

TESTIMONY

BY

DEPUTY COMMISSIONER RACHEL VAN TOSH

NEW YORK CITY

DEPARTMENT OF SMALL BUSINESS SERVICES

BEFORE

THE COMMITTEE ON SMALL BUSINESS

OF THE

NEW YORK CITY COUNCIL

WEDNESDAY, FEBRUARY 28, 2018

Good morning **Chair Gjonaj** and members of the Committee on Small Business. My name is Rachel Van Tosh, and I am a Deputy Commissioner at the New York City Department of Small Businesses Services (“SBS”). At SBS, we aim to unlock economic potential and create economic security for all New Yorkers by connecting them to quality jobs, building stronger businesses, and fostering thriving neighborhoods across the five boroughs. We are excited to partner with the new Council and to continue our important work with the Small Business Committee. Today, I am pleased to testify on our support of microbusinesses.

Microbusinesses are essential to the local economy and character of our neighborhoods. Small business ownership and entrepreneurship can help uplift generations of families while providing neighbors with goods and services. I am the granddaughter of one such entrepreneur, who started a small jewelry counter down on the Lower East Side and shaped a better life for his family. SBS serves as an advocate for small business owners like my grandfather, with a focus on ensuring equity of opportunity. Helping microbusinesses is at the heart of what we do.

Microbusinesses are defined by the U.S. Small Business Administration as businesses with fewer than **ten** employees. In New York City, microbusinesses make up nearly **eighty percent** of businesses and employ approximately **fifteen percent** of the private sector workforce. These companies cover many industries – ranging from retail to professional services to food services. They also contract with the City – more than **seventy-five percent** of certified Minority and Women-Owned Businesses (M/WBEs) are microbusinesses.

We know microbusinesses face a myriad of challenges as they seek to operate and grow. But there's good news. While the number of microbusinesses across the country has **decreased by approximately sixteen percent**, microbusinesses in New York City have **grown by more than ten percent**. We are working to foster that growth. Most recently, the Administration worked with Council to modify the Commercial Rent Tax, saving businesses nearly **forty million dollars** per year.

In addition to this recent success, SBS offers extensive, comprehensive resources to help businesses start, operate, and grow. Approximately **seventy-five percent** of the businesses SBS serves are microbusinesses. In every interaction, we gather feedback on the challenges these businesses face. From this experience, we understand microbusinesses to have **four** primary challenges:

1. Accessing business education;
2. Connecting to capital;
3. Complying with government regulations; and finally
4. Adapting to changing local markets.

I am going to quickly speak about each of these challenges and the support SBS offers in each area.

The first challenge we find is that small business owners often have great ideas, but can benefit from learning about best practices in business management. To equip businesses with the tools they need to compete, SBS offers free business courses to thousands of businesses per year in every borough, ranging from **two-hour** sessions to **nine-month** intensives like the **Strategic Steps for Growth Program** in partnership with

NYU. These courses cover everything from marketing to operations to financial management.

Secondly, many microbusinesses struggle to **access credit**. To make it easier on small businesses, SBS provides a free financing service through our NYC Business Solutions Centers – which are SBS’ one-stop business centers in every borough. Through NYC Business Solutions we match business owners with the right lender for their needs and business profiles and walk them step-by-step through the loan process. Since the start of the Administration, SBS has connected approximately **one thousand eight hundred** businesses to **one hundred fifty-five million dollars** in financing. We also invest in funds where we see market gaps. For example, for businesses contracting with the City, SBS offers the **Contract Financing Loan Fund**. This revolving fund offers low-interest loans of up to **five hundred thousand dollars** capped at a **three percent** interest rate. These funds are designed to assist small businesses, microbusinesses and M/WBEs working on City contracts. Since the program’s launch last March, we have lent more than **four and a half million dollars** to **twenty four** small businesses.

The third major challenge many businesses face is **complying with government regulations**. While protecting public health and safety is essential, we know that these rules are not always clear or straightforward for business owners. In 2015, the Mayor launched Small Business First, a major multi agency effort to: provide clear information on regulations; help businesses understand and comply with City regulations; reduce the regulatory burden; and ensure equal access for business owners. We heard directly from hundreds of business owners and created **thirty commitments** to save businesses time and money. Some examples include:

1. Creating an online portal where businesses can see all their interactions with the City;
2. Opening a one-stop Small Business Support Center where businesses can access multiple agencies; and
3. Launching a first-of-its kind compliance consultation program.

We have seen initial success. Since the launch, we have provided more than **seventeen thousand** services at the **Small Business Support Center**. There have been more than **three thousand** on-site consultations with our **Compliance Advisors** – cross-trained individuals with a regulatory background who help businesses avoid common violations. Ultimately, we hope to save business owners millions and decrease the time it takes them to conduct operations with the City.

The final common challenge for microbusinesses is **navigating shifts in the business environment**. SBS helps businesses adapt to changing local trends such as shifting neighborhood demographics. For example, where changing demographics may prompt landlords to speculate or harass existing commercial tenants, SBS provides free legal services through our **Commercial Lease Assistance Program**. Businesses can work one-on-one with attorneys to review lease renewal terms, negotiate with their landlord, and even prepare court papers and motions when litigation cannot be avoided. SBS also helps long-standing companies adjust to neighborhood change through Love Your Local, which provides expert business advice and grants of up to **ninety thousand dollars** for adaptation.

SBS has a wide range of services to help microbusinesses grow and thrive in New York City. We work hard to increase awareness of these services and make them

easily accessible. As I have mentioned, we have physical NYC Business Solutions Centers in all five boroughs where business owners can access our range of free services. SBS also work closely with community partners to get the word out about our services, including leveraging our network of **seventy-five** Business Improvement Districts. Understanding the daily struggles of a business owner, we also bring our resources directly to their doorsteps. Through the Council-funded **Chamber on the Go** initiative, trained business specialists canvas commercial corridors to connect business owners with our services. SBS also recently launched a mobile outreach unit. Along with direct business outreach, SBS also hosts outreach events with regulatory agencies to allow business owners to learn about common violations. Through our door to door outreach and events we have reached **eight thousand business owners**.

As you can see, SBS is an advocate for small and micro businesses and we are committed to ensuring that they succeed in New York City. We are unique among our peer agencies, many of which are tasked with regulating businesses. Our role is to serve as a resource to all business owners – no matter where they come from or what barriers they face. We look forward to learning more about the businesses in your districts and partnering with you help them grow. Thank you and I am happy to answer any questions.



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February 28, 2018

Testimony submitted by the Brooklyn Chamber of Commerce before the New York City Council Committee on Small Business.

Good Afternoon Chair Gjonaj and members of the committee:

My name is Samara Karasyk, and I am Chief of Staff and Executive Vice President at the Brooklyn Chamber of Commerce. I am delivering testimony today on behalf of Andrew Hoan, President and CEO of the Brooklyn Chamber.

With over 2,000 active members, the Brooklyn Chamber is the largest and # 1 ranked Chamber of Commerce in New York State. We promote economic development across the borough of Brooklyn, as well as advocate on behalf of our member businesses. The Brooklyn Alliance is the not-for-profit economic development affiliate of the Brooklyn Chamber, which includes the Business Solutions Center in the borough that we manage. Brooklyn Alliance Capital is the third affiliate of the Brooklyn Chamber and provides micro loans to immigrant and minority-owned small businesses.

In 2017, the average size of firms in Brooklyn hovered around 11 employees, and the majority have 20 or fewer workers. Since 2010, 40% of employment growth in Brooklyn is attributed to firms with under 50 employees, compared to 8% in Manhattan. We also have approximately 35,000 freelancers in Brooklyn, and the number of self-employed individuals is growing at a much faster rate than in the rest of New York City and the country. Small business is the heart of employment in Kings County and we work closely with our partners in government, the community, and private industry to help these companies flourish.

As you can imagine, we focus many of our programs on these small businesses, with an emphasis on minority and immigrant owned businesses. We believe the following are key points in giving them support:

- 1) Provide mobile services, traveling directly to their places of business. Owners of small firms are very limited in their ability to travel from the location of their business. Chamber on the Go is a critical program, which enables us to reach companies that we would not be able to otherwise, and offer them all of our services on-site. We need to grow the City's Chamber on the Go Program so that we can reach even more businesses.
- 2) Offer healthcare to these businesses. Microenterprises need support navigating our healthcare system and determining insurance costs. This is why we offer healthcare navigation services throughout the borough, and we want to increase the support we can offer in this area.
- 3) Streamline the regulatory environment. Laws affecting small businesses change rapidly, and many may not have the in-house expertise to quickly understand new regulations and comply. We should make it as simple as possible to understand changes to business requirements and offer businesses enough time to comply.



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- 4) Increase micro-financing opportunities for small businesses. We have seen firsthand how difficult it can be for a small business, especially one with little or no credit history, to borrow a small amount they need to grow. This is why, last year, we launched our own Community Development Financial Institution. We are pleased to report that we have already made 8 loans to local businesses with an average loan size of approximately \$2,000. These loans not only help entrepreneurs cultivate their business, they also help build their credit for future growth.

On behalf of the members of the Brooklyn Chamber of Commerce, thank you for the opportunity to testify, and for all that you do to support us as we help small businesses in the borough.



TESTIMONY OF ARMANDO MORITZ-CHAPELLIQUEN, BEFORE THE NEW YORK CITY COUNCIL COMMITTEE ON SMALL BUSINESS REGARDING THE ROLE OF SBS IN SUPPORTING MICROBUSINESSES

February 28, 2018

Good Afternoon. Thank you to Chair Gjonaj and to the members of the Committee on Small Business for the opportunity to submit testimony.

My name is Armando Moritz-Chapelliquen and I am the Campaign Coordinator for Equitable Economic Development at the Association for Neighborhood and Housing Development (ANHD). ANHD is a membership organization of NYC- neighborhood based community groups. We have over 100 members throughout the five boroughs. Our mission is to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. We are speaking as a part of United for Small Business NYC, a citywide coalition of community organizations fighting to support and protect New York City's small businesses from the threat of displacement, with particular focus on owner-operated, low-income, minority and immigrant run businesses.

ANHD and USBNYC support the City Council in examining the role of the Department of Small Business Services in supporting microenterprise. Similar to the distinctions between different definitions of "small business", there is not a single definition of what constitutes a "microenterprise". **For the purposes of USBNYC's work, we have defined "small business" as those businesses with fewer than 20 employees. Using this framework, it is clear that small businesses are in dire need of support, from both the Department of Small Business Services and the City as a whole.**

Our small businesses are a central component to New York City's economic and cultural vitality. They provide jobs, culturally relevant goods and services, and community, keeping our neighborhoods thriving and vibrant places to live. However, our small businesses are struggling to survive in the current real estate landscape. **Under the combined pressures of landlord harassment, impending displacement, commercial warehousing, and a lack of affordable commercial spaces, small businesses face unprecedented challenges in the current commercial landscape.**

- Historically, there have been no protections for commercial tenants outside of their lease, leaving them vulnerable to landlord harassment. With the passage of the City's Commercial Tenant Harassment Law, we have begun to turn the tide on this imbalance of power. **We applaud the Department of Small Business Services for the launch of its Commercial Lease Assistance Program, which will help small businesses gain access to free legal services if they are in disputes with their landlord around their lease, and look forward to further empowering commercial tenants and the existing commercial tenant harassment law.**
- Warehoused storefronts are unsightly and reduce foot traffic for existing small businesses, reduce available rental space for new small businesses, and act as a



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mechanism for speculation. **Especially in communities of color, where landlords hold onto vacant spaces in order to wait for real estate prices to rise and rent the property to a newer and wealthier clientele, commercial warehousing is the small business displacement that enacts cultural displacement.** Currently, there is no mechanism in place to penalize property owners who neglect vacant properties or intentionally leave space vacant. This ultimately stacks the deck against the remaining businesses in neglected corridors.

- A major challenge to small businesses struggling to hold on is the out of control real estate market. On the residential side, one solution has been to work with non-profits to develop affordable units. This has been facilitated through different financial incentives and tools available to said non-profits. The model is only beginning to be applied outside residential on a citywide scale, with the City's non-profit Industrial Developer Fund being the most noteworthy example. **The City should create a similar non-profit commercial development fund to provide public funding to subsidize the new development or renovation of commercial space, resulting in more affordable rents for a commercial tenant.**

The previous Council released *Planning for Retail Diversity*, a report that includes many recommendations to better support our small businesses. There is significant overlap between those recommendations and the ones we have shared today. Thank you and we look forward to working with this Council on advancing these bold new ideas to better support our City's small businesses.



**TESTIMONY OF
THIRD AVENUE BUSINESS IMPROVEMENT DISTRICT**

Michael Brady, Executive Director

before the

New York City Council

Committee on Small Business

Wednesday, February 28, 2018, 10:00am – 250 Broadway, 16th Floor Committee Room

Good morning. Chair Gjonaj, Councilmembers Ayala, Levin, Perkins, and Rivera; thank you for the opportunity to speak today. I understand that traditionally during the public comment period Commissioners and senior agency staff leave because they are very busy people. I thank you for staying, because that shows a level of respect, because we are all busy people – including the small businesses that have shown up today. I am Michael Brady, Executive Director of the Third Avenue Business Improvement District located in the South Bronx, and am a representative from the Bronx Business Improvement Districts. Collectively, the Bronx BIDs represent over 1,400 small, emerging, and micro businesses – some locally owned mom and pops, others are larger franchises – a healthy mix of destination and convenience retailers and service providers. Together, our organizations have had a great impact on ensuring that businesses, particularly those in the outer boroughs, can exist and thrive in the rapidly changing economic landscape that is New York City. The Third Avenue Business Improvement District is the Bronx's oldest BID, has approximately 200 member businesses – slated to grow to 900 by 2019 - and greets over 200,000 visitors daily.

I am here today because New York City has failed its small, emerging, and micro business communities. We, as a city, have not created an environment whereby micro businesses can grow nor where small businesses want to stay, nor have we provided an adequate definition of those businesses caught in between. I make the distinction between small, emerging, and micro businesses because so many shops and services offered in my district and throughout New York City rarely exceed, or even come close, to the SBA classification for small businesses. To give you a perspective: the 2017 SBA Small Business table classifies a women's clothing store as a small business if they make \$27.5 M or less annually. Other metrics utilize number of jobs, others attempt to account for on the ground reporting; but rarely is there ever an accurate depiction of what constitutes that business' make-up – especially in New York City where our businesses are as diverse as our people. As a result of these misnomers many programs, funding sources, or financing tools designed for "small businesses" are unrealistic and do not have a measureable impact on the emerging or microbusiness' growth and sustainability, or an area's economic development. Many of these programs are flawed by their very design.

Categorization aside – although something that I think this Council and NYC Department of Small Business Services (NYC DSBS) must address very tangibly – there are real barriers that prevent businesses from opening and staying open.

According to a report by the Association for Neighborhood and Housing Development, New York City saw a 2% rise in total business creation over the past five years. This means that there were slightly more businesses in the City in 2016 than there were in 2011. However, when you break the data down by neighborhood and trends in the economy – most neighborhoods have seen a net decrease in business creation during a time when our nation's economy is relatively strong. This reality represents the anemic level of business creation in New York City.

So what can we do to address this reality and open New York City's doors to small businesses:

1. Cut the Red Tape: Make a more efficient government of doers

I am sick and tired of being sick and tired.

- A. We need to keep City agencies accountable and guarantee an equitable distribution of City services and responses to our neighborhoods, particularly to our commercial corridors. This does not mean that agencies need yet another way to count beans and keep track of metrics. This does not mean that this Council should publish**

more long reports that go unread. It means we must do; and often we learn to do more with less. It is time to **reduce city administrative bloat, reduce red tape, and make doing business doable again.**

- B. Examine the fine and penalty structure for small businesses.** These regulations were never meant to be burdensome on businesses; rather they were the stick to the carrot. Many of these regulations are unregulated in the agency and unfairly applied throughout the City.
- C. Create a system where by businesses can do business and do it well.**
 - a. Introduce collective purchasing or service provisions to drive down the costs of insurances, payroll, snow removal costs, etc.
 - b. Stop using 311 as a false sense of security – or if we are going to embrace 311 have the issues that are reported actually handled.

As business improvement districts – it is incumbent upon our organizations to create environments that welcome new businesses, residents, visitors, and shoppers. But for some reason this is very difficult. I was at a meeting just recently where I was told – things get done by who you know up the food chain. I get that. I understand that. But why does that impact basic city services? Parking? Bus routes? Repaving projects? City public works projects? Sanitation? Street lighting? Building codes?

I don't understand why it is so difficult to have a baseline of equitable services for our neighborhoods. Why it is so difficult to keep agencies on track and accountable with real consequences if they are not doing their jobs.

Why is it so difficult for micro, emerging, and small businesses to navigate city government? Why is it so difficult for BIDs to navigate city government? Why is it so difficult for city government to navigate city government?

I don't say this is jest, but the reality is there is too much talking and finger pointing at the agency level and not enough doing. Our progressive agenda has turned city government into a large scale workforce program where we are more concerned with checking boxes and red tape than we are with doing the work. From program staff to the top leadership levels I have been told "I understand your challenges, but we are doing everything we can do." I can't help but think that either I am being blown off or fear that this is actually the case in city government and we are actually doing the best that we can.

In cutting through red tape and striving toward a more efficient government, we must address the challenges of illegal or non-compliant vending, opioid use and addiction, the sale of illicit substances and homelessness. These are not stand alone challenges – they are all interconnected and have a profound effect the economic vitality of commercial districts and communities.

2. Property - Rent, Leasing, and Taxes

I want to make an unpopular statement. Property owners or developers are not often wealthy. I know many people think that they are; but if you were to account for a mortgage or multiple mortgages, taxes (especially on properties with vacancies), legal fees, rent delinquencies, building maintenance and fines, partnership pay outs, broker fees, concessions, and general costs of marketing and doing business - it is very rare that an outer borough property owner is making money hand over fist. Especially, in outer borough markets where micro businesses outnumber large credit rated retail stores. This is not a woe is me for property owners – but a legitimate fact. Protests and demonizing property owners must stop so that a legitimate business dialogue can occur.

As a City, it is time for us to take on land scarcity, the changing retail market, and abusive tax structures, and create a more equitable forum for business creation and development. This does not mean that the City bears the burden alone. We must take on predatory leasing, and antiquated strategies that do more harm in our neighborhoods than good. We must build capacity of mom and pop businesses so that they too can compete on e-commerce platforms.

We must combat long held strategies like commercial warehousing, or the process in which landlords hold on to property without renting it out in hopes that its rental value might rise. This leaves many of our older commercial districts with inactive, underutilized upper floor spaces. In my district alone we have a 34% vacancy rate – 29% of that is built upper floor vacancies and underutilized space.

Currently, no penalty exists for property owners who neglect vacant properties or intentionally leave space vacant. In order to create commercial affordability and well-planned and programmed commercial districts, the City must ensure that landlords who warehouse properties are held accountable, whether through significant fines or increased taxation on properties left unleased for over one year.

While I realize there is a push for commercial rent stabilization – I do not think it is wise, nor would it have the effect proponents of the initiative would intend. Instead I would take a deep dive into tax and finance and update systems and

procedures for accurate tax data; reduce commercial taxes by at least 2% with a mandated reduction in tenant pass through payments.

With leases and any transaction comes the need for legal advice. We must really empower tenants with legal tools for lease negotiations and long term legal mentoring. You see most of our micro, emerging, and small businesses barely have time to check emails – let alone have the wherewithal or capital to afford an attorney. This is something that SBS has recently started offering, but it needs more thought so that these services really make a difference. The services need to be customized and not a cookie cutter. We have made a very small step and need to do more.

3. We need a fair and honest look at SBS

We need to examine this agency and chart a real strategic plan toward the future. It cannot be an agency that focuses solely on capacity building, workshops, MWBE certifications, and data. All of these are important, but not enough to substantiate an agency. We need more real tools. We need an ally for small business. An ally that can move a fellow agency to action, mitigate a small business' barrier to doing business. We need an example of efficiency. An agency that is as entrepreneurial and business savvy as the businesses that seek its assistance.

We need a realigned agency that understands businesses and their needs.

All the surveying, reporting, and assessing in the world can issue a report – but the true challenge is what to do with that report so it doesn't sit on a shelf and collect dust. How to do we address those needs in real ways?

How can we move the needle on collective purchasing of goods and services? How can we move forward with a central insurance program that businesses can participate in? We can address these needs and really impact our businesses and neighborhoods.

I know that many individuals, organizations, and groups have strong opinions on the role of business improvement districts. Some welcoming them as a method to have property owners pay an additional assessment to assist in maintaining commercial corridors and communities, others linking BIDs with gentrification movements. I traditionally do not weigh in on either side of that argument because the Bronx, and most outer boroughs represent a different model to typical BIDs. You see in my district we do not have the luxury of completing major capital projects, travelling abroad to scout out the latest trends in bus shelter development, or elaborate street scape programs – largely because our programs are making up for over five decades of community disinvestment. Many BIDs in historically under-resourced communities are doing similar work. Our communities never had a real seat at the table, and have slowly developed a BID framework that works for us and works for the communities that we serve. A framework that protects our communities – and by communities I mean all members – our businesses, property owners, residents, homeless, developers, and individuals suffering from mental illness and substance abuse – all are part of our community fabric. And all are represented in this conversation.

It is my hope that this brief conversation today can begin a dialogue that changes the course for business development in New York City. If we can even accomplish one or two of these goals we will be in a far better place.

Thank you.

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Name: Ev Blomisek Backer

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I represent: Small Business Services

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Name: EVY VIRUET

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I represent: + clergy coalition.

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Name: Samara Karasyk

Address: _____

I represent: Brooklyn Chamber of

Address: Commerce

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