Reinventing Brooklyn

Affects of the 2004 Downtown Development Plan on Small Business

A Needs Assessment of Albee Square Mall

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This report was prepared for Families United for Racial and Economic Equality (FUREE) with the support and guidance of Samantha Imperatrice, FUREE Downtown Brooklyn Campaign Organizer.

EXECUTIVE SUMMARY

Major urban districts in the United States are facing large urban revitalization projects. These projects are considered necessary to bring economic development to under developed urban centers. These projects are considered successful because it creates big businesses, major chain stores and luxury residences. However, the long time residents and small business in the areas being developed are often time displaced and left to suffer.

Downtown Brooklyn is a bustling commercial district. The area is considered the third largest Central Business District after midtown and downtown Manhattan. Furthermore, downtown Brooklyn is a neighborhood and city wide destination for cultural and entertainment activities, restaurants, academic institutions, residential and major office buildings.

In May 2004 the City Planning Commission approved a redevelopment plan for downtown Brooklyn. The Brooklyn Downtown Redevelopment Plan of 2004, forming part of Mayor Bloomberg's economic development strategy positioned Brooklyn as an important force in the City's economy. The Plan includes changes to downtown Brooklyn's land use and zoning. The City's investment will attract a new core of businesses, shops, restaurants, residential developers and commercial spaces, therefore, creating an economic burden on Downtown Brooklyn's retail center; Fulton Mall.

This report is the result of Families United for Racial and Economic Equality (FUREE) interests in assessing if there is a gap between The Downtown Brooklyn Redevelopment Plan of 2004 and the needs of the local small businesses in Downtown Brooklyn's retail center. Furthermore, if there is a gap, close that gap by recommending, creating and implementing strategies that address the issues and concerns facing small businesses and including small businesses in the city's comprehensive plan.

Over a 3 month period, the team focused its study on the Albee Square Mall because it is a significant example of the type of development that is occurring, because of the 2004 Plan. Albee Square Mall which is located within Fulton Mall is going to be demolished and a 1.6 million square mixed use complex will be erected. The complex will house retail, office and residential space. The team conducted research through discussions with key informants, a survey of local business owners and a review of relevant literature and articles. The team's findings and recommendations are written in this report and will be submitted to FUREE.

The team was able to assess that indeed FUREE's concerns are valid. There is no comprehensive plan that specifically incorporates small business owners into the development plan. A plan that they will be affected by. Small business owners have been left in the dark about the decision making and process regarding redevelopment plans. Albee Square Mall shows signs of disinvestment by its current landlord, Thor Equities Over 65% of the mall tenants do not have leases and the tenants that have leases are chain/retail stores housed in the mall. Furthermore, amenities and marketing efforts are not extensive.

The team's assessment revealed 3 major issues facing the small businesses:

Businesses will be displaced when construction begins on Albee Square Mall. Businesses are going to be evicted and have no where to re-locate or have the means to re-locate.

When construction is completed there is no stipulation that the business owners will be able to return. Furthermore, with new construction comes higher rents and small business owners will be unable to afford luxury rents.

The Brooklyn Downtown Redevelopment Plan of 2004 did not comprehensively incorporate the small business community during the planning stages and their needs were not addressed in an acceptable manner.

After identifying the three major concerns the team evaluated current city programs and researched programs across The United States that assist the small business owner faced with urban revitalization and displacement. Moreover, we examined land use and zoning. This report recommends several programs and zoning regulations that perhaps can be implemented for the small businesses in downtown Brooklyn. Included among the recommendations are limiting "formula" stores, inclusionary zoning, rent subsidies, relocation assistance, and a comprehensive approach to redevelopment by including a community impact review.

INTRODUCTION

Major urban centers in the United States are in the midst of a massive development boom. As a result, developers are initiating large-scale building projects in low-income communities that in many instances threaten the social and economic fabric, history and identify of those communities this process is often referred to as gentrification (Zukin 1987).

In May 2004, the City Planning Commission (CPC) approved a comprehensive redevelopment plan for Downtown Brooklyn. The Brooklyn Downtown Development Plan 2004 (the 2004 Plan), forming part of Mayor Bloomberg's economic development strategy for regional business districts, includes changes to downtown land use zones and infrastructure investments. It is expected that the city expects the 2004 Plan to generate an estimated 4.5 million square feet of new commercial office space, creating 18,500 office jobs and 8,000 construction jobs, and add some 1,000 new housing units to the downtown area (NYC 2004b).

Our client, Families United for Racial and Economic Equality (FUREE) is concerned with affects of the 2004 Plan on the local community. FUREE believe the 2004 Plan does not meet the needs of the current community and that the development (and gentrification) expected to occur as a result of the Plan will permanently transform and possibly eliminate the low-income and minority communities in the area (FUREE 2007). Their aim is to ensure that development in downtown Brooklyn will serve to benefit the existing communities and businesses, ensuring downtown Brooklyn remains a vibrant place.

FUREE's concerns are valid. Since the approval of the 2004 Plan, many businesses, including basic and essential services, have moved out of the area. Many renting businesses have been forced out, others have moved or closed down as buildings are prepared for demolition. Land that for 30 years held a grocery, Laundromat and a 99-cents house wares store has now been emptied for a development project years away (FUREE 2007). Local residents are often forced to travel over 15 city blocks to purchase food and access essential services (FUREE 2007). The existing community which lives, works and shops in Downtown Brooklyn has been shut out of the decision making process regarding redevelopment plans.

This project undertook to examine the impact of the Brooklyn Downtown Development Plan of 2004 on small businesses, posing three important questions:

- What is the role of small businesses in downtown Brooklyn?
- How has and will the Plan 2004 affect these small business?
- What are the needs of these small businesses and how can the interests of small businesses be incorporated into the 2004 Plan?

The recommendations of this report will be used to assist FUREE in the development of an Alternative Brooklyn Downtown Development Plan.

Gentrification and the displacement of small businesses in New York City

Gentrification is commonly understood as a change process where low-cost neighborhoods undergo redevelopment through which leads to an increase in property values and an influx of wealthier residents who may displace the prior residents (Zukin 1987). Most research on gentrification focuses on the real estate dynamics and how to preserve affordable housing amid rising values (Hill and Pozzo 2005, Zukin 1987). Little research, however, has been done on the issue of gentrification and the displacement of retail store owners.

Gentrification and the subsequent displacement of small business is not unique to downtown Brooklyn. Several neighborhoods around New York City are experiencing different versions of the same story: an area is redeveloped; new higher income residents move in; rent for retail space increases; small businesses, a majority of which are renters, move out.

The community of Greenpoint-Williamsburg is currently facing rezoning and redevelopment. Brooklyn Community Board 1 had this comment to make in response to the rezoning proposals by the City of New York:

> *"The question that the city fails to address is how to protect the existing community, comprised predominantly of working class families from diverse ethnic backgrounds and small businesses catering to local markets, from development that encourages displacement and threatens to reduce rather than improve the quality of people's lives through rising rents, shortages of parks and open space, buildings that obliterate the existing neighborhood character, the displacement of small businesses..."*

Like FUREE, several organizations around New York City are organizing around the retention of small businesses after the redevelopment of neighborhoods. The Environmental Justice group, WE ACT, is witnessing the proposed 35-acre expansion of Columbia University into West Harlem, and the subsequent displacement of not only its residents but its locally owned businesses. WE ACT is fighting against claims by Columbia University that West Harlem is a virtual economic dead zone (WE ACT 2006). In reality, however, and again similar to downtown Brooklyn, the neighborhood is a vibrant community and has recently attracted some major businesses that promise to anchor a period of renewed economic growth (ibid). Additionally, WE

ACT claims that the slow economic growth of the neighborhood is a direct result of years of government neglect and economic disinvestment (ibid).

FUREE has identified the same issue in downtown Brooklyn. The report will examine and discuss this issue and provide recommendations for FUREE regarding their campaign to retain small business in downtown Brooklyn.

A Description of the Study Area

Downtown Brooklyn is generally defined as the area bounded by Tillary Street to the north, Ashland Place to the east, Atlantic Center and Schermerhorn Street to the south, and Court Street to the west (Figure 1). The 2004 Plan affects a significant portion of this area.

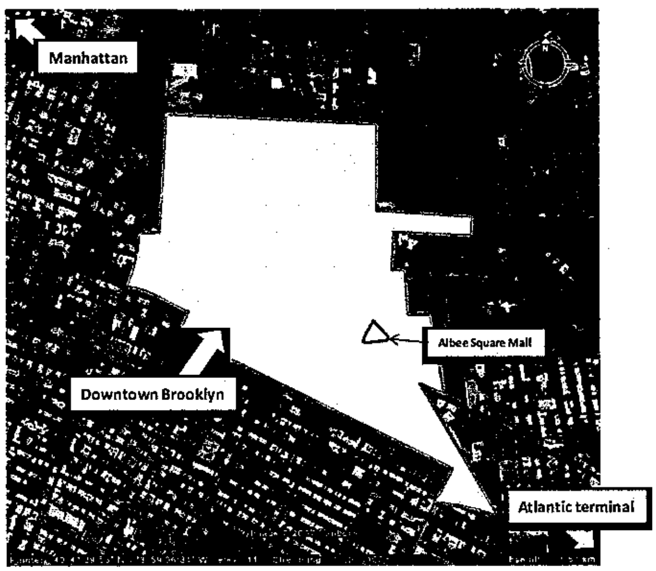
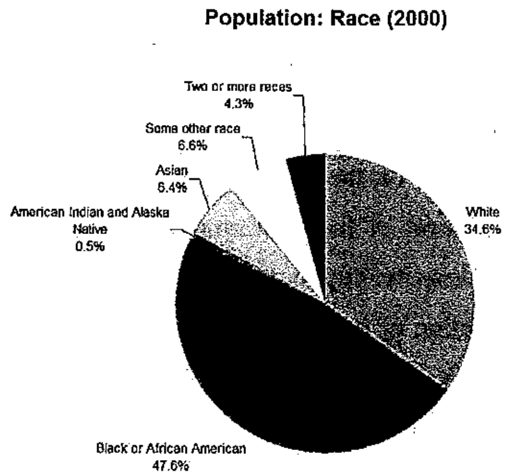


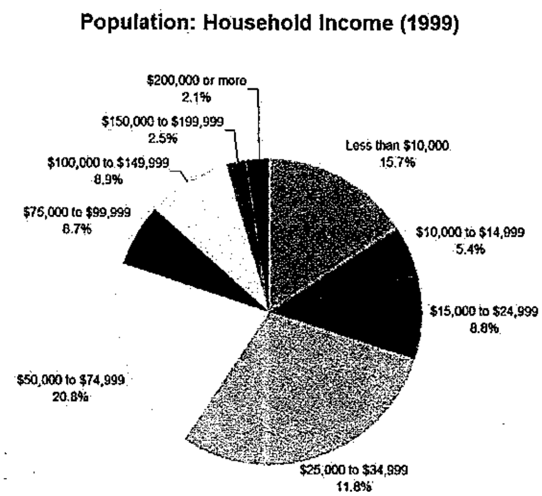
Figure 1: Location of Downtown Brooklyn

As seen in Figure 2, the population of downtown Brooklyn is dominated by African American people and people of color. Downtown Brooklyn also contains a significant proportion of low-income residents (see Figure 3).



Source: 2000 US Census

Figure 2 Racial breakdown of downtown Brooklyn



Source: 2000 US Census

Figure 3 Household income of Downtown Brooklyn

The above census information, however, does not include the population that work or own a business in downtown Brooklyn. This is significant for an urban center. Downtown Brooklyn is New York City's third largest central business district after Midtown and Downtown Manhattan (NYC 2004a). The contains a high concentration of major office buildings, regional stores, residential buildings, government offices and a number of major academic and cultural institutions (ibid). The success of Downtown Brooklyn is largely based on its diverse and vibrant retail centre, focused around Fulton Mall. The importance of retail in making downtown Brooklyn successful will be discussed later in this report.

2004 DOWNTOWN DEVELOPMENT PLAN

The Origins of the Plan

Employment share in New York City is on the decline. In 1958 New York City had over 3.1 million workers, representing 80 percent of the total employment of the region. Yet in 2000, when the city had 3.2 million workers, its employment share in the region had dropped to 65 percent (NYC 2004a). De-centralization of businesses away from core central business districts is a common theme throughout the US, as businesses seek cheaper land that is closer to workers who prefer commuting from the suburbs by car.

More significantly for New York, many of these businesses are moving to New Jersey. In 2000 alone, 32 New York City companies relocated to New Jersey taking with them approximately 9,000 jobs and millions of dollars in New York City revenue (NYC 2004a).

Figure 4 New Jersey house former Manhattan businesses Goldman Sachs[1] and Citco

The Downtown Brooklyn Plan forms part of a larger economic development strategy led by Mayor Bloomberg. The strategy aims to stimulate economic growth in all five boroughs by attracting and retaining businesses (NYCEDC 2007). Because of its close proximity to lower Manhattan and excellent local and regional mass transit access, the City of New York views Downtown Brooklyn as a competitive alternative to New Jersey who is attracting many of New York's businesses through financial incentives such as grants, loans and tax credits (NYC 2004b).

[1] It should be noted that Goldman Sachs has recently received $500 million in tax subsidies to return to Manhattan. Their new office location is currently under construction in Battery Park City (*The Goldman Subsidies*, New York Sun Editorial, September 1 2005).

The City hopes to attract largely financial institutions that may otherwise have moved to New Jersey (NYC 2004a). This was highlighted the unveiling of the Plan by Major Bloomberg at a ribbon-cutting ceremony at The Bank of New York's new office building in Downtown Brooklyn. The Bank had moved 1,400 employees that the city claims might otherwise have left New York City after September 11, 2001. But the movement of businesses to New Jersey and other states is not due to a lack of office space in New York City. In fact, in November 2006 vacancy rates for A Grade office space in mid-town Manhattan were seven percent (State Comptroller 2006).

An attempt by the city to attract financial institutions to Brooklyn is not new. The current redevelopment plan bears many similarities to the redevelopment plans of 1969 and 1983. Both plans highlighted Brooklyn's assets as an accessible, affordable and livable downtown and identified under-utilized commercial and office space for redevelopment (Regional Plan Association 1983). Both plans also relied heavily on public investment to gain private investment and development (ibid). These plans resulted in the development of MetroTech, a telecommunications center in downtown Brooklyn which has largely housed the financial back-offices of Wall Street. In 1988, Chase Manhattan (now J.P. Morgan Chase and Co.) agreed to move 5,000 of its employees to MetroTech at a cost to the City of $51,000 per job (GJNY 2005). Since that time, however, now that government tax subsidies have dried up, J.P Morgan's offices have moved to New Jersey and other States, and the MetroTech development houses largely government services (ibid).

As the JP Morgan Chase and Co. case in Brooklyn's Metrotech demonstrated, businesses are able to follow tax subsidies and other incentives. As a result, municipalities like New York City and New Jersey compete against themselves. If companies like JP Morgan Chase and Co. moved out of Metrotech once tax subsidies dried up, what is to say that the new commercial businesses that the city hopes to attract to the new downtown Brooklyn will too move on once the subsidies and incentives have disappeared?

Land use and zoning

Prior to the Downtown Development Plan, Brooklyn was predominantly zoned for mid- to high-density commercial land uses, ranging from office, retail, residential and community facility uses, with floor area ratios of 6-10 (NYC 2004a). Through the 2004 Plan, the City hopes to create an economic center equal to America's 4th largest city; a strong and diverse commercial & retail market; increase residential development in the area; expand cultural and educational destinations (ibid). In order to achieve this, the Plan rezoned land to allow the use of what the city refers to as "previously under-developed commercial sites" and expand both academic and residential development land (Ibid).

The 2004 Plan allows for a higher density of commercial and residential development. Floor area ratios in Brooklyn's commercial core will increase from 6 to 10, to up to 12 along the currently underdeveloped commercial buildings, residential buildings, and parking lots fronting Willoughby, Gold, Duffield, Bridge and Lawrence Streets (NYC 2004a). Along Fulton Street Mall, the rezoning will continue to allow department stores, retail and office buildings. However, tower building forms with no height limit will also be permitted (ibid). The rezoning south of Fulton Street Mall will allow multi-story retail development and mixed-use residential buildings with ground-floor retail (ibid). Zoning changes for downtown Brooklyn are outlined in Figure 4.

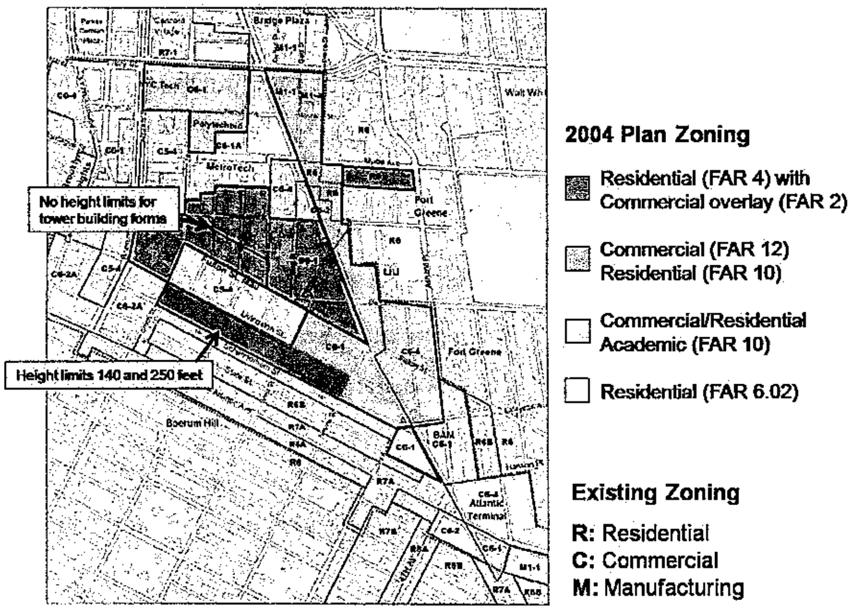


Figure 4: Zoning changes in the Downtown Brooklyn Development Plan

It is expected that the Plan will lead to the creation of three new office towers, with as much as three million square feet of space, an office development anchoring the west end of downtown with a total development potential of nearly 850,000 square feet, new residential and office opportunities on the eastern side and additional residential opportunities along the southern edge of downtown (NYC 2004a).

Similar to the 1983 Plan and the MetroTech development, the 2004 Plan relies largely on public investment through zoning changes, infrastructure investment and tax incentives. It is expected that this public investment would act as a catalyst to generate an estimated 4.5 million square feet of new commercial office space, creating 18,500 office jobs and 8,000 construction jobs. It would add some 1,000 new housing units and result in the addition of new, vibrant public spaces and cultural resources (NYC 2004a).

The Changing Neighborhood

All new zones created by the 2004 Plan allow both commercial and residential development. This creates what is sometimes referred to as a market led zoning environment – where the market will largely determine what development (residential or commercial) will occur. Given that residential development is currently the most profitable development, the downtown has already and will continue to see the development of large residential towers selling for up to $1,000,000 per apartment (see Figure 5).

Oro Condominiums now on sale
Studios $350,000 – 2-bedroom $1,000,000

Figure 5: Marketing new residential development in Downtown Brooklyn

The new luxury developments that are occurring in downtown Brooklyn are being marketed to middle and upper income residents, the workers of the new commercial development that the City is seeking to attract to Brooklyn. In the new Oro Residential Tower shown in Figure 5, residents can "enjoy sweeping views of Manhattan from their apartment will 9-foot high ceilings and exotic hardwood floors, a leisurely swim in its pool, and [if you are so inclined] a game of racquet-ball". This reinvention of Brooklyn for a new socio-economic class will be discussed later in the report.

Revamping the Retail Center

The 2004 Plan will have a significant impact on Brooklyn's retail center: Fulton Mall. Fulton Mall is the third largest dollar volume retail district in New York City (gross revenue of nearly $1 billion annually) and attracts as many as 100,000 shoppers a day (FUREE 2007). But despite the mall's enormous success, the City of New York has declared this area to be "underutilized" and in need of revitalization. The city's disinterest in Fulton Mall was evident with the development of MetroTech in the 1980s. As higher-income office workers and residents moved into the area they viewed Fulton Mall in a negative light with low-rent shops selling cheap goods and management and clientele who are mostly people of color (Angotti 2004). As a result, the city, not recognizing the vital street life of Fulton Mall, let the shopping strip stagnate (ibid).

The 2004 Plan aims to "foster new, varied retail for employees, residents and visitors alike and promote a more attractive retail environment through new signage and facade controls and requirements for new ground-floor retail on key shopping corridors" (NYC 2004a). The New York City Planning website also provides images of how this new retail development will look – see Figure 6 (NYC 2004a). These shop fronts, housing the stores French Connection and Ann-Taylor Loft, reflect the retail spaces seen in many of Manhattan's more salubrious neighborhoods. In other words, the city aims to develop downtown Brooklyn's retail space for its new middle and upper income residents. In catering only to the new residential population of downtown Brooklyn, the Plan again fails to recognize the existing community that lives in and around the downtown area.

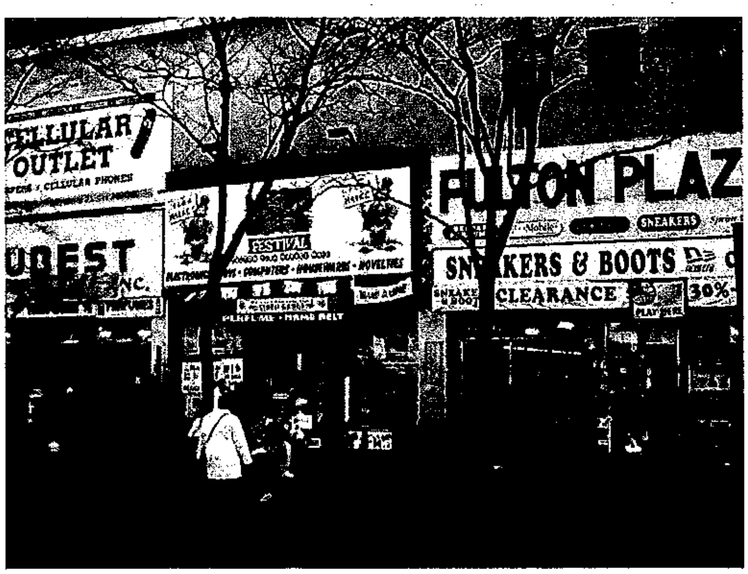


Figure 6: Fulton Street Mall today (above) and the city's vision for new retail space in downtown Brooklyn (below).

WHY STUDY SMALL BUSINESS?

The loss of small and locally owned businesses has been seen in various towns and cities around the US. As people are rediscovering and moving back into cities, nationally owned chain stores are abandoning suburban malls and strip shopping centers for downtown centers, and bring with them the "sameness" of chain stores reducing the diversity and ruining the distinctive character of downtown areas (Nasser 2004). For some opponents to chain stores, the issue is simply aesthetic. Chain stores are often built using the same formula design that does not always blend with the surrounding character of the neighborhood (Nasser 2004). Many opponents to chain stores, however, are more concerned with the resulting loss to locally owned business (Ibid).

Moreover, as discussed earlier, displacement due to gentrification has largely focused around retaining residents through affordable housing. There is little voice for the owner or renters of small businesses who are located in areas of redevelopment and facing displacement.

For FUREE, small businesses are a vital part of the health of the communities of Brooklyn. They provide an important link in the organic set of social relationships that make Downtown Brooklyn a culturally distinct and valuable place. Furthermore, currently there is no comprehensive plan to specifically incorporate small business owners needs into development plans that they will be directly affected by.

If small business is an object of public policy or is used as a vehicle to promote public policy goals, it must have some value or make some contribution to the economy and/or society. Some of the ways small businesses contributed to New York City's economy since the dreadful terrorist attacks on the United States on September 11, 2007 are: Job generation and Producers and distributors of goods and services.

Small businesses play a huge role in the booming of New York City's economy. Small businesses have been one of the reasons why there is an almost doubled loan rate. In a study conducted by Hector V. Baretto, an Administrator at the U.S. Small Business Administration, in May 2006, he said during the year 2001 there was about 45000 loans. To this date, there are about 100000 loans. The main reason for this doubling of loans has been the small businesses. In the years before September 11, 2001, the economy was guaranteed about $10 billion in loans. In 2006, there was $20 billion in loans.

Small businesses have been held accountable for the decrease in unemployment rate. The unemployment rate was 6% during 2000 – 2002, now it is somewhere in the region of 4.5 % to 4.7 %. The generations of jobs in the economy by the small businesses have made almost 3 million jobs accessible to individuals of the public. The economy continues to prosper and be productive. Trading in the Stock Market has been up and running from where it was after 9/11.

A CASE STUDY: Albee Square Mall

In February 2007, a joint venture of Acadia Realty Trust, P/A Associates, Avalon Bay Communities, and MacFarlane Partners agreed to purchase the lease on the Gallery at Fulton Street, its attached parking lot, and the former Albee Square Mall from Thor Equities for about $125 million.

The new owners plan to demolish the facility and construct a 1.6 million-square-foot mixed-use complex called the Center at Albee Square which will have retail, office, and residential rental units. Arcadia and P/A Associates will develop 475,000 square feet of retail space, including a major discount department store (Stoler 2007). AvalonBay Communities and MacFarlane Partners will build 1,000 rental apartments, 20% of them for tenants of moderate incomes (ibid). The two joint ventures would build and construct a total of more than 125,000 square feet of office space (ibid). The new owners will also receive about $1.8 million in city tax subsidies through sales tax exemptions and a mortgage tax waiver (ibid).

Albee Square represents a key example of the type of development that is occurring as a result of the 2004 Plan. As such, this project has focused on Albee Square as a case study for how the 2004 Plan will impact on small business in downtown Brooklyn.

METHODOLOGY

During the month of February and March in-depth interviews and questionnaires were conducted with business owners in Albee Square Mall. The interviews were used to assist in determining the role and importance of small business in the community, as well as determine the needs of these businesses so that recommendations could be made to amend the 2004 Plan to support small businesses.

Subjects

Research assistants and members of FUREE undertook in depth interviews and questionnaires with 20 small business owners in Albee Square Mall. There are a total of 40 small businesses in the mall.

Instrument

The interview was tailored to the target group. The method used was a face-to-face interview questionnaire with a combination of structured, semi-structured and open ended interview questions. The advantage of using a combination method allows for some issues to be queried using structured question choices, but other issues handled without restriction to responses. This enabled the collection of quantitative data, as well as qualitative information or 'stories' from small business owners. A copy of the survey is attached in Appendix 1.

Procedure

The interview length was approximately 30 minutes to 1 hour. Each interviewer described the project to the store manager or the business owners. Some businesses owners or managers were not present and often multiple returns by interviewers were required before store owners were present or willing to participate. The collected data was then entered into a database for analysis.

Although no follow up interviews were arranged, the interviewing process provided an opportunity for community outreach. FUREE requested that contact information for participants was collected and collated for community organizing. Participants were also asked whether they would be willing to meet with other small business owners in the community to discuss further the impact of the 2004 Plan on downtown Brooklyn.

RESULTS

Interviews with small businesses at Albee Square Mall

The information that we have collected found that 50% of small business owners live in Brooklyn and 60% of small business owners chose to locate their business in Brooklyn because it was close to the businesses customer base. Moreover 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. Three of the 20 businesses interviewed have been there for 26 years or more. This highlights a long history of small business in the area.

Of the businesses in Albee Square Mall, a majority of store owners cited customers and affordable rent as major reasons for moving to the Mall (see Figure 7).

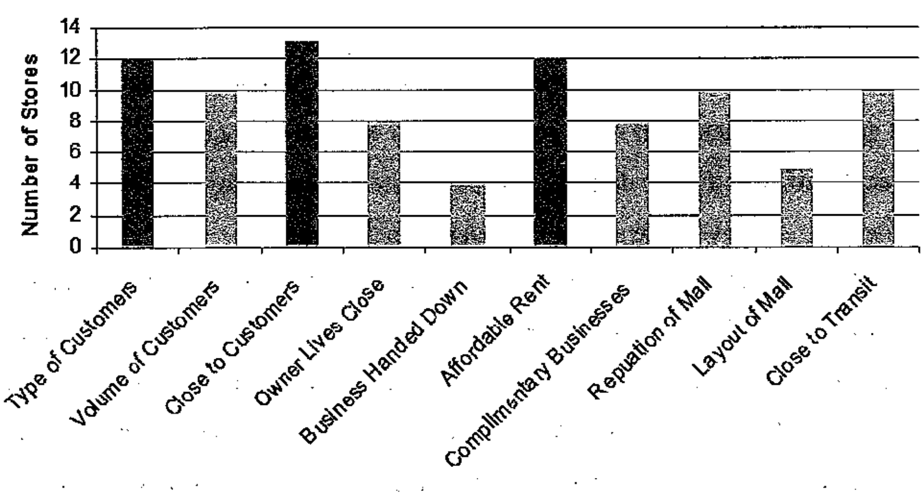


Figure 7: Reasons for Locating Business in Albee Square Mall (n=20)

All respondents in the survey employ predominantly local Brooklyn residents as well as friend and family members, and 39% of respondents have employees who have been with them for more than 6 years. 60% of those interviewed stated that their customer base is predominantly low income. All businesses in the Down Town Brooklyn area identified that African Americans and

75% of Caribbean people are a significant portion of their customer base (see Figure 8). This highlights that small businesses provide local employment and serve the local low income community.

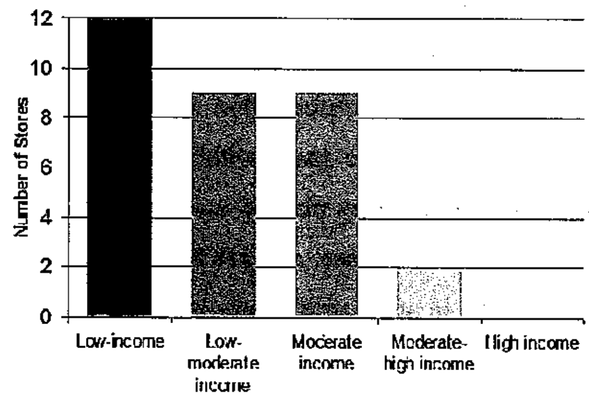


Figure 8: Income of Small Business Customers, Albee Square Mall

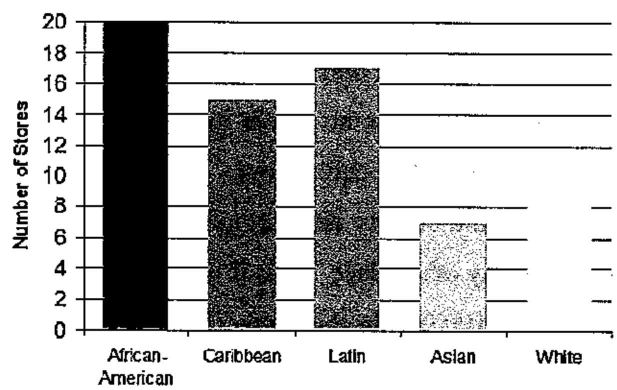


Figure 9: Race of Customers, Albee Square Mall

The mall is currently in disarray – many store fronts are abandoned, tenants have not had heat or air-conditioning for the last 7 years and the escalator and elevators do not work properly. As a direct result of this, 45% of current businesses states that there has been a decline in sales over the last 5 years, with only 20% stating that sales have increased. For example one business owner mentioned that even during Christmas season when it is cold, they have to wear coats and gloves and the cold is not appealing to customers.

These results highlight that the current redevelopment plans coupled with the history of disinvestment by Thor Equities are hurting these small businesses and the local community. The current landlord, Thor Equities, who took over the mall in 2001, promised to improve the mall but their promises still has not been delivered. In the mall's that we know and love to visit on a regular basis, as consumer want the luxury to also dine, but the food court in The Albee Square Mall used to bring in customers, it now has only two restaurants, one respondent that Wendy's with its fast food and dollar menu used to bring in a lot of customers and they are no longer there; as a result customer traffic has slowed down.

Many tenants cited lack of information or disinformation about the future plans for the mall. While Thor Equities continue to actively lease space within the mall, new tenants are keeping much of their stock in boxes realizing that they may be evicted at any time. As a result of the research 65% of respondents do not have a lease, and are renting month to month. Because of lack of advertisement and a decrease in store sale, many business owners stated, "The current landlord does nothing to advertise the mall." A business owner stated that, "People go to Atlantic mall because it is nicer over there. Not here. If you fix it up business would come."

As a result of the research, 80% of the respondents own only one business and have no alternative set in place if the business is forced to relocate. The current businesses have built a relationship as well as a reputation in the community that they see, 95% see their customers on a repeating basis. 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." One store owner claimed that, "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," stated one business owner. Businesses who are forced to relocate will suffer.

DISCUSSION

Meeting the needs of small businesses in downtown Brooklyn

As highlighted in the above results of interviews in Albee Square Mall, current small businesses in downtown Brooklyn play a significant role in serving the local community.

As seen already, the current proposal for the downtown redevelopment of Brooklyn will force many small businesses to move or close down altogether. The following section discusses both planning and financial tools that could be adopted in downtown Brooklyn to ensure the 2004 Plan and subsequent development has a positive impact on the local community.

Planning and Zoning tools

Various regulatory strategies and land use zoning mechanisms are available to planners that enable small businesses to prosper in the face of economic growth. The following section discusses best practice planning strategies that have been adopted around the United States to protect small business while ensuring the economic growth of a centre.

Maximum development requirements

Big box retail and chain retail stores, such as chain drug stores, Walmart, GAP or Starbucks, require larger formats and therefore larger spaces within which to operate. Strong land use policies that prohibit retail stores over a certain size have been adopted in many towns and cities around the United States as a mechanism to foster small businesses. The City of Easton, Maryland, for example, adopted a planning ordinance which bans stores over 65,000 square feet (NewRules 2006a). In a similar vein, the City of Austin, Texas, passed a planning ordinance that a requires a special development permit for a large retail use with a gross floor area of 100,000 square feet or more (City of Austin 2007). Most significantly, in addition to the existing code requirement for notification, all registered neighborhood associations within a one mile radius of the proposed retail use shall receive written notice of the pending application (ibid).

The issue with setting maximum development sizes is that chain retail stores are able to adapt to smaller retail development spaces so although the area may have physically small businesses, they are not necessarily small/independent businesses.

Limiting "formula" stores

In response to big businesses adapting to small development spaces, several towns and cities around the US have implemented a formula business[2] or chain store ordinance which restricts chain stores in business districts. Under San Francisco's Planning Code, whenever a formula retail business applies to open, residents in the surrounding neighborhood are notified (see San Francisco Planning Code). They have the option of requesting a public hearing and subjecting the applicant to additional assessment (ibid). The ordinance allows for varying degrees of regulation for each neighborhood. Some neighborhoods have banned formula businesses entirely (NewRules 2006b).

[2] Formula businesses include retail stores, restaurants, hotels and other establishments that are required by contract to adopt standardized services, methods of operation, decor, uniforms, architecture or other features virtually identical to businesses located in other communities (New Rules 2007).

Much like the 2004 Plan, San Francisco sought to maintain and diversify retail in its business districts. San Francisco's Planning Code states:

"Retail uses are the land uses most critical to the success of the City's commercial districts. Money earned by independent businesses is more likely to circulate within the local neighborhood and City economy than the money earned by formula retail businesses which often have corporate offices and vendors located outside of San Francisco. The increase of formula retail businesses in the City's neighborhood commercial areas, if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct neighborhood retailing personalities comprised of a mix of businesses."

If the City of New York is serious about "strengthen retail by fostering new and varied retail development" (NYC 2004), the City must ensure that Brooklyn's downtown development is not overrun by formula retail stores. Placing restrictions on such stores, like that implemented in San Francisco, would favor small and locally owned business, and the diversity and local economy that these small businesses generate, to remain.

Importantly, ordinances relating to restrictions on formula retail stores have been upheld in court (see the June 2003 California Appeals Court decision upholding Coronado's formula business ordinance). An extract of the Planning Code relating to formula retail stores is included in Appendix 2.

Inclusionary Zoning

The results of our interviews with small businesses in Albee Square Mall clearly highlighted that affordable rent is central to retaining small businesses in downtown Brooklyn. New York City has encouraged affordable housing for decades by the use of a land use tool known as inclusionary zoning (Angotti 2006). This allows real estate developers to construct larger buildings in exchange for allocating a portion (usually 10-30%) of the new construction set aside for low income households (Ibid).

A similar approach could be adopted for retail space in Brooklyn's downtown. Developers provide affordable retail space in new developments. This could be implemented through incentives, such as allowing developers to increase the density or Floor Area Ratio of the development, or it could be done through a mandatory ordinance that requires developers to provide affordable retail space.

Although usually adopted for housing development, inclusionary zoning for retail and commercial development has been proposed for the expansion of Columbia University into areas of West Harlem. Columbia's expansion is expected to cause the displacement of local residents and businesses causing significant impacts on West Harlem's existing social and physical character. As a result, Manhattan Borough President Scott Stringer is proposing the City create a West Harlem Special Zoning District (Stringer 2007). Part of the zoning for this special district includes density bonuses to provide incentives for developers to provide affordably priced retail or commercial space to local businesses (ibid).

Unfortunately, to date, inclusionary zoning in New York City is voluntary and not mandatory. Examples of inclusionary zoning ordinances have only produced significant numbers of units of housing where the requirement is mandatory (Angotti 2006).

Financial Tools

During the construction phase of the redevelopment plan for Albee Square Mall all small businesses housed in the mall will have to relocate. All businesses surveyed in the mall voiced that it would be very difficult if not impossible to find affordable retail space in the surrounding area. The rents in the surrounding neighborhoods are at least 200% more than what they are paying now. Furthermore, there are no provisions for the businesses to return after construction has been completed. Moreover, with redevelopment comes higher rents.

Relocation Assistance

Our research indicates that there are few local, state or federally funded programs that assist small businesses with relocation funds when "revitalization" and "re-development" displace the small businesses. Several cities provide examples of small business relocation assistance. Two examples are outlined below.

Austin Texas' Business Retention and Enhancement 24 month pilot program effective February 2007 is administered through the City's Economic Growth and Redevelopment Services Office. The program is intended to provide low interest loans for Eligible Costs to existing businesses located within the Eligible Area that are being displaced because of development and attract new businesses. The city may provide a loan to any one Applicant in the amount not to exceed $250,000. Existing businesses that are required to relocate due to development but remain within the Eligible Area, the funds may increase up to $750,000, of which the outstanding loan balance may be forgiven if the Project continues to successfully operate for a period of five years after loan closing. Preferences will be given to Locally-Owned businesses and Minority-Owned businesses or Women-Owned business Enterprises. (City of Austin 2007)

Wisconsin provides expanded benefits to displaced businesses. In Wisconsin an owner business can receive payment up to $50,000 and a tenant business can receive up to $30,000 to assist in purchasing a replacement location. In addition, to these payments a business could also be eligible for the full $10,000 of federal reestablishment payment. (US Department of Transportation 2002)

Rent Subsidies

As outlined by Land Strategist and Developer Christopher Leinberger, "the concept of value latching is that as downtown values rise both rent and sales products, there could be negotiated a system of dedicated cash flow sources for affordable housing and commercial rents. The organization responsible for supporting the affordable rents would have a built in incentive for the downtown revitalization to succeed. Systematically latching onto the rising property values and rents would provide a permanent source of funding for affordable commercial and housing rents, not dependent on annual government appropriations". (Leinberger 2002)

There are various ways to latch on to rising property values. For example, any promised and future cash flow coming back to the City by private real estate projects, would be given to the non profit that would be created to monitor and distribute the funds generated by the various downtown projects participating in the program (Leinberger 2002). The excess funds could be used to create subsidies for small businesses in the revitalized area.

"The revitalization of downtown Albuquerque may provide a model of value latching. The for profit Historic District Improvement Company (HDIC) is comprised of one of the largest New Urbanist development firms in the country, and the largest foundation in the state, as an equity investor. The HDIC has committed cash flow earnings to the City, the cash flow earnings are projected to yield a return of $18 million back to the City over 20 years, in addition to a projected $29 million in net increased tax revenues". (Leinberger 2002)

In addition, one of the nation's largest foundations that finance and facilitate the need for affordable housing is set to determine that need for affordable housing and commercial space in the downtown area. Moreover, the foundation is setting up a new affordable residential and commercial non-profit. (Leinberger 2002)

Tax Increment Financing (TIF)

TIF is a State Financing tool to generate money for local government for economic development in a specific geographic district. TIF's capture new property tax revenues and re-invest them in that same area. (Progressive Dane Economic Task Force 2005)

Many times tax increment financing is used to subsidize large-sale development projects. However, TIF could be used to help small businesses. The city of Chicago recognized the growing need to fund smaller improvements to targeted small businesses. Therefore, the city created the TIF Small Business Reinvestment Fund (SBIF). The fund provides matching grants up to $50,000.00 which do not need to be paid back to cover half the costs of remodeling and repairs. (Lincoln Square Business Improvement 2007)

Notice of Proposed Redevelopment

Minnesota's Acquisition and Relocation Handbook under its Small Cities Programs calls for all funded activities under the Program to provide adequate notice to occupants. Notification of notices about relocation and rights of the occupants are hand delivered to the businesses and businesses get a receipt. (Minnesota Department of Employment and Economic Development 2004)

Educational/Technical Support

The Maryland Small Business Development Center partnerships with colleges sand organizations to provide educations and technical support for small businesses. The Center provides one-on-one counseling, assistance with business plans and securing grants. *"We counsel and train aspiring and existing small businesses to resolve organizational, financial, marketing, technical regulatory and other issues they might encounter."* (Maryland Small Business Development Center SBDC-Western Region, Inc. 2007)

THE BROADER CONTEXT

Politics, economics and gentrification

A study of the redevelopment of downtown Brooklyn needs to be considered within the broader political and economic context. The Bloomberg Administration's broader economic development strategy for New York City reflects neo-liberal policies which seek to promote economic development and creating open markets. New York City's bankruptcy in the 1970s, memorialized in the famous New York Post headline, "Ford to City: Drop Dead", has led to an 80% decline in public urban funding over the last 30 years, forcing the city to generate its own income (flyer). Property tax, hotel tax, ticket and entertainment taxes, and sales tax are now a much higher proportion of urban revenue, and as such, a far greater determinant of urban land use (Flyer). The City's attempt to develop Brooklyn and its land uses for higher tax income is simply a way to ensure that that city taxes are not lost to other cities or states.

Neo-liberal policies which seek to increase economic growth do so at the determent of local communities. The Bloomberg Administration is concerned with trying to make New York City competitive in the global economy (Harvey). But, as David Harvey asks, 'Competitive for what?' And competitive for whom? Early in Bloomberg's term as New York City Mayor, he was recorded saying:

> *"We're not going to offer any subsidies to corporations to come here. If a corporation needs a subsidy to locate, in this high cost, high quality, wonderful location of New York City, if they need a subsidy to come here, then we don't want them. We only want corporations that can afford to be here."*

Unfortunately, the development of Downtown Brooklyn relies heavily of tax subsidies from the city. Bloomberg's statement, however, applies not to businesses but to people. There is an out migration from New York City of low income people who are moving to small towns in Pennsylvania and upper New York State because New York City is unaffordable (Harvey). The redevelopment of Brooklyn's downtown has already started to displace the local low-income minority community. Again, economic development is being pursued by the city at the expense of the existing low-income community, rather than building on the community's existing assets.

RECOMMENDATIONS

The 2004 Plan for downtown Brooklyn does not meet the needs of the current community. Interviews with the small businesses of Albee Square Mall highlight this. The development (and gentrification) expected to occur as a result of the Plan will displace – and possibly eliminate – small business in the area. The City has not made efforts to assist small businesses that will be affected by the 2004 Plan. Several mechanisms should be considered to address the specific issues presented in this report to ensure that small businesses will be preserved and continue to function as vital parts of the community.

1. Right to Return

When construction is completed on Albee Square Mall there should be allotted commercial space for the previous small business owners to return. In that allotted number minority and women owned businesses should be a first priority. Before the first brick is laid due to construction there should be an agreement between the City, independent businesses and the developers that in order to ensure the environment stays competitive and diverse it's in everybody's best interest to allow the small business owner to return.

2. Affordable rental (inclusionary zoning and rent subsidy)

Rents will rise rapidly when the new complex is erected. There will be a new core of shops and vendors. Small businesses should be given a chance to adjust to the changing market. The new complex will have more foot traffic and the small business owner will be able to thrive in their new environment. Therefore, funding a subsidize rent program that allows businesses to gradually adjust to the higher rent will be beneficial.

3. On-going Community Involvement

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. Planning codes that attempt to limit formula retail stores, such as those implemented in San Francisco, can include a clause that requires residents and businesses in the surrounding area to be notified. Those notified have the option of requesting a public hearing and subjecting the applicant to additional assessment that should focus on the effect of the new formula retail store on the current locally owned small business.

4. City-wide approach

As discussed early in this report, gentrification and the subsequent displacement of small business is not unique to downtown Brooklyn. Several neighborhoods around New York City are experiencing different versions of the same story and are attempting to organize around this issue. It is recommended that FUREE engage with other organizations such as WE ACT in order to pool funds, resources and expertise to develop a holistic, city-wide policy that can set the precedence for adoption in other neighborhoods as this issue continues to arise.

FURTHER RESEARCH

Using Albee Square Mall as a case study, this report has highlighted the significant role that small businesses play in downtown Brooklyn. Focusing on the needs of small businesses in Albee Square Mall, this report has also provided recommendations that will assist in retaining small businesses in downtown Brooklyn. Interviews with small businesses have begun outside of Albee Square Mall, along Fulton Mall and the adjacent side streets of downtown Brooklyn. From these initial interviews, the project team has seen similar results in the role, characteristics and needs of these small businesses. To date, however, the sample size of interviewed businesses outside of Albee Square Mall is not adequate to draw conclusions on the needs of these small businesses. Interviews with more businesses along Fulton Street and the adjacent side streets is required in order to fully understand the needs of small businesses in downtown Brooklyn.

CONCLUSION

This project has highlighted the important role that small businesses play in downtown Brooklyn. It has also highlighted the short-comings of the Brooklyn Downtown Development Plan 2004 in meeting the needs of these small businesses. If the development of downtown Brooklyn continues along its current path, and without further action by organizations like FUREE, small businesses will be forced to relocate or close down. This report has recommended several planning and financial mechanisms that should be considered for FUREE's Alternative Brooklyn Downtown Plan. Significantly, however, the displacement of these small businesses due to the process of gentrification is not unique to downtown Brooklyn. This report has also recommended that organizing around issues of small business displacement could be approached at a city wide level.

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APPENDIX 1

Put interview questionnaire here…

APPENDIX 2: Restrictions on Formula Restaurants

Extract from San Francisco Planning Code:

SEC. 703.3. FORMULA RETAIL USES.

(a) Findings.

(1) San Francisco is a city of diverse and distinct neighborhoods identified in large part by the character of their commercial areas.

(2) San Francisco needs to protect its vibrant small business sector and create a supportive environment for new small business innovations. One of the eight Priority Policies of the City's General Plan resolves that "existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced."

(3) Retail uses are the land uses most critical to the success of the City's commercial districts.

(4) Formula retail businesses are increasing in number in San Francisco, as they are in cities and towns across the country.

(5) Money earned by independent businesses is more likely to circulate within the local neighborhood and City economy than the money earned by formula retail businesses which often have corporate offices and vendors located outside of San Francisco.

(6) Formula retail businesses can have a competitive advantage over independent operators because they are typically better capitalized and can absorb larger startup costs, pay more for lease space, and commit to longer lease contracts. This can put pressure on existing businesses and potentially price out new startup independent businesses.

(7) San Francisco is one of a very few major urban centers in the State in which housing, shops, work places, schools, parks and civic facilities intimately co-exist to create strong identifiable neighborhoods. The neighborhood streets invite walking and bicycling and the City's mix of architecture contributes to a strong sense of neighborhood community within the larger City community.

(8) Notwithstanding the marketability of a retailer's goods or services or the visual attractiveness of the storefront, the standardized architecture, color schemes, decor and signage of many formula retail businesses can detract from the distinctive character of certain Neighborhood Commercial Districts.

(9) The increase of formula retail businesses in the City's neighborhood commercial areas, if not monitored and regulated, will hamper the City's goal of a diverse retail base with distinct neighborhood retailing personalities comprised of a mix of businesses. Specifically, the unregulated and unmonitored establishment of additional formula retail uses may unduly limit or eliminate business establishment opportunities for smaller or medium-sized businesses, many of which tend to be non-traditional or unique, and unduly skew the mix of businesses towards national retailers in lieu of local or regional retailers, thereby decreasing the diversity of merchandise available to residents and visitors and the diversity of purveyors of merchandise.

(10) If, in the future, neighborhoods determine that the needs of their Neighborhood Commercial Districts are better served by eliminating the notice requirements for proposed formula retail uses, by converting formula retail uses into conditional uses in their district, or by prohibiting formula retail uses in their district, they can propose legislation to do so.

(b) Formula Retail Use. Formula retail use is hereby defined as a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States, maintains two or more of the following features: a standardized array of merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark.

(1) Standardized array of merchandise shall be defined as 50% or more of in-stock merchandise from a single distributor bearing uniform markings.

(2) Trademark shall be defined as a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one party from those of others.

(3) Servicemark shall be defined as word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one party from those of others.

(4) Decor shall be defined as the style of interior finishings, which may include but is not limited to, style of furniture, wallcoverings or permanent fixtures.

(5) Color Scheme shall be defined as selection of colors used throughout, such as on the furnishings, permanent fixtures, and wallcoverings, or as used on the facade.

(6) Facade shall be defined as the face or front of a building, including awnings, looking onto a street or an open space.

(7) Uniform Apparel shall be defined as standardized items of clothing including but not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name tags) as well as standardized colors of clothing.

(8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning Code.

(c) "Retail sales activity or retail sales establishment" shall include the following uses, as defined in Article 7 of this Code: "bar," "drive-up facility," "eating and drinking use," "liquor store," "restaurant, large fast-food," "restaurant, small self-service," "restaurant, full-service," "sales and service, other retail," "sales and service, retail," "movie theatre," "video store," "amusement and game arcade," and "take-out food."

(d) Formula Retail Uses Permitted. Any use permitted in a Neighborhood Commercial District, which is all a "formula retail use" as defined in this Section, is hereby permitted.

(e) Formula Retail Use Prohibited. Notwithstanding subsection (d), any use permitted in the Hayes-Gough Neighborhood Commercial District, or the North Beach Neighborhood Commercial District, which is also a "formula retail use" as defined in this Section, is hereby prohibited.

(f) Conditional Uses. Notwithstanding subsections (d) or (e), any use permitted in the Haight Street Neighborhood Commercial District, the Japantown Special Use District as defined in Section 249.31, or in the Small-Scale Neighborhood Commercial District along Divisadero Street, bounded by Haight Street to the south and Turk Street to the north (Block 1128, Lot 20, Block 1129, Lots 93--106, Block 1153, Lots 1--4, 6, and 21--22 Block 1154, Lots 13--17B and 35--40, Block 1155, Lots 16--21, Lots 23, 24, and 36--38, Block 1156, Lots 4--6, 8, 38 and 40--41, Block 1179, Lots 1--1C, 27, and 28, Block 1180, Lots 12--17, Block 1181, Lots 14--9, Block 1182, Lots 2--6, 8, 22--23, 30--60, Block 1201, Lots 1--4, 8--10, 39--54 and 57--61, Block 1202, Lots 2A, 2B, 2J and 7, Block 1203, Lots 17--22, 24 and 37, Block 1204, Lots 1--11A, Block 1215, Lots 8--16, Block 1216, Lots 5, 1 and 17–18, Block 1217, Lots 20--29, Block 1218, Lots 1--8, 29, 32, and 50, Block 1237, Lots 1--7, Block 1238, Lots 21--27, Block 1239, Lot 27, Block 1240, Lot 1), or in the Neighborhood Commercial Cluster Districts located at Cole and Carl Streets (Block 1267, Lot 9, Block 1268, Lots 26, 27, 28 and 29, Block 1271, Lots 24, 24A, 24B, 25 and 26, Block 1272, Lots 1, 2, 3, 4, and 5, Block 1278, Lot 22), and at Parnassus and Stanyan Streets (Block 1276, Lot 21), which is also a "formula retail use" as defined in this Section, is hereby permitted only as a conditional use. Additional criteria to be used by the Planning Commission when considering granting conditional use permits to formula retail uses in these districts are listed in Section 303(i).

(g) Neighborhood Commercial Notification and Design Review. After the effective date of this Ordinance, any building permit application for a use permitted in a Neighborhood Commercial District which is also a "formula retail use" as defined in this section shall be subject to the Neighborhood Commercial Notification and Design Review Procedures of Section 312 of this Code.

(h) Discretionary Review Guidelines. The Planning Commission shall develop and adopt guidelines which it shall employ when considering any request for discretionary review made pursuant to this Section. These guidelines shall include but are not limited to consideration of the following factors:

(1) Existing concentrations of formula retail uses within the Neighborhood Commercial District.

(2) Availability of other similar retail uses within the Neighborhood Commercial District.

(3) Compatibility of the proposed formula retail use with the existing architectural and aesthetic character of the Neighborhood Commercial District.

(4) Existing retail vacancy rates within the Neighborhood Commercial District.

(5) Existing mix of Citywide-serving retail uses and neighborhood-serving retail uses within the Neighborhood Commercial District.

(i) Determination of Formula Retail Use. After the effective date of this Ordinance, in those areas in which "formula retail uses" are prohibited, any building permit application determined by the City to be for a "formula retail use" that does not identify the use as a "formula retail use" is incomplete and cannot be processed until the omission is corrected. Any building permit approved after the effective date of this Ordinance that is determined by the City to have been, at the time of application, for a "formula retail use" that did not identify the use as a "formula retail use" is subject to revocation at any time.
After the effective date of this Ordinance, in those areas in which "formula retail uses" are subject to the Neighborhood Commercial Notification and Design Review provisions of subsection (e), any building permit application determined by the City to be for a "formula retail use" that does not identify the use as a "formula retail use" is incomplete and cannot be processed until the omission is corrected. After the effective date of this Ordinance, any building permit approved that is determined by the City to be for a "formula retail use" that does not identify the use as a "formula retail use" must complete the Neighborhood Commercial Notification and Design Review required in subsection (e).

If the City determines that a building permit application or building permit subject to this Section of the Code is for a "formula retail use," the building permit applicant or holder bears the burden of proving to the City that the proposed or existing use is not a "formula retail use."

(Added by Ord. 62-04, File No. 031501, App. 4/9/2004; amended by Ord. 8-05, File No. 041067, App. 1/8/2005; Ord. 65-05, File No. 041071, App. 4/1/2005; Ord. 173-05, File No. 050254, App. 7/29/2005; Ord. 180-06, File No. 060266, App. 7/14/2006)