15 very pleased that this is the subject that we are
16 going to taken on, and I'm looking forward to hearing
17 from everyone who is here to testify on this
18 important issue. I want to thank committee staff,
19 Legislative Counsel Alex Paulenoff and Policy Analyst
20 Nadia Johnson for their work in putting this hearing
21 together, and with that, we're going to turn it over
22 to the Department of Finance and the Department of
23 Small Business Services, and if you all can introduce
24 yourselves so we are—we are ready to—to hear from
25 you. Thank you.

2 DEPUTY COMMISSIONER VAN TOSH: Great.

3 Good afternoon, Chair Garodnick and members of the
4 Committee on Economic Development. My name is Rachel
5 Van Tosh. I am the Deputy Commissioner of Business
6 Services at the New York City Department of Small
7 Business Services or SBS. At SBS, we aim to unlock
8 economic potential and create economic security for
9 all New Yorkers by connecting to quality jobs,
10 building stronger businesses and fostering thriving
11 neighborhoods across the five boroughs. Today, I'm
12 pleased to testify on the Administration's support of
13 small businesses in New York City. I am joined by my
14 colleague Deputy Commissioner Blaise Backer and
15 representative from the New York City Department of
16 Finance to answer questions. Small businesses are
17 essential to the local economy and character of our
18 neighborhoods. They provide opportunities and jobs
19 for their members of their communities. Small
20 business ownership and entrepreneurship can help
21 uplift generation of families while providing
22 neighborhoods with goods and services. As we all
23 know, business owner face a myriad of challenges as
24 they seek to operate and grow in New York City under
25 Mayor de Blasio, the city has invested in reducing

2 the burden on business owners across many different
3 fronts. The Mayor has reduced small business fines
4 by 40%, created Small Business First, an initiative
5 across 15 city agencies to help businesses save money
6 and open more quickly. Helped businesses connect with
7 over \$200 million in financing including launching
8 new loan funds to help business owners grow. Most
9 recently, the Administration worked closely with City
10 Council to assist small businesses in Manhattan by
11 raising the threshold for the Commercial Rent Tax
12 from \$250,000 a year to \$500,000 a year for
13 businesses making less than \$5 million. Partial
14 benefits are available to businesses with income
15 between \$5 million and \$10 million. On average 2,700
16 small businesses will save \$13,000 a year due to the
17 leadership of City Council and Mayor de Blasio. This
18 change will help small businesses save more money to
19 renovate, expand and hire new employees. Although we
20 are proud of these accomplishments, there's always
21 more to be done. Today we're here to discuss
22 storefront vacancies, an important issue for both the
23 administration and City Council. There have been
24 many reports and studies about this topic, but
25 perhaps the key takeaway from the research is that

2 the underlying causes of vacancy are complex and vary
3 from neighborhood to neighborhood, corridor to
4 corridor and property to property. These causes
5 include everything from the rise of ecommerce, a new
6 international trend to landlord speculation to
7 businesses not keeping up with changing clientele to
8 neighborhood divestment. In the face of this, the
9 Administration has tried multiple strategies to
10 better understand and address storefront vacancies.
11 First, as mentioned, the city has committed
12 significant resources to help small businesses be
13 competitive in New York City better ensuring their
14 chances of growth. This fiscal year SBS alone
15 served nearly 10,000 entrepreneurs, connecting them
16 with services citywide. We've also made a concerted
17 effort to bring city services to communities through
18 Council supported programs such as Chamber-On-the-Go,
19 which has reached over 7,000 businesses to date.
20 Also, in partnership with City Council SBS has fought
21 to combat commercial tenant harassment and unequal
22 commercial lease two potential causes of storefront
23 vacancy. SBS provides direct assistance when
24 commercial tenants experience issues with their
25 landlords to empower business owners before they are

2 pushed out. SBS offers commercial lease education
3 workshops to help business owners better understand
4 the components and implications of finding a
5 commercial lease. After developing an understanding
6 of lease negotiations, businesses in the process of
7 signing a lease can use SBS' Legal Assistance
8 Services. This initiative connects business owners
9 with pro bono attorneys who will review the
10 businesses' lease and point out any concerns that
11 should be addressed. These services along with
12 Council Member Cornegy's Commercial Tenant Harassment
13 legislation showed the city's commitment to
14 correcting the power imbalance between small business
15 tenants and landlords. Since launching our
16 commercial lease workshops, we've served over 500
17 businesses. By talking to business owners and
18 reviewing actual leases we hope to not only address
19 an acute business issue, but get additional
20 information on practices perpetrated by predatory
21 landlords to push out commercial tenants. This ranges
22 from hidden clauses in leases to landlords shutting
23 off water and changing locks. We will be analyzing
24 this data, and would like to work with Council to
25 develop long-term solutions to these issues. In

2 addition to landlord-tenant tensions, another
3 potential cause of storefront vacancies that existing
4 businesses are unable to neighborhood change, and
5 are, therefore, no longer a viable business in their
6 existing space. The city is working to combat this
7 issue and preserve longstanding legacy businesses
8 through a new program called Love Your Local. This
9 program celebrates and promotes the diverse
10 independent small businesses that enrich
11 neighborhoods across New York City and encourages New
12 Yorkers to share their favorite non-franchise
13 businesses on an interactive online map. These
14 businesses are also able to apply for business
15 advisory services and funding to help their business
16 continue to succeed. Eligible businesses may receive
17 a grant of up to \$90,000, which can be used to
18 address operational and capital improvements as well
19 as other needs that will help them better compete.
20 Through this program, SBS hopes to empower business
21 owners to adapt to changing environments. Love Your
22 Local will also allow SBS to test interventions to
23 help businesses remain competitive and scale up
24 successful strategies through integration with our
25 Business Solution Centers, local community groups and

2 other partners. Just as the issue of vacant
3 storefront is complex and localized, so are the
4 solutions. Along with empowering individual
5 businesses, we also believe it's important to empower
6 communities to understand and combat the impacts of
7 changing neighborhoods. One way we have empowered
8 communities is by providing funding and technical
9 assistance to local non-profit organizations that are
10 focused on supporting and improving their commercial
11 districts such as local development corporations,
12 business improvement districts, merchant
13 associations, chambers of commerce. Via Competitive
14 Grant Programs such as Avenue NYC, neighborhood
15 Challenge and Neighborhood 360, SBS has provided
16 operating support to these organizations to assess
17 the challenges faced in their districts and to
18 implement localized solutions. For example, SBS has
19 provided grants to organizations taking on business
20 attraction and retention activities that include:
21 conducting local market analysis and retail leakage
22 assessments; gathering of baseline inventory of area
23 businesses and storefronts; determining local
24 resident preferences via consumer surveys; creating
25 marketing collateral for use by local property

2 owners; and retail brokers; coordinating events for
3 brokers or potential retailers to showcase storefront
4 vacancies; conducting door-to-door merchant outreach
5 to assess the need for lease negotiation assistance;
6 and any number of other marketing campaigns, events
7 or promotions that help to boost local foot traffic
8 and promote commercial activity. These types of
9 activities have empowered organizations with the
10 resources to experiment with solutions [coughing] at
11 relatively low cost in a manner that is most
12 responsive to the neighborhood's particular
13 challenge. SBS and the Administration are committed
14 to understanding and tackling the complex local
15 issues causing storefront vacancies. We hope to
16 continue to work with Council to develop solutions.
17 Thank you and I am happy to take any questions.

18 CHAIRPERSON GARODNICK: Alright. Thank
19 you very much. We appreciate your testimony and we
20 appreciate your being here today, and I—I'm—I'm going
21 to start off, I'm going to challenge you just a
22 little bit on some of what you said. Most
23 importantly, the hearing today is about the economic
24 impact of vacancy storefronts, and what I heard in
25 the testimony was mostly a variety of things that SBS

2 has done to try to help business over time. But I—I
3 didn't really hear a whole lot of urgency in your
4 testimony about the problem. So, the first question
5 I'm going to ask is: Do you accept that we are in a
6 retail crisis in New York City today?

7 DEPUTY COMMISSIONER VAN TOSH: Yeah, the
8 Administration agrees that vacancy is an issue for
9 sure and a very important one. One of the challenges
10 that we have is really measuring the impact that is
11 having across the city. You know, we don't have
12 scalable ways to collect data on storefront vacancy
13 right now including not just counting, but
14 understanding all of the underlying causes, and it is
15 something that we have been discussing ways to better
16 understand, and we're happy to work with Council on
17 that.

18 CHAIRPERSON GARODNICK: The—the stats
19 that we have suggested at least in Manhattan over the
20 past five years vacancies have gone up from 2.1% to
21 4.2%. Do you accept those numbers [coughs] as
22 accurate?

23 DEPUTY COMMISSIONER VAN TOSH: I think
24 that there are lots of studies in Manhattan. I think
25 what we're interested in is the citywide number and--

2 CHAIRPERSON GARODNICK: [interposing]

3 Okay, I'm interested in that, too. Let's just start--
4 well, let's start with this one for a second, and
5 then you can tell us what you know about the
6 citywide. Tell us about the vacancy--the vacancy
7 numbers that you accept at least for Manhattan over
8 the past five years and then I would like to talk
9 about it citywide.

10 DEPUTY COMMISSIONER VAN TOSH: I mean--
11 thank you for the question. I think at SBS we would
12 look to reports like you have mentioned, Department
13 of Finance. I don't know if you have any additional
14 information on the topic?

15 SHEELAH FEINBERG: Hi. Sheela Feinberg
16 with the Department of Finance. You know I think we
17 would just look at the data again. I think one of
18 the issues with this is that we're trying to collect
19 different--different sources of data and trying to
20 come up with a complete number, but we don't have
21 that just yet. So, we would want to--I--I know that
22 you just released your report. We have to take a
23 closer look at it before we can confirm everything in
24 it.

2 CHAIRPERSON GARODNICK: So, the city
3 today has no way of measuring itself the number of
4 vacant storefronts. Is that accurate?

5 DEPUTY COMMISSIONER VAN TOSH: We've had
6 some success with localized solutions. Since we
7 believe this is a localized issue, we've done
8 commercial needs assessments. Business Improvement
9 Districts provide annual reports, but we're actively
10 looking for ways to not only understand just vacancy
11 rates, but the underlying causes.

12 CHAIRPERSON GARODNICK: Okay, so let's
13 talk about those underlying causes for a second
14 because I think that that is—that's really what— You
15 want to add something?

16 DEPUTY COMMISSIONER BACKER: I would just
17 add yeah, I think I mean in addition to us not having
18 the ability to collect the data, I think there has
19 been sort of an underlying question for us like when
20 this data is gathered either by the private sector or
21 by—or by studies that have been conducted, how we
22 define vacancy. I think that's an additional
23 challenge in regard to whether, you know, is a space,
24 you know, visibly vacant and do we know that the
25 space is vacant because a property owner is holding

2 it vacant? Is a leased sign, but a buildout hasn't
3 begun. So, I just think it has another level of
4 complexity to it.

5 CHAIRPERSON GARODNICK: What's the right
6 way to measure that, and let's say that we-we can-we
7 can stipulate to the fact that there is a complexity
8 there on how exactly do you measure whether it's a,
9 say a good vacancy because something is about to
10 happen that's better for a neighborhood or a bad
11 vacancy that has been sitting empty for two years?
12 How-how do we-how do we measure that? How's-what the
13 right way to do that?

14 DEPUTY COMMISSIONER BACKER: I think
15 that's what we're also figuring out and-and-and we're
16 and, you know, determining. I think up to this point
17 we've had local, our local partners and the
18 communities look at this in a very local-a local way.
19 So, they're essentially. I think there's sort of,
20 you know different mech-different mechanisms they are
21 using, and in those cases where we have community
22 groups that have relationships with property owners
23 they tend to have, you know, a sense of that is
24 actually happening on the ground and, therefore, we
25 have used the mechanism to help them deploy a

2 localized solution to address that issue. I think on
3 a citywide basis, I don't think we have at this point
4 figured out a mechanism by which to asses that or
5 measure it.

6 CHAIRPERSON GARODNICK: Okay, well that's
7 important. I think it's-it's very important for us
8 to be able if crafting solutions to be able to
9 measure the problem the first instance in there. It
10 sounds like the city is leaning heavily on local
11 partners to help deliver this information, but having
12 our own ability to measure that I think is also-it's
13 very important. Let's talk about the timing of what
14 has happened because it sounds like at least there's
15 agreement in principle here that we are in the middle
16 of something that is unique and different, and
17 problematic for New York City, not just a cyclical
18 trend. So, help us identify when this problem really
19 started picking up in earnest, if you can.

20 DEPUTY COMMISSIONER VAN TOSH: As the
21 Deputy Commissioner was just saying I don't think
22 that at this time we have a perfect way across the
23 city to measure the baseline of vacancy rates across
24 the city. So, I don't know that we have an exact
25 time that we could pinpoint as a start.

2 CHAIRPERSON GARODNICK: Well, what tools
3 does the city have to measure? This probably is a
4 question for the Department of Finance. If the city
5 were looking to identify a moment in time or a period
6 of time in which small businesses were starting
7 either to go out of business or where there was
8 something changing that was putting small businesses
9 out of business, let's say lack of sales for example,
10 are—are there ways that the Department of Finance
11 measures these types of things that could give us
12 more of a clue as to when the problem became acute?

13 SHEELAH FEINBERG: I think I would have
14 to go back to our Tax Policy Division and talk to
15 them a little bit more about business tax filings and
16 see when we saw a dip in revenues from the small
17 business filings. But in addition, I think to echo
18 my colleagues here I think part of the issue is still
19 defining the criteria for salvaging what is truly
20 vacant that would also interplay with how we would
21 inform this.

22 CHAIRPERSON GARODNICK: Okay, there's no
23 question that we—we—we have to in the—in the
24 Department of being absolutely precise about this
25 have to define exactly what a vacancy is, but I think

2 that we at least have to acknowledge the fact that
3 there are a lot of vacancies out there, and they're
4 vacant for a very, very long time. Not because
5 somebody is about to come in just because they're
6 sitting there. So, let's talk about the core reason
7 for that, and I think said it, a few potential
8 examples in your testimony whether it's landlord
9 speculation or businesses not keeping up with
10 changing clientele, neighborhood divestment. Let's—
11 let's talk about those in greater depth because I
12 think those are really the core questions that we
13 want to answer at today's hearing. If you look out
14 and you see a 20% vacancy rate in a—in a particular
15 corridor and we could, you know, give one of the ones
16 like 14th Street or Bleecker Street or take Upper
17 West Side. You could take, you know, other—other
18 spots. To what on a neighborhood basis can you
19 attribute those sorts of continued ongoing,
20 unrelenting vacancies?

21 DEPUTY COMMISSIONER VAN TOSH: Thank you
22 for the question. As you mentioned in your remarks
23 and—and I in my testimony there are a whole slew of
24 reasons that anyone corridor or even property could
25 be experiencing commercial vacancy. It could be that

2 the rise in-in commerce has impacted the business,
3 rent increases as a result of a strong real estate
4 market. It could be that landlords are holding out
5 and speculating and keeping a space empty for a
6 better credit worthy tenants whether that's true or
7 perceived. In other places across the city, it could
8 be divestment in neighborhoods. There's a--there's a
9 whole range of reasons and it could vary even within
10 one corridor.

11 CHAIRPERSON GARODNICK: Right, but I
12 guess I would look to the Department of Small
13 Business Services to answer that question, and to say
14 well, what--which of those, which of those reasons is
15 the prevailing reason, and let's just take--take
16 Bleecker Street as an example. Is that an example of
17 neighborhood divestments or is that an example of
18 something else?

19 DEPUTY COMMISSIONER VAN TOSH: I think
20 that, you know, as I've stated in the testimony and
21 in our conversation here that we don't have a perfect
22 way except in areas where we have local partners to
23 do some of this work to understand the underlying
24 causes at a corridor or specific property level and
25

2 it's something that we're committed to finding the
3 tools to do well and across the city.

4 CHAIRPERSON GARODNICK: Okay, let's talk
5 about the different categories then for a second.
6 What can you tell us about landlord speculation?
7 Describe what that looks like, what you've seen to
8 the extent that you've measured it at all or to the
9 extent that you've used local partners to define what
10 that looks like. What are you seeing in terms of
11 landlord speculation?

12 DEPUTY COMMISSIONER VAN TOSH: Thank you.
13 Deputy Commissioner.

14 DEPUTY COMMISSIONER BACKER: I mean
15 again—again I would say in terms of what we are
16 seeing I think we have similar sort of anecdotal
17 information and—and sort of studies that we've seen
18 that attest to this issue. I think what I could say
19 what SBS has been able pose is typically so it's in
20 districts like you referred to like 14th Street or
21 others in your district would be a be our Business
22 Improvement District partners, and I think in that
23 case we have relied on them to—to gather that
24 information where they can, the capacity to do so
25 varies dramatically, of course, in these

2 organizations, but where they can I think—I think,
3 you know, we've heard this issue that—that
4 speculation is—is a factor just based on, you know,
5 the—the perception of neighborhood change or things
6 to come or, you know, literally what they are hearing
7 their colleague or their next door neighbor got in
8 rent, and they want to get that same amount of rent.
9 So, I think there is—there is a lot of conversations
10 happening on the local level that cause additional
11 speculation. Where our partners have attempted to
12 address that issues is literally door-to-door
13 conversations with property owners to temper their
14 expectations, to, you know, provide some data where
15 they have it where they can actually perhaps provide
16 a reality check where—where—where it merited that,
17 you know, that they should be willing to accept, you
18 know, the opportunity cost of leaving their space
19 vacant is—is problematic—problematic not only for
20 their property, but for their neighborhood as a whole
21 and the commercial district as a whole. So, we're—
22 we're seeing that, and—and we're seeing BIDs attempt
23 to tackle this issue, but I think again, it—it vary
24 dramatically on a neighborhood by neighborhood basis

2 that I don't think we're able to draw a conclusion
3 citywide.

4 CHAIRPERSON GARODNICK: Is there a
5 particular neighborhood where you believe landlord
6 speculation is most significant or rampant?

7 DEPUTY COMMISSIONER BACKER: I-I-I guess,
8 I guess I can't say that I've looked at the data
9 enough or-or have enough data I guess I should say is
10 more accurate to make that conclusion, but I-I think
11 walking the city I-I-I think I, you know, I see what
12 you see and I see that there are clearly
13 neighborhoods where it has ramped up in recent years
14 where in the past we saw vacancies in neighborhoods
15 perhaps not in the sort of central business district
16 or in Manhattan as much. We saw it in neighborhoods
17 that had separate disinvestment and that's where over
18 the course of the last 5 to 10 years the city and SBS
19 developed tools to address that type of vacancy, and
20 that's where we've really been able to invest a
21 considerable amount of resources in community
22 partners to address that type, you know, that vacancy
23 that-that I think came about for other reasons, and I
24 think now we're all I think need to work with the

2 Council to develop those kind of tools to address
3 what we're seeing happening right now.

4 DEPUTY COMMISSIONER VAN TOSH: And I
5 would also like to add, you know, we are taking a
6 proactive approach to helping combat this as well.
7 In the case of something like a landlord beginning to
8 speculate our neighborhood change, we believe one of
9 the best ways to combat that is through helping
10 business owners have good leases on the books. So,
11 we're not waiting to see large swats of vacant spaces
12 before we're going out to business owners, and
13 talking to them about what they should be looking for
14 in leases, negotiating leases, et cetera.

15 CHAIRPERSON GARODNICK: Okay. I'd like
16 to know we've been joined by Council Members Barron,
17 Cornegy and Richards and in a moment I'm going to go
18 to-to Council Member Koslowitz for-for questions. I-
19 I did want to ask you about the other two categories
20 or really neighborhood divestment. I think we can
21 put in its own-in its own category but the-the issue
22 of business not keeping up with changing clientele
23 does that also include I mean online shopping where
24 you don't have any more people to sell to because the

2 people you used to sell to are now buying things
3 online. Is that include—is that included?

4 DEPUTY COMMISSIONER VAN TOSH:

5 Absolutely.

6 CHAIRPERSON GARODNICK: What—what else
7 would that include from your perspective?

8 DEPUTY COMMISSIONER VAN TOSH: So, as you
9 know, the work of the Department of Small Business
10 Services includes supporting businesses when they
11 start and grow and helping them to adapt all across
12 the city. So, this is something we're constantly
13 looking at. Changing neighborhoods could include
14 changing demographics, seasonality. It could include
15 rise of E-commerce and we work actively to ensure
16 that all of our programming helps businesses adjust
17 to these changes. Right now, we have already started
18 to include education around E-commerce, getting
19 businesses to put their businesses online, sell their
20 products online, and we've also done that in a more
21 intensive way through programs like Love Your Local
22 where business advisors will look at everything like
23 table turns, I mean what your spending on your
24 products in order to help businesses adjust and adapt
25 to neighborhood trends that are changing.

2 CHAIRPERSON GARODNICK: The—the way you
3 described the Love Your Local program—

4 DEPUTY COMMISSIONER VAN TOSH: Uh-hm.

5 CHAIRPERSON GARODNICK: --was helping
6 businesses are no longer viable in their existing
7 space. Why—why is the city spending time and
8 resources on businesses that we have concluded based
9 I guess on the data that is actually available to us
10 that they're no longer—that they're no longer viable?

11 DEPUTY COMMISSIONER VAN TOSH: Great
12 question. Love Your Local is really about helping
13 longstanding businesses that may or may not be viable
14 with their current business practices stay in their
15 neighborhoods. You know, you brought up at the
16 beginning your favorite restaurant, your favorite
17 local retailer. We want to make sure that those
18 businesses are able to compete even as E-commerce,
19 you know, rises and impacts retailers internationally
20 even as a neighborhood changes. So, we are using
21 other local to really delve into the books of those
22 businesses, understand how they can make changes that
23 would allow them to stay in their space in their
24 neighborhood, and from that work we hope to identify
25 scalable and implementable solutions that we can work

2 on to help businesses all across the city stay in
3 their neighborhoods.

4 CHAIRPERSON GARODNICK: Is three an
5 example of a business that has been a beneficiary of
6 a loved or local grants that was otherwise on the
7 cusp as a result of E-commerce that now we can say
8 conclusively that it was our tax dollars, which
9 helped to protect and preserve it?

10 DEPUTY COMMISSIONER VAN TOSH: We're
11 still accepting applications for the program. So,
12 it's very new. Yes, but we would love anyone's help
13 in getting the word out about it and be happy to
14 follow up as we get results.

15 CHAIRPERSON GARODNICK: Great. I-I'm
16 going to actually-I noted it with the Commissioner at
17 one of our last hearings. I actually am not certain
18 that it passes the New York State Constitutional Gift
19 Ban prohibit-prohibition, but that's another-that's
20 a-that's a subject for a different hearing for a
21 different day, but I want to go to Chair Cornegy for
22 a quick statement as the Chair of the Small Business
23 Committee and then we're going off to Council Member
24 Koslowitz. Mr. Chairman, welcome.

2 COUNCIL MEMBER CORNEGY: Thank you so
3 much Chair Garodnick. I'd like to begin by thanking
4 the chair not only for his leadership on economic
5 development issues as the Chair of this committee for
6 the past four years, but most importantly for his 12
7 years of outstanding service to the city of New York
8 and to the constituents of the Force Council-Fourth
9 Councilmanic. It has been an honor to serve with and
10 learn from you over the course of the past four
11 years. So, again thank you. As Chair of the City
12 Council-the City Council's Committee on Small
13 Business, I've spent the last four years grappling
14 with the important issues facing our city's mom and
15 pop shops. I believe we as a Council have made
16 important progress in creating a friendlier
17 environment for our city's small businesses during
18 the past season. We've managed to reduce finds for
19 small business owners. We have created Funder and
20 expanded mobile business services through Chamber-On-
21 the-Go, passed legislation creating a right of action
22 for commercial tenants facing harassment and neglect
23 from their landlords, and most recently thanks to the
24 leadership of Chair Garodnick, we reformed the
25 Commercial Rent Tax to help small businesses

1 struggling afford their rents in Manhattan. While
2 we've made great strides—great strides forward as a
3 city, the crisis of retail affordability obviously
4 persists. In order to address the crisis, the
5 Council must prioritize policies that ease burdens on
6 our small businesses and find new ways to carve our
7 commercial space that is affordable to local business
8 owners in neighborhoods throughout New York City.
9 Today, the Council released a report I was fortunate
10 enough to help put together with Speaker Melissa
11 Mark-Viverito, Land Use Chair David Greenfield and
12 Chair of the Subcommittee on Zoning, Donovan Richards
13 that lays out a blueprint for how the Council can
14 address storefront vacancy and commercial
15 affordability moving forward. I'd like to take a
16 moment to highlight a few key proposals from that
17 report that I believe are crucial for the city to
18 advance.
19

20 1. Collect and analyze storefront
21 retail data in each community district as a part of a
22 citywide commercial district needs assessment.

23 2. Require storefront vacancy
24 reporting.
25

2 3. Create a zoning bonus for affordable
3 retail space.

4 4. Prioritize affordable local retail
5 space in certain city sponsored developments, and

6 5. Strengthen Chamber-On-the-Go. The
7 Chamber-On-the-Go Initiative, which began with the
8 partnership between myself and the Brooklyn Chamber
9 of Commerce should continue to be strengthened and
10 expanded in order to increase capacity to provide on-
11 the-ground canvassing of neighborhood small
12 businesses, and offer direct assistance to businesses
13 instead of relying primarily on requests for
14 consultations. I urge my colleagues to read the
15 report and look forward to working with all of them
16 moving forward to implement many of the policies that
17 it proposes. Thank you, Chair Garodnick again.

18 CHAIRPERSON GARODNICK: Excellent. Thank
19 you, Chair Cornegy and the feeling is certainly
20 mutual. It's been an honor to work with you. Before
21 I go to Council Member Koslowitz, and thank you for
22 your patience, I just—I just want to pose a theory,
23 and I want you to tell me whether you think you agree
24 with it, or disagree with it. My theory having
25 prepared for the hearing, and watched this issue

2 develop is that somewhere in the time period of 2013
3 to 2015, there was a significant drop-off of retail
4 as a result of, you know, the prevalence of online
5 shopping. Contemporaneously, landlords were getting
6 increasingly opportunistic about their rents and
7 hopeful that they would be able to do better and
8 better and better over time. Forcing some businesses
9 out and discontinuing other leases. The result was
10 vacancies that had rents that were being sought,
11 which were way too high for the existing market
12 situation, and based on the—the demands of lenders
13 for particular building owners, they did not want to
14 necessarily jump in and take lower rent lease lest it
15 subject them to difficult conversations with the
16 people who lent the money to buy the building in the
17 first place. And, at the same time some of these
18 businesses may not be coming back, and there has not
19 yet been a commensurate reckoning with the fact that
20 we may have a changing local commercial situation,
21 and that confluence of factors has left a lot of
22 these storefronts vacant. That's the thesis.
23 Challenge it, test it, tell me it's right, wrong,
24 anywhere in between, but that's what I think is going
25 on. Tell me what you think.

2 DEPUTY COMMISSIONER VAN TOSH: I'm happy
3 to have my colleagues add to this, but I think it's
4 certainly plausible, and I think that like we've been
5 saying we look forward to working with Council to
6 really dig into this issue and understand what the
7 underlying causes are. I think it's a plausible set
8 of theories.

9 CHAIRPERSON GARODNICK: Alright. Well,
10 is it too much for us to ask SBS to come back to us
11 with your best estimate of at least the prevalent
12 costs or whether you agree, disagree or anywhere in
13 between on the thesis that I just posited sometime
14 say before the end of the year.

15 DEPUTY COMMISSIONER VAN TOSH: I think we
16 could follow up off line on the time table.

17 CHAIRPERSON GARODNICK: Okay. Well, I've
18 only got a couple weeks left. So, you know, my time
19 table is pretty strict, but yes we could follow up on
20 the time table, but I, you know, it's a pretty urgent
21 matter for me. Okay, Council Member Koslowitz.

22 COUNCIL MEMBER KOSLOWITZ: Thank you.
23 One of the things I could tell you is that to find
24 out data you can speak to elected officials because I
25 could tell you exactly what's going on in my area,

2 which is Forest Hills, Rego Park. It's the
3 Continental Avenue and the 63rd Drive and Queens
4 Boulevards of stores. In 2009, I wanted to rent a
5 store for my campaign, and we offered the owner
6 \$3,900. The store was empty. Well, eight years later
7 the store was just rented this past September. So,
8 for eight years the store went vacant. On 63rd and
9 Queens Boulevard, we had a topless bar called
10 Wiggles, and that has been vacant for years, and I'm
11 living in my neighborhood 55 years, and I have seen a
12 change in my neighborhood. There was a frozen yogurt
13 place on Continental Avenue. We called and asked
14 what the rent was going to be because the place was
15 going out of business. \$25,000 for a—not a bit
16 store, maybe as big as this room or smaller, you have
17 to sell a lot of custards to pay \$25,000 and it went
18 out of business, and this has been going on. We know
19 what's going on in our neighborhood. So, you can get
20 data from us. I speak to the landlords in my
21 community all the time. I have a doctor who's
22 calling my office. His landlord wants to throw him
23 out, and he wants to collect taxes from years ago.
24 He wants to go all the way back and collect taxes
25 that he did not pay and was never asked to pay, and

2 all of a sudden now he wants to pay taxes, and he did
3 it to the bakery also there. So, something is out of
4 hand. Something is out of hand how people can get
5 away and harass these people who are trying to make a
6 living. We used to have beautiful boutiques on
7 Continental Avenue and Western Street. People used
8 to come from all over. It's changed drastically, and
9 I'm not just the only one telling, or my constituents
10 call all the time and say it's changed. So,
11 something has to be looked into to see why this
12 change is happening, and not just continue to allow
13 it to happen. It's happening in my area. I'm sure
14 in a lot of my other colleagues' areas and every
15 borough, in every borough this is happening. So, I
16 really have to ask you where are you looking at data
17 that you do collect? Are you looking in other
18 boroughs?

19 DEPUTY COMMISSIONER VAN TOSH: Thank you,
20 Council Member for the question, and thank you for
21 your offer to work with us to, you know, let us and
22 Council Member.

23 COUNCIL MEMBER KOSLOWITZ: [interposing]
24 It's not just me. I'm sure all my colleagues.

2 DEPUTY COMMISSIONER VAN TOSH:

3 Absolutely, and as we have stated, the Administration
4 and SBS is extremely committed to getting to the
5 bottom of what is causing storefront vacancies. We
6 know that it's a local issue, and I would love to
7 speak with you to figure out ways to leverage Council
8 Member and resident in-tell across the city so that
9 we can really understand what's happening all over at
10 a local level.

11 COUNCIL MEMBER KOSLOWITZ: I think we
12 have to sit down with the landlords and ask them why
13 they are doing this. Why—why are—what—what benefit
14 are they getting to having a store empty for eight
15 years. Eight years, that's a very long time, and
16 what makes them not try and rent the store? I mean
17 all of a sudden in September the—the one that was
18 vacant for eight years all of a sudden he rented to a
19 hearing aid place. So, I'm curious to know what took
20 eight years to do.

21 DEPUTY COMMISSIONER VAN TOSH: We agree,
22 and also curious and be happy to work with you to
23 speak with landlords and identify different issues.

24 COUNCIL MEMBER KOSLOWITZ: And I have to
25 just say that the Commissioner has been wonderful

2 from SBS. He has been out to my community and, you
3 know, we have worked with—we were trying to do a bid
4 on Continental Avenue and Austin Street. So, he has
5 been very cooperative, but after that, we just have
6 to find out what is happening, what's going on with
7 all these landlords that just, you know, they don't
8 care about the neighborhood. They don't live in the
9 neighborhood.

10 DEPUTY COMMISSIONER VAN TOSH: Thank you,
11 and we—we look forward to working with you on that.

12 COUNCIL MEMBER KOSLOWITZ: And I just
13 want to say before I leave I have to—I have another
14 hearing downstairs, Dan, it's been a pleasure—a
15 pleasure working with you. I know you're not going
16 away, and I know I'll be seeing you but thank you for
17 everything you've done.

18 CHAIRPERSON GARODNICK: Thank you, very
19 much, Karen. I appreciate that. On to Council
20 Member Richards.

21 COUNCIL MEMBER RICHARDS: Thank you,
22 Chair and I just want to echo that it's been an honor
23 to work with you. I'm going back knowing Dan now. I
24 feel like five years intimately when he was actually
25 out helping me in other ways in frigid weather to

2 actually achieve the goal of being a Council Member.
3 I really appreciate your leadership in the Council
4 and all the work you've done on a vast amount of
5 subjects in the Council that will affect New Yorkers
6 for lifespans, and they won't understand why things
7 have happened, but we'll be able to point to a lot of
8 these things that have happened due to Dan
9 Garodnick's leadership, and I'm thankful for you for
10 that. Alrighty, enough schmoozing. Now, onto the
11 next subject. [laughter] Hi, SBS.

12 DEPUTY COMMISSIONER VAN TOSH: Hello.

13 COUNCIL MEMBER RICHARDS: A pleasure to
14 see you again, and I also want to echo that your
15 Commissioner has been phenomenal. We have a lot of
16 work to do, and I'm proud that the Commissioner has
17 seen just about every inch of my district, and—and
18 we're doing some good work out there. So, one of the
19 issues we face in Southeast Queens in particular is
20 the issue around absentee landlords, and what happens
21 a lot is we have landlords who are living in Florida,
22 and all over the country and perhaps in other
23 countries to some degree, and what we found is that
24 many of these landlords are just—they're—they're not
25 interested in the quality of life of our community.

2 They're not necessarily interested in moving forward.
3 One prime example of that is an absentee landlord who
4 passed away unfortunately, Rita Stark, who held onto
5 property, a vacant mall for 50 years in my district
6 while unemployed people walked past it, past it while
7 the need for more commerce and commercial development
8 was needed and it really was shameful. I'm glad that
9 we now—the city has unlocked the tool of urban
10 renewal, which I think is moving us into a different
11 direction now. So, I want to go into some quick
12 questions, and you have seen the Council's plan
13 today. I'm happy to be a part of the Retail
14 Diversity Plan. Have you read through this document
15 yet?

16 DEPUTY COMMISSIONER VAN TOSH: No.

17 COUNCIL MEMBER RICHARDS: Come on.
18 What's going on? You don't have anything better to
19 do at 5:00 a.m. in the morning to go through things?

20 DEPUTY COMMISSIONER VAN TOSH: We saw
21 that it came out, but we have not had a chance to
22 review the documentation.

23 COUNCIL MEMBER RICHARDS: Alrighty,
24 alrighty. It's a good answer. So, one of the things
25 we've—I've spoken about, and this is not necessarily

2 in this report of the vacancy tax. Has there been
3 any conversation around entertaining a vacancy tax on
4 particular establishments that are vacant, and where
5 absentee landlords have no interested in—in really
6 ensuring that storefronts are improved or that
7 businesses are coming in.

8 DEPUTY COMMISSIONER VAN TOSH: Thank you
9 for the question.

10 COUNCIL MEMBER RICHARDS: And what is the
11 Administration's stance? Are they open to a vacancy
12 tax on some of these properties because quite frankly
13 for people like Rita Stark or the Stark Properties,
14 God Rest her soul, you know, the only way to ensure I
15 feel like they will move forward is to ensure that
16 there is some punitive measure perhaps attached to
17 it. So, have we thought about a vacancy tax?

18 SHEELAH FEINBERG: Hi. Sheelah Feinberg.

19 COUNCIL MEMBER RICHARDS: And that's tax
20 base we're also losing in the city that I'm certain
21 we could use. So, has there been any thought around
22 that?

23 SHEELAH FEINBERG: No, the city is—the
24 city is looking at a number of possible solutions. I
25 think that's on the table for consideration. We are

2 aware that other municipalities have started to think
3 that way as well. We haven't made a decision yet,
4 though.

5 COUNCIL MEMBER RICHARDS: When will you?

6 SHEELAH FEINBERG: We're still reviewing
7 it. So, we'll be in touch.

8 COUNCIL MEMBER RICHARDS: In the report
9 we also spoke of a role or a vision where we thought
10 SBS—a scenario where we thought SBS could actually
11 file land use applications in—related to—to retail.
12 Have you thought about that? [background comments]

13 DEPUTY COMMISSIONER BACKER: I think
14 that's an interesting proposal. I think it's
15 something that we'd love to hear more about, but I—I
16 mean I could say already obviously we rely on our
17 partners and colleagues at the Department of City
18 Planning to do so, and we already—we do work with
19 them quite closely on neighborhoods in which we're
20 working both, you know, whether it's related to the
21 Housing New York Plan as well as even within some
22 Business Improvement Districts and others that are
23 looking at sort of, you know, commercial or retail
24 and use changes. So, I think, you know, we're—we're
25 happy to hear more about the proposal.

2 COUNCIL MEMBER RICHARDS: Okay and then
3 the FRESH Initiative. Let's go through that quickly.
4 Where are we at? I know we've been talking about
5 this for over year now. Has there been any progress
6 on the expansion of FRESH. I know that we're going
7 back and forth with the Council. I'm interested in
8 know when will we put this to bed?

9 DEPUTY COMMISSIONER VAN TOSH: Thank you
10 for the question. I mean we are, you know, we're
11 interested in all different types of solutions that
12 make sense on a neighborhood-by-neighborhood level,
13 and I'm happy to follow up with EDC about any updates
14 on FRESH.

15 COUNCIL MEMBER RICHARDS: Okay, you're
16 all giving me all the political answers today. Let's
17 see. NYCHA as well so another strategy within the-
18 the Council's Plan has been a conversation around
19 ensuring perhaps NYCHA and without displacing
20 residents we have no interest in-in doing that, but
21 have you given any thought to commercial overlays in
22 public housing? Opportunities, a lot of opportunity
23 in public housing that we have not thought about, and
24 it could be controversial. I'm not saying yay or nay
25 right now, but has there been a-a thought process in

2 lace to maximize more opportunities to create job
3 opportunities and food access opportunities in NYCHA.

4 DEPUTY COMMISSIONER BACKER: I could say,
5 I mean I think it's again an interesting idea. I
6 know that certainly some NYCHA developments already
7 do have retail overlays when they do front a
8 commercial district, and they certainly have been
9 really helpful opportunities there for, you know,
10 local small businesses and job creation. So, I think
11 it's an interesting proposal and we'd certainly want
12 to hear more about it and speak to NYCHA about it.

13 COUNCIL MEMBER RICHARDS: Another
14 political answer. Alrighty, BIDs. So, historically
15 BIDs and I'm happy we now have the JFK Springfield
16 Industrial BID, but what I find is in a lot of—and I
17 know that it's a tricky situation because local
18 businesses would have to pay in, but one of the
19 things that would attract people to business
20 districts is making sure that the business district
21 is attractive, and I'm interested in knowing where
22 are we at in the process of the kickoff for the Far
23 Rockaway Student for a BID, Downtown Far Rockaway BID
24 and—and what is your world view? Are you looking at
25 communities like South Jamaica that my colleague

2 Adrienne Adams represents now. Communities that have
3 historically not been on the radar of the city the
4 way that we would like it to be. Has there been any
5 thought process in expanding more BID opportunities
6 in communities that historically the city has not
7 reached?

8 DEPUTY COMMISSIONER BACKER: Yeah, I'd be
9 happy to answer that. I think, you know, as you and
10 I have spoken numerous times I mean the SBS sees-sees
11 the BID process and the BID formation process as much
12 very a locally driven effort. So, we are always open
13 to speaking to any of our, you know, our Council
14 Members or community groups that are interested in
15 forming a BID in their commercial district. We-we,
16 you know, we-we-we do often rely, though, on the-on
17 sort of our Council Member colleagues as well as a
18 community group be it a local one or a borough wide
19 entity that is interested in taking the lead in the
20 effort. It does require considerable, as you know,
21 bandwidth to do-to do this kind of work around-
22 around, you know, door-to-door organizing in a
23 commercial district, it can take well over two years.
24 So, it's not-so as-so in regards to Downtown Far
25 Rockaway, as you know, we are-we are working to get

2 sort of the resources to do a commercial district
3 needs assessment there, and then work to do sort of-a
4 feasibility study for a BID given that we would like
5 to ensure that there is the commercial and retail
6 density to-to support a Business Improvement
7 District, and as you, we-we work with RDRC and
8 having ongoing conversations with them about how we
9 might take on that work next year. I think as far as
10 I can't speak to the other part in Southeast Queens
11 that you've spoken about, but I think again if there
12 were a borough wide entity or a local group that is
13 interested in taking on that effort, it's certainly-
14 certainly something we would love to speak to them
15 about.

16 COUNCIL MEMBER RICHARDS: Merrick
17 Boulevard as well, and I'm just going to read some
18 astounding facts because so we released this plan
19 today and it speaks to the Zip Codes with the lowest
20 access to retail, and there has not really been in my
21 purview a strategy that has really been put in place
22 to really address this issue. So, I'm hoping SBS is
23 really going to look at the Council's plan, and look
24 at it seriously and figure out ways to creatively or
25 innovatively look at solutions to addressing it. So,

2 for instance, zip codes with the lowest access to
3 retail Arbor 11692 for 15—for 15 establishments with
4 a population of 1,236 individuals. East Elmhurst, 45
5 around establishments, population—population per
6 retail and restaurant establishments, 858, and the
7 list just goes on. In Laurelton, retail and
8 restaurant establishments 64, population per retail
9 restaurant establishments 608. So, the things we've
10 laid out here really are I feel blueprints, a good
11 blueprint to really getting us to a place. I know
12 Manhattan is very unique. So, more unique in a way
13 than Southeast Queens as the city is a very big
14 place. So, one shoe does not fit all, you know, fit
15 all sizes here, but at the end of the day we're going
16 to have to look at these strategies that I think
17 could certainly serve all five boroughs well. So, I
18 want to thank the Chairman. I've taken up enough
19 time. So, I'm hoping to hear back from SBS on the
20 questions and—and certainly the—the pathway and
21 blueprint the Council has provided that we believe
22 can create affordable small business opportunities
23 and ensure we're boosting local retail opportunities.

24 DEPUTY COMMISSIONER VAN TOSH: Thank you,
25 Council Member. We're very excited to read it. I

2 know a lot of work and thinking went into the report,
3 and as you know, SBS is committed to helping
4 businesses start and grow in New York City and having
5 thriving neighborhoods in all five boroughs. So we
6 look forward to working with you on both ideas in
7 that report, and others that we come up with.

8 COUNCIL MEMBER RICHARDS: Thank you.
9 Thank you.

10 CHAIRPERSON GARODNICK: Thank you,
11 Council Member Richards. Council Member Adams.

12 COUNCIL MEMBER ADAMS: Thank you, Council
13 Member Garodnick. First of all, I would also like to
14 say thank you so much for welcoming me so warmly to
15 this wonderful Council and to my colleagues as well.
16 Thank you for welcoming me. I'm just going to ask
17 because I-I just need to know. I didn't her
18 anywhere, and thank you for your testimony today, by
19 the way. This is such a longstanding issue for a lot
20 of us, and we know that a lot of attention is paid to
21 Manhattan, understandably so, but as my colleagues
22 from Queens have mentioned, we have experienced this
23 blight for a long, long time. So, I guess I'm just
24 interested to know because this is such a
25 longstanding issue, how long have you been engaged in

2 this study? Has it just been during this past fiscal
3 year? Is this a brand new situation for SBS to
4 embrace this particular study?

5 DEPUTY COMMISSIONER VAN TOSH: Thank you,
6 Council Member. You want to take the question?

7 DEPUTY COMMISSIONER BACKER: I want to
8 make sure I understand what you said. The study
9 you're referring to is the Council Study?

10 COUNCIL MEMBER ADAMS: I'm talking about--

11 DEPUTY COMMISSIONER BACKER: [interposing]
12 Broadly.

13 COUNCIL MEMBER ADAMS: --I'm talking
14 about broadly.

15 DEPUTY COMMISSIONER BACKER: Broadly.

16 COUNCIL MEMBER ADAMS: The vacancy issue
17 broadly.

18 DEPUTY COMMISSIONER BACKER: Sure.

19 Sorry.

20 COUNCIL MEMBER ADAMS: Yes.

21 DEPUTY COMMISSIONER BACKER: So, no it's
22 definitely not a brand new issue for us, and I think
23 actually the--the issues that Council--that Council
24 Member Richards was speaking to is actually where we
25 have been investing for quite some time. The Avenue

2 NYC Grant Program for example that my colleague spoke
3 about is a federally funded program using CDBG
4 dollars that we grant out to community-based
5 organizations in low to moderate income communities,
6 and one of the multiple sort of strategies these
7 groups undertake, but a lot of the work tends to be
8 around business attraction and retention. So we work
9 with those groups essentially every year. So, we've
10 been doing it, you know, well over ten years, but we—
11 we grant out about \$1 to \$1.2 million year to these
12 non-profit organizations to take on business
13 attraction and retention activities, and that can
14 involve everything from, you know, actual sort of,
15 you know, collateral let's say to attract retail
16 tenants to an area to work with retail brokers to
17 help attract to the type of tenants actually doing
18 some of the data gathering that is necessary to
19 assess where vacancies are, where those property
20 owners are in helping to make those connections to
21 possible tenants. A lot of work can be done around,
22 actually those doing the foot traffic and through—
23 through events and promotions that type of thing.
24 So, there is a range of activities, and—and a lot I
25 should say sort of on the retention side is really

2 about connecting those neighborhoods, and those
3 businesses to SBS' existing rate of services like
4 commercial lease negotiation and other things like
5 that.

6 COUNCIL MEMBER ADAMS: Thank you. In
7 addition to that, Council Member Koslowitz did speak
8 about properties in her district that were vacant for
9 a very long time. I, too, experienced the same thing
10 coming off of two campaigns and looking for office
11 space. The issue that some of us find is the issue
12 of rent, and high rent. What was your outreach to-to
13 the landlords, particularly in the instance that we
14 have in Southeast Queens with a lot of absentee
15 landlords? What specifically was your outreach to
16 these landlords to find out where they were and why
17 the continued to do and have these practices?

18 DEPUTY COMMISSIONER BACKER: So, again,
19 just-just to make sure I'm clear, you know, it's not
20 SBS staff doing this type of work in these
21 neighborhoods. Our small team essentially we're
22 granting money out to the local community-based
23 organization to take on type of work. So, just-just
24 to quickly say how it would typically-it would work
25 is that, you know, the community based organization

2 role, you know, applied to a grant opportunity. They
3 will essentially, you know, provide their local
4 knowledge of what's going on in the neighborhood
5 based on the information they have and their
6 understanding of the local conditions on the ground,
7 and they will apply to us to carry out certain
8 activities that they believe will—will help to
9 address the issue, and—and we certainly try to
10 provide best practices and technical assistance so
11 those organizations, you know, are not starting from
12 scratch, but are actually learning from what other
13 groups have done and from the city. So, in a case
14 like that, I mean, I—I guess I—I can't speak to the
15 specifics of it again because each situation is
16 unique, but certainly an organization that has local
17 ties and local familiarity with their community.
18 Typically, what a group would do is, you know, is
19 literally build up their local database of—of local—
20 of landlords, tenants who has leases in place and
21 being doing door-to-door outreach. And—when they
22 are—there is a longstanding vacancy like the ones you
23 are referring to, you know, try to track down that
24 landlord whether that person is local or not local,
25 and we try to make a case to, you know, you know, to

2 learn why they're holding it vacant. And in—and in
3 the case where that, you know, that is a reason I
4 guess where you can—where they can make a case that,
5 you know, kind of the community pride case or—or
6 saying that hey, if this community actually does have
7 disposable income or there is this need based on our
8 leakage study of why this business is needed in this
9 community. So, really the way we've seen community
10 groups do it is—is truly a highly localized
11 personalized approach. Not always effective, but we
12 have seen it work.

13 DEPUTY COMMISSIONER VAN TOSH: And I
14 would just add that I'd like to extend the
15 invitation. We'd love to work with you and leverage
16 Council Members all over the city to reach out to
17 landlords and really get at what are the underlying
18 causes of vacancy in your district.

19 COUNCIL MEMBER ADAMS: Okay, great. That
20 actually pulls onto the next kind of part B to—to
21 that question. Are you satisfied with those results
22 of your outreach?

23 DEPUTY COMMISSIONER BACKER: So, again, I
24 would say the groups that—so, just to give you—I do
25 have some numbers just to give you a sense. So,

2 funded essentially-- Actually, I'm looking at the
3 wrong data. But, you know, we'll typically give out
4 about 49-40 to 45 grants a year to organizations.
5 It's not a huge amount of money. It's about \$30,000
6 typically per grant to these organizations. We have
7 seen for those groups that we fund business
8 attraction and retention work that they report back
9 to us on average if they're, you know, between 6 and
10 8 businesses a year that they are able to either
11 attract or retain in that district. So, I think we
12 are satisfied with the--with the results based on the
13 investment. We--what we made in the investment we
14 have from the federal dollars, but I think it's a--
15 it's a, you know, a program that certainly should we--
16 could we get more federal money for this purpose? I
17 think it would be--it would be valuable.

18 COUNCIL MEMBER ADAMS: Okay, thank you.

19 Oh, sorry. What did you say?

20 DEPUTY COMMISSIONER VAN TOSH: I was just
21 going to add that I think as we've mentioned, we are
22 looking for scalable ways to across the city
23 regardless of community groups get access to this
24 information. So, I think my colleague would agree
25 that we could always do more to get better data, and

2 we look forward to working you on brainstorming ideas
3 to make that happen.

4 COUNCIL MEMBER ADAMS: Thank you. I will
5 also echo the remarks of my colleague Council Member
6 Richards. I think that you really, really need to
7 take this to heart. It's going to be a fantastic
8 resource for you, and I encourage you to really,
9 really use this as your blueprint. Thank you very
10 much.

11 DEPUTY COMMISSIONER VAN TOSH: Thank you.

12 CHAIRPERSON GARODNICK: Thank you,
13 Council Member. Council Member Richards had one-one
14 point to add.

15 COUNCIL MEMBER RICHARDS: And I just
16 wanted to add I, you know, we keep hearing we should
17 do all this great work, and with limited staff, and
18 we had a lot of work to do, SBS also has more of an
19 obligation. I understand the limitations on
20 staffing, but perhaps that's a budget conversation we
21 need to have, you know, on how does SBS get out there
22 and do this sort of outreach and—and look
23 strategically in areas like Merrick Boulevard and
24 areas like South Jamaica, and I don't want to say—say
25 do your job, but figure ways to be creative because

2 for us to chase down absentee landlords we don't have
3 that--those sort of resources but it's something your
4 agency is certainly tasked with. I'm not saying
5 you're not doing it. We appreciate the mobile unit.
6 It's been great. You were in Far Rockaway I think
7 just a day ago, but really doing a little bit more--a
8 deeper dive into why these particular retail
9 destinations as they should be are--are--are suffering
10 from absentee landlords.

11 DEPUTY COMMISSIONER VAN TOSH: Thank you,
12 and, you know, thank you to the Council also for
13 giving us additional resources to do programs like
14 Chamber On-the-Go, which has enabled us to get out to
15 corridors all over the city. So, appreciate that and
16 all of our partnership to date.

17 COUNCIL MEMBER RICHARDS: That's great.
18 Well, let's get to the landlords.

19 DEPUTY COMMISSIONER VAN TOSH: Sounds
20 good.

21 COUNCIL MEMBER RICHARDS: Let's figure
22 that out.

23 CHAIRPERSON GARODNICK: Thank you,
24 Council Member Richards. Council Member Barron.

2 COUNCIL MEMBER BARRON: Thank you, Mr.
3 Chair and thank you to the panel for coming. Now,
4 we've heard discussion about some of the reasons that
5 these storefronts are vacant, high rent. You know,
6 the commercial rent tax and people not being able to
7 evict tenants, not being able to pay the rent, and
8 we've heard about the E-commerce. I want to ask a
9 question: Has your agency been able to have any kind
10 of metrics or have any data that draws parallels
11 between those storefronts that are being warehoused,
12 deliberately kept vacant by the owners who perhaps
13 have some speculative view towards the increased
14 rents, which they will get as areas become
15 gentrified.

16 DEPUTY COMMISSIONER VAN TOSH: [pause]
17 Just so I understand the question. It's really
18 around what are the nuances--

19 COUNCIL MEMBER BARRON: [interposing]
20 Right.

21 DEPUTY COMMISSIONER VAN TOSH: --about
22 why--

23 COUNCIL MEMBER BARRON: [interposing]
24 Right.

2 DEPUTY COMMISSIONER VAN TOSH: --why do
3 we have--

4 COUNCIL MEMBER BARRON: [interposing]
5 Which is, you know, we're talking about these
6 storefront vacancies. So, what kind of data? Have
7 we drawn any parallels between those that are
8 deliberately vacant and my referred to one that had
9 been vacate for 15 or 20 or whatever years. So, do
10 we have any data that indicates owners who are
11 keeping it vacant because they're speculating that as
12 this move towards rezoning come, and as areas become
13 gentrified, that they will then have better returns
14 and increased revenues?

15 DEPUTY COMMISSIONER VAN TOSH: I think
16 it's a--a great question, and I think at best we have
17 some anecdotal information from the work that
18 community groups have done on the ground, but truly
19 we believe it is essential for any sort of policy
20 solution and tools for us to have better data on the
21 underlying nuanced causes of vacancies. So, we are
22 actively thinking about it, and would appreciate
23 Council's ideas and thoughts on how would be best get
24 that, and are looking forward to working with you on
25 the topic.

2 COUNCIL MEMBER BARRON: And—and as you do
3 that exploration, I just received this document, but
4 glancing through it, I see where it says: The top
5 ten small retailer restaurant gains and zip codes in
6 neighborhoods that have an increase, and at the
7 bottom of the list is 11208 Cyrus Hills, East New
8 York. And as you may know, that was a targeted area.
9 It's been targeted for about the last eight years at
10 least for a rezoning, and that's included in the
11 increase here, and it says 209 small retailers and
12 restaurants in 2012, a change of plus 96, which
13 represents 85%. So I think that gets to the point
14 that I'm trying to raise that there are people who
15 are definitely owners, who are definitely speculating
16 and willing to have this vacant space that when this
17 rezoning comes in, and when these opportunities come
18 in to increase their revenues then they're willing to
19 offer this space up. S o that's something that I
20 think we should look at as well.

21 COUNCIL MEMBER BARRON: Thank you and I
22 do have another hearing so I have to leave.

23 DEPUTY COMMISSIONER VAN TOSH: Thank you.

24 CHAIRPERSON GARODNICK: Thank you,
25 Council Member Barron, and I'm going to finish up

2 with just a few last questions. From my
3 understanding from colloquy before is that perhaps
4 SBS does not have the data necessary to say which
5 boroughs have been most impacted by vacant
6 storefronts. Is that accurate, and—and you also had
7 said before that the city does not itself track
8 vacant storefronts. Is that correct?

9 DEPUTY COMMISSIONER BACKER: That's
10 correct as far as I know.

11 CHAIRPERSON GARODNICK: Would—would there
12 be a benefit to the city to actually having that
13 information?

14 DEPUTY COMMISSIONER BACKER: And just
15 again I think it's important to have the—the number.

16 CHAIRPERSON GARODNICK: Subject yes.

17 DEPUTY COMMISSIONER BACKER:
18 [interposing] But above that.

19 CHAIRPERSON GARODNICK: [interposing]
20 Yes, but—but your—your—the asterisk that you've got
21 to define it properly.

22 DEPUTY COMMISSIONER BACKER: You've got
23 to define it properly but also I was going to say
24 that having the number might get you some things, but
25 having the reason why properties of retail

2 storefronts might be vacant. I think will be critical
3 to any sort of decision making or policy making
4 process.

5 CHAIRPERSON GARODNICK: Okay, and--and to
6 that point, what does SBS need to be able to come to
7 a concrete assessment of the answer to that question?

8 DEPUTY COMMISSIONER BACKER: Sorry. Can
9 you ask the--?

10 CHAIRPERSON GARODNICK: The question of
11 why.

12 DEPUTY COMMISSIONER BACKER: The why.
13 Okay.

14 CHAIRPERSON GARODNICK: Yeah, what--what do
15 you lack? If vacancies alone won't tell you, which I
16 agree with, what--what more do you need?

17 DEPUTY COMMISSIONER VAN TOSH: I mean I
18 think you've probably heard us say over and over
19 again, you know, we're very committed to trying to
20 trying to figure out truly the best way to collect
21 this data, and depending on sort of the results of
22 our conversations, and hopefully further
23 conversations with you and reading the report, I
24 think we would have a much better answer on whether
25 we need more resources, we need a different system in

2 place to collect information. We need support
3 community groups. I mean, there's a whole bunch of
4 different policies or initiatives you might do to
5 collect the information. I just don't think we have
6 an answer at this time about what would need.

7 CHAIRPERSON GARODNICK: Okay. Well, I
8 mean I would note and I'll direct you just by way of
9 example—

10 DEPUTY COMMISSIONER VAN TOSH: Uh-hm.

11 CHAIRPERSON GARODNICK: --to page 22 of
12 the Council Report, and I know it came to you early
13 this morning. We didn't expect you to, you know, see
14 it yet, but—but the Council's report has access to
15 some of the information, which it seems like SBS is
16 struggling is obtain. For example, the change in
17 retailers and restaurants with revenues less than a
18 million dollars by zip code in which this—this red
19 area hear, of course, and over here is the loss of
20 40, 40 or more. The green areas have seen gains.
21 So, have a look at it. We should discuss this
22 further, but I—I don't think that we're going to come
23 out of this hearing with an understanding from SBS as
24 to (1) whether vacancy stats are going to help you
25 answer that question, and (2) what exactly it is that

2 you need to be able to answer that question. So,
3 that's a little—that's a little disappointing because
4 I, you know, I have a theory, but it doesn't sound
5 like you're either ready to critique my theory, but I
6 would like you to. So, I—I think it's—I think we do
7 need to get to the—to the core question of what's
8 happening before we prescribe any policy solutions,
9 and we're not yet—we're not yet there. Do you have
10 any figures about revenues that are generated by
11 small businesses, money that's being put back into
12 communities by small businesses as opposed to chain
13 stores? Is there—is there any measurement of small
14 businesses versus chain stores as to, you know,
15 whether they're serving as multipliers in local
16 communities? Is there any way that SBS measures
17 that?

18 DEPUTY COMMISSIONER BACKER: What do we
19 need?

20 DEPUTY COMMISSIONER VAN TOSH: So from
21 the SBS standpoint, I could give you my thoughts and
22 I don't know if the Department of Finance if you have
23 any modeling on that.

24 SHEELAH FEINBERG: I would say that we
25 haven't done that kind of modeling yet, but that's

2 something that I could bring back to the—to our team
3 and see what we can find out.

4 DEPUTY COMMISSIONER VAN TOSH: And we
5 have—we have done some thinking on that. I don't
6 have the numbers with me right now, but I'm happy to
7 follow up on it.

8 CHAIRPERSON GARODNICK: Okay, that's part
9 of our end of year follow up. I think that will be
10 great. Okay, and lastly, do you think that SBS is
11 doing enough to be able to get to the bottom of this
12 question, but you cited a number of initiatives
13 there. You know, can you be in any way self-critical
14 or—or not about whether you believe SBS is doing
15 enough to try to get to the core questions about what
16 exactly is happening out there?

17 DEPUTY COMMISSIONER VAN TOSH: In my
18 testimony, and you know all today, I think we've done
19 a lot to try to both understand and address the
20 issue. It's a very complex issue, and it's one you
21 need to understand at a hyper local level. So,
22 understanding it in a city with 200,000 plus small
23 businesses is no small fete. We have worked with
24 local community groups. We have thought about really
25 intensive ways to help businesses adapt. We've been

2 thinking about how you protect small businesses, and
3 a lease arrangement with landlord, but there's always
4 more that we could be doing, and I think that we
5 strongly believe that in order to have effective
6 policy solutions you need to understand the
7 underlying cause of the issue, and there are many of
8 them. I think we would both agree there's many
9 different causes to a storefront vacancy. So, you
10 know, we are committed to finding a scalable way to
11 understand root causes and creating effective policy
12 solutions around that--

13 CHAIRPERSON GARODNICK: [interposing] We
14 would like--

15 DEPUTY COMMISSIONER VAN TOSH: --and we
16 look forward to working with the Council on that.

17 CHAIRPERSON GARODNICK: I thank you.
18 Yeah, thank you for that. The only observation I
19 would make is that there's--there's hyper local, then
20 there's local and, you know, I mean if you look at
21 let's say both sides of Central Park in Manhattan,
22 whatever it is, is probably the same thing and, you
23 know, in those--in those areas where you might be able
24 to find commonality, I, you know, I think you could
25 probably take some of the--the reasons off the table,

2 and then focus on what really is going on, and then
3 measure it from there. So, I just would make that
4 observation.

5 DEPUTY COMMISSIONER VAN TOSH: I
6 completely agree. I think there's certainly going to
7 be patterns across the city, but that we'll have to
8 thank about each neighborhood and assess it on its
9 own.

10 CHAIRPERSON GARODNICK: Okay, with that,
11 I thank you for your testimony today. We appreciate
12 it very much.

13 DEPUTY COMMISSIONER VAN TOSH: Thank you.

14 CHAIRPERSON GARODNICK: And now, I have
15 the great privilege of inviting up to the witness
16 stand the President of the Borough of Manhattan Gale
17 Brewer. Welcome, welcome back Madam President, and
18 thank you for your advocacy on this issue. [pause]
19 And whenever you're comfortable and settled, we're
20 ready for you.

21 GALE BREWER: Thank you very much. I'm
22 glad to be here. I had to borrow someone's glasses
23 at City Council because I lost mine on the way over
24 here. [laughter] So, I am honored to be here. I am
25 Gale Brewer, and I am the Manhattan Borough President

2 and just like everyone else, there are no words with
3 which to thank Chairman Garodnick for his leadership,
4 and I want to thank all the members of the Committee
5 on Economic Development. This is a very important
6 hearing, and I think you might know that I have spent
7 a lot of my career fighting to protect storefronters,
8 the mom and pops or owner-operators through advocacy,
9 legislation and zoning, actually since 1985. That's
10 a long time. I just--before I go into some points, I
11 want to--just a couple of comments about what I heard
12 because it is interesting. I do want to say to you,
13 Chairman, absolutely the issues that you listed are
14 part of why there are vacancies. There's a couple
15 more as to numbers, vacancy being part of it, online
16 being part of it, rent being the number one, but also
17 some years ago federal tax law changed so that co-
18 ops, condos, co-ops in particular can get all of
19 their revenue from non-shareholders. So, in other
20 words it used to be that 80% of your revenue had to
21 come from the shareholders. Now, it can come from
22 outside. So, a commercial is a good way so then
23 you're sure your maintenance doesn't go up. Now,
24 that's a good thing for the shareholders for the co-
25 ops that are on avenues where they have commercial

2 tenants when it's another piece of the puzzle, and—
3 and the other one is new buildings there are a couple
4 of ways of handling them obviously, but we have a
5 rezoning. In my case on the Upper West Side we
6 mandated that the stores be a certain size in the
7 rezoning. It did not happen in East Harlem because
8 there were other mitigating factors, but you can
9 limit, and Jerome Avenue there has been limitation
10 particularly in support of those that are auto shops,
11 and kinds of uses that are needed for the kinds of
12 jobs that they produce. So, zoning I think can be a
13 tool as opposed to not helpful. I just want to throw
14 that out, but we don't have all the answers with any
15 of these suggestions and the final one is when you
16 have a new building, the banks often say,
17 quote/unquote, "I mandate that if you're going to get
18 you financing, you need a credit worth commercial
19 tenant and, that of course, at least in my world in
20 Manhattan has the word chain store attached to it not
21 in the, necessarily in the actual statement or—but it
22 does hint that. So, those are just some of the ways
23 we're trying to address this problem. I do, I want
24 to thank you like everyone else for your work on the
25 Commercial Rent Tax. That is a really important

2 aspect of this discussion. It will make a big
3 difference for the businesses from Chambers up to
4 96th Street, and I'm hoping that next year we will
5 work on the successor to Intro 7998, and remove the
6 Commercial Rent Tax from affordable supermarkets.
7 So, just supermarkets that cater to the neighborhood.
8 We all know the importance of supermarkets, but they
9 also have SNAP and WIC, which are important programs
10 for people who are low-income and need a healthy food
11 for their family. And so the whole CRT movement led
12 by you has been a huge way to fight commercial
13 vacancy because if you have the rent in the first
14 place without the burden of CRT, you're going to keep
15 your local store. So, congratulations. I do want to
16 thank the City Planning Commission because during the
17 Bloomberg Administration led by City Planning
18 Commission, we built a special district, a zoning
19 special district. I know—I think Barry is here I
20 don't know that anybody else is here from City
21 Planning, but I really want to thank them, and by
22 limiting a property owner's ability to combine small
23 retail spaces into large frontages suited to either
24 chains or bigger stores, that's when you cause a
25 loss—cause a loss of services to the community, and

2 the reason that City Planning Commission after three
3 years of study, and it was three years of study both
4 Laura and Barry at City Planning were the wonderful
5 authors of that study, and what we learned was
6 because the West Side only has as commercial avenues
7 Columbus, Amsterdam and Broadway whereas the East
8 Side has York and First Avenue, Second, Lex and so on
9 and so forth, Madison. We have so few avenues we
10 were able to make a case for the fact that we needed
11 a limitation of 25 feet for banks along a 200-foot
12 storefront landscape and about 40 feet at least on
13 Columbus and Amsterdam for any new store. Obviously
14 those that are there stay. So, I really was honored
15 and please that in the report that was just released
16 by the City Council called Planning for Retail
17 Diversity, I know there are a lot of good suggestions
18 in there, but they-they meaning the City Council's
19 staff did an analysis of my enhanced commercial
20 district zoning, and the report found that the
21 rezoning was "Successful in stabilizing the number of
22 store fronts on Amsterdam and Columbus Avenues, and
23 preventing the displacement of existing businesses
24 for storefront mergers. It is also possible that the
25 restrictions have helped contribute to a lower

2 vacancy rate and a higher rate of business
3 retention." Big deal for me because nobody has done
4 that kind of analysis and, of course, we all need to
5 continue to fight for similar protection throughout
6 the city, but particularly Manhattan, and I think I
7 mentioned earlier it's the underlying data that got
8 us to that law. It wasn't a willy-nilly anecdotal
9 discussion, extremely extensive work by academics and
10 City Planning Commission staff. So, I think just to
11 add to that to understand the status and history of
12 vacancies in an area requires hiring a private data
13 firm or using city staff to conduct a comprehensive
14 rent survey and an analysis that will necessitate
15 many hours of time not unfamiliar to all of us who
16 here today. Thank you. Somebody found some glasses.
17 That's great. Thank you. Another pair. I really
18 need them. [background comments] No, they're not
19 mine but they'll do. [laughter]

20 CHAIRPERSON GARODNICK: You take them.

21 GALE BREWER: I do. I have a whole
22 bunch, a collection now. So, during the summer of
23 2017, we worked with New Yorkers and interns and
24 staff we looked at the issue of commercial vacancy.
25 We only were able to do it on one avenue, but we went

1 from the bottom of Broadway all the way to the top in
2 Inwood, and we found that there are 188 empty
3 storefronts and, of course, we need that kind of data
4 citywide. I will add because we're all talking about
5 our commercial storefront/campaign headquarters and
6 mine was 96th and Broadway. That was four years ago.
7 It's still vacant. So, I think that it is
8 interesting that Council Member Koslowitz was—hers
9 was vacant for nine years. The same problem. So
10 this Broadway exercise was really useful in capturing
11 the northernmost and southernmost extremes of the
12 issues in Manhattan and it—and it's—and then to the
13 credit of Council Member Rosenthal, she did a similar
14 study on the Upper West Side. Civitas, as the
15 Council Member knows, has canvassed East Harlem and
16 the Upper East Side, but this is the problem: These
17 surveys occurred at different timeframes, with
18 different metrics and they all have a different
19 patchwork of data, and that's the problem. We need
20 to have something that is apples to apples. I
21 testified in September of 2016 on September 15th
22 before the Housing and Buildings Committee to discuss
23 pending legislation to establish a better accounting
24 system for vacant land and buildings, and I urge
25

2 members of that committee to incorporate a number of
3 changes. Most importantly to break out the number of
4 vacant commercial retail units from other types of
5 vacancies because we are currently not able to
6 accurately understand the magnitude of commercial
7 vacancies on a citywide basis, which is what you have
8 heard over and over again today. As the initiator
9 and the passer of the City's Municipal Open Data
10 Portal, I know a little about the importance of
11 timely accurate data, and I am certain that if we
12 provide a data set of about commercial vacancy that
13 it's freely available open source, we will enlist the
14 support of academia and civic hackers and advocates
15 in government and small business owners themselves.
16 This data base will be populated with revised data
17 when a commercial landlord has a tenant retail unit
18 that becomes untenanted for a number of months. For
19 example, the property owner would be required to
20 report the space as vacant to the city of New York.
21 The owner would also report when a new lease is
22 signed for the vacant space or when a new business
23 begins using the space, and I look forward to working
24 with Council Member Rosenthal and others on this
25 legislative initiative. We need better data in large

2 quantities to truly wrap our arms around the question
3 of how, where and when government policy or market
4 forces create commercial zones populated with empty
5 storefronts, which is exactly what you said, Mr.
6 Chair as what the issues are. This committee will
7 hear many excellent ideas here today. I'm very
8 partial to Ken Adams, who's sitting in the back here,
9 who's been in the Economic Development field for
10 years, and if I listen to him, I always go with Ken
11 Adams. I just want to let you know. But unless we
12 codify the problem before, during and after, we
13 attempt to enact a solution how will we be able to
14 assess our success and how to best proceed in
15 combatting commercial vacancy in our neighborhoods.
16 So the bottom line is we really need the data and we
17 need the agencies to help us gather it, and I thank
18 you very much for this opportunity on a topic that I
19 feel very passionate about and I appreciate that the
20 hearing being held today. Thank you.

21 CHAIRPERSON GARODNICK: Thank you, Madam
22 President [coughs] and it's been a pleasure working
23 with you on the Commercial Rent Tax and so many
24 other—so many other things. I want to just follow up
25 with you on a couple of the points that you made

2 because on your 188 empty storefronts, but also the
3 co-op and condo point. So, tell us a little bit more
4 about this federal law change. So, it used to be
5 that 80% of the revenue had to come from--

6 GALE BREWER: [interposing] From the
7 shareholders.

8 CHAIRPERSON GARODNICK: --from the
9 shareholders of the building, and the change--

10 GALE BREWER: [interposing] It's about
11 five or six years ago, maybe more.

12 CHAIRPERSON GARODNICK: It now allows--

13 GALE BREWER: A hundred percent can come
14 from outside sources. It can come from a commercial
15 tenant where there is a commercial tenant. Not every
16 co-op has commercial tenant.

17 CHAIRPERSON GARODNICK: So, if you--if
18 you're co-op with a potential for a commercial
19 tenant, you would think it would be a high level of
20 desire to make sure that any space is rented.

21 GALE BREWER: Yeah, I mean it depends.
22 As you know, many times the sponsors hold onto the
23 commercial. So, that would be a different situation.
24 Everything--every instance is different, but that law
25 had some impact and, of course, it's not going to

2 change because we all have-but it's-it's just part of
3 the puzzle. We all have constituents who are
4 shareholders, and I can understand because when you
5 are on the board, you have a fiduciary responsibility
6 right to make sure that the maintenance stays low and
7 the roof gets fixed.

8 CHAIRPERSON GARODNICK: So, if I'm a
9 shareholder of a co-op building, and I have a vacant
10 commercial space in a situation where 100% of my
11 building's maintenance can be paid for by the revenue
12 generated from that commercial business--

13 GALE BREWER: You can do that, yeah.

14 CHAIRPERSON GARODNICK: --I'm-as I
15 understand it, I'm basically in the same situation as
16 any other landlord out there.

17 GALE BREWER: Uh-hm.

18 CHAIRPERSON GARODNICK: But these spaces
19 are staying vacant forever. I mean not forever--

20 GALE BREWER: [interposing] I-I--

21 CHAIRPERSON GARODNICK: --they've been
22 vacant for years. So when your conversations with--
23 with business owners or-or property owners, were you
24 able to get any nuggets of the reason why that is
25 happening or why rents have not come down or why the

2 space is not being occupied by businesses that are
3 not subject to the challenges of E-commerce, et
4 cetera.

5 GALE BREWER: Well, well there are two
6 things. One, I have talked to some owners. To their
7 credit, they are looking for tenants who will not be
8 susceptible to a lot of the online. Obviously,
9 restaurants, you're not going to order from a foreign
10 country a hamburger I assume. You might do seamless
11 or some other food box, but you're going to—So they
12 look for restaurants. They look for places that are—
13 I know one example he's got—you could go in there and
14 get your shades and your curtains and you have to go
15 the department and you check it out and you come
16 back. So, he looked for small businesses that are
17 not going to be—have customers who order online
18 because he figures they'll be there for a long time.
19 The other situation is I have owners who have large
20 spaces. They do not want to carve them up. They do
21 not because they say that the smaller tenants,
22 commercial tenants don't pay the rent, and so they
23 want somebody who's going to pay the rent, and
24 they're convinced that only a national retailer will
25 continue to pay the rent. So, sometimes these stay

2 vacant--that's what I hear--until they find that
3 credit worthy tenant who's larger than whatever was
4 there locally, and I hear that over and over again.
5 I know for a fact because I have contacted and have a
6 letter from the State Department of Taxation in New
7 York. They don't get any kind of a write-off for
8 having a vacant store. It is simply waiting for the
9 larger rent. As I think City Planning Commission
10 knows, I've had many people come to me in the Upper
11 West side, owners saying Gail, can you give me a
12 variance? Can you give me a way out on my, you know,
13 40 feet on my 25? Of course, I say not, but, you
14 know, they--they don't want to break it up. I don't
15 have--I think with many of the co-ops they do rent. I
16 mean I think they work at it because they would like
17 to have the revenue. So, maybe there isn't--most of
18 the co-ops are rented, but they do have this new
19 advantage.

20 CHAIRPERSON GARODNICK: So, you make an
21 important point because you and I hear this all the
22 time. Is there some sort of a benefit that somebody
23 is getting for leaving the storefront vacant?

24 GALE BREWER: No.

2 CHAIRPERSON GARODNICK: In reality that
3 is not the case, correct?

4 GALE BREWER: It is not the case.

5 CHAIRPERSON GARODNICK: In fact, as I
6 understand it there is some—some of the assessment as
7 a property owner is—is done based on the fact that
8 your building is occupied, a percentage of it is
9 attributed to an occupied space. So, even if it's
10 vacant you're getting hit with the taxes as if it was
11 partially occupied.

12 GALE BREWER: Correct.

13 CHAIRPERSON GARODNICK: So, I think
14 that's an—that's an important point.

15 GALE BREWER: It won't work (sic) because
16 everybody I run into says aren't they getting a tax
17 break and the answer is no.

18 CHAIRPERSON GARODNICK: So, is our
19 message then to—to building owners and banks today,
20 you know, it's—it's time to—to get real about the
21 environment that we are in and not just hang our and
22 wait for the highest and, you know, biggest chain
23 store that you can find, but actually consider
24 filling those spaces today so that perhaps the city

2 will not take extra steps to—to regulate or do other—
3 other things that could perhaps--

4 GALE BREWER: [interposing] I think
5 that's a good message.

6 CHAIRPERSON GARODNICK: --cramp their
7 style.

8 GALE BREWER: I'm a little bit on the
9 stick side and—and the carrot doesn't always work but
10 I would love to have—I think we need to have a
11 discussion with REBNY and others and RSA because I do
12 know that even staff--because I've spoken to some of
13 those two organizations—live in our neighborhoods and
14 want the diversity. So, it's not been enough. I
15 think this is a problem that we all need to work
16 together to solve. I have no names, but people who
17 are well known to all of us who work for these
18 organizations and who want the grocery store and want
19 the bodega and want the shoe store to be in their
20 neighborhood and they have seen them disappear. So,
21 I—I think this is a—a topic that we can all work on
22 together, but as you say we have to have the data.
23 We do not have this data. So, if it's a stick that
24 gets us the data, then we have to do that in the
25 least penalizing method possible, but without data,

2 we're going to have a hard time coming up with I
3 think solutions.

4 CHAIRPERSON GARODNICK: I think that's a
5 very fair point and it was clear in the exchange with
6 SBS that we do lack a lot of that data. So, thank
7 you, thank you very much--

8 GALE BREWER: Thank you very much.

9 CHAIRPERSON GARODNICK: --Madam Borough
10 President, and we look forward to continuing this
11 conversation with you.

12 GALE BREWER: And Adam.

13 CHAIRPERSON GARODNICK: And thank you for
14 being here. Okay, we're going to get to him in a sec.
15 Okay, but first we're going to bring Brian Paul of
16 the City Council Land Use Division to talk about the
17 report that was just issued today. Here he is.
18 Welcome. [pause]

19 BRIAN PAUL: See, I don't even know how
20 to work these microphones. I'm usually over there.
21 So, thank you. This is an unusual role. I work in
22 the Land Use Division actually, but I did work on
23 this report that we released and so I'm going to kind
24 of--

2 CHAIRPERSON GARODNICK: Give us the
3 highlights.

4 BRIAN PAUL: --and expert witness, so to
5 speak. Yeah. So, the report is a detailed analysis
6 of the challenges faced by New York City storefront
7 business owners and a comprehensive set of
8 recommendations to protect and promote retail
9 businesses and much of this content directly relates
10 to the this topic of the economics of vacant
11 storefronts. And I've submitted the full report for
12 the record, but I'll try to run the most brief
13 relevant things that come out of here because it is
14 pretty long. Okay, according to data from the
15 Economic Census from 2002 to 2012, the overall number
16 of retailers and restaurants in New York City grew by
17 nearly 24% from 42,000 to 52,000 and this growth was
18 driven in our analysis by the city's overall economic
19 and demographic growth, expansion of chain stores
20 into the New York City market during this time and a
21 tremendous growth in tourist spending from less than
22 \$20 billion annually to over \$35 billion annually and
23 a lot of the state estimates perhaps 40% of that
24 spending goes right to retail and restaurants. So,
25 that--that's a huge aspect of fueling the growth, but

2 since—in recent years since 2013 or so, the retail
3 growth in New York City has really stalled out, and
4 we believe this is from a combination of rapidly
5 rising commercial rents, change in consumer habits
6 and a rapid rise in E-commerce, as has been discussed
7 here. Unfortunately, as has been discussed at
8 length, right now in contrast to the wealth of data
9 available on New York City's housing stock, there is
10 no comprehensive source for information on storefront
11 businesses. We know only from reports released by
12 the real estate industry that in Manhattan in the
13 last ten years average retail asking rents have risen
14 about 44% overall, and this varies by area to area.
15 In Upper Manhattan it's 49%, Downtown Manhattan 59%
16 and in parts of Midtown 86% and these rents have
17 risen most steeply on the most exclusive shopping
18 corridors. The prime retail corridors, and as this
19 increase has accelerated, so has the vacancy rate of
20 many of these corridors. Again, according to data
21 that we only have available to us from the real
22 estate industry, more than 20% of retail storefronts
23 are currently sitting vacant in prime Manhattan
24 neighborhoods between Madison Avenue, Fifth Avenue,
25 Times Square, Herald Square, SoHo, the meat packing

2 district, and other recent reports have shown
3 widespread vacancies on streets like Bleecker Street
4 in West Village and Broadway Morristown Heights, but
5 for the rest of the city data on storefront rentals
6 and vacancies is not readily available. We hear only
7 scattered reports from Business Improvement Districts
8 or local planning studies that vacancies appear to be
9 a growing issue in many outer borough neighborhoods.
10 In our research we have found there are really three
11 distinct variance of the storefront vacancy problem:
12 High rent blight in neighborhoods with the highest
13 real estate values, speculative warehousing in
14 gentrifying neighborhoods with increasing property
15 values and neglecting neighborhoods where retail
16 rents may still not be high enough to justify
17 investment. High rent blight is a specific condition
18 to neighborhoods with the highest real estate values
19 such as many parts of Manhattan. For some individual
20 businesses, reported rent increases coming off ten-
21 year leases they are as much as 200 to 300%. For many
22 neighborhood retailers and restaurants these are
23 shocking increases that can be impossible to absorb,
24 and of those businesses that do choose to close the
25 vast majority shut down entirely rather than move to

2 another location. A recent study found that 85 to
3 90% of businesses that shut down in New York City
4 never reopen in a new location. With the prior
5 tenant displaced by the rent increase, high rent
6 blight sets in when the property owner is unable to
7 find a tenant at the desired rate. Commercial
8 brokers believe that this speculation to hold out for
9 a big number is the main driver of vacancy in high
10 rent areas. Many recent investors have paid
11 extremely high prices based on a limited number of
12 high profile leases and are looking to achieve
13 comparable rents. In some cases, property owners
14 have received financing from banks that only pencils
15 out if the very high rent is secured, which is why
16 they keep waiting for that rent. But the number of
17 retail tenants that can afford these high rents are
18 limited. The vacancy rates in many neighborhoods
19 climbing over 20%. These tenants may be in short
20 supply and some real estate industry observers are
21 warning of a retail bubble in-in Manhattan
22 specifically. The second kind of vacant storefront
23 is the neighborhood with the rapidly increasing
24 property values, and studies have found that
25 storefronts in these neighborhoods tend to remain

2 empty for longer on average than in other
3 neighborhoods and at our—a different hearing we had
4 last year, representatives from the North Flatbush
5 BID described this pattern as owners finding it more
6 advantageous to hold out on leasing spaces as they
7 warehouse available property for future opportunity
8 rather than leasing to local entrepreneurs. And
9 there are neighborhoods such as Far Rockaway that we
10 heard about where retail rents may not be high enough
11 to justify investment. Landlords often expect the
12 business to cover the cost of renovations and for the
13 amount of space, and if a storefront has deteriorated
14 for many years of vacancy this upfront cost can be a
15 challenge, and there are numerous other potential
16 explanations for a vacant storefront that may not be
17 connected to rent directly such as absentee ownership
18 disputes over ownership, and there is sometimes a
19 normal vacancy cycle where people are just trying to
20 find the right tenant, and it should do much more
21 research on this. Compounding real estate and tax
22 issues the accelerating growth of Internet shopping
23 is threatening to disrupt the real estate—the retail
24 industry from coast to coast. According to data from
25 the federal government, since 2006 E-commerce

2 spending in the United States has risen from 3% of
3 all retail spending to nearly 10% and has increased
4 nearly 16% year over year, and this combination of
5 rising rents and the increasing competition from E-
6 commerce is increasingly toxic for New York City
7 retailers. The owner of a hardware store on the
8 Upper East Side, the Upper West Side that recently
9 closed said: You cannot pay Broadway rent and be the
10 cheapest and compete with businesses—stores on
11 Amazon. So, the report today released includes a
12 comprehensive set of 20 recommendations and I'll just
13 quickly summarize five of the most relevant ones to
14 the vacancy issue.

15 1. Require storefront vacancy
16 reporting. The Council and the Administration could
17 begin to address the problem of vacant storefronts by
18 requiring landlords to registered with SBS after a
19 storefront has been vacant for 90 days and report on
20 the status 90 days, every 90 days thereafter, and as
21 we've heard, we really do not have any citywide data
22 on storefront vacancies, and this—this would start
23 to solve that problem, and once if the data does
24 demonstrate that this is—this is a barrier to retail
25 diversity in our neighborhoods then potentially some

2 kind of disincentive or incentive program could be
3 the next step.

4 2. Again, on the subject of data, the
5 Administration could collect and analyze storefront
6 retail data in every community district as part of a
7 citywide commercial district needs assessment. So,
8 SBS already does these studies in certain
9 neighborhoods where they—they analyze a retail
10 corridor and tell you—talk to you about the number of
11 storefronts, vacancy rates, types of stores,
12 conditions of storefronts. These could be done
13 citywide in every neighborhood from time to time.
14 That would require more resources I'm sure, but it's
15 something that would be a way to get citywide data on
16 the retail market that we don't have.

17 3. Study the impact of growth of E-
18 commerce on the brick and mortar retail sector and
19 develop additional policies and programs to help
20 small businesses adapt. This is really a huge and
21 growing issue, and it's not something that this city
22 and I would think that many cities across the country
23 have really tried to grapple with. So, we think this
24 is worthy of a—of a real serious study to develop
25

2 recommendations to help mitigate the impact on small
3 businesses.

4 4. Help non-profits throughout the
5 affordable commercial spaces in underserved areas.
6 This is especially for neighborhoods that remain
7 underserved by retail that perhaps with the
8 longstanding vacancies you heard about in Queens is
9 an example of that where SBS could increase the
10 capacity of local community organizations as partners
11 in economic development and develop innovative
12 programs to help local community developers redevelop
13 vacant or under-utilized commercial space.

14 5. And finally, there are—there may be
15 opportunities for the Council and the Administration
16 to create new stronger tools to incentivize
17 commercial affordability. Potentially, this might
18 include a tax abatement to incentivize affordable
19 long-term leases, which would most likely require
20 state authorization, right. We're talking about or a
21 direct subsidy program on the mall-like one we've
22 seen in San Francisco called the Legacy Business Fund
23 that provides ongoing annual subsidy for both the
24 business and the landlord if an agreement on a long-
25 term affordable lease is reached. The city is

2 already doing a similar direct such a program with
3 the Love Your Local. You head about this is
4 potentially a way to strengthen that framework and-
5 and bring local into the program as well. Yeah, and
6 that's the summary.

7 CHAIRPERSON GARODNICK: Terrific. Great
8 summary. Thank you. We-we appreciate the work that
9 you put into this report. Obviously, it's really
10 going to help to shape the discussion going forward.
11 So we thank you. I'm going to spare you from the
12 questions, but I appreciate your being here to
13 explain what it was exactly that the-that you put
14 together. So, we appreciate you being here. Next,
15 we're going to bring up Lena Afridi of ANHD, Ken
16 Adams of Bronx Community College, CUNY; Justin
17 Levinson of Vacant New York and Avi Leshes of the
18 Brooklyn Chamber. Welcome guys. Everybody will have
19 three minutes. [pause]

20 JUSTIN LEVINSON: We go? Good. My name
21 is Justin Levinson, and I worked on the Vacant New
22 York Project that tallied and mapped empty
23 storefronts in Manhattan. I initially began
24 investigating this as I saw the number of businesses
25 leaving the neighborhood without being replaced as

2 have been discussed before. I was curious initially
3 at to how widespread the problem was base on my own
4 sort of anecdotal evidence, and I certainly felt that
5 I was seeing an increase in for rent signs around my
6 neighborhood and the ones that I worked and visited.
7 As it turns out, the problem is quite widespread. It
8 should not be news to anyone here. As of the summer
9 of 2016, I've recorded nearly 1,000 vacancies in
10 Manhattan, the combination online collection and hand
11 counting. Due to the inaccuracies in the data
12 gathering process, I definitely undercounted by a
13 fair bit. It was a very long tale of storefronts
14 that are not represented by big brokers, which is
15 where I received most of my data and in neighborhoods
16 that I had not gone personally to hand count, but it
17 is a big job. I got more 100 additional vacancies
18 written in by readers, by people who found the site,
19 people who had been in the communities and then
20 Gale's office did the Broadway hand count with more
21 than 188 storefronts that they also located. There
22 was some overlap but there were quite a few that were
23 not represented on my map. Although present across
24 the borough, the distribution tended to be around
25 higher rent districts with SoHo in particular being

2 quite hard hit. Based on research and anecdotal
3 evidence, what appears to be happening is that rental
4 tenants are being presented with large increases in
5 rent when their lease comes up or they're not offered
6 a renewal at all, vacating and then the property
7 owners sit and wait to find a new tenant who will pay
8 whatever they're asking. For me, the most surprising
9 finding wasn't actually the data. It was the fact
10 that this acted as a lightning rod. I mean I got—I'm
11 still getting emails from people who are upset that a
12 store is gone, that, you know, that they're a
13 business owner, that they lost their own lease or a
14 paradox I'm getting emails from people who want to
15 open a new business, a restaurant, a store and cannot
16 find a space at a price that they can afford. For
17 me, I mean obviously there is no kind of silver
18 bullet solution. If this was easy we would have done
19 it a while ago. Monitoring is obviously a first
20 important step on the register. It's been discussed
21 taking longer this specific period of time, requiring
22 people to register to at least have some idea of the
23 impact of this across the city. It would allow us to
24 keep tabs on the program. The second is prevention,
25 and we have a flag in the flagging retail community

2 in New York despite this trying to figure out how to
3 stop the bleeding, you know, whatever solutions we
4 put in place to incentivize people to occupy these
5 spaces. If we continue to lose longstanding business
6 at the rate we are, we're not going to be able to
7 replace them fast enough. And then the third
8 obviously is to fill the spaces—spaces that are
9 vacant. Everyone wrote into me saying oh, we should
10 pop-ups. Pop-ups are great, but they're Band-Aid
11 solution. All we're really going to do is tenants
12 are going to invest in the community, people who are
13 going to occupy [bell] a space in the community and
14 not disappear in six months, and I think it's some
15 kind of combination of carrots and sticks,
16 matchmaking programs or penalties. The main
17 frontage, you know, things on chain stores. I didn't
18 know that this report came out. I think a lot of
19 these things are covered in there, and it will take
20 some experimentation. Thank you very much. [bell]

21 LENA AFRIDI: Good afternoon, good
22 afternoon. My name is Lena Afridi. I'm the Policy
23 Coordinator for Equitable Economic Development at
24 ANHD, the Association for Neighborhood and Housing
25 Development. We're speaking as part of United for

2 Small Business NYC or Coalition of Community

3 Organizations all across the city trying to support

4 and protect New York City's small businesses from the

5 threat of displacement with particular focus on owner

6 operated low-income Minority and Women Owned

7 Businesses. ANHD and USBnyc support the City Council

8 on examining the economic impact of vacant

9 storefronts. We applaud the Council on releasing

10 today's report, which examines the threats to New

11 York City Small Business including their share of

12 vacancies. A core component of USB NYC's platform

13 calls for the city to penalize and fine landlords who

14 has commercial properties for an extended period of

15 time. Warehouse storefronts are unsightly—are

16 unsightly and reduce foot traffic for existing small

17 businesses, reduce available rental space for new

18 small businesses and act as a mechanism for

19 speculation especially in communities of color where

20 landlords hold onto vacant spaces in order to wait

21 for real estate prices to rise, and rent the property

22 to non-retail and retail clientele. Currently,

23 there's no mechanism in place to penalize property

24 owners who neglect vacant properties or intentionally

25 leave space vacant. This ultimately stacks the deck

2 against the remaining businesses in neglected
3 corridors. So, I'm going to echo the points on date.
4 Though no vacancy data exists ANHD did an analysis of
5 DCA licenses on total, a net change in total
6 businesses that have licenses, which revealed that
7 Manhattan as a whole experienced a 2% loss in total
8 businesses with almost every single neighborhood
9 seeing a decline in businesses that were operating.
10 So, this doesn't include restaurants. If it included
11 restaurants, it would be a much bigger hit. In the
12 outer boroughs Bed-Stuy and Crown Heights, which are
13 both gentrifying very rapidly, each saw a 2% in loss
14 in businesses and Hunts Point actually have the
15 highest net loss citywide at 6%. This could be
16 attributed to the epidemic of commercial warehousing
17 of the process in which landlords hold onto property
18 without renting it out in hopes that its rental value
19 might rise. We're calling on the city to penalize
20 and fine landlords for warehousing commercial
21 properties for more than six months. Other
22 municipalities have already implemented some more
23 measure. In San Francisco, City law requires owners
24 of any storefront left vacant for more than 270 days
25 to pay \$765 annually, and importantly, register with

2 the city. Vacant storefronts and the warehousing of
3 commercial property, a citywide issue in commercial
4 corridors across the five boroughs but it
5 particularly impacts immigrant communities and
6 communities of color already facing displacement
7 pressures. This issue is central to USB NYC's Policy
8 Agenda and a fine on landlords that warehouse
9 commercial properties is a core piece of policy
10 platform. Once again, the Council applauds the
11 Council—the Coalition applauds the Council for
12 holding this oversight hearing and urges the Council
13 to take meaningful steps to curb storefront
14 vacancies. Thank you and we look forward to working
15 with on addressing this challenge and others that
16 impact New York City small businesses. [pause]

17 KEN ADAMS: Let's see if we can get it.
18 Good afternoon. Chairman Garodnick, thank you for
19 inviting me, and thank you to other members of—of the
20 committee and everyone else who's here providing
21 testimony this afternoon and especially my friend.
22 Obviously my friend Gale Brewer. The—I think I
23 earned this invitation to participate as a result of
24 the op-ed piece I had in the Daily News earlier this
25 week, and it might be the case, and it—the point of

2 my being here then would be to elaborate on the BID
3 and just to say what I want to bring to the
4 discussion is consideration of the people themselves.
5 The merchants, the people that we need to identify
6 and support hope will be the next series of
7 successful independent retail entrepreneurs all
8 across the city. My big concern is it's like the mom
9 an pops aren't having any kids, and what are we going
10 to do to get more people to actually look at these
11 opportune-business opportunities and get support from
12 policies and organizations like this like this table
13 is made of that could be helpful. So three or four
14 things to consider: The point I was trying to make
15 in the paper earlier this week is jut to be mindful
16 of the context of the-what I called the layering
17 effect of the excessive federal, state and city rules
18 and regulations that these individuals who we're here
19 to support have to go through. Now, we all know this
20 is real and improvement has been made, but we have to
21 be mindful of these conditions I cite in that piece
22 for example to open a book store, a dry use that
23 would be amenable to many property owners. There are
24 15 agencies, federal, state and City at a minimum one
25 must consult for restaurants or bars where other

2 things are obviously are much more, and the
3 enforcement at the end of that is also something we
4 hear a lot, I hear a lot about from merchants in my
5 role. I didn't introduce myself. I apologize for
6 that. I'm Dean of Economic Development at Bronx
7 Community College. I work a lot with Burnside Avenue
8 merchants, and I'm working on the Jerome Avenue
9 Rezoning on some of these issues. A couple of things
10 to consider then again about the context and about
11 the—and it's been well, I think discussed today, but
12 this layering effect certainly includes the broader
13 issues of the effect of online retail and let's not
14 forget the big box stores, which 10, 15 years ago in
15 this city and this body we were looking at zoning
16 changes to enable big box. So, that neighborhood
17 hardware store also has a Home Depot not far away.
18 So, they've got—if you think about the struggles here
19 brought on by just competitive economics, right, big
20 box, retail, online retail and then, of course, the
21 rising rents, which just could be the icing on the
22 cake. We see where this has just becoming really,
23 really hard. Of the various proposals kicked around
24 this afternoon, I'd like to add a couple ideas or to
25 them I'd like to add a couple ideas in my final

2 second here. One is the notion of something like the
3 old ICIP Program. In other words, and incentive
4 program. This—we need folks in the Department of
5 Finance to think about this, but could—what happens
6 if I own a building and instead of taking the market
7 rent I'm willing to preserve the tenant that's there,
8 that's an independent mom and pop bookstore or
9 restaurant or retailer, but I'm—I'm going to
10 sacrifice a certain amount against the market rent by
11 renewing the lease for ten years at the existing
12 rent? Could I get a tax credit against my property
13 taxes that makes up for that difference to some
14 degree to somehow make me whole? Would that
15 incentive work? Would it—it's always better if I can
16 renew a lease and not have to have it—assuming I want
17 to keep a tenant, and I want to make rent, the pain
18 of having to lease a space and go through a new
19 tenant and maybe finding the use. So, you know, if
20 there's some way that there'd be—could be something
21 done to the AV of that property because now it's
22 adjusted because the tenant is on a lease of a
23 certain length to a qualifying individual, you know,
24 independent retailers. It wouldn't be for a chain
25 for a certain period of time at or below or less than

2 market rent, and I adjust on my AV and actually get a
3 discount on my property tax or get a refundable tax
4 credit or a credit I could apply if I own other
5 properties. The other issue again we used—and we'd—
6 when I was with my friend here from the Brooklyn
7 Chamber, who's going to speak in a second, but when I
8 attended the Brooklyn Chamber we did a lot of this on
9 Fulton Street in Fort Greene. We looked at the
10 question of what can we do to help people who rent
11 become their own landlords? What can we do to help
12 the—the current mom and pops as a city buy their
13 property through a commercial condo or co-op of
14 issued bond with the building and it's a multi-story
15 building, and maybe there is more that we could do in
16 that regard in terms of low-cost financing and other
17 technical assistance to do. I mean at—at scale. The
18 other is where does—the final thing. When the city
19 controls the development of new property particularly
20 thing about all the affordable housing that the city
21 is creating, and the retail spaces in buildings that
22 are financed through HPD or through state agencies,
23 when—when the city—when—when there's an exercise of
24 government tax credits, or other support in the—for a
25 developer of affordable housing. To what degree can

2 we create the retail opportunities in those mixed-use
3 buildings, the ground floor retail to meet certain
4 conditions that again as we think are important like
5 preserving the independent retailers as opposed to
6 national chains becoming the tenants for these
7 developers of affordable housing. Again, there are
8 just situations where if the city has some
9 involvement, obviously through a zoning action or
10 through the financing of affordable housing, multi-
11 you know a mixed-use building, if the city has some
12 intervention doesn't that give it an opportunity?
13 That would give us the opportunity to say who are we-
14 ideally who would be great for neighborhood quality
15 of life and local economic impact in that space? And
16 how can we piece something together to help make that
17 happen? Thank you.

18 AVI LESHES: Good afternoon, Chair
19 Garodnick, members of the committee. My name is Avi
20 Leshes. I'm the Director of Government Affairs for
21 the Brooklyn Chamber of Commerce. As the Chamber of
22 Brooklyn, we're the largest chamber both in New York
23 City and New York State. In 2017, our members survey
24 revealed that the number one issue cited by our
25 members was the displacement of small businesses. The

2 negative impact of displacement not only affects
3 business owners, but also impacts families of the
4 local community as a whole. Furthermore, our
5 membership provided a number of suggestions about
6 reducing the space and which arranging by local
7 campaigns to incentivize landlords just like was just
8 mentioned to provide long-term leases. Therefore, we
9 join our members in making these specific
10 recommendations to help reduce the economic impact of
11 the vacant storefronts. Creating the commercial
12 zoning protections include housing provided to be an
13 effective tool in aligning of affordable housing
14 needs to the development community. It's time that
15 we consider some of this and assorted creative
16 techniques to align interests of our mom and pop and
17 retail development community. Another idea was no
18 vacancy incentives to let us consider ways to reward
19 property owners to maintain occupied storefront
20 retail, and let the turnaround time between tenants.
21 It is critical that we incentivize owners to keep the
22 storefronts occupied. Another idea was to expand the
23 bi-local campaign, which you heard from SBS. The
24 Brooklyn Chamber of Commerce is a strong advocate for
25 supporting local industries. You have a Brooklyn

2 made certificate program, which helps organize
3 marketing and promotion opportunities for local
4 makers and to connect Brooklyn made products with the
5 business opportunities of expansion of these programs
6 outside of New York. And one of the things that they
7 also mentioned about talking about data we know that
8 Chamber on the Go as the Brooklyn Chamber has done
9 this in our borough, it's a very easy program. They
10 go door-to-door. They're using the commercial
11 corridors. That's another way of, Adam, if you want
12 to collect data of vacant storefronts to tap into the
13 Chamber on the Go program to say hey, can you guys
14 collect data of vacancies of the businesses and
15 corridors you are meeting. So, we must incentivize
16 retailers to property owners-and owners to work
17 together. This will require a thoughtful and
18 provocative approach. It will be challenging to
19 tackle these issues surrounding vacant storefronts,
20 and we hope to exchange ideas with you and the other
21 City Council members that are leading toward these
22 solutions. Thanks.

23 CHAIRPERSON GARODNICK: Thanks to all of
24 you. First, I just wanted to make a comment, and
25 then I just have a—a general question. The comment

2 on vacant a Vacant NYC thank you. It's a really
3 interesting site, and—and helpful, and I think really
4 illustrative of the problem that we're facing. And
5 it also identifies one of the reasons why somebody
6 might keep a space vacant even if the market forces
7 might have suggested otherwise, and that was if you
8 have a whole portfolio of properties, and taking a
9 hit on one is not just a hit on one. It sort of
10 resets the market in way that could have a very
11 harmful effect on all of the rest of your spaces. I
12 think you make that point on the website, and I think
13 that's a very good point. So, now I want to talk
14 about the—the carrot or stick question because we've
15 got a—we had a stick suggestion, and we had a carrot
16 suggestion. The stick being penalizing for
17 vacancies, which is on one hand appealing because why
18 should they be vacant for all that time? They're
19 causing harm to—to neighborhoods. On the other hand,
20 maybe they're being kept vacant because they can't
21 find somebody to occupy the space as those are sort
22 of the counterpoint. And the carrot well maybe
23 there's ways to create an incentive for somebody to
24 take a below market rent, which has the appeal of not
25 being punitive, but it gives somebody a chance to do

2 something good with the city's help. On the other
3 hand, should we be, you know, should we be
4 interfering in—in those lease negotiations in that
5 way? Are we going too far with the hand of
6 government? So, anyway, I want to just pose the
7 question to anybody about the thought of the carrot
8 versus stick approach whether they should be dealt
9 with mutually exclusively or if one were where one
10 does and one doesn't, I just wanted it more generally
11 to everybody and see what you have to say on that
12 subject.

13 LENA AFRIDI: So, I—I have some thoughts
14 on those. So, USBnyc and ANHD both recognize that
15 not all landlords are the same. We come across that,
16 you know, all the time. We came across them in the
17 Commercial Tenant Anti-Harassment Legislation as
18 well. Different landlords have different needs.
19 They have different ways of dealing with different
20 tenants. What we need to consider is if it—if it's a
21 huge landlord that owns multiple properties, they
22 need to be deal with differently than if it's a small
23 scale landlord who owns maybe one—one property with
24 residential on top. You know, if it's like a mixed-
25 use building with three units on top and commercial

2 at the bottom, it's very different than somebody who
3 owns a portfolio of 15 properties, huge, large scale
4 properties in Manhattan. So, I think that the carrot
5 or stick option really depends on who the landlord
6 is, and that is really up to the Administration and
7 the Council to decide what makes the most sense and,
8 of course, ANHD and USBnyc are happy to help with
9 that.

10 JUSTIN LEVINSON: You know, just to—I
11 guess I'm coming back to the carrot, Mr. Chair, but
12 the—one of the problems—one of the problems is and
13 probably pretty distinct to the New York City real
14 estate market is just this incredibly inflated really
15 huge increase in residential values. So, that in a
16 mixed use building I mean we see situations certainly
17 in Brooklyn and around the boroughs where someone
18 will buy a mixed-use building not for the commercial
19 space, but because of the value, the potential upside
20 value of the residential above it, and it was said
21 quite eloquently by a prior speaker this afternoon
22 that then that transaction may have a whole lot of
23 expenses or costs to it and financing costs that are
24 contingent on—on a lease, and I'm not being
25 sympathetic here. Someone is making an investment

2 taking that risk. But again, I think what needs
3 further study, and I don't, and everyone else seems
4 to be talking about more studies and more data, but I
5 think a tricky question is in a market where the
6 residential portion of the piece of property is
7 really, really valuable, and it's had just this
8 trajectory of increasing value. That's going to—that
9 has to drag the commercial space affiliated with it u
10 at the same time, right, putting that pressure. It's
11 sort of an obvious point, and so is there a way to
12 kind of unhook those two or disconnect those two in—
13 in value in the sense of the—the change in value from
14 an appraisal standpoint or from a financing
15 standpoint, but because that's what, you know, you
16 see people pay for let's say, as you just point out,
17 a three or four-story building right next to this
18 building with a 20-foot by 4,800 square foot
19 storefront and then maybe three apartments above.
20 People these days will pay so much in certain areas
21 of the city for that building simply for the
22 residential capacity. They're not, you know, it's
23 sort of inconsequential downstairs, and probably they
24 can't, but if they could convert the downstairs to an
25 apartment, they would in certain neighborhoods. And

2 so that's one of the unique kind of features of New
3 York City real estate that's creating some of this
4 problem and I—that is something I think we could look
5 at a little further.

6 AVI LESHES: I think there's the—there's
7 a sense certainly that, you know, a neighborhood
8 increases in value and then as the business continues
9 as they renew a lease like things get more expensive.
10 For me the—the idea of having some sort of guardrail
11 on what's a reasonable increase and what is an
12 unreasonable increase whether that's, you know, being
13 forced to at least come to the table and offer a
14 lease renewal to have some kind of cap on percentage
15 or an arbitration, mediation and some sort of way to
16 say yes we understand this is more expensive, but we
17 need to say, you know, there's a reasonable limit to
18 that. That sort of again stopping the bleeding of
19 the businesses that we have already before we go and
20 look at new solutions to filling these vacant
21 properties will help to reduce the overall number,
22 and again as you pointed out, afford people
23 opportunity space where they can come in and say I
24 want to try something.

2 CHAIRPERSON GARODNICK: Alright. Well,
3 thank you very much to all of you. You add real
4 insight to this conversation, and we appreciate you
5 being here. So, thank you and we're going to call
6 our last-last panel of the day, and it's actually
7 going to be a five-person panel. So, we'll add a
8 chair. Ty Beatty of Brooklyn Community Board 6;
9 Christine Lynch of Local Color NYC; Victoria Hagman;
10 Joanna Cawley of Carnegie-Carnegie Hill Neighbors;
11 [background comments] and Robert Joseph of the
12 Municipal Art Society. So, welcome to all of you
13 and--[background comments, pause] Welcome. Do you
14 want to--do you want to start? [background comments,
15 pause]

16 VICTORIA HAGMAN: Okay, there we go.
17 Good. Alright, hi. My name is Victoria Hagman. I'm
18 a resident of Brooklyn in Red Hook. I am a member of
19 Community Board 6. I have a masters in historic
20 preservation planning from Pratt, and I'm real estate
21 brokers, and it was infuriating to hear SBS state
22 earlier about the lack of data because there's data
23 available. They have access to it, and they're not
24 utilizing it. It was upsetting for me. I'm going to
25 read this case study I pulled together in two or

2 three hours last night about what's happening in
3 Downtown Brooklyn, but there is access to resources.
4 I will read this but—I would say that everybody here
5 is saying—talk about how we collect data about
6 vacancies. You just need to collect data about rents
7 and commercial rents and residential rents. There's
8 no reason there can't be a system for it when people
9 are filing their taxes. Like it could be really
10 simple and we don't need to overthink this, but there
11 should be a platform for people to collect that
12 information and not just focusing on vacancies. So,
13 I will just read this case study that I did in a very
14 short amount of time about Downtown Brooklyn. The
15 empty storefront epidemic that plagues the street of
16 Atlantic Avenue and many other parts of Brooklyn has
17 a large impact on the economic and social fabrics of
18 the local community. This problem has been
19 developing over the last decade and we have been
20 experiencing the worst vacancy rates since the
21 beginning of this problem. The price per square foot
22 in these areas over the last decade has doubled and
23 in some cases tripled for retail spaces on main
24 retail corridors. The price increases was triggered
25 by a large amount of new development happening in the

2 area and creating available spaces for large chain
3 retailers. Large scale new developments, home real
4 estate developers throughout the area could be
5 directly tied to the Atlantic Yard and Forest Reef-
6 Forest City's Ratner Project that started in 2004,
7 and the rezoning of Downtown Brooklyn also in the
8 same year. Since those events transpired, developers
9 have bought and held property and kept retail
10 storefronts vacant as part of their business model.
11 This was not the case previously because small
12 property owners could not afford to leave storefronts
13 vacant without rental income and afford the cost of
14 holding the property. Storefronts have historically
15 had higher rental prices than residential—than
16 residential units. Exchange of property in the area
17 also drove up taxes that encouraged small property
18 owners to sell to these large development
19 corporations. These large real estate development
20 corporations business model is built on speculation
21 driving up prices and instigating zoning changes for
22 their benefit alone without investment or benefit to
23 the local community. A prime example of this is
24 Store Equities, which currently has vacancies in all
25 of the properties in Brooklyn, besides the most newly

2 acquired one that came with existing leases. I
3 printed out a picture of all of the—and that's from
4 Google from the summer that—and they are also empty,
5 and all—the list of all the properties that they own.
6 These are currently over 203 retail spaces available
7 in the Downtown Brooklyn vicinity. There's a large
8 demand for these spaces that are currently available,
9 but at these rents small businesses are unable to
10 create a business model that can compete with large
11 chain stores who are willing to pay more. Many
12 cities like San Francisco started addressing these
13 issues 13 year ago. [bell] It goes on.

14 CHAIRPERSON GARODNICK: [off mic] You
15 can go ahead. (sic)

16 VICTORIA HAGMAN: Okay, 13 years ago when
17 they passed their formula retail policy. We are
18 coming up on 10 years since Trader Joe's opened its
19 first location at 134th Street. A plethora of other
20 large chain relatives have moved into the area using
21 these spaces as part of their marketing campaigns
22 without having to reach or turn their profit
23 benchmarks. This brick and mortar marketing strategy
24 has also drove up price, but as E-commerce takes over
25 the consumer market, many places are closing or

2 choosing to spend their advertising budget in other
3 ways. It is the responsibility of the city
4 government to find solutions for these issues because
5 these actions have been triggered by city policies
6 from neighborhood wide to spot rezonings, targeted
7 investment like Atlantic Yards, and administrative
8 mandate to build new housing and other policies have
9 bolstered the inequity in our business community. I
10 encourage City Council to look into and find tools
11 that disincentives vacancies and create legislation
12 that will establish the economic health of our
13 neighborhoods, and I have tons of great ideas about
14 how you can do this—

15 CHAIRPERSON GARODNICK: Thank you.

16 VICTORIA HAGMAN: -- but we can do that
17 at another time.

18 TY BEATTY: Oh, I'm sorry, Victoria.

19 Thank you Chair Garodnick. I'm Ty Beatty. I'm the
20 Acting District Manager of Brooklyn Community Board
21 6. I want to congratulate Chair Garodnick. I've
22 worked with your office quite a bit when I was on
23 Manhattan Community 5. So, congratulations on the
24 end of your time—your time. The scourge of empty
25 storefronts plague our community, Brooklyn Community

2 Board 6 just as it does many neighborhoods throughout
3 the city. Brooklyn Community Board 6 is comprised of
4 vibrant diverse neighborhoods that are vastly
5 different from each other in look, feel, zoning and
6 built environment, but that still allows for linkages
7 and transitions among them. As a whole, they reflect
8 what makes this city as exciting as it has always.
9 From the industrial heritage of Red Hook and Gowanus
10 to the low scale that's still involving areas of Park
11 Slope, Carol Gardens and Cobble Hill. Despite our
12 vibrancy from the Hook to Columbia Waterfront, from
13 Smith to Court and Fifth to Seventh Avenues, our
14 commercial strips are often filled with as many empty
15 storefronts as those that are open for business. The
16 Board has not performed an extensive economic study
17 on the reasons behind these pockets of blight, but
18 even the most casual observation of societal changes
19 in real estate suggests a few options. As has been
20 stated here numerous times today, we're becoming an
21 E-commerce society. While it would be easy to blame
22 the problems solely on a shift in how we buy goods,
23 we must also consider the undeniable fact that
24 landlords are overcharging for ground floor retail
25 spaces. The periodic opening and closing of

2 locations along our commercial corridors is easier to
3 predict than seasonal weather patterns. In essence,
4 fall brings a new crop of storefronts and winter
5 brings the shuttering of their doors. To borrow a
6 phrase from a past mayoral candidate: The rents are
7 too damn high. We would like to ask the City Council
8 to call upon the Department of City Planning to
9 convene a citywide working group that would be tasked
10 with examining creating land use and zoning means to
11 protect smaller businesses from over-zealous
12 landlords and looking into commercial rent
13 regulations and other outside of the box responses to
14 this issue including looking into fines for extreme
15 vacancy, incentives to lease spaces and coordination
16 between property owners and Small Business Services
17 to help in space matching. Far too often we hear
18 about one project or another destroying the fabric of
19 our community as if our communities were inherently
20 weak when, in fact, our neighborhoods are being
21 destroyed in some part not because of this weakness,
22 but because of the intractable-intractable blight
23 that occupies box after box of empty storefront. We
24 want commercial success that is not based upon the
25 need to have only Starbucks, Chipotle and CVSs of the

2 world. Brooklyn and New York as a whole is not based
3 up big box retailers. It's based upon the diversity
4 of our stores and storekeepers, the celebration of
5 our cultures and the joy of walking down the street
6 and seeing thriving businesses. You have Community-
7 Brooklyn Community Board 6's commitment to hold
8 public meetings to discuss the options that come from
9 this working group we've requested, and we pledge our
10 willingness to listen to new ideas, and once again I
11 want to thank Council Member Garodnick, and the
12 entire Economic Development Committee. [bell] Thank
13 you.

14 CHRISTINE LYNCH: Hi there. My name is
15 Christine Lynch, and I'm here to talk about
16 opportunities for small businesses in New York City.
17 I own a company called Local Color NYC and I source
18 and sell local and American made goods. I started
19 the company in 2015. Initially, I hoped to open a
20 brick and mortar store. I quickly found that this
21 was impossible. Rents were extremely high and
22 landlords were demanding three years of tax returns
23 and at least four months of rent up front. I looked
24 at websites that advertised temporary pop-up spaces
25 for rent, which sounds like the perfect opportunity

2 for start-ups, but that is not the case. Prices are
3 inflated with rents of one garment rack in a store
4 being advertised for \$3,000 a month. I decided to do
5 something unconventional, and create my own
6 opportunity. I built my shop into a truck and
7 created a mobile boutique. For these past few—but
8 these past two years have not been easy. My business
9 has been stymied by the city at almost every turn.
10 Under New York City law, it is illegal to vendor out
11 of a vehicle, a law that has not been updated for
12 about 30 years. I've been arrested by the police,
13 and harassed by the high power of big money BIDs.
14 Last year I applied through the Straight Activity
15 Permit Office to part in a public plaza. I was
16 invoiced \$150,000 for 30 days, but wouldn't—but would
17 not be allowed to vend. These permits are really
18 just for large corporate—corporate promotional
19 events, they explained. I then went to the DOT to
20 inquire how to vend in the plazas. I was told that
21 vending was allowed, but only through moveable, but
22 not mobile structures. There are two separate
23 organizations governing the same plazas with
24 completely different sets of rules, which negate my
25 mobile boutique from operating in a public plaza.

2 This fall I found an indoor space to rent at the
3 Broadway Market in SoHo. I paid \$3,500 a month for
4 just 60 square feet of space. Now, my business is at
5 risk again because myself and 40 other small
6 businesses will be evicted at the end of the year to
7 make room for T.J. Maxx. There is a crisis in
8 commercial rents in New York City. The city could do
9 so much more to punish owners of vacant spaces and
10 allow for alternatives to high priced brick and
11 mortar storefronts. I have a lot more information in
12 my printed testimony. It also included a \$150,000
13 invoice from Soppo (sp?) and I also have two proposals
14 for a mobile retail in New York City to create
15 opportunities for startups. Thank you.

16 JOANNA CAWLEY: Thank you. My name is
17 Joanna Cawley, and I want to say thank you so much,
18 Chairman Garodnick for asking me to speak and our
19 organization, Carnegie Hill Neighbors is so grateful
20 to you for all your work over the many years you've
21 served the community. So, thank you. As I said, I—
22 I'm here today to—well, I'm here to speak about this
23 retail vacancy rate in our neighborhood. I serve as
24 the Executive Director of Carnegie Hill Neighbors,
25 and we are a benchmark Upper East Side neighborhood.

2 Since 1970, Carnegie Hills Neighbors mission has been
3 to preserve, protect and improve our community, and
4 the area spans from 86th to 98th Street from the east
5 side of Fifth Avenue up to Third Avenue. We run
6 purpose driven safety and beautification programs
7 made possible through public and private funding and
8 a new East Harlem Outreach partnership begun this
9 fall. We advocate for our residential classification
10 by enforcing height limits, the zoning resolution and
11 preservation of individual landmarks and groupings of
12 buildings within our historic district. And I'd like
13 to submit that a varied mix of storefront businesses
14 with retail choice and professional services is good
15 for Carnegie Hill and all of New York City. The
16 historic neighborhood that we encompass houses
17 several religious and cultural destinations for
18 residents to the—residents and visitors to frequent,
19 and an active commercial landscape not only generates
20 retail income for themselves and those other
21 institutions in the area, but formulates a cultural
22 capital pulling pedestrians to shop on the high
23 street and stay in the neighborhood. Thus, pushing
24 the area—the area hopefully to a full residential
25 capacity. Most Carnegie Hill buildings are co-ops.

2 They own their retail storefronts and look for top
3 dollar on rental agreements, and the few Carnegie
4 Hill condo buildings have individually owned retail
5 space, and are often held by real estate syndicates
6 that lever one space off another. A good mix of
7 tenants could be made in the best case, but in the
8 worst case, vacancies linger longer. Commonly, a
9 corporate owner will prioritize a higher, longer
10 lease over a thoughtfully planned retail landscape
11 leaving the door open to yet another bank or drug
12 store. And in other cases, local management will
13 devote—devote time and thought to a mix of two or
14 three complementary tenants delivering a vibrancy and
15 diversity to the neighborhood, to the benefit of
16 neighborhood foot traffic. In a survey completed by
17 our Clean Streets team, Carnegie Hill hovers at the
18 citywide average which we found to be around 9% and
19 as also reported by Jonathan Hillberg in the Civitas
20 Law Report, the fall 2017 report. This rate could
21 easily be reduced given Carnegie Hill's fine—many
22 fine characteristics. [bell] Ways to recover health
23 to our retail storefronts must include broad reform,
24 and the New York Commercial Rent Tax Reform—thank
25 you—is a good start, but not enough. A compelling

2 and multi-faceted street scape requires a vow and
3 assurances such a landlord's pledge to lower rents
4 for long-term success and stability, recognize the
5 city's obligation to protect store owners from vendor
6 encroachment, oversight of store signage known in
7 regulations to make a diverse commercial landscape
8 that follow the visual veritiv, provisional tax
9 abatements and/or tax incentives to jump start small
10 businesses. And lastly, municipal lines of support
11 like small business services to circumnavigate the
12 morass of big box stores and the mass migration to
13 online platforms. Vacant storefront space emboldens
14 petty acts of crime and vandalism, and contributes to
15 urban decay with neglected grimy streets seeing less
16 foot traffic. Carnegie Hill is foremost in New York
17 neighborhood to raise young families for teens to
18 grow into their independence and for the elderly to
19 age in place. An imaginative and comprehensive
20 retail district is a vital building block of any
21 successful neighborhood and the ones that satisfy our
22 desire are being pedestrian and New Yorkers, and two
23 the vendor. We've been toying with some idea of
24 creating spaces for vendors.

2 CHRISTINE LYNCH: [interposing] Well, we
3 agree.

4 JOANNA CAWLEY: We're, you know, not for
5 the smelly food carts, but we—we will—we'll take your
6 card.

7 CHRISTINE LYNCH: Yeah.

8 JOANNA CAWLEY: [laughs] Thank you.

9 ROBERT JOSEPH: My name is Robert Joseph,
10 and I'm a Project Manager at the Municipal Art
11 Society of New York. The vacancy rate in some of our
12 city's retail corridors is higher than 20% or more
13 than four times the vacancy rate expected in a
14 healthy market. Although many different types of
15 retail businesses are closed, the loss of small mom
16 and pop businesses has the most profound effect on
17 the character and social fabric of the neighborhoods
18 experiencing this phenomenon. MAS applauds the New
19 York City Council for its recent amendment to the
20 Commercial Rent Tax. Thank you, Chair Garodnick.
21 More than 2,500 retail tenants are expected to
22 benefit from the change in the applicability of this
23 tax. We consider this amendment to be a crucial
24 first step toward reducing the burden on small
25 businesses in the heart of Manhattan. Furthermore MAS

2 enthuse—enthusiastically supports the City Council's
3 report *Planning for Retail Diversity: Supporting*
4 *NYC's Neighborhood Businesses* related just today
5 covering a range of topics from citywide planning to
6 tax policy and financial incentives. The report
7 outlines a comprehensive set of—set of
8 recommendations to improve economic health in retail
9 diversity across the city. As the focus of today's
10 hearing on the economic impact of the vacant
11 storefronts, our comments will be limited to that
12 concerns. First, MAS considers the collection of
13 additional information pertaining to retail vacancies
14 and rents crucial to the creation of better policies
15 to address the issue. We ask that the city collect
16 detailed information regarding asking rents, current
17 rents, and vacancies for retail spaces as well as the
18 duration of vacancies and retail spaces and other key
19 site specific data. MAS asks that such information
20 be made publicly accessible in usable formats such as
21 maps, spreadsheets and shaped files to further
22 advance our type study. The entire retail sector has
23 faced substantial disruption from online retailers,
24 and the resulting impacts on New York City are yet to
25 be fully understood. MAS also suggests that the

2 Department of Small Business Services take a more
3 direct role in supporting smaller retailers and
4 increasing the occupancy rates of ground floor spaces
5 throughout the city. SBS should conduct an
6 investigation into other ways it can support retail
7 establishments including, but not limited to lease
8 negotiations, tax breaks, grant funding and other
9 financial incentives. MAS asks the city to consider
10 ways to foster a friendlier business environment for
11 businesses in the physical sense. In some locations
12 obstructions such as scaffolding or sidewalk sheds
13 have a significantly detrimental impact on retailers
14 especially on those that rely on foot traffic leading
15 to greater vacancy rates. The city can adopt
16 measures such as Intro 1389-2016 introduced by
17 Council Member Ben Kallos. Finally, as a part of
18 United for Small Business NYC Coalition led by the
19 Association for Neighborhood and Housing Development,
20 MAS is supportive of a set of recommendations that
21 include penalizing landlords from intentionally
22 warehoused commercial properties for more than six
23 months and the creating of an HPD coordinated non-
24 profit commercial fund-commercial development fund
25 modeled on the Non-Profit Industrial Development Fund

2 currently coordinated by the NYCDC. Retail spaces
3 are a significant part of what makes New York City's
4 neighborhoods vibrant and lively places to live, work
5 and spend leisure time. MAS believes [bell] that the
6 loss of many small business and prolonged vacancy are
7 a threat to the vitality of our city. As such, MAS
8 urges the city to take action utilizing our
9 recommendations to support small businesses in retail
10 corridors. We are confident that carefully
11 considered measures can help mitigate the vacancy
12 issues affecting much of the city. Thank you for the
13 opportunity to speak on this critically important
14 issue.

15 CHAIRPERSON GARODNICK: Perfect and
16 thanks to all of you. I really-I want to pose a
17 question to Victoria on the subject of what's going
18 on in Brooklyn as somebody who's a broker and is
19 seeing all sides of this because what you described
20 was vacancies that are vacant for a long time, and
21 also people who are looking for space.

22 VICTORIA HAGMAN: [off mic] We see them.
23 (sic)

24 CHAIRPERSON GARODNICK: Okay, so what's-
25 so when you try to put together the-the-the entity or

2 person who is looking find a space, and the people
3 who have the space, what is the—what—what is the
4 dynamic that you're seeing, and what is the, you
5 know, what's the impediment to their actually finding
6 common ground?

7 VICTORIA HAGMAN: [off mic] They
8 announced that—[on mic] the rental amount is what
9 the—I would say the common factor for most scenarios.
10 The landlord is not willing to give build-out time.
11 The landlord is only wanting to give short leases
12 because they're—especially in Gowanus and
13 neighborhoods that are primed for rezoning, they're
14 waiting and they don't want to commit to long—to long
15 leasing. So, people don't want to make capital
16 investments. So, if you're like not a retail but an
17 industrial business that wants to make \$100 or
18 \$200,000 investment in space or a restaurant that's
19 going to build out a space, you're not going to do
20 that unless you have a ten-year lease. And landlords
21 aren't willing to give a ten-year lease because they,
22 you know, that kind of commitment it's, of course, in
23 Brooklyn actually didn't happen for a long, long time
24 unless you were in an historically industrial
25 property, but restaurants, you know, people can sign

2 one or two-year leases and then get taken advantage
3 of. What else? These are--

4 CHAIRPERSON GARODNICK: [interposing]

5 Okay. I know the foot-the-the owners that are
6 pushing hardest for shorter lease terms of have the
7 highest demands for rent, in what percentage of the
8 cases are they landlords for whom this is one of many
9 of their properties?

10 VICTORIA HAGMAN: One of many of their
11 properties. When I did a search yesterday to see how
12 many spaces were available, then I could see which-
13 what property owners owned multiple properties
14 through the data that is available and they own more
15 than one property. These-the turnover-when I did a-
16 when I was at Pratt I did a-a study and it was
17 something like 35% of the property had turned over in
18 ten years in Gowanus because of the implications that
19 there was going to be a rezoning and this was before
20 the Superfund had happened. So, the people, which I
21 also mentioned, but the amount of turnover in the
22 actual properties has moved from small to small
23 single owner landlords to people that are finding-you
24 know, we have crowd sourcing now. So, you don't
25 actually have to have the money to buy a whole

2 building. You can invest in a portfolio where they
3 buy multiple buildings for you. So, they get to, and
4 they also get to write off the loss of income on the-
5 the storefront. So, something like Door Equities
6 they turned over a property at Bond Street. They
7 bought it right before rezoning at \$6 million and
8 sold it a couple years later for \$70 million. So,
9 they have a profit margin. Oh, we're not collecting
10 rents. Oh, well. I mean if they're-they're not
11 making off the rental movement. They're pushing for-
12 for a rezoning and they-

13 CHAIRPERSON GARODNICK: Okay.

14 VICTORIA HAGMAN: --make money off that.

15 CHAIRPERSON GARODNICK: So, that makes-
16 that makes sense in the situation where some land use
17 change could have you, you know, yield a windfall
18 situation. That's usually not going to be the case
19 in most areas--

20 VICTORIA HAGMAN: Right.

21 CHAIRPERSON GARODNICK: --but in the
22 areas where that is present, that makes sense.

23 VICTORIA HAGMAN: Yeah.

24 CHAIRPERSON GARODNICK: Have we seen any
25 overlay of the vacant spaces and the owners of those

2 properties? Vacant NYC does not have that level of
3 information. I mean you're not at witness to answer.
4 You're not officially answering, but you can say yes
5 or no to me. Just so I can relay it to them. It
6 doesn't, right?

7 TY BEATTY: [off mic] I think we—I mean,
8 I—I think, well, first I think we get this money.

9 CHAIRPERSON GARODNICK: The actual
10 owners. Okay, because that actually—so if—

11 VICTORIA HAGMAN: You can do that, though
12 if you're a property shark. If you go and you look
13 up one building and then you can just hit what other
14 properties do they own and it lists all the other
15 properties.

16 CHAIRPERSON GARODNICK: Okay, so what I,
17 you know, what—another thing that's coming out of the
18 hearing here if the—one of the primary sources of the
19 problem is not single building owner or co-op
20 building or whatever--

21 VICTORIA HAGMAN: We do not have any of
22 them in our area.

23 CHAIRPERSON GARODNICK: But it is the—the
24 bigger real estate entities that may have a dozen or
25 dozens or commercial spaces that are holding off

2 because they might be setting the market, which could
3 have a ripple effect across their—their whole
4 portfolio. Well, that's worth our actually sorting
5 out, and I'm saying this out loud to, you know, to
6 committee counsel and most anybody listening as the—
7 as the term limited guy here, that to me is useful
8 information because, you know, as we consider
9 carrots, sticks or making the observation of who is
10 trying to market set to the detriment of our
11 communities, that also is another tool that we have
12 as advocates and public officials, and I think that
13 that's worth our, our getting our hands up.

14 VICTORIA HAGMAN: And you can—there is
15 one way for a new development to resolve that by
16 creating sort of limitations when you're going
17 through ULURP than you have—to go through a ULURP
18 process you have to then create small spaces and you
19 have to create affordable. Instead of creating
20 affordable housing, why aren't we creating affordable
21 business spaces here?

22 CHAIRPERSON GARODNICK: You know, that's
23 a—that's a really good point and easiest done when
24 there's a—an approval that comes through here. In
25 most cases, unfortunately, the approval, it's not

2 coming through here for an approval, but yes I think
3 that's a really good point. Anybody else want to add
4 anything on this before we close? No. Okay, then I
5 will say I—I want to thank everybody who was here
6 today to testify. This is obviously an important and
7 complicated and continuing issue, and to the extent
8 that, you know, people look to identify the one
9 problem, I think that oversimplifies what is going on
10 here, but I do think that we've uncovered a few
11 tools, a couple of carrots, a couple of sticks and
12 maybe even a little bit of transparency, which might
13 impact this conversation going forward. So, I thank
14 everybody for being here. I thank members of the
15 committee and staff. Thank you and it has been a
16 great privilege working with you guys, too. So,
17 thank you and with that, we are adjourned. [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date January 6, 2017