THE CITY OF NEW YORK
MANHATTAN COMMUNITY BOARD NO. 3
59 East 4th Street - New York, NY 10003
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Dominic Pisciotta, Board Chair

Susan Stetzer, District Manager

Community Board 3 (CB3) has had an increasing problem for the last several years regarding loss of retail diversity. The Community Board has no position on how to deal with this problem. At this time we can only go on record with this problem and state that this is an important issue to the district, and we need help.

The current District Needs Statement (DNS) reads: *Community Board 3 has worked to retain affordable housing and local businesses as well as serve the needs of the newcomers to this community because it recognizes that the displacement of long-time residential and commercial residents has caused great loss to this community. Many small family-owned stores, especially those that serve local retail needs, arts businesses, and nonprofits have closed and been replaced by an ever growing number of bars and restaurants.*

In addition, the DNS also reads: *The Lower Eastside and East Village have been identified by the media as nightlife destinations. As a result, there has been an exponential increase in the population of people who enter these neighborhoods to patronize nighttime businesses.... Eating and drinking establishments continue to open on avenues and on residential side streets whose commercial components previously only consisted of small retail businesses.*

I mention the nightlife industry only to emphasize that this seems to correlate to losing the diversity of small retail businesses that once existed in this area and recognized that other market forces have likely contributed. We are now a community with many retail businesses—but many of them are of one type of business and serve only one demographic—young people with disposable income that have moved to area for the nightlife or visit the community for the nightlife. There are increasingly upscale establishments that are not affordable to many who live here and do not serve the residents of this community. Many streets are shuttered during the day and open only at 5:00 pm. There are different views as to why this is happening. Some think that the nightlife businesses are the only ones that can pay the high rents. The landlords know they can get this rent, so they advertise at rates that other businesses cannot afford.

Others think that internet shopping and big box stores have changed the way we shop—and the small businesses that formerly served communities are no longer viable. It is also possible that we shop more often on the internet because we do not have local retail to serve our needs. Local retail also suffers from loss of many of the businesses and other entities whose employees helped support local retail during the day.

Businesses that have served the community for over 10 and 15 years have closed when it came time to renew their leases. These include very successful businesses that could not afford new doubled or tripled rents. In addition, even eating and drinking businesses that have served the local community for years are being forced out because landlords want upscale eating and drinking businesses. Many of you may have heard of Life Café—the local eating/drinking hangout that starred in Rent. The owner called me for technical information because of an effort to replace this thriving business with a more upscale restaurant.

Our community's loss of local retail mom and pop shops has been a constant and common complaint for the last few years—and it only gets worse. Every year Manhattan community boards are assigned a graduate level urban planning fellow to work on a project. CB'3s number one project this year for our fellow is:

Lower East Side is losing its local businesses/mom and pop shops and is also losing diversity of businesses for various reasons. There have been reports and studies recently regarding this problem—some done locally. The Fellow from the previous year has collected a number of reports which need to be summarized as to challenges faced and potential ways to address the problem. In addition a field study of sample areas should be performed to use to compare and contrast with a model of services needed to serve local retail needs and what price points would both serve the diverse community and be viable. Research as to businesses viable today in the time of internet shopping would be part of the study.

I hope and expect that a year from now the CB 3 fellow will have specifically documented this problem for our board along with potential strategies that we can advocate for. In the meantime, we are very appreciative that you are focusing on this topic and hope that it will result in identifying best practices for supporting and facilitating the preservation and revitalization of retail businesses.

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AABA
Atlantic Avenue Betterment Association
321 Atlantic Avenue, Brooklyn, NY 11201

September 18, 2009

Testimony by the Atlantic Avenue Betterment Association (AABA) on: What policies should the State of New York adopt to support small business and encourage retail diversity?

I am Sandy Balboza, president of Atlantic Avenue Betterment Association; AABA is an all volunteer membership organization representing merchants and residents on and around Atlantic Avenue from Hicks St. to 4th Avenue. AABA was founded in 1994.

Funding from local elected officials to non-profit organizations is crucial. Through grants from state and local elected officials AABA has been able to promote the small business community on the Atlantic Avenue retail district. We have been able to assist in the formation of a Business Improvement District, BID which will need access to state and local grants to preserve and improve our diverse retail community.

With the support of state and local officials AABA has been able to promote retail diversity. Atlantic Avenue is known for its unique shops and businesses including antique and contemporary furniture, boutiques, fashion, Middle Eastern specialty stores, fitness and body care salons, garden shops, galleries, restaurants, cafes, sandwich shops bars restaurants, bars, architects, lawyers, medical professionals and a host of other business . Many business owners live and work in the same area and many property owners own and operate the small business. Over the last several years chain stores have come to the Avenue, including Jonathan Adler, Steven Allen, Brooklyn Industries, Urban Outfitters and Trader Joe's. These stores complement the traditional small stores that are here now. However we loose a vibrant retail community if the better funded chains force out the small businesses.

This has been a terrible year for the economy. Corporations, banks and insurance companies have received unprecedented bailouts while small business has had to fend for themselves. Many on Atlantic Avenue have not been able to pay their rent or even hang on. The small businesses and their advocates need your support.

The State of New York should invest in diversity. Do we really need a chain drugstore and bank on every corner?

WWW.ATLANTICAVENUEBKNY.ORG

September 18, 2009

Testimony by Barbara Clurman, co-owner of Silk Road Antiques in Brooklyn, a small business and Board Member of the Atlantic Avenue Betterment Association on: What policies should the State of New York adopt to support small business and encourage retail diversity?

My shop is located in the downtown Brooklyn, Atlantic Avenue retail corridor. There are many factors that make it difficult for small diverse businesses to survive and prosper. These include, rising rents, taxes on mixed use properties, (commercial and residential), insurance costs, inadequate parking, poor sanitation services, unreasonable fines and fees.

The State, City and Empire Development Corporation talk about supporting small businesses; however they encourage practices which drive small business out. Generous subsidies are provided to large developers. These developers use their commercial space for large big box stores, suburban mall type businesses, banks and a host of other large businesses. These developments are the recipients of government subsides and may have their taxes abated for decades. This tax relief for developers has fueled rising taxes on small commercial/residential properties. In our district, a twenty foot wide storefront may face a $25,000.00 annual tax bill. Those taxes are passed along to the commercial tenants in the form of higher rents which frequently force small businesses to close.

There are reasonable government policies which will in fact support a diverse and vibrant small business community. Small commercial landlords should be given a 30% tax rebate, if their commercial tenant grosses less than $300,000.00 dollars per year. By lowering taxes landlords can afford to rent to small diverse businesses. When rents are excessive you have a retail district of cell phone stores, banks, drugstores and chain stores.

Retail districts which have small businesses in small storefronts can be protected. The diverse character of a retail district can be maintained by limiting and or prohibiting the consolidation of several storefronts. On just about every vacant lot in Brooklyn you can see skyscrapers and commercial/residential developments under construction, there is no need to destroy the small shops which are the incubators for diverse business.

The state should use American Recovery and Reinvestment Act funds to focus on improving and better maintaining public transportation, improving and creating streets which are pedestrian friendly and attractive, requiring cities to create and implement traffic calming to make streets safer and assure adequate parking in diverse retail districts.

The state should provide grants and or loans in addition to Historic Preservation tax credits to small business owners and small commercial landlords to enable them to maintain and enhance storefront facades and modify small business premises to make them more energy efficient and less costly to operate.

The state should review and decrease or eliminate the Consumer Affairs and other agency fees, fines and regulations which are frequently unnecessary and burdensome.

The state should use government procurement policies to assist small businesses. For example property and liability insurance rates could be reduced if small business could purchase insurance through an insurance network or consortium.

Statement prepared by Francine Koehler, Executive Director
Glen Cove Downtown Business Improvement District
18 Village Square, Glen Cove, New York 11542
September 18, 2009

When I became the Executive Director of the Glen Cove Downtown Business Improvement District (BID) in 1999, our downtown was suffering with many of the problems endemic to downtown commercial districts throughout the state: high vacancy rate, apathetic landlords and tenants, deteriorating infrastructure, neglect and negative perception by the community at large. Just to give you an example of how dire it was, I had to drive at least ten miles to buy a pair of underwear.

Through the BID's efforts, in cooperation with the City of Glen Cove, one of our successes was bringing a regional department store chain to our downtown – complete with affordable underwear.

Glen Cove's downtown has received increased visibility through its BID's efforts along with my participation in the New York State Urban Council and other local and regional organizations.

With the ability to have on staff a full time executive director and a part time assistant, and with tons of creativity, the BID was able to take a very limited budget and stretch it beyond its expectations. We are continuously seeking grant monies and sponsorship to our events to supplement the budget and provide the programs that our board, our members and our community desire.

This is what is essential in order for downtowns to be revitalized; sustainable retail development and diversity; to expand the tax base, and to foster the ideas, culture and education that attract the creative young people and empty-nesters alike; and encourage downtown residential use:

- Funding: In New York State we have seen many years with little to no monies committed to downtown economic development. Upstate New York, New York City and Long Island are three distinct regional and economic entities. Our community has to compete with New York City and upstate for funding. Yet, middle of the road LI communities are losing out because they are not affluent enough to sustain retail development yet not poor enough to access funding. Long Island overall supplies more tax dollars than it receives less back. Our demographics are so different we should be competing only among ourselves for New York state dollars.

  In order to promote retail BIDs need to be able to access funding directly, not necessarily via a municipal pass-through. The economic status of the neighborhood should not be the entire benchmark. Currently, communities must prove economic distress in order to access certain funding. This cannot be proved in a so-called affluent neighborhood, yet if the businesses in an affluent neighborhood are lost, it turns to blight. Business retention is as important as business recruitment, otherwise the model is not sustainable.

  Funding for BIDs should be made on an apples-to-apples basis so that small BIDs are not competing against very large BIDs for the same funds. The competition between small cities vs big cities needs to be eliminated.

Competitive funding should address educational programs that the BID can offer to businesses, access to staffing (similar to the COPSMORE grant that pays for a portion of a police officer's salary for the first three years), programs that train and place people in retail establishments and/or service areas such as food, IT, etc.; funding for promotional and marketing activities, capital improvements to enhance the district such as flower pots, street furniture, etc.; and training seminars for downtown management.

New York State should support a "Buy Local" campaign that encourages and supports the campaign at very local levels. Marketing support is crucial in attracting and keeping retail businesses.

- There should be a mechanism for BIDs to access the American Recovery and Reinvestment Act monies. We have not seen any of the American Recovery and Reinvestment Act money that would actually help small business such as advertising and marketing, events, job training, educational support, etc. Yet the BID could be the conduit to make these things happen because we work so closely with our members and residents.

- Empire State Development Corporation only encourages manufacturing and large scale operations while the American economy rides on the backs of the small business person. We would like to see the Empire State Development Corporation fund retail and appropriate service industries and open up matching labor programs.

- The New York Main Street program could incorporate an arm that allows the mechanism for BIDs to create user-friendly walkable safe environments as an independent portion of its funding. This would help in encouraging a sustainable downtown retail and residential environment.

- RESTORE New York funding should be available for retail development. Its parameters should be broadened to include downtown renovations, restorations and revitalizations that have a retail component only. BIDs should be allowed to act as an organizing and management conduit for these funds.

- Tax Benefits: State and federal funds for redevelopment projects are presently at a premium. Tax Increment Financing offers a self-sustaining funding mechanism for local municipalities. School district property taxes, with the consent of the school districts, should be included in tax increment calculations. By allowing school district property taxes to be included in TIF projects, New York State would significantly enhance its existing TIF law.

- Looking at the current Empire Zone Program, residential projects within the downtown are not eligible for standard benefits. Additionally, many of the traditional economic development metrics used by the Empire Zone program,

- such as job creation, inadequately reflect the economic impact of many downtown projects. A number of these same metrics are instead disproportionately supporting suburban Greenfield development that contribute to costly new infrastructure and sprawl.

  One of the greatest factors presently contributing to downtown revitalization across New York State is the resurgence of downtown living through the development of new market-rate housing. Much of this urban living renaissance is taking place through the adaptive reuse of historic commercial buildings. All of this happens with the creation of few permanent jobs and without the construction of any new buildings. Yet the new population that avails itself of these living spaces is investing in existing urban infrastructure, providing property taxes, providing buying power for downtown services, and producing a labor force for the center city.

  A new set of economic development metrics should be developed by New York State that place a premium on investing in existing urban infrastructure and center city revitalization. The new economic development metrics should more appropriately reflect and support the downtown business environment, including the number of new market-rate housing units, investment in aging infrastructure, and incorporation of green building standards into new development. The economic demographics should be broadened to be more accessible to middle income areas.

- Housing: In order to bring more population to our downtowns, we need to increase housing options in downtown communities. For example, the State Low Income Housing Tax Credits (LIHTC) which are administered by the NYS Department of Housing and Community Renewal, serve as incentives for the development of affordable downtown housing. At this point in time, when most communities are trying to promote sustainable mixed-income downtown neighborhoods, the current State LIHTC system excludes a portion of low-to-middle income residents by limiting program eligibility to households whose incomes are at or below 90 percent of the area median income.

  It would help greatly to expand program eligibility to households whose incomes are at or below 125 percent of the area median income.

  Another assist would be to expand the New York Main Street Program (NYMS) to support the creation of market-rate residential units by allowing $30,000 building renovation grants for residential units to be used in support of both affordable and market-rate development.

- Community Improvement Districts: Community Improvement Districts focus primarily on the needs of its residents and is contradictory to the mission of a BID. It is too broad an area to cover. It appears to be trying to satisfy too many needs. The function seems be more related to civic associations.

Because CIDs reject the urgency of economic development, they would be left trying to do exactly what BIDs are already doing: revitalize their community. In addition, by pitting residents against local business interests, it fosters an "us against them" environment.

CIDs appear to be yet another layer of governing. On Long Island especially there are already many layers of government to work through: New York State Senate, the Assembly, Nassau County, County Legislature, City of Glen Cove, and School District. This does not begin to address the other agencies that a BID may have to reach out to and work with the course of its business, such as the Department of Transportation or Department of State.

BIDs are very dedicated and focused entities. They make it logistically possible to directly assess the needs of an area and its business owners and residents. BIDs reach out into the community not only through business owners but also by assessing the needs of the residents in order to make the businesses satisfy residents' needs so residents will shop locally.

BIDs are advocates and representation afforded to local businesses along with the residents in that district. From our perspective in Glen Cove, in most cases property and business owners reside locally, so they have a vested interest in the viability of the district. The monies collected through the BID assessment are used directly in the district. It is the intimacy that makes the BID work.

There are very few economic avenues for retail business to access. In the last few years, there has been more interest in increasing manufacturing, remediating brownfields, and big box retail and malls. Our government is losing sight of the core of our downtown environment. BIDs need a fair share in order to attract and keep the retail and small businesses that serve our communities.

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Shea Communcations, George Shea, Mark Faris (212) 627-5766

FOR IMMEDIATE RELEASE

STATEMENT FROM ALLIANCE FOR DOWNTOWN NEW YORK ON RETAIL DIVERSITY IN LOWER MANHATTAN

New York, September 18, 2009 –

Good morning, and thank you, Senator Squadron, for convening this hearing.

I'm Elizabeth Berger, President of the Alliance for Downtown New York. I'm happy to have this opportunity to appear today to talk about retail on Lower Manhattan.

Lower Manhattan is the 4th largest central business district in the country, with approximately 88 million square feet of office space and 315,000 workers.

Today, Downtown is a 24/7 community and more vibrant than ever. Despite what many believe, it's more than just the financial capital of our nation – we have a diverse economy where the financial services only make up 29% of jobs and our base is now distributed more evenly across nonprofit organizations, creative services and government jobs.

Since 9/11, more than 10 million square feet of office space has been converted to residential uses, a change that has helped re-energize our streets by creating a critical mass of customers for the retail and other amenities consumers and tenants seek. The residential population of Lower Manhattan—at 54,000—is more than double what it was in 2001.

And it shows. Although 2009 has not been a banner year for sales, in just the past year, 83 new retailers have opened south of Chambers Street. As more office space is converted to residential, we expect to see even more retail growth – both in numbers and diversity. Right now, south of Chambers Street, there is an eclectic but also almost equal mix of restaurants and stores. There's quality and choice at every price point.

How does the Downtown Alliance, the BID that serves Lower Manhattan, support retail and retailers? We do it in several ways – through and investor and consumer-focused retail marketing campaigns, collateral and Web-based marketing, and tours – reflecting traditional, innovative and synergistic approaches.

Our traditional efforts focused on practices such as capital and storefront improvements, honing in on getting specific retailers to our district and getting more customers to our stores, with materials like our Downtown Dining and Downtown Retail guides.

But with 60 construction sites in our district, our physical environment – in addition to our current economic climate – has made it difficult for our retailers. In 2008, we realized we needed to take our marketing up a notch in by expanding our traditional consumer marketing efforts and adding an investor component. We distributed our data declaring a thriving market in Lower Manhattan for retail investors, and our business-to-business component effectively reinforced the district's status as a desirable location for investment.

As part of this effort, we launched our Holiday Shopping Downtown campaign targeted to consumers, using traditional & non-traditional holiday events, like an ice skating rink in the South Street Seaport that made the district a family destination.

This not only raised awareness of Lower Manhattan as a holiday shopping destination, but it also elevated our profile and was embraced by area retailers as a much needed promotional vehicle. Yes, we targeted residents of the New York City metro area, but we also targeted prospective retailers, investors and developers.

Our multimedia, drive-to-Web campaign promoted our more than 1,000 Downtown retailers, from Fulton Street, to the World Financial Center, to Wall Street and Nassau Street. Perhaps the most important aspect of the campaign was our robust marketing effort, including a special Web site and e-mail blast to more than 10,000 subscribers, nearly 150 billboards on the street and in subway and PATH stations, and a widely distributed brochure.

The campaign was covered in the New York Times, New York Post and Women's Wear Daily among other publications consulted by shoppers and important to the retail trade. And the success of the program was also illustrated by our Web site's Downtown Directory—a comprehensive list of retailers and restaurants in Lower Manhattan.

I can't emphasize enough how important it is to reach out to investors and retailers. Retail amenities are the lynchpin that supports commercial, residential and tourism. To this end, we reach out to our retailers and retail brokers in a variety of ways. Talking with them has helped us understand the importance of the Fulton Transit Center, as well as protecting our pedestrian retail experience by enforcing unlawful vending laws. Vendors illegally block already narrow streets, sidewalks and building entrances; operate unlawfully by vending at prohibited times, in prohibited places or prohibited ways; ignore licensure requirements or sell counterfeit goods, and the result is chaos, frustration and uncertainty about Lower Manhattan's commercial vitality. Thank you, Senator Squadron, for understanding the impact of unlawful vendors on Lower Manhattan's retailers.

We also produce collateral for brokers and prospective retailers and continue to be the clearinghouse of all economic development and market data. What we've found is that we have a compelling market – we just need to get the facts in the hands of investors.

Further, we created synergistic programming that went beyond our traditional and innovative marketing. For example, we saw a need for intra-district transportation. We have unmatched access to mass transportation; that said, there's a need for better intra-district transportation in the eastern and western edges of the district.

In 2003, we initiated the Downtown Connection, a free shuttle service that outlines the tip of the district highlighted by the Water Street commercial corridor on the east and Battery Park City on the west. In our efforts to respond to the growth of commercial tenants beyond the traditional financial core, an increasing residential population, and the expansion of major retailers throughout the district, we began exploring options to expand the route. Earlier this year, the Downtown Alliance launched its expanded east to west Downtown Connection service, with the use of an additional bus and 4 new stops, bringing the total to 37.

The expansion was made with retail in mind. The new route provides access to one of newest retail and institutional corridors, with 18 retail shops, 31 dining opportunities, 18 opportunities for personal services like banking and medical, and finally 8 cultural and educational institutions. Highlights include J&R Electronics, Whole Foods, Barnes & Noble, Bed, Bath and Beyond, Le Pain Quotidien and Equinox gym.

There are other good examples of how we channel cultural events as marketing and economic development tools. This year, we launched Hungry for More and Music Meals as a strategic effort to drive our cultural attendees to our shops and restaurants. We targeted both online and print collateral to capture more than 5,000 attendees who came to our shows and events. Participants grabbed one of our postcards distributed at our events or printed it off our Web site and brought it to a restaurant featured on the card to receive a host of deals. With this effort, we were able to partner with 50 local restaurants, as well as Open Table.

Finally, our food walking tours also raise awareness of individual Lower Manhattan restaurants and food retailers, as well as promote Lower Manhattan as a destination to food tourists and foodies. The tours have received coverage in NY Times and on several blogs. A survey found that 54% of participants said they learned a lot about the district, 70% reported more positive feelings toward Lower Manhattan after the tour and 76% said they were more likely to dine or shop for food in the district now.

In closing, I hope the Alliance's best practices for increased retail vibrancy and diversification in Lower Manhattan can help further today's dialogue. At the same time, the Alliance looks forward to a continued partnership with the city and state to bring an ever-higher quality of retail to Lower Manhattan. One way to ensure that is quality entrepreneurial training for aspiring small business owners. We feel these sorts of training programs can be instrumental statewide in increasing not only retail diversity, but also competence and planning – two crucial traits in a world of increasingly scare credit.

The core idea articulated by the Alliance's founder, David Rockefeller, remains salient today. It is that vibrant, welcoming, navigable streets with robust commercial activity can ensure the long-term success of Lower Manhattan. Our neighborhood's shift toward a more residential, round-the-clock neighborhood only furthers that goal. It can have the same effect in other urban and suburban environments statewide. It's why we're here today, and it's a worthy endeavor for all stakeholders to pursue.

Thanks again to Senator Squadron for calling us here today to discuss this topic that, in so many ways, affects the health of our neighborhoods.

34th Street
Partnership

Retail Diversity and Neighborhood Health

Friday, September 18, 2009
Senate Hearing Room
250 Broadway, 19th Floor, New York, NY 10007

Testimony: Daniel A. Biederman, President
34th Street Partnership
500 Fifth Avenue, Suite 1100, New York, NY 10110
212-719-3434

Good morning, I want to thank the committee and Senator Squadron for the opportunity to testify today.

The notion that the retail marketplace is suffering from less and less diversity is a misconception. In reality, retail diversity very much exists in many CBDs I have visited, as it does in the 34th Street district in midtown Manhattan, where, for seventeen years I have served as president of the 34th Street Partnership. We benefit from a broad offering of merchandise and services provided by smaller independent retailers and from national chains alike, both of which easily co-exist with one another. Both categories of stores have their place and the loyalty of shoppers. In this economic climate, cross-shopping remains popular. A more affluent consumer seeking style and designer brands at Macy's is just as likely to seek out value-oriented merchandise at a nearby independent jewelry store.

Don't automatically think that all national chains are bad. And don't think that all small stores are great. We admire the investment made on 34th Street by national chains in developing their stores. Typically, design standards are at a high level. The execution of their facade signs, storefronts, and window merchandising is a top priority and complements the many streetscape amenities the Partnership has developed and maintains. Unsightly solid security gates on storefronts – still favored by too many smaller stores – are frowned upon by the nationals, who generally have no security gates of any variety. Our national chains run quality operations with the best retail practices evident, including the assortment of merchandise, attractive visual presentation, and impressive customer service and convenience. We are proud of our national chains and do not impede our building owners who desire to lease space to such stores. We also pride ourselves on our independent stores, but all too many of them are dirty and cluttered with piles of merchandise, hand-written signs, surly employees, non-existent customer service, and poor storefront appearance. It's a wonder why anyone would venture into these stores to shop.

From its inception in 1992, the 34th Street Partnership has understood the importance of quality retailing as a fundamental element of its district. The Partnership has spent far more effort than most BIDs in meeting the challenges of retailing. It has in particular embraced the importance of the smaller, independent retailer by recognizing the value of offering the public a diversity of merchandise. Although there has been a growth of chain stores, the Partnership has over the years appreciated the need for balance between national chains and smaller independents and has created numerous cost-free programs that are aimed specifically at helping smaller independent merchants.

These free offerings include technical design assistance to guide the store owner when it comes to installing a new storefront, sign or awning and advice on understanding the city's complicated zoning requirements and local laws. Our Savvy Stores Program provides free services to smaller retailers with a hands-on approach to merchandising, store operations, and customer service. Pedestrian counts are provided to realtors and retailers alike for the asking. A new map and guide brochure, with strong emphasis on retailing – and a directory of every district store – has just been published. A restaurant recruitment campaign was launched to publicize development opportunities. The recently launched Fashion Herald blog highlights hot merchandise trends in our stores, and, of course, the Partnership does a superb job in keeping the streets clean and safe. The addition of streetscape amenities to make the shopping experience more pleasant has earned us numerous awards.

The result of all these efforts has brought 34th Street back to the center of the retail world from a time in the late 1980s when independent stores predominated and a new generation of national chains avoiding leasing space in the area and investing their capital.

Clearly, many nationally-based stores have opened on 34th Street during the last decade. So, what exactly does that mean for the smaller independent retailer? We see it as good news for those independent store owners with entrepreneurial spirit, distinctive stores with a niche, and one-of-a-kind identity – stores with special character. Small is big, especially with visitors attracted to the district by the Empire State Building, Madison Square Garden, and a visit to Herald Square. National chains may have global name recognition, but smaller independents have an important competitive edge with the potential for a big impact on their business. They evoke that special New York image that attracts certain shoppers looking for a purchase that says "I was there." They can also offer a high level of service – the deciding factor for most shoppers – that larger stores can't even come near.

So, what can New York State do to promote and facilitate the efforts of organizations like the 34th Street Partnership and others?

First, study the diverse contributions and best practices – particularly when it involves retail – of today's BID community, not only in New York State, but across the country. Such practices include marketing and promotion to/for retailers, special events, and public relations.

As the last revisions to the state's enabling legislation were done in 1989 – and centered on issues of "safe and clean" – it would be timely to see if the current legislation restricts BIDs in any way from doing all they can to directly help the small independent retailer and their respective building owners.

Tax credits could be offered to retail businesses which are located within the defined boundaries of the traditional CBD.

Zoning could be adopted to encourage residential development in downtowns. Special attention should be placed on the re-use of upper floors of older buildings for residential use.

Special zoning can be put into place to encourage ground floor retail space in new development projects, such as in residential building or parking garages.

Overall, don't encumber BIDs, let them thrive, allow them to devise programs to actively support merchants and retail development, encourage building owners to make sensible leasing decisions to either national stores or to smaller retailers. Make it easy, don't get in their way.

Pratt Center for Community Development

Saving Independent Retail: Retail Diversity and Neighborhood Health

Testimony to NYS Senate and NYS Assembly Standing Committees on Cities
Elena Conte, Organizer for Public Policy Campaigns
September 18, 2009

Thank you for the opportunity to testify today. My name is Elena Conte and I'm delivering these remarks on behalf of the Pratt Center for Community Development, an university-based non-profit organization that aims to create a more just, equitable and sustainable New York City, by assisting low and moderate income communities in planning for and realizing their futures.

During the past decade, locally owned retail businesses in neighborhoods all over New York City were on the losing end of the city's strengthening economy. Prosperity turned into a threat as rising rents made it difficult for many of them to continue operating.

According to the Real Estate Board of New York, retail rents rose 54 percent between 2001 and 2008. In surveys, New York City merchants cite high rent as the biggest challenge they face. Increasingly, shop owners operate under leases that run for five years or less, down from a once-standard ten, leaving them vulnerable to rent hikes and eviction.

National chain retailers are continuing to expand their presence in major shopping districts throughout the boroughs. Property owners on major commercial strips tend to seek chains, not only because they are willing and able to pay higher rents than independents can, but because of fears that independent retailers are a risky bet in today's challenging economy. Chain store operators seek to cluster together, and their presence dramatically inflates rents. On Steinway Street in Queens, annual asking rents on a chain-dominated block exceed $70 per square foot, compared with $40 for a nearby stretch where many independents have closed. Even that rent is too high for independents to sustain, and the block has at least a dozen vacant storefronts.

As independent retail stores close with increasing frequency, New York is losing more than places to buy the necessities and luxuries of life. It is being drained of essential ingredients for a healthy economy and strong, livable communities. A 2004 study in a Chicago neighborhood showed that local businesses poured 68 percent of their revenue back into the local community, compared to just 43 percent for national chains. The gradual disappearance of the "mom and pops" from many shopping districts undermines the diversity and uniqueness of what defines New York City. Small retailers are part of the glue that holds neighborhoods together, but that bond is dissolving, and weakening community quality of life along with the city's economy.

What the State Can Do

New York should look to models from more than 20 states and 50- plus cities that have new or proposed laws aimed at fostering a stable, thriving and successful local business sector full of businesses that neighborhood residents want and need. Examples of these are detailed in the policy brief submitted along with this testimony.

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The current network of support systems available at the city and state level are important to the health of small businesses, but they are largely underfunded, poorly coordinated and not supported by corresponding policies. They do not reflect a comprehensive agenda that has been developed through a process involving elected officials, government agencies, policy experts, small business owners, and community organizations, aimed at systematically analyzing the problem of independent retail attrition and potential solutions. Issues of special concern for retailers operating in low and moderate income communities remain unexamined and unaddressed. We believe that the development of a comprehensive agenda is essential and would be most effectively undertaken on a city level, but there is much that the state could do to support small businesses in the meantime.

1) Increase Resources and Reduce Barriers for Lower-Income Communities

Planning funds
Commercial districts, local development corporations, community development corporations and business improvement districts located in low-income areas need increased funding to support planning efforts that identify priorities and provide a framework for implementation.

Specifically, there should be increased funding to the Department of Transportation to support communities to plan around pedestrian, transit, goods delivery and auto circulation in commercial corridors, and to implement the plan.

Capital funds
American Recovery and Reinvestment Act (ARRA) dollars should be applied to support local retail. Funding to the Main Street program, coordinated by the National Trust for Historic Preservation, to assist communities in commercial revitalization, should be increased. Current wait times to for the program are long because of high demand relative to the amount of funding available. Especially important, ARRA funds that the State allocates should be directed to require Main Street to create a streamlined and simplified process for applicants from lower-income areas, in order to increase the ability of these communities to participate in and benefit from the program.

Tax Credits and Abatements
Limiting the escalation of rent for commercial tenants would be a key way to support their retention. One model is a voluntary incentive program in targeted locations where a tax abatement is given for landlords who agree to a schedule of modest rent increases to local (non-chain) businesses. This strategy has been employed on the city level for Lower Manhattan, but would benefit from state support and expansion.

New York should continue to expand and promote the use of historic preservation tax credits such as Chapter 239 but work with State Historic Preservation Office (SHPO) to relax standards where projects that provide community goods – like affordable housing and community centers that are vital in low and moderate income communities – are stymied because of lack of flexibility in the current restrictions.

2) Include local retail in large-scale economic development projects

Set-aside space for small businesses, vendors, and entrepreneurs in larger developments
For any commercial development over 50,000 square feet in New York City, owners should be required to include businesses at a range of sizes, going down to 250 square feet, with targets for locally owned small businesses. For government-owned or -sponsored developments, rents should be below-market and leases at least five years.

Establish a displacement and relocation assistance fund

State and local governments sometimes take action or provide subsidies in the name of major economic development projects that displace existing small businesses, as in the cases of Willets Point in Queens, the City Point development in Brooklyn and the Gateway Mall development in the Bronx. Generally, the measures that have been taken to address the harm to small businesses have been insufficient to ensure their survival. Driving local retailers out of business to make way for corporate entities is not a consistent economic development strategy, and should be addressed through the creation of a displacement and relocation assistance fund that truly provides small businesses the opportunity to survive and thrive.

3) Explore issues facing Business Improvement Districts (BIDs) in lower-income areas

The issues surrounding BIDs are complex and vary significantly between more affluent and less-resourced communities. Pratt Center works with a number of BIDs operating in low and moderate income communities – the Church Avenue BID, the Flatbush BID, and the Pitkin Avenue BID for example— and their realities are starkly different from those operating in more affluent neighborhoods. For legislators and their staffs that are interested in exploring this issue in greater depth, we offer to host a conversation with representatives from the organizations with which we work, so that you may learn directly from organizations on the frontlines about the challenges that they face. Some of these expressed interest in attending today but were unable to do so.

Thank you again for the opportunity to testify. We look forward to working with you in the future on the implementation of these ideas. For more information, please contact Vicki Weiner, vweiner@pratt.edu, 718-636-3486 x6464

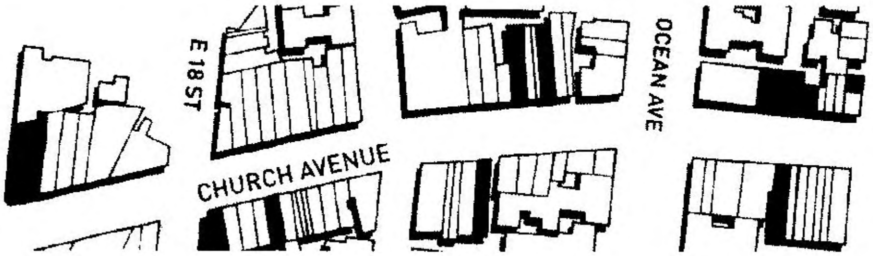
NOTE: This testimony was prepared by the Pratt Center for Community Development. It does not necessarily reflect the official position of Pratt Institute.

Saving Independent Retail
Policy Measures to Keep Neighborhoods Thriving

New York City's independent retailers can't catch a break. During the past decade, locally owned retail businesses in neighborhoods all over New York City were on the losing end of the city's strengthening economy. Improving economic conditions in their neighborhoods should have helped small local retail businesses. Instead, prosperity turned into a threat as rising rents made it difficult for many of them to continue operating. Now in the economic downturn, already weakened independent retailers are fighting for their survival.

Retailers are plagued by high rents, competition from chains and the internet, limited access to credit, and other stresses, but their decline is far from inevitable. This Pratt Center Issue Brief details measures the Mayor's Office can and must take to keep independent stores thriving. Other cities are pursuing creative strategies to strengthen local retail and maintain the diversity of their neighborhoods. The mayor should appoint a retail task force to explore alternatives and launch new initiatives to sustain independent bsuinesses.

As independent retail stores close with increasing frequency, New York is losing more than places to buy the necessities and luxuries of life. It is being drained of essential ingredients for a healthy economy and strong, livable communities. A 2004 study in a Chicago neighborhood showed that local businesses poured 68 percent of their revenue back into the local community, while for national chains the return was only 43 percent. The aggregate losses, though difficult to quantify, are even greater. The gradual disappearance of the "mom and pops" from many shopping districts undermines the diversity and uniqueness of what defines New York City – what attracts entrepreneurs to build businesses here, lures tourists to visit, and offers residents a connection to proprietors that is more than economic. Small retailers are part of the glue that holds neighborhoods together, but that bond is dissolving, and weakening community quality of life along with the city's economy.



Church Avenue in Flatbush, Brooklyn, is a high-traffic retail strip and a major destination for area shoppers. But like other popular middle-class shopping districts around the city it is suffering from a troublingly high vacancy rate - 11 percent of its storefronts are now empty - and little city support for struggling merchants.

Independent Retail's Plight

According to the Real Estate Board of New York, retail rents rose 54 percent between 2001 and 2008. In surveys, New York City merchants cite high rent as the biggest challenge they face, followed by the increasing cost of goods and a customer base that was dwindling even in boom times. Increasingly, shop owners operate under leases that run for five years or less, down from a once-standard ten, leaving them vulnerable to rent hikes and eviction.

Recession-driven declines in business have not been matched by significant decreases in rents. In Manhattan, storefront rents in major retail corridors have dropped about 11 percent over this time last year, reports REBNY, but that figure reflects considerable variation among neighborhoods. On Harlem's 125th Street, for example, the average asking rent is now $119 annually per square foot, up from $107 a year ago.

National chain retailers are continuing to expand their presence in major shopping districts in Manhattan and the boroughs, and even as some chains close down others are arriving for the first time. Property owners on major commercial strips tend to seek chains, not only because they are willing and able to pay higher rents than independents can, but because of fears that independent retailers are a risky bet in today's challenging economy. Chain store operators seek to cluster together, and their presence dramatically inflates rents. On Steinway Street in Queens, annual asking rents on a chain-dominated block exceed $70 per square foot, compared with $40 for a nearby stretch where many independents have closed. Even that rent is too high for independents to sustain, and the block has at least a dozen vacant storefronts.

Asking rents on Harlem's 125th Street average $119 per square foot, up from $107 a year ago.

A Missing Piece of the Economic Development Agenda

In this year's State of the City address, Mayor Bloomberg declared "strengthening the quality of life in every neighborhood so recession does not lead to disinvestment and abandonment" a cornerstone of his plan for economic recovery. Similarly, the administration's "Five Borough Economic Opportunity Plan" identifies the need to "help businesses" as central to "creating jobs today." The plan highlights major development projects, from the Kingsbridge Armory to Willets Point to Coney Island, as part of plans for future job creation. While these mega-projects may bring needed retail space to underserved areas, other parts of the city are blighted by empty storefronts formerly occupied by small businesses. The Bloomberg administration needs to develop a comprehensive plan to examine and address the underlying challenges faced by small retailers, and provide support for struggling merchants and commercial areas with high vacancy rates.

In an uncertain economy, property owners seek chain retailers for empty storefronts.

The Department of Small Business Services (SBS) is charged with assisting independent ventures, but its services to retailers are limited. The agency only provides financial assistance to retailers enduring emergencies or directly displaced by city-sponsored development projects. Retailers are generally excluded from subsidies for businesses that are relocating or expanding. And, more fundamentally, the agency needs to pursue policies that can level the playing field to help small businesses deal with the unique disadvantages that threaten their survival.

What the City Can Do

There is much the administration can do now to deliver on the mayor's promise of strengthening neighborhood quality of life through nurturing local retail. New York City should start by looking to models from more than 20 states and 50-plus cities that have new or proposed laws aimed at fostering a stable, thriving and successful local business sector, turning to tools that can be combined with smart incentives and a community planning process to encourage the kinds of businesses that neighborhood residents want and need.

The policy tools now employed or under consideration by other cities and states fall into three general categories:

- Land use regulations, especially zoning provisions to prevent or inhibit the proliferation of chains
- Financial incentive/benefit programs and market control mechanisms to reward landlords for accommodating local retail
- Support programs – everything from niche marketing to grants and loans for business owners – to bolster local retailers' ability to compete

Strategies that could help New York City sustain independent retail:

Formula Business (i.e. "Chain") Restrictions

In place in San Francisco, Seattle and 15 other cities

A formula retail establishment is commonly defined as having eleven or more other retail sales outlets located in the United States, has a trademark or servicemark, and maintains two or more standardized features such as merchandise, facade, decor, uniform for workers, signage, etc. San Francisco has the strongest restrictions on chain retailers in the nation, using a combination of land use regulations within specifically created districts where special review is required before a chain can open.

Size Caps on Commercial Property

In place in Madison, Wisconsin and 29 other cities

Instead of banning formula businesses outright, size caps serve to prevent large floorplate-seeking chains from moving in. A store size cap amends a zoning ordinance, either for an entire city or for designated areas within a city, to limit the physical size of retail stores. Some municipalities put an outright ban on stores above a certain size, while others limit large stores to specific areas. Small towns and large cities across the nation are using store size caps to protect small and local businesses, decrease traffic congestion, lessen the burdens on infrastructure, regulate building design, and maintain pedestrian-friendly districts, among many other planning goals.

Neighborhood-Serving Zones

In place in Palm Beach, Florida

Neighborhood serving zones are created in order to meet the everyday consumer needs of local residents, as opposed to attracting tourists. Such regulations limit the size and "use type" of retail stores in certain districts in order to maintain the area's character and pedestrian-friendly streets. Palm Beach, Florida is the only city in the nation to have this type of zoning.

Big Box Tax

Proposed in Maine and Minnesota

While a big box tax provision has yet to pass and become law, the concept may be worth pursuing. Generally a tax of this kind would create a disincentive for chains trying to locate in certain districts within a state or city. In cases where the retailer was willing to pay the tax and open a store, the tax revenue could be used to support local businesses and or retail chain workers earning less than a living wage.

Community Land Trusts

A community land trust (CLT) is an existing policy tool being used in a handful of locations around the country to address the need for affordable housing. In a CLT, a private, nonprofit corporation acquires land parcels in a targeted geographic area with the intention of retaining ownership of the land for the long term. The nonprofit CLT leases or sells structures on the land at below-market rates to eligible residents, who enjoy the benefits of low rent or mortgages while agreeing to restrictions on subletting or reselling. This model could be applied to commercial or mixed-use land and could be a viable strategy for protecting small businesses from rising rents, by taking property off the commercial market and leasing it at below market rates to residents and small business owners who demonstrate a need for it.

Shop Local Campaigns

Austin, TX and many cities around the nation (including NYC)

The loss of mom-and-pop shops in cities across the nation has inspired governments and the private sector to create marketing campaigns for local products and local retailers. These campaigns share resources such as websites and brochures to promote "shopping local" and are often a venue for merchants to meet and discuss best practices.

Recommendations

The Mayor's Office should establish a citywide local retail retention task force made up of interested elected officials, government agencies, policy experts, small business owners, and community organizations to systematically analyze the problem of independent retail attrition and potential solutions, and to develop an implementation strategy to address them. The goal of this group should be to develop a package of policies that:

Create financial incentives and programs to support independent stores

Restrict or limit chains in certain neighborhoods where they are causing the displacement of local retailers

Make sure enforcement of sanitation, health, and other codes does not unreasonably burden small local establishments

Community and business groups have been discussing policy measures such as the Small Business Survival Act now under consideration in the City Council, which would allow retail tenants to seek binding arbitration to prevent excessive rent hikes. To build a foundation for thriving small businesses, the local retail retention task force should evaluate additional ideas that have emerged from this collaborative thinking, which include:

Limiting the escalation of rent. One proven model is a voluntary incentive program in targeted locations. With support from the New York City Department of Finance, the Downtown Alliance manages such an initiative for Lower Manhattan, providing a tax abatement for landlords who agree to a schedule of modest rent increases to local (non-chain) businesses.

Set-asides of space for small businesses, vendors, and entrepreneurs. For any commercial development over 50,000 square feet, owners should be required to include businesses at a range of sizes, going down to 250 square feet, with targets for locally owned small businesses. For city-owned or city-sponsored developments, rents must be below-market and leases at least five years.

Zoning ordinances to control number, type and size of retail establishment in specific areas. Ban or place limits on the number of national chain stores that can occupy specific district, guaranteeing that a majority of the retail establishments are independent and locally owned. Restrict ground floor sizes and ban banks and hotel lobbies from occupying storefronts in new construction.

Reducing merchants' energy costs and making local retail greener. Programs such as NYSERDA energy audits and the Smart Loans program are already in place to provide fee waivers, fund matching, outreach, and training to businesses seeking to reduce their costs and operate more sustainably. The city needs to do more to connect local retailers to these services.

Finally, because local retailers don't have an advocate within city government, we recommend the **creation of a Local Retail Ombudsman** in the office of the NYC Public Advocate.

For more information on the Pratt Center's work in support of neighborhood retail, contact Vicki Weiner, vweiner@pratt.edu, or visit http://www.prattcenter.net/neighborhood-retail.