

Small Business: Suffering in Good Times and Bad
by Jillian Jonas
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Photo (c) Gotham Gazette
Restaurants and small businesses are folding along Prospect Avenue.

You only have to walk along any city commercial strip to notice the myriad of "for rent" signs. They are popping up on storefronts across New York, as merchants of all types struggle to survive. The faltering economy deserves some of the blame, but many small business owners maintain the uptick in those signs preceded the current fiscal crisis.



Lauren Gonzalez's family-owned photo studio in Corona, Queens is in danger of closing after over 40 years. For more stories, view [our audio slideshow on small businesses](#).

In fact, they argue, the real estate boom did as much if not more to cause the closings of New York's mom and pop shops as the current recession has. Landlords, they say, realizing the market would support almost any amount asked, hiked rents, sometimes by astronomical proportions. Long-time tenants were often pushed out.

Earlier this month, U.S. Rep. Anthony Weiner issued a [report](#) finding that more than 12 percent of the small businesses surveyed had closed. Brooklyn had the highest rate of vacant storefronts -- more than 14 percent -- but press reports reveal even Manhattan's upscale Madison Avenue isn't immune -- its retail store vacancy rate rose from 8 percent at the end of 2007 to above 12 percent in 2008. While not all of these vacant spaces once housed mom and pop operations -- the empty store at Brooklyn "junction" of Flatbush and Nostrand Avenues, for example, used to have a Circuit City -- many did.

Thriving local businesses are "barometers of the health and vitality of a neighborhood," said Ron Shiffman, a city planner who teaches at [Pratt's Graduate Center for Planning and the Environment](#).

The empty storefronts leave a void in a community "especially when there are multiple vacancies on a single stretch," said Quenia Abreu, president and CEO of the [New York Women's Chamber of](#)

Commerce. "The community shops someplace else, [taking] money out ... employment is taken out. Then [we] start seeing a problem with increasing criminal acts," such as vandalism, she said "It's sad to see the start of community deterioration when we worked so hard to revitalize" these neighborhoods.

To stem the tide of closings, City Councilmember Robert Jackson has proposed the **Small Business Survival Act**. With 18 sponsors, Intro. 847 would give commercial tenants rights they do not currently possess when renewing a lease.

The bill continues a debate that has gone on in New York City at least since the 1980s. What, if anything, should government do to help and preserve the city's small businesses?

A Lost Cause?

Certainly many could use some assistance. A recent survey released by the U.S.A. Latino Chamber of Commerce based on data collected from all five boroughs between November 2008 and January 2009 underscored the gloomy situation. Of the 927 Hispanic businesses included, 53 percent said they are in danger of closing, with 74 percent reporting "high rents and unreasonable lease terms" as the main culprits. Two thirds cited the "rising costs of doing business" in New York, followed by 65 percent who said municipal taxes and fees are excessively costly.

More than 90 percent described having had a "negative experience" while attempting to renew a lease because owners abused their power; 87 percent felt they had no rights at all during the renewal process. Moreover, a third of respondents reported a landlord demanded money in order to renew their lease, which is illegal. The owner made it clear to the merchant that there would be no renewal unless the storeowner paid an additional fee, off the record, off the books and outside the purview of the lease terms.

Although the issues extend beyond the Hispanic community, there is, said Abreu, "a disproportionate effect on minority and women-owned enterprises ... such as beauty shops and bodegas. ... This is especially true in areas like "Harlem, Washington Heights ... Jackson Heights in Queens."

Setting Controls

The threats to these businesses are hardly a new phenomenon. Twenty-five years ago, in the face of the first great wave of modern gentrification, Manhattan's Upper West Side witnessed a slew of closings of neighborhood staples: bakeries, hardware stores, bodegas. What makes this round unique, according to merchants, is city government's attitude of indifference and a climate of in-hospitality -- even hostility -- toward them. Business owners point to uncontrolled escalating rents, countless neighborhood rezonings and creation of more Business Improvement Districts (BIDs) as evidence.

Steve Null, who founded the Coalition for Fair Business Rents in 1984, wrote in an email, "A perfect storm has arrived with decades of rent gouging, abuses and corruption with no hope for a better future -- in a major down economy with the highest rents, landlord passalongs, taxes, utilities, insurance etc. All hell is about [to] happen on Main Street NYC if someone does not quickly regulate these out of control greedy landlords."

Jackson's bill attempts to address some of these challenges. "The absence of legal protection ... has unnecessarily accelerated the closing of small businesses and resulted in lost jobs, tax revenues and community instability," the legislation states. In response, it attempts to create "a fair negotiating environment."

Specifically, if an owner and tenant cannot successfully negotiate renewal terms within 90 days, a mediator would intervene. Then if that fails, an arbitrator could be brought in to establish the new rent, based on various criteria such as the market value, longevity and location of the business, and the cost of maintaining and operating the property.

Currently, there is no regulation of rents for commercial property. Once a lease expires, landlords have sole discretion to charge whatever they please, or even to refuse a renewal for no cause.

Being forced to move can be disastrous for a small business. Shiffman, who sat on the first ever small business task force in the early 1980s, said remaining in a in the same place is crucial for small merchants. "Once a business is started, its location is critically important ... because they [build up] their customers." Rent speculation ends up "driving businesses out" who, in turn, rarely succeed a new place without their original patrons, he said.

Saying his bill is "about survival," Jackson continued, "It's imperative that it's put into place. It's like a patient on a respirator who needs a doctor to rescue [them]. Under the measure, he said, storeowners could get a reasonable deal on renewals, while landlords would still turn a profit.

Jackson expects the bill to move by September, just in time for the Democratic primaries. He hopes to put pressure on local candidates -- if they don't support the bill, "small businesses won't support you."

As it stands now, the whole rent renewal process "is anti-democratic," said Queens Councilmember Tony Avella, a co-sponsor of the bill. "Why is the real estate industry allowed to control the agenda?.... We have to protect these mom and pop stores who provide local jobs."

(The Real Estate Board did not return repeated requests for comment.)

Critics of increased controls argue they could do more harm than good. Restrictions on commercial rents "could be a big mistake, both hurting business and reducing tax revenues," said Stuart Saft, a real estate attorney who has represented landlords, [told the Real Deal](#).

Meanwhile, other officials have offered additional proposals to help small businesses. Stringer's report suggests a number of solutions, including using zoning to discourage huge storefronts (almost always occupied by chains), providing more microloans and encouraging large developments to include small, independent stores.

The Administration's Role

In the Latin Chamber of Commerce survey, 59 percent of respondents believed the relevant local government leaders "don't understand" the particular needs of small businesses. And, 43 percent predicted a continuation of the city's "anti-[small business] environment."

"The city's tone [to merchants] is a major problem, and has been during previous administrations," said Shiffman, who also is the former director and co-founder of the [Pratt Center for Community Development](#). "There's a sense in New York City that gentrification is a good thing ... rather than [having] stable businesses."

For their part, administration officials cite the services they offer. "There is a lot of support being provided to small businesses and jobseekers through our agency," said Laura Postiglione, press secretary for Small Business Services. She highlighted the department's Business Solutions Center, which offers courses on business planning and related topics, and provides training funds for entry-level employees and pro-bono legal services to review contracts and leases. According to its [Web site](#), the center helped 170 clients secure over \$11.8 million in financing and assisted over 5,000 entrepreneurs in developing their business plans.

In his weekly radio address on March 22, Mayor Michael Bloomberg focused on the plight of small businesses and detailed the city's efforts at worker training. "During the past 12 months alone, we've distributed some \$3 million in grants, coupled with funds from more than 30 employers, for training nearly 2,000 workers," Bloomberg [reported](#).

According to Avella, who is running against Bloomberg for mayor, many independent merchants do not think Small Business Services meets their needs. In a recent letter to the mayor, Avella wrote, "I have been meeting with small business owners, who feel that [SBS] ... intentionally or unintentionally, prioritizes the needs of property owners/landlords and other moneyed interests, above the interests of individual merchants."

New York's land-use policies have also come under fire, particularly in traditionally ethnic communities.

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A joint report issued by [Good Old Lower East Side](#), a tenants rights organization, and the [www.urbanjustice.org](#) Urban Justice Center, called "[NO GO for Local Business](#)" concluded the administration's push to rezone that area has led to "small businesses ... getting evicted in record numbers."

An [analysis of Chinatown](#) criticized government agencies like the Lower Manhattan Development Corp., the city's Department of Housing Preservation and Development, and planners for trying to attract luxury development and using "processes like rezoning and the use of eminent domain to remove low-income communities and communities of color."

"Property owners sense there will be more money in the future [from the rezonings], so they don't mind holding" onto their vacant properties, said Pratt's Shiffman.

The Roles of BIDs

A key part of the Bloomberg administration's small business strategy is the city's Business Improvement Districts. BIDs are state-authorized public/private endeavors designed to "supplement" municipal services such as sanitation and security in commercial areas. They are funded by fees assessed on local property owners and merchants.

The Bloomberg administration has created 18 BIDS for a total of 63. According to Postiglione, BIDs serve approximately 16,000 retail businesses and invest approximately \$98 million in these districts.

Null believes the administration relies too much on the BIDs and that there is an inherent conflict between the interests of those running the district -- the majority of whom must be property owners -- and the needs of commercial tenants, who primarily rent space.

In his letter to Bloomberg, Avella noted the mayor has "often touted the ways in which BIDs bolster local economies," but he continued, "Unfortunately, too many small BID members ... feel the system is not addressing their needs."

The BIDs can be a useful tool, Jeremy Waldrup, SBS assistant commissioner for district development, said in an email. "Business Improvement Districts ... have catalyzed neighborhood revitalization and economic development ... The programs and services provided by BIDs work to strengthen the local commercial corridors and impact the everyday lives of those who live, work and shop in these districts," Waldrup said.

In 2007, NYU's Furman Center for Real Estate and Urban Policy [analyzed](#) the efficacy of BIDS, determining that while larger BIDS increased property values, smaller BIDS proved to be a wash. With more than 50 percent of their budgets often eaten up by administrative costs, the study says, little remains to benefit local businesses.

Looking to the Future

As small businesses shut their doors, many of the tenants that move in are national chains that can afford higher rents. A recent [count](#) by the Center for an Urban Future found, "At least 32 retailers have 50 or more stores throughout the city, a list that includes everything from CVS and GNC to GameStop and Payless. Dozens of other companies have more than 10 outlets here."

Shiffman sees this as a disturbing trend -- and thinks the city should too. When it comes to chain stores and large franchises, he said, there should be no contest in public policy. "First and foremost, [small businesses] circulate money in the local economy, more than any other enterprise ... and, they employ local people and professionals, far better than do franchises. We need to nurture [these] businesses and manufacturers."

Jillian Jonas is a freelance journalist focusing on local and national politics, government and public policy.

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