SENATE STANDING COMMITTEE ON CITIES

ASSEMBLY STANDING COMMITTEE ON CITIES

ASSEMBLY STANDING COMMITTEE ON ECONOMIC DEVELOPMENT, JOB CREATION, COMMERCE AND INDUSTRY

ASSEMBLY STANDING COMMITTEE ON SMALL BUSINESS

JOINT PUBLIC HEARING
On
Retail Diversity and Neighborhood Health
September 18, 2009

Witness List

Jeremy Waldrup, Assistant Commissioner - NYC Department of Small Business Services
Andrew Schwartz, Deputy Commissioner - NYC Department of Small Business Services
Mark Ryckman, City Manager - City of Corning
David Emil, President, Lower Manhattan Development Corporation
Chris Doeblin, Founder- Independent Booksellers of New York City
David Zarin, Zarin Fabrics
Peter Byros, Amando's Restaurant
Matthew Lasorsa, Heights Chateau Fine Wines and Spirits
Amy Kedron, Executive Director - Buffalo First
Jane Thompson, Retail, Wholesale and Department Store Union
Ted Potrikus, Executive Vice President - Retail Council of New York
Ro Sheffe, Chair, Financial District Committee, Community Board 1, Manhattan
Judy Stanton, Executive Director - Brooklyn Heights Association
Susan Stetzer, District Manager - Community Board 3, Manhattan
Tony Bates, Bentley Shoes
Sandy Balboza, President and Barbara Cluman, Board Member, Atlantic Ave Betterment Association
Michael Weiss, Executive Director - Metrotech BID
Francine Koehler, Executive Director, Glen Cove Downtown BID
Liz Berger, President, Downtown Alliance
Daniel Biederman, President - 34th Street Partnership
Elena Conte, Director of Planning & Research - Pratt Center for Community Development
Jeanne Giordano, President, Jeanne Giordano Ltd.
Dr. Peter Kwong, Professor, Asian American Studies and Urban Planning, Hunter College
Rob Hollander, Founder - Lower East Side Residents for Responsible Development

Hearing on Retail Diversity and Neighborhood Health
New York State Senate and Assembly
NYC Department of Small Business Services
September 18, 2009

Good morning Chair Squadron, Chair Brennan and Chair Schimminger and members of the State Senate and Assembly. My name is Jeremy Waldrup; I am an Assistant Commissioner at the Department of Small Business Services (SBS). I am joined today by First Deputy Commissioner Andrew Schwartz. Thank you for the opportunity to testify regarding Retail Diversity and Neighborhood Health.

The mission of SBS is to make it easier for companies in New York City to start, operate and expand by providing direct assistance to business owners, fostering neighborhood development in commercial districts, promoting financial and economic opportunity among minority- and women-owned businesses, preparing New Yorkers for jobs and linking employers with a skilled and qualified workforce.

The Department of Small Business Services provides direct assistance to small business owners through NYC Business Solutions - a suite of services to help businesses start, operate and expand in New York City. The services are provided at no cost and address the needs of entrepreneurs and businesses of any size and at any stage. Services include business courses, financing assistance, incentives assistance, legal review of contracts and leases, navigating government & regulations, selling to the government, Minority & Women-owned Business Enterprise certification, hiring assistance, and training employees. NYC Business Solutions is launching several initiatives to meet the needs of more small business customers such as developing a legal seminar on commercial leasing and establishing a satellite NYC Business Solutions Center in Washington Heights. Last year, NYC Business Solutions helped 170 clients secure over $11.8 million in financing and 400 businesses hire over 5,000 employees.

The Department of Small Business Services also oversees NYC Business Express (www.nyc.gov/businessexpress), an online, one-stop resource where entrepreneurs and business owners can quickly and easily learn about licenses, permits, and other government requirements for doing business in New York City. NYC Business Express is a citywide initiative that makes it easier to do business in New York City. By the end of 2009, NYC Business Express will allow customers to receive customized information about City, State, and Federal incentives, and apply and pay for more than 35 licenses, permits and certifications from multiple Agencies. NYC Business Express saves businesses time and money and allows them to focus on what's really important: opening their doors, generating revenue and creating jobs.

In addition to direct business assistance, SBS supports the development and revitalization of commercial corridors through the oversight and support of the City's network of 64 Business Improvements Districts, Avenue NYC and NYC Clean Streets. In FY 2008, BIDs invested over $98 million in services to over 16,000 retail businesses. BIDs allocated almost 42% of their revenue to support supplemental sanitation and security services to 3,200 block faces across the City. BIDs removed over 30,000 graffiti incidents and added over 1,600 pieces of furniture to the City's streetscape. During this same time period BIDs held over 640 public events that drew and estimated 2.7 million attendees. BIDs range in size with annual operating budgets from $53,000 to over $15 million. Given the wide range in budget size and recognizing the different needs of the commercial districts they serve, BID services vary but they are all dedicated to supporting the commercial activity of the district.

This administration has been a strong proponent of BIDs and recognizes the role BIDs play in improving the economic conditions and quality of life in their respective commercial districts. Since Mayor Bloomberg took office in 2002, the number of BIDs has grown by 45%-- from 44 to 64 the highest growth in any other time period. Next month, we look forward to launching services in our two newest BIDs, the Fulton Area Business Alliance BID and the Bedford Stuyvesant Gateway BID, both in Brooklyn. The BID program is continuing to grow, as organizations expand their services and challenge themselves to meet new and innovative goals and as constituents from other commercial districts begin to recognize the benefits of creating a BID. We are currently working with 12 BIDs in planning in neighborhoods throughout the five boroughs.

SBS is constantly looking for new ways to assist BIDs in providing more effective services. We have launched a series of roundtable discussions to promote best practices on topics ranging from marketing and promotions, managing data on district conditions and constituents and enhancing clean and safe programs. We also kicked off a website initiative to assist smaller BIDs in establishing a presence on the internet to allow the organizations to better promote their districts and communicate more effectively with their constituents. Lastly, in July we hosted our 2nd Annual NYC BID Conference. The purpose of the annual event is to strengthen SBS' relationship with New York City's BIDs, allow BID staff and board members to network with their peers, and encourage them to think creatively about the services they provide in their districts. As part of an increasing effort to enhance transparency of the BID program, SBS provided conference participants with a fiscal year 2008 Annual Report Summary and BID Profile book, which summarized the fiscal and programmatic accomplishments and goals of each BID. Both reports can be found on our Agency's website (www.nyc.gov/sbs).

Many of the City's BIDs are working to promote diversity in retail and ensure residents have access to a range of goods and services in their community. For example, the Myrtle Avenue Brooklyn Partnership serving the Fort Green and Clinton Hill communities in Brooklyn, created the Home Grown & Locally Owned marketing campaign to showcase Myrtle Avenue's businesses. Featuring the personal stories of entrepreneurs who have invested their time, energy and money in building their small business, the campaign leverages the historic "mom and pop" character of Myrtle Avenue. Launched in January 2007, the campaign has increased local awareness of new business openings on Myrtle Avenue, broadened residents' familiarity with local business owners, and increased foot traffic on Myrtle Avenue. Pedestrian counts have increased by nearly 30 percent over the last two years. The Home Grown & Locally Owned campaign brands the corridor as the local "Main Street" of choice in downtown Brooklyn.

In addition to our work supporting the BIDs, SBS offers direct support to local economic development organizations, including merchant associations, local development corporations and BIDs through our commercial revitalization program, Avenue NYC. The Avenue NYC program provides organizations with funding to implement a specific commercial revitalization project and with access to services designed to increase the capacity of the organization to carry out commercial revitalization initiatives. The Avenue NYC program is funded entirely through federal Community Development Block Grant (CDBG) dollars, targeting neighborhoods with low- and moderate-income residents.

In Fiscal Year 2010, Avenue NYC is investing almost $2.5 million in support of the commercial revitalization activities of 45 organizations throughout the five boroughs. Avenue NYC's investments support organizations in nine primary program areas including: Business Attraction, Business Improvement District Formation or Expansion, Façade Improvement Management, Merchant Organizing, Neighborhood Economic Development Planning, Placemaking, Public Plaza Development and Website Development.

Although the City's commercial revitalization program has been in existence for almost three decades, the program has seen some of its greatest advances in the last eight years. Avenue NYC has expanded from a simple grant program to a full-fledged capacity building initiative designed to expand commercial revitalization efforts throughout the city. We are working with organizations to better define their outcomes for commercial revitalization, determine their needs with respect to capacity to carry out this work and then contracted with expert consultants to provide an array of technical assistance workshops to the organizations. While the economic downturn of the last year has proven daunting, it is through the work of local economic development organizations and programs such as Avenue NYC that we can continue to create communities where small businesses succeed.

In Fiscal Year 2009, SBS began to partner with the Support Center for Nonprofit Management to provide Avenue NYC-funded organizations with technical assistance. Participating organizations receive guidance on how to implement innovative programs and develop sustainable organizations able to tackle the complex economic development issues affecting their communities. Last year, staff from 22 Avenue NYC organizations received more than 750 hours of training on a range of organizational development and commercial revitalization topic. We are expanding our relationship with the Support Center and also engaging the Lawyer's Alliance of New York to better build the capacity of organizations we support, providing them with the skills they need to develop stronger commercial corridors. These organizations are attracting new businesses to their commercial corridor, developing functional and sustainable merchant associations, advocating and planning for streetscape improvements and promoting their commercial corridors to residents and visitors throughout the City.

Clean streets, sidewalks and storefronts are at the foundation of any vibrant commercial district. Sidewalks littered with garbage deter investment and create a perception that an area is neglected and unsafe. Other commercial revitalization initiatives do little to attract businesses and shoppers when quality of life issues are not addressed. One of the gaps we identified is our ability to work in commercial districts in which business and property owners are not yet organized and existing non-profit organizations do not have the capacity to organize them. This led to the creation of NYC Clean Streets, an initiative that addresses those quality of life issues by providing dedicated teams to clean up selected districts eight hours a day/five days a week, while organizing the merchants and properties in building an organization to provide such services on their own.

NYC Clean Streets is a two-year initiative in which the City agrees to engage in a strategic partnership with select non-profit economic development organizations. The organizations participate in a structures merchant and property owner organizing and fundraising and begin sharing costs of services with the City in the second year and then strive to independently finance and manage those services on their own without the City's investment in the third year.

SBS launched the NYC Clean Streets program in December 2007 in eight commercial districts throughout the five boroughs, with five additional neighborhoods joining the program in December 2008. As a result of the program, today more than 3,000 business and property owners located on 250 City blocks across the five boroughs benefit from supplemental sanitation services five days a week/eight hours each day. Through the NYC Clean Streets program, more than 50% of the more than 2,400 quality of life issues affecting participating districts were resolved in the first year of the program – and only a small number of new issues (194) arose. Not only is NYC Clean Streets making commercial districts cleaner than they were before the program began – the program also goes a long way toward preventing the occurrence of new incidents that detract from the physical appearance of commercial corridors. NYC Clean Streets is also creating sustainable programs - six of the eight organizations participating in the first NYC Clean Streets cohort have budgeted more than $220,000 of their own funds to continue services for a third year once the program ends in November, 2009.

As you have heard, our agency has made significant progress in providing direct services to small businesses as well as promoting and creating sustainable strategies to assist in the development of strong commercial corridors in neighborhoods throughout the City. I would like to thank you for the opportunity to speak with you about our programs and services and would welcome the opportunity to partner with your offices to enhance the services provided to small businesses and commercial districts throughout the City.

Thank you.

RETAIL DIVERSITY AND NEIGHBORHOOD HEALTH

Testimony of Corning City Manager Mark L. Ryckman
before the
Senate Standing Committee on Cities
and the
Assembly Standing Committee on Cities

September 18, 2009
New York, New York

TESTIMONY

Thank you for the opportunity to share my views with you concerning the issues of Retail Diversity and Neighborhood Health facing cities in New York State. As the Chief Executive Officer of the City of Corning, and being a Past President of the New York State City/County Management Association, I have first hand knowledge of the difficulties cities face in rehabilitating older neighborhoods and downtowns.

The City of Corning, located in Steuben County, has long struggled with retail competition from the Arnot Mall located approximately 15 miles to our east and which was built in Chemung County in 1967. In recent years, we have seen further big-box retail expansion around the Arnot Mall as well as the Town of Erwin located in our own county approximately 5 miles to our west. This type of expansion, has been in direct competition with our urban retailers many of which are located in the heart of our downtown on Historic Market Street (a five block area on the National Register of Historic Places). Not wanting to see our downtown become a hollow core as has been experienced by so many cities in New York State, we have taken a proactive approach to retail retention and recruitment, as well as upper floor conversions of vacant downtown space for market rate apartments to increase urban density and retail activity.

Our challenge has not been easy, but we have successfully used State incentive programs such as the Empire Zone program, New York State Main Street Grants, and the Restore New York program to help our downtown remain vibrant. Rehabilitation costs for historic buildings are higher than conventional projects and public funding is necessary to attract private sector investment which otherwise would not be available. Without public funding, these projects are not cost effective and cannot compete for private sector funds based solely on their return on investment.

Concerning the Restore New York program, we have been awarded $3,181,716 of Restore New York grants since 2006. These funds have leveraged $3,423,155 of private investment to rehabilitate four anchor buildings in our downtown, revitalizing the first floor retail space, and creating upper floor commercial offices and residential units.

By using other funding sources such as Main Street grants, the New York State Real Property 485-b Commercial Property Exemption, the 444-a Historic Tax Exemption, federal tax credits, and other public incentive programs, we are on target to have 65 new upper floor apartments on Historic Market Street, most of which have been created in the last 5 years. Despite our efforts, much more work needs to be done, but we need additional assistance from the State, not only by continuing programs such as Restore New York, but also in terms of enacting State policy reforms.

In 2006, the New York Conference of Mayors and Municipal Officials called for a singled entity to handle a comprehensive urban renewal policy. Currently, programs with similar aims are distributed among various agencies. For example, the Restore NY initiative, which deals with the rehabilitation of commercial and residential properties, is handled by the Empire State Development Corporation, while the Community Development Block Grant Program, which can also deal with the rehabilitation of commercial and residential properties, is administered by the Office of Community Renewal. Greater coordination of programs at the State level could lead to more rapid deployment at the local level where communities could access two or more related programs to address a project comprehensively through a single agency rather that try to balance the requirements of multiple agencies, differing deadlines and multiple reporting demands. This would reduce fragmentation and relieve developers from delaying investment.

Further, New York State needs to institute a comprehensive policy in governing development. This policy doesn't have to be punitive to new suburban development so long as it is more favorable to rehabilitation and revitalization of existing urban areas. Established cities have infrastructure, sites and policies in place which meet with some success; greater success will be achieved if the State enunciates policies which support those of the cities. This means the State should be more supportive, through tax or other incentives, toward those developments which locate within traditional downtowns than those which do not. Commercial projects seeking qualification under the Empire Zone, for example, might be given Empire Zone benefits only if they can prove that existing sites (rather than Greenfield sites) cannot meet their needs. All aspects of State planning and development support should be geared toward the preservation of existing communities and downtowns first.

Revitalization of our cities is imperative to the growth of New York State. Our cities need to be restored as economic and cultural centers, providing needed jobs, quality education, and improved standards of living. This can only be achieved with the assistance of the State Legislature to enact a comprehensive urban renewal policy.

Conclusion

As you can see, Corning, New York is moving forward with revitalizing its downtown, creating new upper floor apartments, and remodeling retail space. Despite the down economy, we are progressing forward, but we need your help if we are to continue this momentum. The potential for additional success is there, but the buildings we have left to rehabilitate are some of the most challenging.

Again, thank you for allowing me to share with you the concerns I perceive exist in terms of Retail Diversity and Neighborhood Health. I greatly appreciate your willingness to hold these hearings to collect this valuable input. It is this type of dialogue that is needed on an ongoing basis, so we can relay municipal concerns to you, in order for the Legislature to have all of the necessary information needed when making difficult policy decisions effecting cities in New York.

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ASSEMBLY STANDING COMMITTEE ON SMALL BUSINESS

SUBJECT: Retail Diversity and Neighborhood Health

PURPOSE: To identify and disseminate best practices for supporting and facilitating the preservation and revitalization or retail in urban neighborhoods.

Speaker: David Zarin, President of Zarin Fabrics and Executive Vice President of the Lower East Side BID

Good morning ladies and gentlemen, and thank you for the opportunity to speak to you today. My testimony will touch on several issues related to retail diversity and neighborhood health.

I would like to address policies that New York should develop to support small business. The cost of doing business in New York City is extraordinarily high. Retailers are not only pressured by relatively high rental rates, but also by a seemingly endless array of government and agency fees and fines. As a retailer, I feel like I am being nickel and dimed to death; from the fee for my air conditioning units, approximately $400 per unit, to the unwarranted writing of trash violations – it is impossible to control what happens to trash after it is placed on the sidewalk upon closing the store and before it is picked up by the private carting company.

As President of Zarin Fabrics, a small, family business that has been operating in New York City for over seventy years, I can tell you that it has never been more difficult to run a business in New York than it is today. Small business owners support the City by employing millions of people, yet it is commonplace to hear or read about major incentives given to large corporations. If the same amount of incentive money is split among small businesses throughout the City, not only will this create greater employment, but also it will support more commerce in a larger number of neighborhoods. Think of an area that that is suffering from drought; if it pours an inch of rain an hour the area will flood and there will not be much benefit. However, if there is a steady rain over a long period of time, the area will start to recover from drought.

There are a number of ways to offset the high cost of doing business in the City, but we must think of a solution that provides the greatest benefit to all, including workers who are being affected by increases in living costs. For example, increases in gas prices, tolls, and public transportation has taken a bite out of the disposable income of workers, and has made it nearly impossible for low income workers to remain in a job where they have to commute to work.

Main Street Matters: How and Why We Should Strengthen Independent Retail

New York State Joint Public Hearing:
Retail Diversity and Neighborhood Health
Amy Kedron, Executive Director, Buffalo First Inc.
September 17, 2009

Introduction

The 2008 global economic crisis has catapulted "Main Street" back into the national spotlight. For over fifty years, the vitality of independent retail districts has been neither a national nor local priority. The blighted condition of Main Street in Buffalo, New York and main streets throughout the state is clear evidence of this.

Scholars, activists and policy makers are just beginning to revisit the central role that independent businesses play in not only stabilizing local economies but also acting as cultural, civic and social anchors. Because independent businesses have no shareholders and are not legally bound to maximize shareholder profit, local businesses have much more to offer the public than national chains: ownership that is familiar with the local community; businesses that reflect the community's unique culture; businesses that have a stake in the broad economic well being of an area (not just the bottom line); businesses that create wealth for the community they are in, not shareholders; businesses that are wealth opportunities for individuals, not just low-wage job opportunities and businesses that are not using up limited public funds for private gain.

Because of the community and economic benefits of local independent business, we should consider policies that level the playing field between independent and national retailers—between Main Street and Wall Street.

This testimony aims to detail all of the ways that Main Street matters to neighborhoods and the people in them, how we lost Main Street and how it can be restored.

Why Local Matters

A great deal of new research suggests that local independent businesses can sustain neighborhood economies better than their large national counterparts. According to the research firm Civic Economics, when a dollar is spent at a local versus national firm it is re-spent, locally, more than three times.[1] This is largely because national businesses typically siphon dollars away from local economies to distant corporate headquarters and shareholders. Small business owners create more new jobs in America each year and they reinforce the American Dream by demonstrating that the average American can still own something greater than a car or a home. Independent retail brings a key element to urban centers that has been deficient for decades—ownership.

When a chain store opens it may create minimum-wage jobs, but when an independent store opens it creates community-owned and controlled assets that have the potential to stabilize neighborhoods from one generation to the next.

While independent business is economically important, its neighborhood value goes well beyond the bottom line. In addition to managing their stores, small shop keepers play a unique secondary role for us free of charge: they keep an eye on our youth and befriend residents; they act as neighborhood watchdogs; they have an interest in cleaning up streetscapes and they are strong political advocates. They have the unique ability to observe and address community needs—issues that larger businesses may overlook because it is not always relevant to the bottom line.

As scholars such as Jane Jacobs have observed, when small businesses are clustered together in commercial districts their worth multiplies. These retail districts are the stage upon which communities produce culture: they are places where we collectively celebrate, protest, mourn and create. In contrast with the vast lots of suburban strip malls, these streets are more than mere parking, they are places where life unfolds.[2]

Yet today it is more difficult for a prospective businesses owner to start an independent pharmacy, book store or grocery store today than fifty years ago. Decades of expanding globalization and national retail has significantly affected neighborhood health. Big box businesses such as Toys "R" Us, Best Buy, Barnes & Noble, Starbucks and Wal-Mart are such an endemic part American consumerism that it is difficult to imagine a time without them. Ironically, many of these businesses have been around for less than fifty years and, as evidenced by the global economic recession, there is little guaranty that they will be around in fifty more. Big box business often grows by supplanting independent retail and the communities that they sustain. As scholars such as Stacy Mitchell and Greg LeRoy suggest, policy has made the economic landscape what it is today, and policy can undo it.[3]

How We Incentivized Big Box Growth

In the early 1950s, governments began giving subsidies to large businesses under the assumption that they would boost employment and expand the economy.[4] Suburban expansion was a result of not simply market forces, as is commonly assumed, but a larger cultural and political project driven by federal policy. Federal tax monies funded massive road construction projects and car culture in the 1950s which fueled suburban expansion at the expense of urban communities and independent local businesses.[5] Congress passed laws which allowed developers to deduct much of the cost of construction of suburban malls. Tax breaks helped fuel an explosion of mall development between 1950 and 1990; today 90 percent of space in large malls is leased to chains.[6] Because incentives were so readily available, developers built structures that served a short-term purpose and were neither long-lasting nor aesthetically pleasing.

While tax breaks help businesses maximize the bottom line, incentives alone rarely play a major role in attracting businesses. For example, top site location consultant, Robert Ady asserts, "taxes are not relatively important when compared with other cost factors such as labor, transportation and utility and occupancy costs."[7] Businesses are more likely to be drawn to areas based on the exploitable natural local resources and amenities such as proximity to a major port, or available hydropower, or being close to the home town of the CEO.[8]

According to LeRoy, the average state now offers businesses more than thirty economic development subsidies, which allows businesses to extract about $50 billion each year.[9] To get subsidies and incentives, companies claim that they can easily locate to a competing city; if already based in a municipality they may threaten to relocate to another city as the New York Stock exchange did before being given $940 million to retain 1,500 jobs in 1998.[10]

LeRoy also notes that businesses are getting paid subsidies to do exactly what they would do anyway. In some cases companies are getting subsidies that exceed the cost of facility construction.[11] Moreover, local officials who grant these incentives do not monitor businesses or hold them accountable when they lay local workers off, outsource jobs, bust unions or pay poverty wages. This hurts taxpayers in countless ways: cities are not bringing in the tax revenue that they should, revenue that is collected does not get allocated to the public sector, localities may lose promised jobs and it gives larger business a competitive advantage over smaller ones.

The bulk of our economic policies today reward corporate retailers for abandoning less profitable communities--communities in which independent retailers are often deeply rooted. Last year, amid our global economic crisis, Starbucks decided to close 600 of its coffee shops, while announcing that it would open 200 more (11 of the closings were in Manhattan).[12] This is partly due to our subsidy structure and the lack of policies that root businesses in communities such as community benefit agreements. Consequently, when a new business opens, the jobs they promise are not always guaranteed. Businesses may also create a set number of jobs simply to get subsidies and soon downsize or close. Moreover, few of these jobs pay a living wage, offer benefits, or allow employees much upward mobility. Some corporations get such large subsidies for development projects that they make a profit at the government's expense. When these businesses leave they may find more lucrative markets but they often leave gaping holes in our retail landscape.

Connecting Mega Retail Expansion to Local Contraction

The average American uses approximately 3 toothbrushes per year. When a Walgreens moves in next to the neighborhood pharmacy and sells toothbrushes, the demand for toothbrushes does not increase (we do not suddenly grow more teeth). Rather, Walgreens makes money selling toothbrushes because it cuts into its competitor's market, often operating at a loss, until they have undercut and driven out the competition. Historically we assumed that this was simply a result of free market competition, survival of the fittest. But much of this is due to the inflated influence of big box, subsidized by us, the taxpayers, often at the expense of our better public interests.

Big business development has come to represent not real growth but a predatory redistribution of labor and consumer dollars from traditionally smaller more community-focused businesses to mega retailers.

As scholars such as Mitchell demonstrate, the number of jobs a larger retailer creates is offset by at least an equal number of job losses at local stores because chain store success is predatory by economic nature.[13] She notes, "The size of the retail spending "pie" in a local market is a function of how many people live in the area and how much income they have. Building new stores does not expand the pie; it only reapportions it."[14]

The rise of global retailers is closely correlated to the fall of small community-based stores. Tens of thousands of locally owned businesses have disappeared since the 1990s, a die-off unprecedented in history yet few analysts blame mega stores and misguided tax incentives for this loss.[15] In 1929, chains controlled 22.2 percent of the market and Americans spent 4 out of every 5 dollars with independent retailers.[16] In 1996 the top ten retail chains accounted for 15% of consumer spending. The top ten global chains have doubled their market share since 1996 and, in 2005, capture almost 30% of the $2.3 trillion Americans spend each year.[17]

Today larger retailers control a disproportionate share of retail markets. Barnes & Noble now accounts for one-fifth of all books sold in the US and half of all sales made at bookstores. The number of independent bookstores fell by half between 1990 and 2002; their market share shrank from about 30 to 10 percent.[18] Music stores have seen a similar loss. Wal-Mart now accounts for one in five records sold in the US.[19] Since 1998 about one-third of independent music stores have closed; their share of album sales has dropped to 12 percent.[20] Local restaurants have also been eclipsed by national and global competition. The top 100 restaurant chains currently capture fifty-two percent of all restaurant spending.[21] Hardware stores have encountered similar competition; Home Depot and Lowe's now comprise half of the hardware and building-supply market.[22] Small businesses are rapidly becoming extinct.

Mega retailer development also negatively affects the environment. Larger retailers rely on global production supply chains, which ships goods tens of thousands of miles, exponentially increasing a good's carbon footprint. Big box expansion contributes to suburban sprawl because strip malls are built on the suburban fringe. This reinforces American car culture, and increases commute distances in a time of Peak Oil. To accommodate suburban car culture, stores are set farther back, off of main roads thus discouraging pedestrian activity. Buildings are designed to serve a short-term purpose and lack architectural merit. This unsustainable design lacks aesthetic or community appeal and fails to draw residential development. The runoff from large parking lots of mega stores pollutes local waterways and damages the local environment. Further, compared with local businesses, superstores and other retail developments are not as energy efficient because they require far more square footage per item sold.

Restoring Retail Diversity

To restore retail diversity it is important to note how incentives for mega retail expansion directly impacts independent retail. We must also reconsider many of the presumptions that underlie big box expansion: economic development does not always further the public good; tax incentives are seldom necessary to attract business to an area; and those businesses do not always create quality, sustainable jobs.[23]

To level the playing field between national and independent retailers we must first reconsider the incentives that have given the former competitive advantages over the latter. LeRoy has done extensive work in this area. Some incentives he examines include: tax increment financing (TIF), industrial revenue bonds (IRBs) and accelerated depreciation. Tax increment financing often diverts public tax dollars from public coffers for many years to build and finance big business.[24] Industrial revenue bonds (IRBs) Industrial Revenue Bonds are government-issued, tax-free, low interest bonds that are privately sold to subsidize factory construction. They began in Mississippi in 1936 and spread throughout the south until the late 1960s, prompting northern businesses to relocate and deeded property to large businesses.[25] Accelerated depreciation was a way of front-loading property tax write offs for depreciation, which encouraged cheap construction in the early 1950s.[26] As a result, within three years of its enactment, shopping center square footage increased by over 500 percent. In the 1950s both the US and Canada had about the same number of shopping centers per capita; now the US has twice as many; Canada has retained many of its small businesses. Any state plans to enhance independent retail must first reconsider large retail subsidies. These are just some of the major incentives that have tilted the playing field in favor of big business for too long.

Grassroots educational campaigns are also essential to the survival of independent businesses. The mantra of larger retailers, who can afford economies of scale, "save money." There is no better evidence than this than Wal-Mart's success in the economic downturn. Michael Shuman's research aptly highlights the way in which saving money upfront can have countless long-term consequences.[27] National organizations such as the Business Alliance for Local Living Economies (BALLE) and the American Independent Business Alliance (AMIBA) have been indispensible at nurturing local campaigns across North America which educates community residents about the community, economic and environmental benefits of thinking local first. Due to grassroots demand, more than 140 localism organizations have been formed in the United States in the past decade. These organizations work closely with think tanks such as the Institute for Local Self-Reliance and the New Rules Project that are researching local progressive policy reforms in areas such as independent retail, community capital, and environmental restoration.

Conclusion

While the effects of big box expansion can seem totalizing, it is empowering to note that this is only a recent manifestation and it can easily change. In the last year alone, the global economic recession has shown just how vulnerable "too big to fail" can be. As independent businesses have tightened their belts to weather the storm, mega retailers such as Starbucks, Macy's, Blockbuster, Office Depot, Circuit City and Virgin Records have either closed locations or have closed completely in the past year. To truly restore the retail landscape and the health of our neighborhoods we need initiatives that engage citizens, protect independent businesses, foster more accountable large retail development and empower policy makers. This is one of the most compelling social and economic issues of our time and there is much that we can do to improve it.

Amy Kedron is the founding executive director of Buffalo First Inc., a 501(c)(3) nonprofit that works to build a more local, green and fair economy in Buffalo, NY by educating consumers, connecting Main Street businesses and shaping local policy. It is one of the most successful localism organizations of its kind in New York State. Kedron holds two Master's Degrees from Columbia University, a Juris Doctorate and is finishing a PhD dissertation on local economies. For more information please visit http://buffalofirst.org.

[1] http://www.civiceconomics.com/index.html
[2] Jacobs, Jane. The Death and Life of Great American Cities (New York: Random House, 1961).
[3] Stacy Mitchell, Big Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses (Boston: Beacon Press, 2006). Greg LeRoy, The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation (San Francisco: Berrett-Koehler Publishers, Inc., 2005).
[4] Mitchell xi.
[5] Mitchell 5.
[6] Mitchell 5.
[7] LeRoy, 50.
[8] LeRoy, 51.
[9] LeRoy, 1.
[10] LeRoy, 41.
[11] LeRoy, 35-36.
[12] Roland Li, "Starbucks Opening Stores Amidst Closings" The Real Deal, 16 Sep 2008; http://therealdeal.com/newyork/articles/starbucks-opening-stores-amidst-closings.
[13] Mitchell, 36.
[14] Mitchell, 36.
[15] Mitchell, xii.
[16] Mitchell, 4.
[17] Mitchell, xii.
[18] Mitchell, 11.
[19] Mitchell, 13.
[20] Mitchell, 11.
[21] Mitchell, 12.
[22] Mitchell, xii.
[23] LeRoy, 50.
[24] Mitchell, 167-68.
[25] LeRoy, 71, 73.
[26] Mitchell, 6.
[27] Michael H. Shuman, The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition (San Francisco, California: Berrett-Koehler Publishers, Inc., 2006).

RWDSU

Stuart Appelbaum, *President*
Jack C. Wurm, Jr., *Secretary-Treasurer*

Retail, Wholesale and Department Store Union

Testimony of Stuart Appelbaum, President, Retail, Wholesale and Department Store Union

NYS Senate Committee on Cities and NYS Assembly Cities Committee hearing on "Retail Diversity and Neighborhood Health"
September 18, 2009

Good morning. Thank you Chairmen Squadron and Brennan, as well as your fellow Senators and Assemblymembers, for the opportunity to participate in today's committee hearing on "Retail Diversity and Neighborhood Health." My name is Jane Thompson. I am the Assistant to the President for Public Policy at the Retail, Wholesale and Department Store Union (RWDSU). I am here on behalf of our President, Stuart Appelbaum and the 45,000 men and women we represent in the New York City area. Our members work in retail, grocery and drug stores throughout the New York City area.

We applaud you for your initiative to study the retail sector in New York and the impact it has on our varied neighborhoods. Not only do neighborhoods need diversity in the type of retail they have access to, but they need these retail outlets to be positive economic engines for the areas. Ones that provide good jobs for residents as well as good places to shop.

The RWDSU has found, at least in New York City, that too many neighborhoods are losing grocery stores, creating food deserts. This leaves too many New Yorkers without access to healthy, affordable and nutrition food options. We have found that many neighborhoods are losing their smaller retail shops,

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pushed out by increasing rents or big box stores that dominant an area. This leaves too many New Yorkers without retail choices.

There are ways that legislators can step in and help. For example, in New York City, an initiative is going through the land use approval process that would provide tax incentives and subsidies to build new supermarkets in underserved areas. The underserved areas that are targeted by the programs are also some of the poorest in New York City.

New York City and New York State offer similar tax incentives and subsidies for developers that create new retail shops. Included among these programs are the Industrial and Commercial Abatement Program, the Industrial Development Corporations and Empire Zones.

In many cases, retailers need this help in order to grow their businesses and thrive. However, with this helps comes responsibility to ensure not only that retailers are thriving, but also that communities and their residents are thriving as well. Neighborhoods need not just access to diverse retail, but also access to good jobs. With the benefit of programs that utilize taxpayer dollars must be the requirement that the jobs that are created are living wage jobs.

Nearly 10 percent of the city's private sector employees work in retail and the sector has expanded rapidly in recent years. More low-wage workers in New York City are employed in retail than in any other single sector of the New York economy. Too many retail workers do not earn enough to provide a decent standard of living for themselves and their families. Economic development policies that results in permanent jobs that keep people in poverty accomplishes nothing. The best economic stimulus is the creation of jobs that gives workers and families' wages that they can in turn spend in their communities. When businesses pay a living wage to their employees, the resulting buying power improves the entire community, not just the individual. When businesses pay less than a living wage, this creates a downward pressure on the wages of workers all other area businesses. The result is a continuing downward spiral of poverty for the entire community.

Where there is a public investment to aid businesses, there should be assurances on the creation of quality jobs with real standards.

Another area of concern is the proliferation of big box stores – stores over 100,000 square feet in size -- in communities across the country. These mega stores can have detrimental effects on neighborhoods, not only hurting local businesses that are smaller and unable to compete, but also by bringing unintended consequences of increased traffic and burdens on infrastructure that communities are often not equipped to handle. It should be required that the environmental and social and economic impacts of these types of big box mega stores are evaluated before they are allowed to come in and operate in a community.

Finally, as we look at retail businesses in our neighborhoods, we must ensure that we support good employers. In these trying economic times, workers are facing an extraordinary amount of uncertainty in the workplace. We see it with our members and, in particular, in our work with non union retail workers. We consistently find wages and hour violations, discrimination, disrespect and poor working conditions in the unorganized retail sector. The Department of Labor and the Labor Bureau of the Attorney General's office must be given increased resources and powers to monitor and enforce the labor laws that are currently on the books. All businesses are hurt when some businesses ignore the laws and exploit workers.

Ro Sheffe
CB #1

Testimony given at
Joint Public Hearing
Retail Diversity and Neighborhood Health

Senate Standing Committee on Cities
Senator Daniel Squadron, Chairman

Assembly Standing Committee on Cities
Assembly Member James F. Brennan, Chairman

September 18, 2009

Oh behalf of Community Board 1 I'd like to thank you for convening this hearing, Chairman Squadron and Chairman Brennan, because this issue hasn't gotten the attention it deserves, at least not in my district. The implosion of Wall Street has diverted attention from Mom & Pop struggling on Main Street.

As you know, Community District 1 faces a unique set of problems, particularly in the Financial District.

Small businesses everywhere are suffering from the recession, but merchants in the Financial District deserve special consideration. For many of them here, the recession is only the most recent in a crippling series of misfortunes.

The September 11th attack had a devastating effect on nearly all retail merchants in this area. Those that managed to recover from that were hit even harder by the rebuilding that followed.

In our district, about 60 major construction projects are occurring simultaneously in less than one square mile. For the past four years, fully half of all streets south of Canal have been fully or partially closed as a result. This drastically reduced pedestrian traffic, and retail revenues.

As a result, revenues for many retail merchants here had dropped by 50% or more — **before** the onset of the current recession. For many of them, recession was the last straw, the knockout blow. More than 300 merchants have gone out of business in District 1, just in the past two years. By April of this year, shops in the Financial District alone were closing at the rate of one per week.

These merchants desperately need financial help, and the residents of this community need these merchants. The residential population of the Financial District has more than tripled — from 8,000 to 28,000 — in just the past eight years. This exploding population badly needs the delis and laundries and cafes that are being evicted, not the bank branches and chain stores that replace them.

In July 2007 the Lower Manhattan Development Corporation launched a program intended to provide federal funds to help Lower Manhattan merchants. It is called the Small Business Assistance Program. Although this financial aid helps some, it is often inadequate, and never reaches hundreds of others. In short, this program needs at least five significant changes:

1 **RELAX ELIGIBILITY RULES.** Under present guidelines, only about half of the retail merchants in District 1 are eligible for LMDC grants. All those who can demonstrate financial hardship should be eligible, particularly those south of Chambers Street.

2 **ELIMINATE PAYMENT DELAYS.** At a time when shops were closing at a rate of one per week, merchants were not receiving critically needed funds in time to forestall eviction. At present, approved merchants must wait eight to ten weeks to receive a check. This is an outrageous delay. After the LMDC approves an application, the City of New York should be able to mail a check within two weeks, not ten.

3 **PUBLICIZE THE GRANT PROGRAM.** The federal government funded this program, but provided LMDC no funds for any form of publicity or outreach other than LMDC staff going door to door to notify merchants. Clearly, this is inadequate. I recently went door to door myself. I talked to 22 merchants. Not one of them had heard of the grant program, although they are all eligible for grants. This oversight must be corrected. Funds must be allocated to make financially troubled merchants aware of this program.

4 **RE-FUND THE PROGRAM.** This program was funded with only $5 million. That is not nearly enough to provide meaningful assistance to Lower Manhattan retailers. At present merchants can receive a maximum of $25,000. That is not nearly enough to help many merchants, some facing eviction, whose monthly rent is nearly half that amount. At the very least, this maximum should be doubled.

5 **EXTEND THE PROGRAM.** This grant program ends in December 2010. It is increasingly obvious that World Trade Center and other Lower Manhattan reconstruction will continue to affect local merchants long after that date. The program should be extended for another three to five years, and re-funded with resources adequate for this extension.

Community Board 1 has worked with the LMDC for the past six months, and our collaboration has resulted in a number of improvements. The LMDC has expanded the program to make many more merchants eligible for grants, and doubled the compensation from $2.50 to $5 per square foot of retail space.

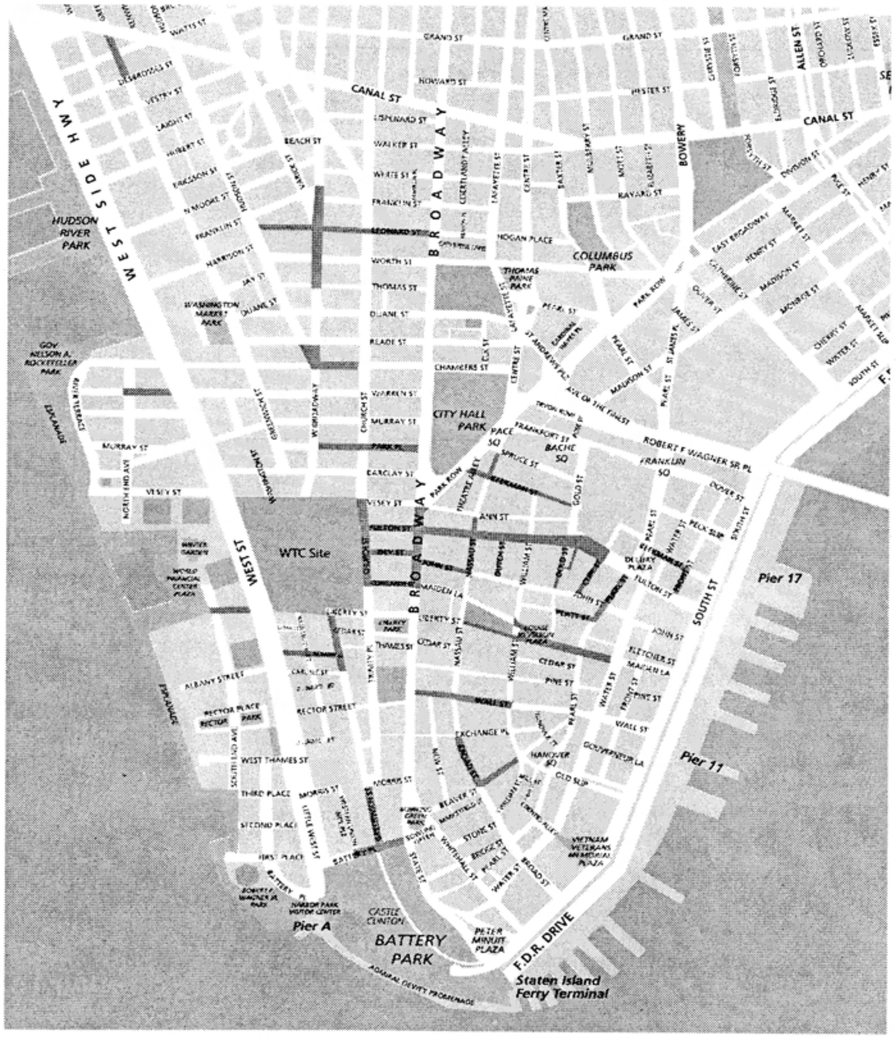
We're grateful to the LMDC for these improvements, but they do not constitute a truly meaningful initiative to preserve an adequate retail infrastructure for this fast-growing community. Much more must be done if we hope to stop the alarming attrition of retail stores in Lower Manhattan.

CB1 and the LMDC appear to have reached the limit of their ability to expand this program further, and we appeal to the New York State Assembly and Senate to intervene. You'll be doing a great service to the retail merchants, residents and workers of the Financial District.

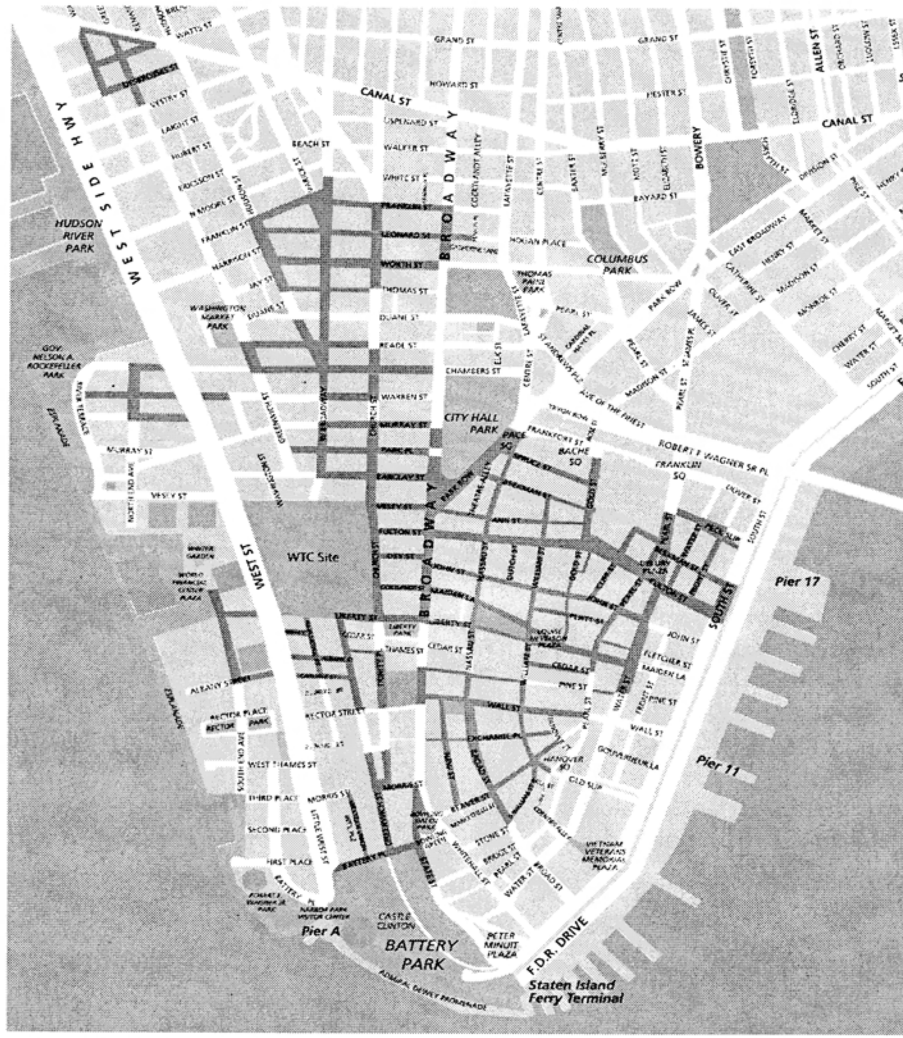
Thank you for convening this hearing, Chairman Brennan and Chairman Squadron.

Ro Sheffe, Chair
Financial District Committee
Manhattan Community Board 1

Comparison: Pre and Post-Expansion



Disclaimer. This map is being provided for illustrative purposes and does not constitute an official map of Eligible Streets. Street closures indicated on this map remain subject to change.



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