

TESTIMONY BY
COMMISSIONER ROBERT W. WALSH
NEW YORK CITY
DEPARTMENT OF SMALL BUSINESS SERVICES
BEFORE
THE COMMITTEES ON SMALL BUSINESS AND TECHNOLOGY IN
GOVERNMENT
OF THE
NEW YORK CITY COUNCIL
September 6, 2007

Good afternoon, Chair Brewer, Chair Yassky and members of the Technology in Government and Small Business Committees. My name is Rob Walsh, Commissioner of the Department of Small Business Services. I am pleased to be here with you today. Throughout our City, we are seeing so many signs of progress. Tourism is at an all-time high, and crime rates are at an all-time low. As neighborhoods prosper, so do the businesses in them. But it has never been easy to operate a small business in New York City, and I'd like to thank the Council for shedding light on these important issues. Many business-owners are struggling against the high costs of doing business and facing competitive pressure from national retail chains and from e-commerce.

Mayor Bloomberg created the Department of Small Business Services (SBS) to champion the 200,000+ small businesses operating in this City's neighborhoods because he recognized that small businesses are the backbone of our economy and what distinguishes our City as a place where people want to live and work.

When I think about the overall well-being of small businesses, I recall my experience as Director of the Union Square Business Improvement District (BID) from 1989 to 1997. It was not long ago that most retail centers were, like Union Square was, faced with very high rates of vacancy in commercial spaces. Under these circumstances, community leaders worked hard to attract investment—some of it from national chains like Starbucks and Barnes and Noble—hoping to increase our appeal to consumers. In fact, some small business owners have been able to harness the growth of commercial districts and expand across the City. In my former district, we saw Danny Meyer build a food empire after opening in Union Square Café, and ABC Carpet and Home, Paragon Sports and Rothman's Union Square also prospered.

Many of our neighborhoods have come a long way. There are others that are much farther behind. While some neighborhoods might shun the opening of another chain restaurant, there are others like Bedford-Stuyvesant, which celebrated the opening of an Applebee's on Fulton Street where family-style dining was nonexistent. Many of New

York's corridors need support to attract much-needed anchor retail tenants—be it a bank, a supermarket, or a large restaurant.

Supporting New York's Neighborhood Commercial Corridors

One of the key ways we support small businesses is by empowering commercial districts—primarily through a focus on creating and supporting locally-driven organizations like BIDs. BIDs have their fingers on the pulse of the City's small business sector. Our network of 57 BIDs provides \$83 million in annual supplementary services to areas encompassing over 69,000 businesses—cleaning streets, removing graffiti, providing additional security and promoting community. These public-private partnerships can also work directly to support existing businesses and attract new small businesses. The Myrtle Avenue Brooklyn Partnership is an excellent example of an organization that gets behind its business-owners. It organizes opening night parties for new restaurants, actively maintains data on vacancies and demographics and communicates opportunities for technical assistance via email and newsletters. The Myrtle Avenue district currently supports about 155 retail businesses, 96% of which are locally-owned and 78% of which are minority- or woman-owned.

When disaster strikes New York's neighborhoods, we find that the work of our Business Outreach team is always executed more efficiently when we can utilize the working knowledge of BID personnel to assess the needs of affected business and distribute information on recovery assistance.

Just yesterday, Mayor Bloomberg signed the new Sunnyside Business Improvement District into law. Sunnyside's business leaders recognize the potential of their neighborhood as a Queens destination, home to a diverse array of restaurants and rich in history. SBS will assist the Sunnyside BID Steering Committee in a number of ways—from hiring an Executive Director to creating a website and marketing materials. Supporting smaller commercial districts anchored by small businesses represents one of our greatest opportunities.

NYC Business Solutions

When we started our work in 2002, SBS found that this City had virtually no service-based programs in the trenches with small business owners, and this was the first opportunity we attacked. We launched NYC Business Solutions as the cornerstone of our business assistance efforts in September 2004. Whether business owners walk through the door of one of our seven store-front centers located throughout each of the five boroughs, visit our comprehensive website www.nyc.gov/smallbiz, or call 311, they can get the help they need to start and grow their businesses – from developing a business plan to accessing financing and incentives to finding workforce and real estate resources. Our business outreach team, which canvasses commercial neighborhoods block by block in all five boroughs, makes site visits to thousands of businesses each year. 14 of 33 Business Solutions Centers speak a language other than English, providing proficiency in 11 languages; and we offer courses on starting a business in Spanish and Mandarin.

Since I am testifying before the Technology in Government Committee, I'd like to tell you how we are helping small businesses to explore e-commerce opportunities. In response to a growing number of internet-based businesses in its community, our Upper-Manhattan Business Solutions Center, operated by Seedco, will now offer classes on Internet marketing and will start offering technical assistance related to launching e-commerce websites. In the Bronx, SBS is piloting internet-based workshops with plans to deploy curricula to all seven NYC Business Solutions Centers if they are well-received.

NYC Business Express

Finally, I mentioned in at the start of my testimony that the costs of starting and operating a business are high, and we are working to use better use technology to save small businesses money. Mayor Bloomberg has made it clear that he expects this Administration to fundamentally change the way businesses do business *with* the City of New York; and I am joined today by David Margalit, my Deputy Commissioner for Business Development and Strategic Planning, who wakes up in the morning thinking about how to do this. In partnership with DoITT and several other agencies, SBS is

developing an online service, NYC Business Express, to save business owners time and money by enabling them to start, operate, and expand a business through a single online point of contact. Through NYC Business Express, entrepreneurs and business owners will apply for licenses and permits, learn about regulations, make payments, apply for incentives, and access resources to help them grow. The announcement of NYC Business Express was a watershed moment in making the City more transparent and user-friendly through technology. We encourage you to take a look at Business Express yourself online at www.nyc.gov/BusinessExpress.

In the first phase of NYC Business Express, we made it easier for business owners to understand the process of opening a restaurant, by providing an inventory of all the steps that they will need to take. I wish you could see the reactions to the entrepreneurs who have participated in our user testing and focus groups. The overwhelming reaction to current version of Business Express has been "This is just what we needed from you." We will continue to work with other City agencies on a regular basis to bring Mayor Bloomberg's vision of making it as easy as possible for businesses to do business with New York City. In the first quarter of 2008, we will add functionality for retail entrepreneurs, and the goal by the end of 2009 is to have a robust, easy-to-use website in which a business owner can transact most business with the City over the Internet.

Thank you again for the opportunity to be with you today on this important topic. As I have said, we are grappling with difficult issues for which there is no magic bullet. The Administration values its partnership with the Council to support New York City's small business sector and we look forward to hearing from you to continue this work. I'd be happy to take your questions.

Good afternoon, Chairman Yassky and Members of the Small Business and Government and Technology Committees. Thank you for the opportunity to share with you today about my work with Project Enterprise, and the particular challenges facing small businesses that access microcredit.

First I want to applaud this committee for the legislation that they have introduced to reduce fines for small business owners and to encourage streamlining the city licensing process.

I am Catherine Barnett, Vice President of Project Enterprise, and I am joined by our Executive Director, Arva Rice. Project Enterprise was started in 1997 as the only provider of micro business loans in New York City that does not require prior business experience, credit history or collateral to provide market-rate financing for small businesses. Our mission is to support and develop entrepreneurs and small businesses in under-resourced communities around New York City by providing access to business loans, business development services and networking opportunities. Our program is based on the microcredit model of the Grameen Bank in Bangladesh. As you all know, the bank's founder, Dr. Muhammad Yunus, and the Grameen Bank received the Nobel Peace Prize last year.

I want to address a few issues that I think are of particular concern to the budding and existing entrepreneurs that Project Enterprise serves. (1) The need for a community campaign to heighten awareness of City services for small business owners (2) The

distinction between the needs of small and micro businesses that may include Mom and Pop stores, (3) A realistic approach to small business access to technology, and (4) The inability to report loan payments of many small business owners to the Credit Bureaus.

As I mentioned previously, Project Enterprise is a nonprofit organization dedicated to increasing the economic self-sufficiency of low-income New Yorkers by providing the following:

- Access to capital between \$750 and \$12,000 to start or grow their business;
- Ongoing business development services and training tailored to their needs;
- Opportunities to develop their leadership skills;
- Participation in a growing network of businesses in underserved neighborhoods.

In the ten years since its founding, PE has disbursed over a million dollars in small loans in small but meaningful increments of \$1500-2000. We have maintained a consistent repayment rate of 89-90%.

The Department of Small Business Services has made strides, since its creation, to provide general information to small business owners in New York City. I understand that they will be enhancing their online services so that entrepreneurs can more readily access information on how to do business in the City and with City. In addition to posting all the necessary details in various languages, for registering and licensing different types of businesses, an effective campaign publicizing the enhancements should be launched throughout the five boroughs. Instructional workshops could be held in different communities, and there may be a need for door-to-door canvassing on some commercial strips. This canvassing is necessary since owners are often so busy “minding the store”

that they don't have time to leave to access information. DSBS should also be encouraged to better utilize nonprofits, such as Project Enterprise, that have longstanding relationships in the small business community.

Small and micro businesses need to be supported in the same way that the City supports the theater district or tourism in general. A distinction needs to be made between small and micro-businesses. The needs of a small business employing 20 – 30 people are quite different from that of a store owner who has 1 – 3 employees. Specialized assistance needs to be provided for these micro-entrepreneurs, starting with a distinction being made at the Department of Small Business Services to consider the unique needs of micro businesses.

In its quest to provide enhanced technology services, the City needs to be realistic about the number of small business owners who have access to and knowledge of technology usage. There are many legitimate mom and pop stores in our communities who do not have computer/internet access on site, but who still conduct business. Libraries often have broken computers and are open only during operating hours of potential business users. An alternate remedy needs to be made available to mom-and-pop store owners so that they can access up-to-date information from DSBS. Suggestions include making updates available on mobile phone networks to which entrepreneurs can subscribe, and strengthening partner networks beyond the borough-specific DSBS branches, so that existing community-based organizations such as Project Enterprise can assist in providing information and updates at a grassroots level.

One example of the need to spread information is the issue of store signage. There are so many illegal signs on storefronts, and arguably most store owners are unaware of the legal issues pertaining to signage. This is information that should be readily made available through a variety of media, with an appropriate “amnesty” period for store owners to rectify these issues without penalty.

Even where there may be technology-savvy entrepreneurs, there may be difficulty in accessing internet connectivity consistently. The neighborhood of East New York, Brooklyn, where Project Enterprise has worked for many years, is a prime example. The City needs to ensure that the appropriate internet access is made available to small business owners outside of Manhattan.

Lastly I want to bring attention to a particular need that many business owners have as a result of a policy change with the big three credit-reporting agency’s (Equifax, Transunion and Experian). The credit bureaus will only allow non-traditional lending institutions – including microcredit organizations to report credit information in “batches” of 500 records. Personal and business credit history - as collected by the Consumer Reporting Agencies - is used by credit grantors to evaluate whether to grant financing to individuals, businesses and at what interest rate. Additionally landlords, employers and insurance companies utilize credit information when evaluating potential tenants, employees and customers. Many microfinance organizations – including Project Enterprise – are specifically geared to meet the needs of New Yorkers who would not be

able to access capital because of their low credit scores. Microfinance organizations work with these small business owners to help them become more financially solvent. But while these borrowers are successfully repaying their debts to these alternative lenders, these same lenders are unable to report this positive information to help borrowers build and repair their credit. Preventing microcredit organizations from reporting positive payment to credit agencies will have a detrimental impact on minority owned small businesses that statistically have lower credit scores.

Since 2000, Project Enterprise has been able to manually report positive and negative repayment history to Equifax. This has enabled our borrowers to build their credit histories and also allowed the agency to have some recourse with serious delinquencies. In 2005 we were notified that unless we could report 500 borrowers at a time we would not be able to report, and our existing reports would be expunged. We tried to partner with some other lenders to get 500 borrowers, but the credit agency said all 500 borrowers had to be from the same organization. We also tried to get “grandfathered” into the system but we were also denied. There is currently a pilot program underway at the national level through Credit Builders of America, to allow microcredit practitioners to “batch” their reports. We can only hope that it becomes readily available.

I want to close with the story of one of our borrowers in Queens who has a handbag business. She came to Project Enterprise seeking a loan to get a catalogue printed and to pay fees to be part of a trade show. She was very nervous about her loan application, because her credit was so poor. A few years earlier our borrower started to work with a

Catherine Barnett, Project Enterprise
www.projectenterprise.org
September 6, 2007

debt consolidator. For three years she faithfully made her payments. When she started to receive collections notices, she found that the debt consolidator had taken her money and not made her payments. Now she is working to get back on her feet. She got the loan from PE, and she has never been late on a payment, Unfortunately, I can only share this story with you, because the credit agencies will not allow us to report on her progress.

I urge the City Council to hold an oversight hearing on the credit reporting agencies, their scoring practices and how they inadvertently and advertantly discriminate against some of our City's most hard working people – small business owners.



THE COMMITTEE TO PRESERVE THE UPPER WEST SIDE

Testimony of LANDMARK WEST!

**Joint Public hearing with Community District 6 and the NYC Council Committees
on Small Business and Government in Technology Oversight
September 6, 2007**

My name is Evan Mason and I am testifying on behalf of LANDMARK WEST!, a not-for-profit community organization committed to the preservation of the architectural heritage of the Upper West Side.

I am also testifying as a resident of the Upper West Side who has seen first-hand unwelcome changes in my neighborhood -- there are 3 empty stores within one block of my house near Columbus Avenue, all of which were forced out because of rising rents.

Together with our great historic architecture, it is these small businesses that establish the identity and the sense of place that is unique to the Upper West Side. As historians and preservationists, we know that these economic pressures are not new—New York City has always been a city of constant change.

I am going to focus my comments on the connection between the building, which we at LANDMARK WEST! seek to protect, and the economic health of the small business that rent space in these historic structures.

As apartment flats on the avenues are demolished to make way for out-of-scale luxury housing, large street-level stores are created which invite big-box chain stores, since they alone can afford the increased rent. The streetscape radically changes, forever altering the character of the neighborhood. State and City government even encourage this dramatic shift through financial incentives to the developers that conceive of these huge projects.

When we lose these smaller-scale historic buildings, we lose pieces of our neighborhood identity. The soft patina of aged brick, intricate cornices and friezes disappear and are replaced by sharp edges, big boxes and anonymity.

The engine that stokes the train that runs the small business off the tracks is the behemoth large-scale development that is quite literally overtaking the Upper West Side. Big box chains like the square, predictable nature of street level spaces rendered by large-scale, new development—that way they can design the interiors at headquarters, wherever that is, and know where the flip-flops are, without ever setting foot in the area.

So, our neighborhood loses the local mom-and-pop stores that have an allegiance to our neighborhood and care that it is not the Upper East Side, or Dallas or Denver, for that matter. Some small businesses are forced out but the buildings are left vacant—because the landlord adamantly clings to a profit goal. And he can write off the loss- so why should he bother to compromise?

We lose diversity and choice. We lose the historic fabric of our neighborhood.



THE COMMITTEE TO PRESERVE THE UPPER WEST SIDE

What can be done to bring some balance to this out-of-control situation?

Financial inducements that encourage demolition of our small-scale historic buildings should be reduced. If the big-box footprint is not subsidized through tax and other incentives, then our neighborhood becomes less hospitable to big box stores;

Historic districts can be expanded and zoning adopted to control out-of scale development, since these measures preserve the existing footprint and scale;

We must preserve both small businesses and small buildings, while putting the brakes on large-scale development that does irrevocable harm to both;

LANDMARK WEST! stands ready to help in any way we can as your committees tackle this critical neighborhood issue.

Testimony of Ebrima Camara

Gamdel Store

All the stores on Willoughby Street and Bridge Street have to move out in a short time with no relocating people. People have nothing – no one has offered any help or plans. People decided to come to City Hall to show the City of New York that is our problem. We are now asking you to do something. We need help for the small business people.

Thank you

Gallery Religious Supplies

Good afternoon, my name Maisha Morales I am the owner of Gallery Religious supplies located at the Albee square mall .Gallery Religious Supplies has been in Albee square for almost 22 years in which 7 of those years I have owned the business. Thor equities were our previous landlord. During this time Thor refused to issue long term leases to the majority of the tenants, they did promise that after the remodeling of the mall they would sit with tenants and issue leases. They obviously lied . They continued renting out spaces to small businesses promising that the mall was still going to be there. Joseph Sitt then sold the mall for 125 million dollars albee square development (Acadia Realty) Before the deal went through, Albee Square development promised at a public hearing a few months back, that when the purchased the mall the would have a meeting with the tenants and help with relocation, financial assistance and once the building was complete they would give us the opportunity to com back. And of course they lied also instead we received eviction notices the following day.

There are dozens of tenants who are now displaced, some like myself were able to find locations but now have to struggle with the outrageous rent increases. I myself am in 1000,000 dollar debt due to this development, were two months ago I was debt free. There are also others who completely lost every thing and are now unemployed. I am not asking for a charity hand out I am asking you the city to give some money for relocation to the displaced small businesses being that this is all due to the city rezoning. Financial assistance is rightfully due to the displaced small business owners of downtown Brooklyn. If your are able to give away millions of dollars to the very wealthy development companies you should be liable to the small businesses of downtown Brooklyn.

At one of the previous public hearings someone had stated that downtown Brooklyn attracted undesirables to the shopping strip I cannot recall if it was a city agency or the developer who stated this but as a Latina woman I was appalled by this comment, The majority of the shoppers of downtown Brooklyn are African Americans, west Indians , And Hispanics. This was clearly a racist statement. The city should be held accountable for this chaos that has been created.

As for our city council members, I have tried reaching out to you numerous times and you have failed to help me and the other small business owners. Don't forget the people who helped get you in office. I would like to say thank you to the only person who has tried to help Mr. Hakim Jeffries.

Thank You,
Maisha Morales



Pratt Center

for Community Development

Mom and Pop Stores: Easing their Struggles Through Better Government and Technology Services

**Testimony by Paula Crespo, Pratt Center for Community Development
September 6, 2007**

Thank you for this opportunity to provide testimony today. My name is Paula Crespo, and I am a community planner with the Pratt Center for Community Development, a planning and policy organization that works for a more just, equitable, and sustainable city for all New Yorkers by helping communities to plan for and realize their future.

The Pratt Center strongly supports FUREE's (Families United for Racial and Economic Equality) advocacy efforts in Downtown Brooklyn; we are currently working with them to prepare a short report that compares the impacts of redevelopment there as outlined in the rezoning plan's environmental impact statement with the impacts that are being felt every day on the ground by local residents and small business owners and employees. While recent press over the Summer has called the Downtown Brooklyn boom a "renaissance" for the borough, there is another side to the story that is not discussed nearly as often: the displacement of viable, thriving small businesses that have called Downtown Brooklyn home for years before there was talk of redevelopment.

It was the presumed need for Class A office space that spurred the rezoning of Downtown Brooklyn but instead of lots of office buildings, it is residential construction that is dotting the new skyline. However, regardless of the intended versus actual balance of office and residential construction, small independent businesses have an important role to play in the future of Downtown Brooklyn and other neighborhoods throughout the city. First, they are a key source of employment for low and moderate-income New Yorkers. Second, they contribute greatly to neighborhood character—a hard-to-quantify but widely-valued concept—by offering a contrast to national chain stores that one can find in any downtown across the country. We are not suggesting that chain stores be excluded from Downtown Brooklyn's redevelopment; instead, we are advocating for a healthy mix of chain and independent stores.

By the environmental impact statement's own admission, Downtown Brooklyn stands to lose 1,700 largely small business jobs due to direct displacement. Even though the determination was made that this is an "insignificant" impact of redevelopment, and thus does not require mitigation, no one can deny that 1,700 families will feel this impact. Throughout its 45 year history, the Pratt Center has worked with community groups to protect the interests of low and moderate-income families—including housing, well-paying jobs, and the protection of their neighborhood's essential character. We are firmly committed to helping communities strike a balance between the need for new investment and development and their desire to retain the social and economic character of their neighborhood. In a city with ever-escalating land values, this is not an easy balance to achieve, but we are committed to working with both communities and the City to do this. In the next several months, the Pratt Center will issue a report that outlines best practices for small business retention from around the country since New York City is not the only large city whose small businesses are under siege by redevelopment schemes.

In summary, the city must do right by small, often family-run businesses that have persevered during weak real estate markets and are now being subjected to direct displacement. In the face of Downtown Brooklyn's—and many other neighborhoods'—redevelopment, real relocation packages—not merely loan assistance—must be provided so that these small businesses which are the social and economic engines of neighborhoods can continue to thrive.



Testimony presented by Laine Romero-Alston,
Director of Research and Policy
Community Development Project, Urban Justice Center

to the Small Business and Technology in Government Committees for the
hearing on " Mom and Pop Stores: Easing Their Struggles
Through Better Government and Technology Services"
September 6, 2007

"My wife and I took everything out of our retirement. My dream was to see my grandchildren running the store. If we are displaced we are finished because we are so locked up financially in this space... Little people like us invest so much into trying to start a business. We don't have the city giving us a subsidy or any help when things like this happen. But they can give millions of dollars to the companies that are trying to take everything from us? We are only asking the City to support us at a fraction of the rate they already support huge companies."

Eric Waltower, a disabled Veteran who has invested over \$45,000 into his business Cunora's with his wife at Albee Square.

Good afternoon members of the Small Business and Technology in Government Committees. I appreciate the opportunity to testify today and commend this effort to look at the challenges facing small businesses in New York City. I hope that this hearing will result in a commitment to the development of innovative solutions to ensure the preservation of small businesses, particularly women and minority-owned businesses, as part of a broader approach to combating gentrification and promoting sustainable and equitable development in neighborhoods that have been home and a resource to low-income residents, working class families, immigrants and communities of color.

My name is Laine Romero-Alston and I am the Director of Research and Policy for the Community Development Project of the Urban Justice Center (UJC). I work closely with Families United for Racial and Economic Equality (FUREE), a multi-racial organization located in Downtown Brooklyn that mobilizes low-income and working families to promote equality, improve economic conditions, and build collective power to win systemic changes at the local, state and national level. Over the past year, UJC has provided research assistance to FUREE to carry out a comprehensive, community-based study of the impact of the Downtown Brooklyn Redevelopment Plan on low and middle income community stakeholders, particularly residents and small businesses. While we are still in the process of data collection and analysis, we thought it relevant to this hearing to share the initial findings and results from a portion of the interviews and surveys conducted with small businesses located in the Albee Square Mall, a site that is currently going through development and, we believe, is telling of what is in store for small businesses throughout this important economic center if there is not appropriate and rapid intervention.

The story of small businesses in this area goes as follows:

1) There is a long history of locally-owned small business in the area:

- Half (50%) of small business owners live in Brooklyn.

- All of the businesses interviewed were independent and have a long history in the mall, with 40% of the businesses being there for 10 years or more.
- 2) **On the contrary to being an “underutilized” area, as deemed by the city as the basis of its redevelopment plan, Downtown Brooklyn is the third largest commercial center in the city and has a vibrant consumer base which sustains and supports the wellbeing of hundreds of area small businesses:**
 - 60% of small business owners chose to locate their business in Brooklyn explicitly because it was close to their customer base (which we know is largely low and middle income African, Caribbean and African American).
 - 95% of respondents reported seeing their customers on a repeating basis.
 - 3) **The small businesses provide stable, local employment and serve the local low income community:**
 - All respondents employ predominantly local Brooklyn residents and 39% of respondents have employees who have been with them for more than 6 years.

Moreover, we know from a study undertaken by Civic Economics in Chicago that locally-owned businesses generate a substantial enhanced economic impact¹. For example,

- For every \$100 in consumer spending with a local business, \$68 remained in the economy.
- For every \$100 in consumer spending with a chain business, only \$43 remained in the economy.

- 4) **Current redevelopment plans coupled with the history of disinvestment by landlords (in this case Thor Equities) are hurting these small businesses and the local community:**
 - At the time that the interviews were conducted last winter and spring, already half of the 40 businesses had closed down and moved out of the mall.
 - Landlords looking to displace small businesses to make way for larger, higher paying commercial renters are systematically harassing and putting pressure on current tenants in order to undermine the success of their business.
 - This is happening through the failure to provide proper leases (65% of respondents do not have a lease, and are renting month to month), the withholding of services, such as heat and air conditioning, and failure to make needed repairs.
 - Many small businesses are unaware of development plans that will have significant impact on their businesses and reported that they were not consulted in the process of the development of those plans.
- 5) **Businesses who are forced to relocate will suffer:**
 - 80% of the respondents own only one business and have no alternative if the business is forced to relocate.
 - 95% see their customers on a repeating basis; therefore, if they were displaced from the area, they would lose their customer base.

“It would be very difficult to relocate because we’d have to start a whole new business. I don’t know any other place. This is where I’ve been the whole time. This is what I survive with. I invested \$100,000 in this store. That is my life savings,” Albee Square Business Owner

- Overall, small businesses felt that there were no affordable options for relocation in the area. One restaurant owner stated, “There are no places in Downtown Brooklyn to go because no one is giving leases. It’s all for sale. We can’t move. They are tearing everything down.”

Recommendations

As the findings of our initial research has shown, small businesses play a huge role in local economic development and a huge role in serving the local community of downtown Brooklyn. The way the current planning and development of downtown Brooklyn is unfolding, most small businesses will be forced to relocate or close down altogether. It is critical, therefore, for the city to do everything in their power, and more, to support small businesses and ensure the preservation of our diverse neighborhoods and communities. We can learn from the experiences of many other cities, which are outlined in a May 2007 report conducted by Hunter College Urban Policy students for FUREE and submitted as an addendum to this testimony. However, I want to close out emphasizing the importance of the following basic recommendations:

- **No displacement-** the city should do all in its power to ensure that small businesses are not forced to leave as a result of development. In order to do this, there needs to be a crackdown on landlord harassment and major efforts from the city to ensure that small businesses don’t have to leave through the provision of rent support, tax breaks and other creative solutions.
- **Right of return-** In the case small businesses do need to leave a space due to development, they should be assured the right to return to that locale with provisions of reasonable rent and conditions.
- **Relocation assistance-** In the case that small businesses are unable to return, it is essential that the city provide assistance in the form of relocation costs and in helping to secure similar space and rent preferably in the same neighborhood through the provision of affordable leases.
- **Minority and women-owned businesses must be prioritized, supported and sustained.**
- **Community Involvement and Voice-** Before the urban area goes through revitalization it is important to have a system or policy in place that allows the community and the small business community to have input on the project that is ultimately going to affect them.

ⁱ Findings are based on 20 interviews with Albee Mall small businesses, which represented nearly all of the remaining businesses in the locale (originally there were 40, but the other 20 had already been displaced). To date, we have conducted a total of 61 interviews from small businesses from the broader Fulton Mall area and are in the process of analyzing those results.



The Municipal Art Society of New York
Testimony on Small Retail in NYC
September 6, 2007 1 p.m.

Good afternoon, my name is Vanessa Gruen and I am the Director of Special Projects at the Municipal Art Society. The Municipal Art Society is a nonprofit civic organization whose mission is to promote a more livable New York City. And what makes a city more livable than unique neighborhoods full of diverse food stores, specialty clothing stores, hardware stores –locally owned and operated. Neighborhoods where it is always a new and exciting experience to walk and take part in the every changing retail life that thrives and creates a sense of energy that is unique to New York.

All of the above is changing on every street corner in Manhattan and Brooklyn, where local stores disappear and are replaced by chain drug stores and mega banks. As the city transforms right under our very noses, it is a wake up call to all of us. Just as the destruction of Penn Station was what was needed for the city to establish the Landmarks Preservation Commission, the time has now come for us to ask the city to take steps that will stop the erosion of our city and the neighborhoods that we know and love.

We are pleased that you are holding a hearing on this topic and we assume that the purpose of today's hearing is to try to come up with solutions that will help us save the small retailer and preserve neighborhoods. I am not prepared to outline what should be done, but I do suggest that the Council call for an in-depth study of the problem with a view to providing some long-term solutions.

The City in the past has taken aggressive zoning steps to prevent neighborhoods from losing their soul. Under Mayor Lindsey the Special Little Italy District was established and The Fifth Avenue Special District was created to prevent Fifth Avenue from being turned into an avenue of banks and airline ticket offices. When the Upper East Side was declared a Historic District the designation report specified that the storefront openings be defined by the original or existing piers. This way the storefront opening could not be enlarged or reduced in size, neither could the floor area of the store be enlarged or combined, thus effectively ruling out larger chain stores or banks.

Other cities have also taken action. Cities have sought to regulate "formula businesses" which are defined as establishments that are required by contract to adopt standardized services, methods of operation, décor, architecture or other features identical to

businesses located in other communities. These laws do not prevent a chain store from coming in, but they do require that the incoming chain not look or operate like any other branch in the country. This had proved to be a deterrent to chains, which generally refuse to veer from their standardized, cookie-cutter approach.

In San Francisco they have chosen to take a neighborhood-by-neighborhood approach. Under the law, whenever a chain store applies to open, residents in the surrounding neighborhood are notified. They have the option of requesting a public hearing and subjecting the applicant to additional scrutiny. The ordinance allows for varying degrees of regulation in each neighborhood. Some neighborhoods have banned chain stores entirely. These ordinances have been upheld by the courts.

Adam Gopnik, the well known writer for the New Yorker wrote in an article this spring: "What we want the city to look like in 2030 will depend on the rules we make now. Aggressive policies for housing, especially low-income housing; a reasonable process of review to help neighborhoods remain neighborhoods; a less passive welcome to every form of monster store; more support for tenants and small merchants—all of these things are worth arguing for, and legislating for, too."