

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON ECONOMIC DEVELOPMENT

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

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[sound check, pause]

CHAIRPERSON GARODNICK: Good afternoon and welcome to the Economic Development Committee of the New York City Council. My name is Dan Garodnick and I have the privilege of chairing this hearing. I'm so pleased that we are joined today by Council Members Adams, Borelli, and Koslowitz and to Council Member Adams we welcome you to the committee. We're so glad that you are here and, of course, always good to see Council Members Borelli and Koslowitz. For some time now, New York City residents have been have been noticing an uptick in the number of empty storefronts along our streets. A favorite restaurant disappears here, a beloved small clothing shop there, and they are replaced by nothing. In many cases businesses that have been at a location for decades are suddenly gone with only a sign in the window: Lost Our Lease, and then eventually Store for Rent. Ad the number of vacant storefronts has gone up and up, we have all become more and more alarmed. The growing number of vacancies drains vitality from our neighborhoods and reduces the number of local jobs, and these vacancies are everywhere, though the problem is particularly acute in Manhattan and in

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

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

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

DEPUTY COMMISSIONER VAN TOSH: Great.

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

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

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

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

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

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

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

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

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

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

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

DEPUTY COMMISSIONER VAN TOSH: I think that there are lots of studies in Manhattan. I think 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEPUTY COMMISSIONER VAN TOSH: Thank you. Deputy Commissioner.

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

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

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

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

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

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

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

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

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

DEPUTY COMMISSIONER VAN TOSH:

Absolutely.

CHAIRPERSON GARODNICK: What—what else

would that include from your perspective?

DEPUTY COMMISSIONER VAN TOSH: So, as you

know, the work of the Department of Small Business

Services includes supporting businesses when they

start and grow and helping them to adapt all across

the city. So, this is something we're constantly

looking at. Changing neighborhoods could include

changing demographics, seasonality. It could include

rise of E-commerce and we work actively to ensure

that all of our programming helps businesses adjust

to these changes. Right now, we have already started

to include education around E-commerce, getting

businesses to put their businesses online, sell their

products online, and we've also done that in a more

intensive way through programs like Love Your Local

where business advisors will look at everything like

table turns, I mean what your spending on your

products in order to help businesses adjust and adapt

to neighborhood trends that are changing.

CHAIRPERSON GARODNICK: The--the way you described the Love Your Local program--

DEPUTY COMMISSIONER VAN TOSH: Uh-hm.

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

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

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

CHAIRPERSON GARODNICK: Is there an example of a business that has been a beneficiary of a local or state grant that was otherwise on the cusp as a result of E-commerce that now we can say conclusively that it was our tax dollars, which helped to protect and preserve it?

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

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

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

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

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

2. Require storefront vacancy reporting.

3. Create a zoning bonus for affordable retail space.

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

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

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

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

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

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

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

COUNCIL MEMBER KOSLOWITZ: [interposing]
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

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

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

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

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

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

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

DEPUTY COMMISSIONER VAN TOSH: Hello.

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

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

DEPUTY COMMISSIONER VAN TOSH: No.

COUNCIL MEMBER RICHARDS: Come on.

What's going on? You don't have anything better to do at 5:00 a.m. in the morning to go through things?

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

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

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

DEPUTY COMMISSIONER VAN TOSH: Thank you for the question.

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

SHEELAH FEINBERG: Hi. Sheelah Feinberg.

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

SHEELAH FEINBERG: No, the city is—the city is looking at a number of possible solutions. I 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.

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

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

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

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

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

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

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

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

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

COUNCIL MEMBER RICHARDS: Merrick

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

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

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

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

COUNCIL MEMBER RICHARDS: Thank you.
Thank you.

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

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

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

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

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

COUNCIL MEMBER ADAMS: I'm talking about--

DEPUTY COMMISSIONER BACKER: [interposing] Broadly.

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

DEPUTY COMMISSIONER BACKER: Broadly.

COUNCIL MEMBER ADAMS: The vacancy issue broadly.

DEPUTY COMMISSIONER BACKER: Sure. Sorry.

COUNCIL MEMBER ADAMS: Yes.

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

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

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

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

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

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

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

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

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

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

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

COUNCIL MEMBER ADAMS: Okay, thank you.

Oh, sorry. What did you say?

DEPUTY COMMISSIONER VAN TOSH: I was just going to add that I think as we've mentioned, we are looking for scalable ways to across the city regardless of community groups get access to this information. So, I think my colleague would agree 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

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

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

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

DEPUTY COMMISSIONER VAN TOSH: Sounds good.

COUNCIL MEMBER RICHARDS: Let's figure that out.

CHAIRPERSON GARODNICK: Thank you, 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.

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

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

DEPUTY COMMISSIONER VAN TOSH: Thank you.

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

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

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

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

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

CHAIRPERSON GARODNICK: Subject yes.

DEPUTY COMMISSIONER BACKER:
[interposing] But above that.

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

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

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

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

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

CHAIRPERSON GARODNICK: The question of why.

DEPUTY COMMISSIONER BACKER: The why. Okay.

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

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

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

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

DEPUTY COMMISSIONER VAN TOSH: Uh-hm.

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

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

DEPUTY COMMISSIONER BACKER: What do we need?

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

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

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

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

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

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

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

CHAIRPERSON GARODNICK: [interposing] We would like--

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

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

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

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

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

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

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

CHAIRPERSON GARODNICK: You take them.

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

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

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

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

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

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

GALE BREWER: [interposing] From the shareholders.

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

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

CHAIRPERSON GARODNICK: It now allows--

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

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

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

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

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

GALE BREWER: You can do that, yeah.

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

GALE BREWER: Uh-hm.

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

GALE BREWER: [interposing] I-I--

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

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

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

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

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

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
25

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

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

CHAIRPERSON GARODNICK: --cramp their
style.

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

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

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

GALE BREWER: Thank you very much.

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

GALE BREWER: And Adam.

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

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

CHAIRPERSON GARODNICK: Give us the highlights.

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

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

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

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

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

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

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

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

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

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

recommendations to help mitigate the impact on small businesses.

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

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

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

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

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

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

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

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

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

Small Business NYC or Coalition of Community Organizations all across the city trying to support and protect New York City's small businesses from the threat of displacement with particular focus on owner operated low-income Minority and Women Owned Businesses. ANHD and USBnyc support the City Council on examining the economic impact of vacant storefronts. We applaud the Council on releasing today's report, which examines the threats to New York City Small Business including their share of vacancies. A core component of USB NYC's platform calls for the city to penalize and fine landlords who has commercial properties for an extended period of time. Warehouse storefronts are unsightly—are unsightly and reduce foot traffic for existing small businesses, reduce available rental space for new small businesses and act as a mechanism for speculation especially in communities of color where landlords hold onto vacant spaces in order to wait for real estate prices to rise, and rent the property to non-retail and retail clientele. Currently, there's no mechanism in place to penalize property owners who neglect vacant properties or intentionally leave space vacant. This ultimately stacks the deck

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAIRPERSON GARODNICK: Thank you.

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

TY BEATTY: Oh, I'm sorry, Victoria. Thank you Chair Garodnick. I'm Ty Beatty. I'm the Acting District Manager of Brooklyn Community Board 6. I want to congratulate Chair Garodnick. I've worked with your office quite a bit when I was on Manhattan Community 5. So, congratulations on the end of your time—your time. The scourge of empty storefronts plague our community, Brooklyn Community

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

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

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

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

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

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

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

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

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

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

CHRISTINE LYNCH: [interposing] Well, we agree.

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

CHRISTINE LYNCH: Yeah.

JOANNA CAWLEY: [laughs] Thank you.

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

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

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

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

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

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

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

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

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

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

CHAIRPERSON GARODNICK: [interposing]

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

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

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

CHAIRPERSON GARODNICK: Okay.

VICTORIA HAGMAN: --make money off that.

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

VICTORIA HAGMAN: Right.

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

VICTORIA HAGMAN: Yeah.

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

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

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

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

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

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

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

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

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

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

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

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

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