

TESTIMONY
BY
COMMISSIONER GREGG BISHOP
NEW YORK CITY
DEPARTMENT OF SMALL BUSINESS SERVICES
BEFORE
THE COMMITTEE ON SMALL BUSINESS
OF THE
NEW YORK CITY COUNCIL
MONDAY, OCTOBER 22, 2018

Good afternoon Chair Gjonaj, Speaker Johnson and members of the Committee on Small Business. My name is Gregg Bishop and I am the Commissioner of the New York City Department of Small Business 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. Today I will be testifying on Intro 737 and the work SBS has done to support commercial tenants. After my testimony I am happy to take your questions.

Small businesses are essential to the local economy and character of neighborhoods in New York City. They provide opportunities and jobs for members of their communities. Small business ownership and entrepreneurship can help uplift generations of families while providing neighbors with goods and services. While we know many businesses face challenges in our competitive market, we want to ensure they have the tools to succeed. To address challenges, this administration has invested in several programs to help businesses. Many businesses struggle to adapt to changes in the business environment. The underlying causes of these changes are complex and vary from neighborhood to neighborhood, corridor to corridor, and property to property. SBS is committed to providing businesses with the tools to succeed and seeks to improve outcomes for businesses in every step of development. SBS offers a range of free services to businesses – everything from helping them navigate government, to comprehensive business courses, to connecting them to capital. In Fiscal Year 2018, SBS worked with approximately 20,000 small businesses and entrepreneurs throughout the City.

SBS has also taken proactive steps to ensure businesses are aware of our services. SBS has NYC Business Solutions centers in every borough, where businesses can access our free services. Through the Council-funded **Chamber on the Go** initiative, trained business specialists canvas commercial corridors to connect business owners with our services. Since the launch of the program in 2016, Chamber On-the-Go has reached more than 9,000 businesses. SBS also recently launched a Mobile Outreach Unit as another resource to bring services throughout the five boroughs. In addition, NYC Business is a comprehensive website where business owners can find out about SBS services and relevant information from other city, state and federal entities.

We know that one of several challenges business owners face is navigating the leasing process. To support businesses that are facing issues with their lease, we provide free legal representation through our **Commercial Lease Assistance Program**. Attorneys help businesses with signing a new commercial lease, amending, renewing or terminating an existing lease, negotiating on behalf of the commercial tenant with their landlord, and providing advice and referral services when litigation cannot be avoided. This new program, which launched in February, has already served approximately 250 businesses. The Commercial Lease Assistance Program builds on our prior and continuing work with commercial lease education workshops to help business owners better understand the components and implications of signing a commercial lease. Both programs build on the important work done by with the passage of commercial tenant protections. The **Non-Residential Tenant Harassment law** gives commercial tenants the right to take their landlord to court if they are being harassed.

This includes using force against or threatening to use force against a tenant, repeated interruptions of essential services, removing personal property, changing or removing locks, preventing a tenant from entering, or interfering with business through construction or repairs. Along with these services and protections, SBS also offers a **Comprehensive Guide to Commercial Leasing in New York City**. This guide includes information on basics of commercial leases, how to incorporate lease negotiation into business planning, limiting personal and business risk, and overall best practices. All these services are available at nyc.gov/commlease.

Another program that specifically assists long-standing neighborhood businesses is **Love Your Local**. Through our work, we have seen businesses struggle to adapt to changing market conditions. Through Love Your Local, the City is working to combat this issue and preserve long-standing legacy businesses. This program celebrates and promotes the diverse, independent, small businesses that enrich neighborhoods across New York City and encourages New Yorkers to share their favorite non-franchise businesses on an interactive online map. Business owners could also apply for business advisory consultations and funding. Eligible businesses may receive a grant of up to **\$90,000**, which can be used to address operational and capital improvements, as well as other needs that will help the business better compete. Through this program, SBS hopes to empower business owners to adapt to changing environments. Love Your Local will also allow SBS to test interventions to help businesses remain competitive and scale up successful strategies through integration with our NYC Business Solutions Centers, local community groups, and other partners. Grantees for the first round of the program will be announced later this year.

Another way we have empowered communities to support their commercial corridors is by providing funding and technical assistance to local non-profit organizations that are focused on supporting and improving their commercial districts, such as local development corporations, business improvement districts, merchants associations, and chambers of commerce. Via competitive grant programs such as Avenue NYC, Neighborhood Challenge, and Neighborhood 360, SBS has provided operating support to these organizations to assess the challenges faced in their districts and to implement localized solutions.

Now I would like to discuss the legislation before us, Intro 737, more commonly known as the *Small Business Jobs Survival Act*. I would like to begin by thanking all the advocates, elected officials, community organizations and businesses that have pushed for a hearing on this topic. Though we may have different views on this legislation, we have all been fighting to create a fairer environment for our small businesses.

First let me be clear, SBS is supportive of helping commercial tenants during the lease renewal process. However, we are concerned about potential unintended policy consequences of the proposed legislation that could make it harder for all commercial tenants, existing and new. We have also been advised by the Law Department that this bill may have several legal issues. We are happy to facilitate conversation amongst our legal teams to discuss those concerns, but I would like to move the discussion forward and focus on other concerns with this legislation.

As SBS understands it, the goal of this legislation is to create an environment for fair negotiations in the commercial lease renewal process. While we are supportive of

this goal, this legislation may do more harm than good. This bill requires mandatory arbitration of leases at renewal to settle disputes between parties. In arbitration, both parties would need to provide data and documents to determine fair lease terms. However, arbitration often favors the party who is able to provide more resources and information into the arbitration process. Therefore, larger and more well-resourced parties, such as landlords and multinational corporations, will likely have the upper hand through this mechanism and it may not bring the desired benefits to small commercial tenants. This legislation may also drive the cost of commercial rent up because landlords may incorporate the anticipated cost of arbitration into lease agreements.

This legislation also does not offer protections for businesses that do not currently have formal leases, which include many long standing, immigrant-owned businesses. While we always encourage businesses to get a lease to ensure protections, many businesses do not have leases. This legislation may make it *harder* for these businesses to secure leases because landlords may be less inclined to execute leases to avoid the potential cost of arbitration.

We also want to ensure a fair environment for new entrepreneurs looking to begin a new business. Though some long-standing businesses are operating without leases, most new businesses need leases to get financing and begin operating. In our experience we have seen landlords give shorter leases or no leases to new businesses due to uncertainty of a business's survival. In addition, we have seen landlords and banks prefer multinational corporations as more attractive tenants. In particular, mixed use developments with significant commercial spaces tend to have complex financing and may be especially impacted by this. This may be a factor in the rise of vacant

storefronts in otherwise prosperous neighborhoods and this legislation could exacerbate the issue. As landlords are not required to provide a lease, an onerous renewal process could further disincentivize landlords from providing leases at all. This means that new businesses could perpetually be at a disadvantage and not be provided the basic protections that are commonly found in leases.

Though this legislation attempts to create a system to provide fair lease renewal terms, it is important to note it does not guarantee favorable terms for the tenant. The party that makes the strongest case – often the party with the best resources – is likely to have a more favorable outcome. For example, based on evidence of landlord costs, an arbitrator may conclude existing rents are appropriate or increase the rent for a business. This could also make the renewal process much costlier for the tenant as they would share in the cost of arbitration and it may create an outcome that tenants may deem unfair. Additionally, it is unclear if there are currently enough arbitrators to meet the demand of a robust real estate market like New York City and what trainings would be required to build the pipeline.

Given these concerns, SBS hopes to work with Council and advocates to better identify the cause of vacant storefronts throughout the City and find potential solutions. As mentioned earlier, to address this issue, SBS offers a number of services to help small businesses such as the Commercial Lease Assistance Program. However, we know there is more to be done. Along with the programs SBS currently offers, the administration has been exploring other tools to improve our understanding of the broader retail landscape, especially vacancy. We are interested in a storefront registry to help better understand the scale of the vacancy issue. We also generally believe the

commercial leasing process could be more transparent and are in the early stages of researching ways to increase such transparency. We welcome the opportunity to discuss these and any related ideas you may have on this topic.

As I stated earlier, Mayor de Blasio, the Administration and I broadly share Council's belief in the importance of healthy commercial corridors and thriving small businesses. We thank you for the opportunity to testify here today to discuss these topics and are happy to take any questions.

TESTIMONY ON SMALL BUSINESS AND JOBS ACT

City Council Hearing

October 22, 2018

Ruth Messinger

Thank you[s].

Dramatic for me to be here today since it is almost 21 years since I left public office and so almost 29 years since I was privileged to serve in the NY City Council. I have been doing international human rights and social justice work during these last two decades but have always kept up with elected officials, with campaigns and with policy and politics nationally and locally. I salute you for the work you do on behalf of the people of this city and for trying always to find the right solutions to the complex challenges we face in New York.

More to the point, it is, believe it or not, 32 years since I introduced a measure designed to provide some protection to small businesses in this city hit with astronomical rent increases. The problem then, was acute on the West Side but already beginning to spread to other neighborhoods. Long time businesses, often but not always real mom-and-pop operations that provided key local services from shoe repair to dry cleaning, that sold baked goods or appliances, or served ethnic foods, would get near the end of their commercial leases; would ask landlords for advance information on new lease terms and receive no answers; and then would be hit with new short term leases at rents that most often represented 300 to 500% increases.

The story is now an ever more familiar one. The building owners, presumably convinced they could get these new rents from someone and interested only in doing that, would often refuse to engage in any negotiation so that businesses that were more than willing to pay some increase, sometime a sizable one, were not able to engage in any sort of lease negotiation. The small businesses left the area, often meaning that they could not afford to reopen anywhere, that their owners and employees were out of work and that these critical services that helped to define the commercial streets and helped to define how people lived and shopped in the neighborhood were gone.

And what of the space that emptied? Sometimes a new business would come in but often those were short-lived either because they were taking a gamble on being able to do enough business to pay the higher rent or, even sadder, because after three years of successful operation they would be asked for double the rent which they knew they could not afford. Sometimes the empty space would stay vacant for months or longer, something which seems even more common today and has been noted in the press within the last year. It appeared that owners then noted a loss of rent income from spaces that were vacant which could be used in an appeal to lower the value of the property and then to lower the tax paid to the City on that property.

Often the spaces were left vacant so that larger assemblages could then be available for long term leases to drug stores and banks. We all have the same question here: why does any neighborhood need a drug store on every corner and what on earth are those banks doing especially since everyone banks on line? Is it possible that these chain businesses are simply using the space to advertise their brand?

We came up with a proposal in 1986 to require earlier notice, to require some time for negotiation and to require some form of arbitration to determine a new rent. We recognized, as did all the small businesses working with us, that some of them would not be able to pay even a much smaller increase that might be set in arbitration, but we believed that with this level of regulation many more businesses would be able to stay where they were, where they had a strong customer base, where they added to the character of the neighborhood more than any bank ever could.

I want to say that this proposal, similar to the one now before you, was never a commercial rent control proposal but was termed that way by its opponents. It was a proposal for negotiation and arbitration, a proposal for the City to step in and regulate a system that was no longer serving all the parties—owners, entrepreneurs, communities and citizens.

I know this problem has spread. I know it has appeared and been dealt with in various ways in other cities. I know that I have the odd distinction of being remembered more for this effort than for the pieces of legislation and other city improvements that I was responsible for. People have contacted me on a quite regular basis to ask how they might save their neighborhood businesses or protect the range of services on which they depend.

Last year a well-known New York figure—not to be identified here—came up to me in a restaurant and said, “Remember when I was working with the Mayor against your commercial rent bill? Well, now the problem is infecting my neighborhood and I see how right you were.”

I won't identify him, but I do want to take this moment to salute one of the wonderful business leaders forced out by exorbitantly large rent increases. His name is Alan Rubin, he inherited and ran Radio Clinic on Broadway and 98th St. There is a great new book about him by his daughter, called We Are Staying. It recognizes his work as a stalwart presence on the West Side who stood by the community during the 1977 riots, rebuilt his radio and appliance business, mobilized other businesses to stay and continued to serve the community until he could not pay the increased rent. This is, sadly, a story that is written over and over in this city.

In conclusion, New York thrives when it builds community, strengthens neighborhoods and provides business opportunities and jobs for its diverse citizenry. Huge rent increases put small businesses out of business, strangle entrepreneurs, damage neighborhood quality of life and take away jobs, threatening the fabric of life in this city. It is long past time for city elected officials to recognize the scope of this problem and find effective solutions. It is the job of government to do just that.

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**TESTIMONY OF STATE SENATOR BRAD HOYLMAN
BEFORE THE NEW YORK CITY COUNCIL COMMITTEE ON SMALL BUSINESS ON
INTRO No. 737-A**

October 22, 2018

Thank you Chairman Gjonaj and the Committee on Small Business for this opportunity to testify. My name is State Senator Brad Hoylman and I represent the 27th Senate District, which encompasses the neighborhoods of Greenwich Village, East Village, Chelsea, Hell's Kitchen, Upper West Side, Columbus Circle, Times Square, East Midtown, East Village, Peter Cooper Village-Stuyvesant Town, Hudson Square and the Lower East Side.

Here is a familiar New York story. It goes like this: A longtime local small business – it could be a diner, a hardware store or a bookstore – closes because it can no longer afford the rent. The space stays vacant until eventually, if at all, the storefront is replaced by a chain. This is a phenomenon that has been referred to as “high-rent blight,” a term coined by Columbia Law professor Tim Wu and discussed by the writer Jeremiah Moss and many others.

I hear this story often from constituents who are concerned about the impact high-rent blight is having on their neighborhoods. The loss of independent businesses, or “mom and pop” stores, and the proliferation of vacant storefronts makes our communities less livable and less pleasant places to be, and the loss in goods and services that cater to the neighborhood causes a strain on our local economy, not to mention an inconvenience for residents.

It's also just sad to see businesses that have become fixtures in our neighborhoods get pushed out because a landlord can find a higher-paying tenant elsewhere. The examples seem to be everywhere. Who doesn't remember Coffee Shop in Union Square (which closed on Friday to be converted into a Chase Bank soon)? Tortilla Flats on West 12th Street which opened in 1983? Or Caffe Vivaldi on Jones Street, which closed this summer after three and a half decades?

Last year, I set out to try to help answer the question of what was really going on with high-rent blight and small business vacancies in several areas in my district: on Bleecker Street in Greenwich Village and in the East Village and Chelsea. I wanted to see if small business vacancies were really such a big problem, and if so, could we figure any of the causes and could government play a role in making our neighborhoods livable once again?

My office set out to look at the vacancy issue of mom and pop stores by counting and analyzing the number of vacant stores along the major commercial corridors in the 27th Senate District and supplemented this data by speaking to local small business owners and community leaders.

We published the information in a report last year entitled: "Bleaker on Bleecker: A Snapshot of High-Rent Blight in Greenwich Village and Chelsea."

Here's what I found after our office took to the streets in April of last year and counted the number of vacant retail spaces along several select corridors. The vacancy rates were:

- First Avenue from 10th Street to 23rd Street - 5.756% vacancy rate
- Second Avenue from 3rd Street to 14th Street – 6.67% vacancy rate
- Eighth Avenue from 15th Street to 22nd Street – 6.52% vacancy rate
- Bleecker Street from 6th Avenue to 8th Avenue 18.44% vacancy rate (nearly one in five storefronts were vacant along this corridor)

What's the problem with this? A high rate of storefront vacancies is historically considered to be the sign of an economically distressed or even crime-ridden neighborhood. In the heart of Manhattan, however, these vacancies are occurring in relatively prosperous neighborhoods, hence the phenomenon known as "high rent blight," a term coined by Columbia law professor Tim Wu.

High rent blight is a central issue at play in storefront vacancies: It occurs when rents are raised astronomically and suddenly. One study estimates that the average commercial rent in Manhattan increased by 34% from 2004 to 2014 and another shows it jumping 42% from 2012 to 2015.

When mom and pop stores are pushed out because of high rents, landlords it would appear often leave stores empty for long periods of time in hopes of finding a credit-worthy tenant who can pay much higher rent.

These days even chains are not exempt from the phenomenon of high rents leading to vacancies. For example, a Starbucks at 33rd and 5th Avenue closed when a lease deal could not be reached (the space now rents for upwards of \$1 million). Another Starbucks on 67th and Columbus closed in 2016 after the rent was raised to over \$140,000 a month. You know you have a problem, as has been said, when Starbucks can't pay the rent!

So what do we do about the problem of high-rent blight?

First, on the issue at hand. I'm glad the Small Business Jobs Survival Act is finally getting the hearing it deserves and I want to thank Council Member Rodriguez for reintroducing it. It seems reasonable on its face that landlords would be required to tell commercial tenants at least months before the end of a lease whether they intend to renew or state a valid reason why they won't. The devil, of course, will be in these details and what constitutes a "valid reason."

I do think the need for this legislation points to the enormous power imbalance that exists between landlords and tenants, both commercial and residential. Just as the City Council has taken steps to

ensure that tenants have legal counsel in housing court, I think the City and State need to consider how best to ensure that small businesses are represented during lease negotiations with their landlords. I've heard too many times that a small business simply throws its hands up when the landlord suggests a rent increase rather than try to negotiate a better deal.

Second, we need better data. It's worth noting that the survey I conducted for my report was undertaken by my office without help from city or state agencies. There is currently no such centralized data on New York City's storefront vacancy rates, and the absence of this data allows problems to continue unabated. This data should be proactively collected and made publicly available by the City, as has been suggested by members of the City Council.

Third, I want to commend the City Council and the Mayor for already taking up this issue last year by raising the threshold for the Commercial Rent Tax for small businesses below 96th Street in Manhattan. The move reduces taxes for 2,700 small businesses and will surely help mom and pop shops. The question is, however, do we need to raise the threshold even higher to help more businesses? And speaking of threshold questions, you have to ask why businesses in Manhattan below 96th are subject to the CRT in the first place, since it puts them at such a competitive disadvantage for businesses located elsewhere in Manhattan and the city as a whole.

And fourth, I encourage you to read my report and look at other suggestions I've proposed, such as creating a public registry of legacy business -- small businesses that have been in New York City for at least 30 years, as San Francisco has done, making them eligible for historic tax preservation tax credits or other benefits to be determined.

Or consider expanding formula retail zoning restrictions, which San Francisco has also done and which has been pioneered on the Upper West Side by Borough President Gale Brewer. I carry legislation with Assembly Member Deborah Glick that would enable the City to place limits on formula retail uses.

And finally, we should look at something at the State level, such as phasing out tax deductions for landlords with persistent vacancies. While landlords who leave retail storefronts vacant cannot deduct the lost potential rental income they could have received from their state income tax liability, they, like all owners of commercial real estate, are able to receive deductions for depreciation of the property and operating expenses. (That's how Jared Kushner, by the way, avoids paying taxes!) To create a disincentive for leaving retail storefronts vacant, the State could explore phasing out those deductions, on a sliding scale, for building owners who leave retail spaces vacant for over one year.

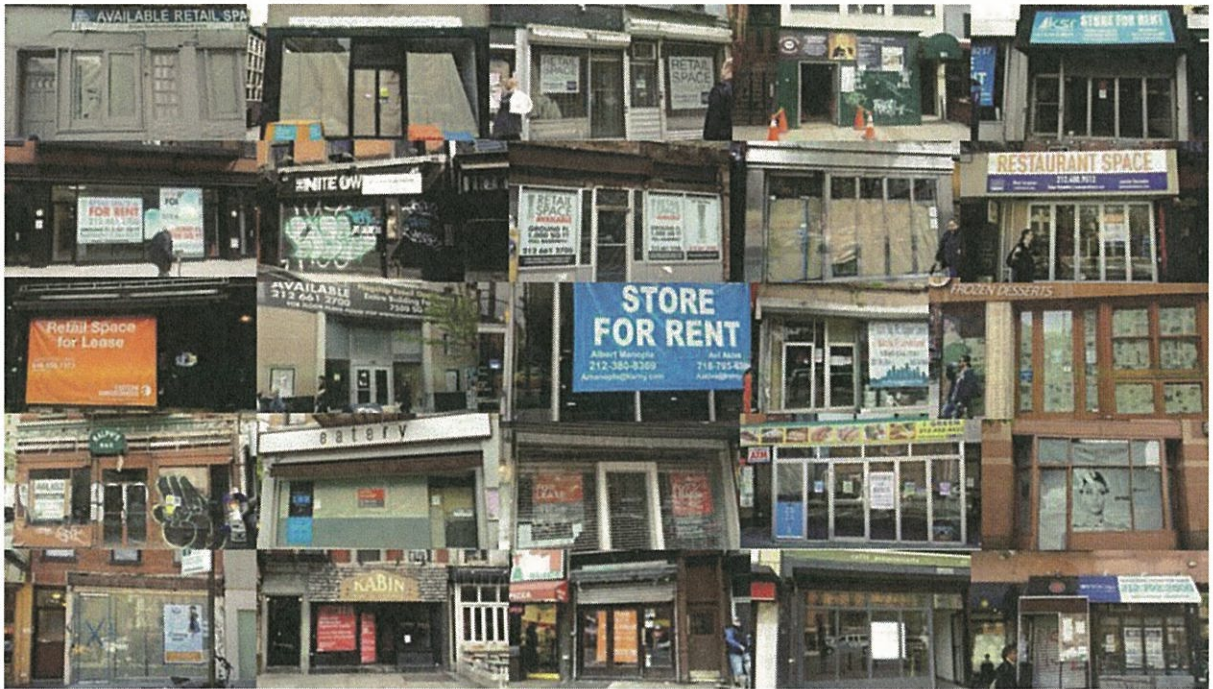
There are carrots, too, as well as sticks. In the City of London, for example, commercial building owners who lose their tenants are provided tax relief in the short term, but after three months, the tax relief expires and owners must pay full business rates even if the store is vacant. This is meant to encourage landlords to rent out their space.

Thank you again for the opportunity to testify today on this important issue.



Bleaker on Bleecker

A Snapshot of High-Rent Blight in
Greenwich Village and Chelsea



New York State Senator Brad Hoylman
May 2017

Introduction

It's a tale every Manhattanite has heard time and time again: a longtime local small business closes because it can no longer afford the rent. The space stays vacant endlessly until eventually, if at all, the storefront is replaced by a chain, in a phenomenon that has been referred to as "high-rent blight."

I hear this story often from constituents who are concerned about the impact high-rent blight is having on their neighborhoods. The loss of independent businesses, or "mom and pop" stores, and the proliferation of vacant storefronts make our communities less livable and less pleasant places to be, and the loss in goods and services that cater to the neighborhood causes a strain on our local economy, not to mention an inconvenience for residents.

It's also just sad to see businesses that have become fixtures in our neighborhoods get pushed out because a landlord can find a higher-paying tenant elsewhere. Jeremiah's Vanishing New York, a blog (and forthcoming book), chronicles the disappearance of longtime businesses in Manhattan and elsewhere. The blog has paid particular attention to the changes on Bleeker Street, which in the last decade went from a corridor of beloved mom and pop retail businesses like Biography Bookstore (25 years in operation), Treasures and Trifles (44 years in operation) and A Clean, Well-Lighted Place (36 years in operation), to high-end retail stores. As the blog notes:

Since western Bleeker Street's unprecedented luxury boom began in 2001, approximately 44 small businesses have vanished and been replaced with upscale shopping mall chains. Let it sink in: 44 long-time neighborhood businesses, every single one of them gone, in about a decade. How did it happen?¹

In this report, I set to help answer the question of what is really going on with high-rent blight and small business vacancies on Bleeker Street and two other areas of my Senate District, the East Village and Chelsea. Are small business vacancies really such a big problem? If so, what are the causes, and what can we do to make things more livable once again?

Jane Jacobs, the famed urbanist who hailed from Greenwich Village, would have celebrated her 101st birthday this month. Through her writing and activism, including her seminal work *The Death and Life of Great American Cities*, Jacobs boldly stood up to the planning establishment of the 1950s and 1960s, opposing urban renewal development that failed to account for the human dimension of neighborhood life. Instead, she offered a people-centered alternative that forever altered the accepted dogma in the field of urban planning. Today, her legacy is often invoked in community conversations about neighborhood scale development and vibrant street life. Jacobs taught us that neighborhood vibrancy may not be a tangible, measurable occurrence, but that fact does not diminish its importance.

With this in mind, my office set out to look at the vacancy issue of mom and pop stores. To conduct this report, my office counted and analyzed the number of vacant stores along major commercial corridors in the 27th Senate District, and supplemented this data by speaking to local small business owners and community leaders and researching the issue. It turns out there are many issues

contributing to high-rent blight. Many groups and elected officials have proposed ways to address this problem, but the solutions are not clear-cut. This report will present some of the depth and intricacies of the problem of small business vacancies and suggest some ways to improve neighborhood retail climate and help preserve independent businesses.



The Vacancy Rates

Before moving forward with this report, I wanted to confirm whether what I was hearing was true. Is small business vacancyⁱ really a problem?

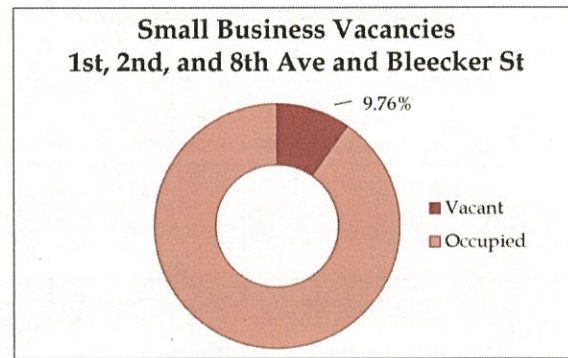
My office took to the streets in April 2017 and counted the number of vacant retail spaces along select corridors in the 27th Senate District. We defined retail space as any kind of store, restaurant, office, or vacant space that is visible from the street and on the ground floor of a building, while specifically exempting large institutions such as schools or hospitals.

We selected streets that we knew to be major commercial corridors in the East Village, Stuyvesant Town/Peter Cooper Village, the West Village, and Chelsea, including: First Avenue from 10th Street to 23rd Street, Second Avenue from 3rd Street to 14th Street, Eighth Avenue from 15th Street to 22nd Street, and Bleeker Street from 6th Avenue to 8th Avenue.

We then compared the number of vacant storefronts to the total number of stores along those corridors and established a vacancy rate for each corridor. Here's what we found:

- First Avenue from 10th Street to 23rd Street - 5.76% (8 vacant, 139 surveyed)
- Second Avenue from 3rd Street to 14th Street - 6.67% (8 vacant, 120 surveyed)
- Eighth Avenue from 15th Street to 22nd Street - 6.52% (6 vacant, 92 surveyed)
- Bleeker Street from 6th Avenue to 8th Avenue - 18.44% (26 vacant, 141 surveyed)

**Total vacancy rate on all four streets:
9.76%**



Storefront vacancy is a very visible problem, which makes it uniquely problematic for local quality of life as compared to many other types of vacancies.ⁱⁱ

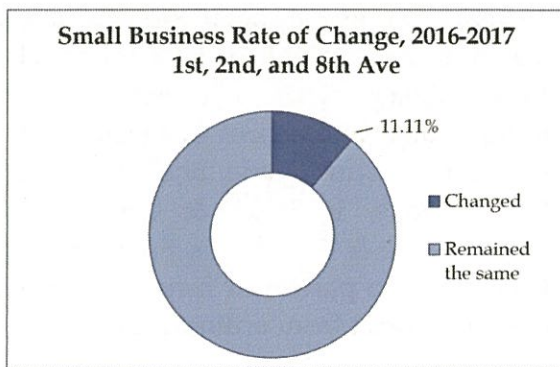
ⁱ New York State's Small Business Administration defines "small business" as any independent business with fewer than 500 employees. For the purposes of this report, we use the term "small business" to refer more broadly to retail stores with no bearing on the number of employees.

ⁱⁱ It is tempting to compare these percentages to overall commercial vacancy rates in the city. This is problematic for a few reasons. First, there is not a single official source for average commercial vacancy rates, which means we must rely on various quarterly market research reports from private firms which are inconsistent. More importantly, these firms do not break down information in a way that is easily comparable for our purposes, including by geography (they generally look at large and vaguely-defined central business districts like Downtown, Midtown, and Downtown Brooklyn) and by type of business (they generally break out by Class A, B, or C office type but not by store function or identification as a storefront).

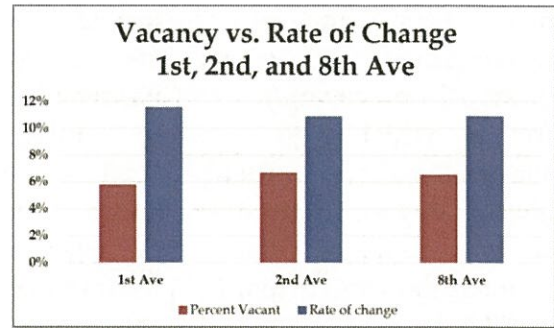
In addition, we found a new layer of data that complicates the simple vacancy figure. In addition to surveying vacancy rates this year, my office conducted an identical survey of First Avenue, Second Avenue, and Eighth Avenue in April 2016. While the vacancy rates did not change dramatically over time, we did find an alarming trend: the rate of change over one year – the number of stores that were vacant and are now occupied, were occupied and are now vacant, and were occupied but are now occupied by a different store, all compared to the total number of stores – was much higher than the simple vacancy rate on those streets. We found the following rates of change:

- First Avenue from 10th Street to 23rd Street – 11.51% (16 stores changed)
- Second Avenue from 3rd Street to 14th Street – 10.83% (13 stores changed)
- Eighth Avenue from 15th Street to 22th Street – 10.87% (10 stores changed)

**Total rate of change on all three streets:
11.11%**



This rate of change suggests turnover and volatility that impacts neighborhood stability, for example by frequently rotating out potentially historic properties.



A high rate of storefront vacancies is historically considered to be the sign of an economically distressed or even crime-ridden neighborhood. In the heart of Manhattan, however, these vacancies are occurring in relatively prosperous neighborhoods – a phenomenon that has been called “high-rent blight.”² This suggests some distinctive factors at play, so my office set out to learn more.

The Story Behind the Numbers

These vacancy numbers can only tell us so much. In our conversations with local business owners and community leaders, as well as our review of local press reports, several common themes were echoed on the central issue at play in storefront vacancy: exorbitantly high rent, which is being raised astronomically, suddenly, and at a higher degree than ever before. One study estimates that the average commercial rent in Manhattan increased by 34% from 2004 to 2014³, and another suggests that rents jumped by 42% in Manhattan from 2012 to 2015.⁴ Even if controlling for inflation, these sharp rent increases can be the death knell for small businesses with razor-thin profit margins.

There are numerous examples:

In 2015, Avignone Chemists at 281 Sixth Avenue on Bleecker Street closed its doors after the landlord tripled the rent. The Village staple pharmacy had been in the neighborhood since 1832, and in that location since 1929.⁵ The store recently reopened as a Sweetgreen, a chain salad spot.

After 38 years in business, the men's clothing store Camouflage at 139 Eighth Avenue at 17th Street was forced to close after the landlord reportedly more than tripled the rent from \$7,000 to \$24,000 a month.⁶ The store is now a Verizon retailer.

Small independent stores seem hit the hardest. Three Lives & Company

bookstore at 154 West 10th Street in the West Village was hanging on by a thread in a month-to-month lease as the landlord looked to sell the building, leaving it in a volatile situation. When a business does not own its building, as is usually the case, this can be a looming threat. Fortunately, Three Lives was able to sign a more stable lease to stay in its space in November 2016.



Across the street at 163 West 10th Street, Bonnie Slotnick Cookbooks, a neighborhood favorite offering used and out-of-print cookbooks, recently found new space in the East Village after Bonnie's landlord reportedly refused to negotiate or renew her lease, even though she had been in the space for over 15 years.⁷ Today the small storefront is a tea shop that specializes in oolongs. The West Village has lost many more independent bookstores in recent years, including Oscar Wilde Bookshop, Left Bank Books, Partners & Crime, and Shakespeare & Co. (now a Foot Locker). Bookstores in particular face a high level of competition from online book sales.

Vacancies also affect larger neighborhood retailers like grocery stores. The Associated Supermarket on

14th Street and 8th Avenue – known by locals as the last affordable grocery store in the neighborhood – recently saw its rent jump from \$32,000 to \$200,000. Despite protests and picket signs by residents and elected officials, the market shut its doors in May 2016.

When mom and pop stores are pushed out, landlords will often leave stores empty for long periods of time in hopes of finding a tenant who can pay much higher rent. Instead of renting to another independent business for a similar rent as the previous tenant, landlords will hold out for a tenant – often a large corporate chain – that is able to pay exponentially more than the previous tenant. This was a concern that small business owners expressed many times, in some cases likening this trend to pure landlord greed. As economist Tim Wu has said of this phenomenon, “That suggests waiting for Marc Jacobs instead of renting to Jane Jacobs.”⁸

This looks different in different neighborhoods. In Chelsea it means more chains and pharmacies replacing independent stores. In the West Village and Soho it means more high-end chain retailers that are antithetical to the

“Nobody little can afford to open a small business now. I couldn’t do this now... The American dream is over.”

–Greenwich Village small business owner for 25 years

traditional bohemian character of the Village. And in parts of the East Village, where chains have been slow to invest, it means stores sit vacant for years with no prospects for new commercial tenants.

The presence of “formula retail,” which as its name suggests refers to chain stores that follow the same formulaic business model and decor in several stores, is one reason landlords can keep stores vacant for long periods of time. These chains are often large corporations that can and will pay much more than an independent business for rent. Formula retail has seen massive proliferation in New York City in recent years. According to the Center for Urban Future’s annual “State of the Chains” report, the raw number of national chains in New York City grew for the seventh consecutive year from 2014-2015, with stores like Dunkin Donuts, Subway, and Duane Reade/Walgreens topping the list.⁹



Unfortunately, studies have shown that formula retail can have a deleterious effect on a local economy, as the store’s profits are much less likely to stay in the community. For example, one study found that throughout the U.S. only about 13.6% of revenue from national chains is reinvested back in the local economy, compared to 47.7% returns

from locally-owned businesses.¹⁰ And a study in Austin, Texas found that \$100 spent at a Borders bookstore generated \$13 of local economic activity, compared to \$45 for a local bookstore.¹¹

Given their ability to pay higher rents, it is somewhat surprising that even chains are not exempt from the phenomenon of high rent leading to vacancy. Starbucks coffee shops first came to New York City in the mid-1990s and quickly became ubiquitous, with over 200 locations currently in Manhattan alone. Now, many Starbucks stores are beginning to see the expiration of their 20-year leases (a lease length that is reportedly difficult to sign in today's market), and those located on busy commercial corridors are facing much higher rents than when originally leased. In 2015, for example, a Starbucks at 33rd Street and 5th Avenue closed when a lease deal could not be reached; while now the space rents for upwards of \$1 million.¹² Another Starbucks on 67th Street and Columbus Avenue closed in 2016 after the rent was raised to over \$140,000 per month.¹³



A vacant store on the corner of 8th Street and 6th Avenue demonstrates a new phenomenon occurring with storefront

"You know you have a problem when Starbucks can't pay the rent."

*-Mayor Bill de Blasio on WNYC,
March 31, 2017*

banks in New York City, suggesting even these large corporations are not immune from the problem of high-rent blight. This location was previously a Barnes and Noble bookstore until it closed at the end of 2012. In 2014, TD Bank signed a ten-year lease on the space, but for unconfirmed reasons decided not to open in that space. TD Bank has been trying to sub-lease the space since then, but rents of approximately \$200,000 per month has kept the store vacant for years. Similarly, a Capital One bank on 8th Street and University Place recently consolidated two branches, leaving that storefront vacant with six years left on its lease. Other local anecdotes suggest banks are moving into smaller spaces – perhaps due to competition from online banking and less of a willingness to pay exorbitantly high rents.

Small business owners listed competition with internet sales as a major factor in maintaining a profit. The retail market has shifted such that consumers purchase many of their goods online instead of in stores, which harms the storefront retail market.

In addition, commercial tenants located in Manhattan south of 96th Street who pay \$250,000 or more in annual rent are subject to New York City's Commercial Rent Tax (CRT), which sets a 3.9%

effective tax rate on the base rent paid to the landlord. This tax was established in 1963 when the city was approaching the state's statutory limit on property tax rates and needed to find a creative way to generate additional revenue. The CRT has not been significantly amended since then, meaning more and more businesses have become subject to the tax over time. In 2003, 5,858 businesses were subject to the tax, and by 2015 this figure jumped to 7,354.¹⁴ News reports suggest there is a widespread problem of small businesses not being aware of the tax, leading to difficulty in paying back taxes.¹⁵ New York City is the only known municipality to charge such a tax on commercial tenants outside of Florida.



Additionally, landlords frequently pass along all or part of the building's property taxes to tenants, adding even more hidden costs to business owners. By paying the CRT on their rent, this

*"Commerce is killing culture."
-Small Business Owner,
East Village*

amounts to a sort of double-tax for small business owners who must pay taxes on property taxes. Additional issues small businesses reported as challenges include meeting the new minimum wage requirements, dealing with a high degree of regulatory burdens and fines, and rising utility costs.

Several small business owners suggested that landlords receive a tax deduction by leaving stores vacant - a sort of "hardship" benefit for dealing with the loss in rent revenue from a vacant store. In speaking to tax experts and reviewing the state tax code, we were not able to identify any such deduction, leading us to conclude this is likely pervasive misinformation.

While landlords who own just one or two buildings certainly might experience financial hardship from a vacant store, many buildings in Manhattan are owned by large companies and wealthy, diversified landlords and are less impacted by owning one vacant store. Some stores are also reportedly owned by foreign landlords who do not know the local territory.¹⁶ Small business owners repeatedly brought up the power of the real estate industry in New York City, fearful that tax benefits and other policies are in place to strengthen the industry at the expense of community character.

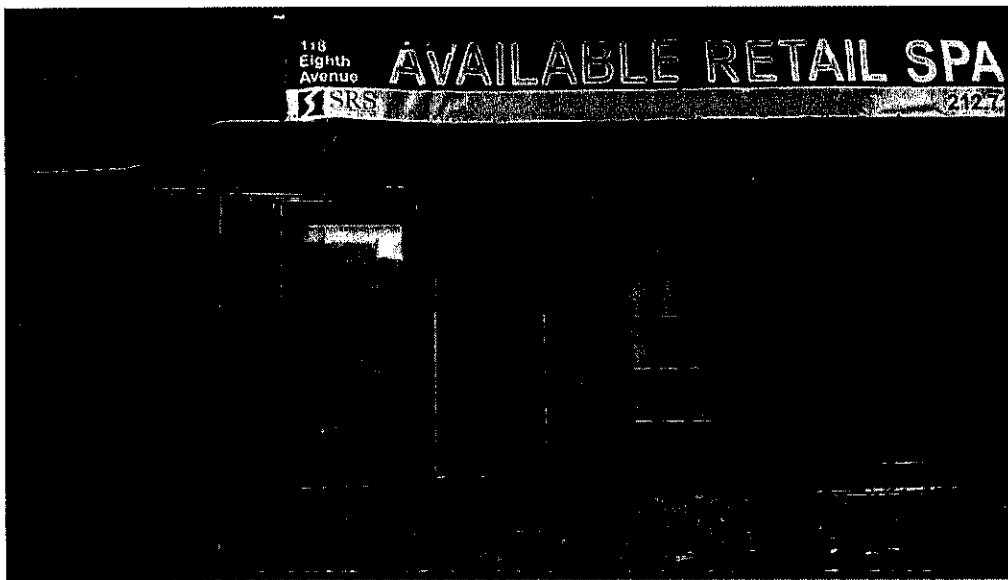
Impact on the Neighborhood

When a mom and pop store is pushed out, local residents often express sadness and frustration over the loss of the business and the loss of community character. These claims are more than simply bemoaning the tides of change. They are rooted in real impacts caused by the individual and collective shuttering of small businesses.

First, losing a store means losing access to those goods or services, and forcing people who rely on the store to shop elsewhere. Depending on the type of store, this can have varying degrees of impact. Yet significantly, as several small business owners pointed out, when consumer behaviors are forced to change there are ripple effects. For example, maybe now that your local pharmacy is closed you no longer visit the coffee shop next door or the nail salon right across the street, opting instead to shop on a

different street or in a different neighborhood where you can more conveniently find all of those goods and services. This behavior change can be lasting, such that if a similar store reopens at the vacant location consumers will stick with their new routine instead of returning to old habits.

As stores pay higher and higher rents, the neighborhood pays higher and higher costs. High commercial rents naturally get absorbed into the price of goods and services, causing yet another ripple effect for the entire neighborhood. Residents have expressed fears they will be priced out of their own neighborhoods. For example, the Redwood Kitchenette & Bar at 102 8th Avenue near 16th Street used to serve \$5 beers at its daily happy hour.¹⁷ Now the store is a Liquiteria, a juice chain where you can get a smoothie for \$9.¹⁸



Policy Recommendations

There is no silver bullet that will curb the high rate of small business vacancies in our community. However, there are a few solutions worth considering that could help local businesses. First, I plan to introduce legislation in the State Senate on the following two issues:

➤ **Create the New York City Legacy Business Registry**

New York State should track and maintain a public registry of small businesses that have been in New York City for at least 30 years. This would serve as a starting point to develop future policy solutions to address small business vacancy, such as treating these stores as historic properties, making them eligible for historic preservation tax credits, or other benefits to be determined. The Legacy Business Registry would serve as a way to recognize important and long-standing retailers in New York City as historic community assets.

This program is modeled off the City of San Francisco's Legacy Business Registry, which was adopted through legislation in 2015. Their program is tied to the Legacy Business Historic Preservation Fund, a first-in-the-nation grant program for business owners and property owners who extend ten-year or longer leases to Legacy Businesses.¹⁹

➤ **Create formula retail zoning restrictions**

Formula retail stores, or chains, can often pay higher rent, but return much lower economic benefit to a community. I plan

to introduce legislation that would enable New York City to place limits on formula retail uses. This legislation would make it clear that the city's local government has the authority under New York State law to enact regulations to address the issue of formula retail uses.

San Francisco, California famously enacted formula zoning regulations, which is a model that New York City could follow if the state passes authorizing legislation. Under the 2004 local law, formula retail stores are considered conditional uses throughout most of the city. Before receiving final approval, these stores must be approved by the Planning Commission on a case-by-case basis.²⁰

In addition to these legislative solutions, here are some additional legislative and policy recommendations to address the issue of small business vacancy:

➤ **Phase out tax deductions for landlords with persistent vacancies.**

While the state level of government is limited in its ability to impact local zoning decisions, one way the Legislature can act is by utilizing its taxing authority. While landlords who leave retail storefronts vacant cannot deduct the lost potential rental income they could have received from their state income tax liability, they, like all owners of commercial real estate, are able to receive deductions for depreciation of the property and operating expenses. To

create a disincentive for leaving retail storefronts vacant, the state could explore phasing out those deductions, on a sliding scale, for building owners who leave retail spaces vacant for over one year.

New York could also consider various tax incentives, credits, or penalties to dissuade landlords from keeping a store vacant. As one example of this type of policy, the City of London provides commercial building owners who lose their tenants a short period of relief on their business rates, or taxes. After three months, the tax relief expires and owners must pay full business rates even if the store is vacant. This is meant to encourage landlords to rent out their space.²¹

➤ **Eliminate the Commercial Rent Tax**

The Commercial Rent Tax (CRT) is an onerous and outdated burden on many small businesses throughout my district. The tax only applies to commercial tenants in buildings below 96th Street in Manhattan, essentially subjecting them to double-taxation and putting them at a distinct disadvantage compared to businesses elsewhere in the city. New York State grants New York City its taxing authority, which means it can also eliminate that authority. The state could explore legislation that would strip the city of its ability to levy the Commercial Rent Tax on small businesses, coupled with much-needed property tax reforms to minimize the impact of the City's budget.

➤ **Conduct a statewide study on the economic impacts of small business vacancies**

While this report provides a snapshot of the state of small businesses in the 27th Senate District, a broader, state-authorized study of the economic conditions leading to small business vacancy is warranted. The Empire State Development Corporation could conduct such a study.

➤ **Collect sales tax on all online marketplace sales**

Online marketplace platforms like Amazon, Etsy, and eBay allow outside sellers to sell their products to consumers. Currently, sales tax is only levied on sales to New York residents if the seller also posts a New York address. Sales to New Yorkers by out of state sellers are tax-free, costing the state vital tax revenue and providing an incentive to shop online instead of paying sales tax in retail stores.

The New York State Executive Budget Proposal for the 2017-2018 Fiscal Year included a proposal to require marketplace providers who make over \$100 million in sales annually to collect sales and use tax on all sales to New York State residents, whether the seller is located within or outside New York. The proposal was estimated to generate between \$136 and \$200 million annually when fully implemented, in addition to offering benefits to storefronts that are currently disadvantaged compared to these marketplaces that do not need to charge sales tax. However, this proposal did not end up in the final enacted

budget. This idea warrants further consideration.

➤ **Encourage local merchant and statewide organizing**

In talking with some local small business owners, it became clear that there was no strong, centralized citywide trade association or organization of mom and pop businesses that work to address high rents and vacancies in a systematic way. A coordinated organizing arm would enable small businesses to have a louder voice in policy decisions that affect them at the state or city level. A model is the Retail Council of New York State, a trade association that represents members in matters of statewide legislative concern.

Similarly, local merchants associations have their fingers on the pulse of a community and can alert policy makers to a community's needs more efficiently. For instance, the East Village Independent Merchants Association (EVIMA) recently emerged "to create a strong and diverse business environment that sustains the unique character of our neighborhood" and is working on the issue of high vacancy rates in the East Village.²²

➤ **Improve state resources for mom and pop businesses**

The City of New York and many local nonprofit organizations offer resources to support small businesses when they need help. NYC Small Business Services offers free services to help businesses start, operate and expand, such as navigating government agencies, training programs and more.²³ Nonprofit organizations offer additional programs,

like free business counseling and pro-bono legal services.

However, few business owners we spoke with were aware of state-level resources to help small businesses in New York. Empire State Development's Division of Small Business Services and Community Economic Development supports the growth and development of small businesses with under 100 employees. However, there does not appear to be support targeted to very small businesses with a handful of employees, like most NYC storefront retail businesses. We should allocate more targeted resources for these businesses at the state level and help connect those resources to local small businesses.

➤ **Promote shop local campaigns**

Promotional "buy local" campaigns are proven to boost business at local small businesses. This is a relatively easy way the city or local organizations can work to boost up business. For example, Kew Gardens, Queens recently kicked off a 3-week pilot program for its Shop Local campaign. A local organization called Karing For Kew Gardens conceived the program, reached out to local businesses to participate, and printed 2,000 reusable bags they filled with coupons, menus, and information about those businesses.²⁴

➤ **Keep vacant storefronts active with pop-ups**

One way to reduce the blight and eyesores brought on by vacant stores is to fill those storefronts with temporary shops or displays, which is increasingly happening throughout the country.

Temporary pop-up shops are sometimes used for retailers to experiment with concepts and test new markets. Local towns and cities have also worked to beautify vacant stores by placing artistic or historical displays in vacant storefront windows, sometimes with government support. Some places have also filled vacant storefronts with seating and décor to serve as temporary public spaces.



A storefront operating as a privately-owned public space on Broadway and 62nd Street

Transforming these empty spaces into useful, temporary spaces presents a viable solution that works equally well for artists or emerging business owners, who get the space and exposure; landlords, who can generate some income from the use; and the neighborhood and city as a whole, which can enjoy a vibrant space instead of an

empty or ugly storefront. Even as a temporary solution, these ideas can transform a community from blight to vibrancy. These creative solutions could even be tied to a tax incentive for landlords.

For example, for the 2014 holiday shopping season, the City of San Antonio, Texas partnered with the private real estate industry to offer no-cost, short-term leases to 21 local entrepreneurs and small businesses to operate temporarily in vacant storefronts. The initiative served the dual function of allowing the businesses to test the downtown San Antonio market and transforming the streets into more vibrant places for the holiday season.²⁵

➤ **Pass Local Zoning and Tax Laws to Protect Mom and Pop Retail**

New York City can enact a variety of local zoning laws and regulations to address the problem of small business vacancies.

The Small Business Jobs Survival Act (SBJSA) was first introduced in the New York City Council by Ruth Messinger over three decades ago, and has been around in some form since then. Currently sponsored by Council Member Annabel Palma, the bill would give tenants a new set of rights when it comes to commercial lease renewals. It would grant commercial tenants the right to a minimum 10-year lease, the right to a lease renewal, and the right to equal negotiation terms when renewing a lease including recourse to binding third party arbitration if needed. It would also restrict landlords from

passing the building's property taxes onto business owners. When talking to business owners and community members about small business vacancies, nearly every conversation led to a mention of this legislation.

Several City Council Members have recently introduced legislation to reform the byzantine Commercial Rent Tax (CRT). One bill, led by Council Members Dan Garodnick and Helen Rosenthal, would lift the threshold for applicability for the tax from \$250,000 to \$500,000. This proposal would cost the city an estimated \$52 million while protecting more than 3,400 small businesses from a difficult tax burden. A second bill by Manhattan Borough President Gale Brewer and Council Member Corey Johnson would provide CRT exemptions for billboards that advertise theatrical

works and for affordable supermarkets. A third bill by Council Members Margaret Chin and Helen Rosenthal would require the City's Department of Finance to conduct annual reports on which businesses are paying the CRT.

Community leaders frequently point to a local zoning restriction on the Upper West Side that limits the number, types, and size of retail on each block, with specific restrictions on the size of banks and large chains. Local residents feel this plan was successful in maintaining community character.²⁶ This initiative was the brainchild of then-City Council Member Gale Brewer, who continues to lead exemplary work on the topic of small business vacancy in Manhattan. The City could look at this model and explore ways to expand it in additional neighborhoods.

Acknowledgements

Senator Brad Hoylman thanks Tara Klein, Deputy Policy Director, for drafting this report. The Senator also extends thanks to Burton Phillips, Counsel and Policy Director, for his work in preparing the report, and to Aliyah Griffith, Sara Newman, and Viana Tran, Constituent Affairs Fellows, and David Kruger, Director of Scheduling and Operations, for their assistance with data collection.

We also extend our thanks to the small business owners and community leaders who spoke with us for this report. Some of these individuals are actively undergoing tenuous lease negotiations, so we have chosen to keep their names out of this report. We also thank Justin Levinson and especially Tim Wu for his insights on this issue.

This report's methodology entailed surveying vacant storefronts, talking with small business owners and community leaders, and reviewing press reports. It relies heavily on anecdotal evidence and is not intended to be a scientific study.

All images in this report were collected from our vacancy survey in the 27th Senate District.

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SMALL BUSINESS JOBS SURVIVAL ACT

Intro 737-A

Testimony of Assembly Member Richard N. Gottfried
Public Hearing: City Council Committee on Small Business
City Hall
October 22, 2018

I am New York State Assembly Member Richard N. Gottfried and I represent the 75th Assembly District in Manhattan. Thank you to Council Speaker Corey Johnson and to Chairman Mark Gjonaj, my friend and former Assembly colleague, for providing me the opportunity to submit this testimony today in support of Intro. 737-A, the Small Business Jobs Survival Act sponsored by Councilmember Ydanis Rodriguez.

Small businesses in New York City are the lifeblood of our communities, serving as engines of job creation and helping to stabilize and anchor the neighborhoods they serve. Confronted by rising rents and competition from chain stores, many are fighting to survive, and each week seems to bring news of yet another closure and yet another vacant storefront.

Intro 737-A offers a welcome and long overdue measure of stability to commercial tenants in New York City, which includes retail and service businesses, professional medical offices, and not-for-profit organizations, including performing arts and theater groups. It would require a property owner to notify a commercial tenant 180 before the tenant's lease expires whether its lease will be renewed, and to specify to the tenant why a lease is not being renewed. The bill would also provide a commercial tenant the opportunity to secure a ten-year renewal lease, allowing for better long-term planning and encouraging small business growth and job creation. It will also enable a commercial tenant to negotiate terms

of a renewal lease with the property owner. In case of an impasse in negotiations, the bill would give both sides the opportunity to present their arguments to a neutral, third-party arbiter, who would be obliged to consider the average rents in the surrounding area before rendering a binding judgment.

The Small Business Jobs Survival Act establishes guidelines and an arbitration process for the process of commercial lease renewals. New leases for unoccupied commercial space would not be affected.

Intro 737-A provides small businesses and other commercial tenants with some basic rights and protections that are desperately needed. It will help foster economic growth and job creation in the private sector, and thereby help stabilize our city's diverse communities.

I urge the Committee to approve, and City Council to enact, the Small Business Jobs Survival Act.

Thank you.

#



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Gale A. Brewer, Borough President

Testimony of Gale A. Brewer, Manhattan Borough President

Regarding the Small Business Jobs Survival Act

New York City Council Committee on Small Business

October 22, 2018

My name is Gale Brewer, and I am the Manhattan Borough President. I want to thank Chairman Gjonaj for holding this hearing on the Small Business Jobs Survival Act (SBJSA). As many of you know, I worked on this bill during my time as a city council staff member and have continued to fight for small businesses in New York City throughout my career. I am the only elected official that has passed an amendment to the zoning regulations to restrict storefront size. We also published a report with comprehensive recommendations on saving storefronters and walked the entire length of Broadway in Manhattan to identify the massive number of vacancies.

The crisis facing small businesses which inspired the SBJSA has only grown worse. National chains steadily spread throughout the city, storefronts sit vacant for years, and online shopping is reducing foot traffic to our local shops.

While I agree fully with the goals of the SBJSA, I have concerns about how effective the current version of the bill will actually be. As it is currently written, the SBJSA applies to all commercial leases including thousands of white shoe law firms, hedge funds, and other financial institutions which do not need support. The scope of the legislation would first need to be significantly narrowed. Whether it should be narrowed to small businesses, small retail businesses, storefronters, or legacy businesses (long term neighborhood businesses) needs to be studied as does how those terms might be strictly defined in order to withstand a legal challenge.

The Act must not be so cumbersome to implement for both landlords and tenants that unintended consequences arise. For landlords: will the regulatory burdens of the Act encourage them to sign up national chains that will always be able to pay rent increases, resulting in fewer opportunities for storefronters? For existing small commercial tenants who operate without leases or month-to-month, the provisions of the Act must not increase the likelihood that they will be forced out.

In addition, I think the arbitration and right of first refusal provisions in the Act could be streamlined. For example, mandatory mediation with a required negotiation period might actually enable significant numbers of financially sound small businesses to stay in place. The

Act could also require periodic review to determine if the provisions are working, and how to improve them if necessary.

A carefully tailored bill would likely raise fewer legal issues and reduce costly and lengthy litigation that will only delay urgently needed protections.

Next, I would like to talk about approaches which can be implemented quickly and effectively. I support the creation of a citywide registry law which would require those holding commercial spaces vacant to register them. Last summer, my staff and volunteers walked all of Broadway to count the many vacant commercial storefronts; while this survey provided a snapshot of the vacancy problem, we need to systematically track storefront vacancies. This information will provide a complete understanding as to the extent of the problem and track the impact any future solutions. As the initiator of the city's municipal Open Data Portal, I know a thing or two about the importance of timely, accurate data. This data will provide a full understanding to the extent of the issue and allow us to measure the success of any possible solutions going forward. A comprehensive accurate data set about commercial vacancies should be freely available, then we will enlist an enormous amount of assistance from every community that can process the information such as academia, civic hackers, advocates, government, and small businesses themselves. The landlord must also report when a new lease is signed for the vacant space or when a new business begins using the space. Together with Speaker Corey Johnson and Council Member Helen Rosenthal, I hope to introduce this legislation in the near future.

There are other proven methods for helping small businesses which I believe need greater consideration. In 2012, as a council member, I passed zoning protection for small storefront businesses in my Upper West Side district as the expansion of national chains—particularly banks and chain drugstores—came to dominate many blocks along Broadway, Amsterdam Avenue, and Columbus Avenue. One of these protections was the creation of the Upper West Side Special Enhanced Commercial District which limited the size of storefronts from, generally, West 72 Street to 110 Streets (banks can be only 25 feet long on all avenues and new storefronts 40 feet long on Amsterdam and Columbus Avenues) and required new developments to include retail space on the ground floor. In December of 2017, the City Council released a report titled 'Planning for Retail Diversity: Supporting NYC's Neighborhood Businesses' which found these zoning reforms to be very effective. Vacancies on the protected blocks were lower than on streets without protections. We should look to expand these districts to neighborhoods threatened by the spread of banks, large-scale chain retailers, and the loss of small, local businesses.

Additionally, neighborhoods like the East Village have been seeing their character eroded by the spread of national chains and formula retail operators. Part of what makes New York unique, exciting, and competitive is the presence of local specialty shops and independent retailers, not national chains that can be found in every suburb. The Department of City Planning should write zoning text to require a special permit for formula retailers in neighborhoods where this is a major concern.

Existing programs with proven benefits to the community can be expanded and adapted to help solve issues facing small businesses. FRESH, which operates in underserved neighborhoods to provide relief to grocery stores, is one such program. I also believe that a commercial rent tax

(CRT) exemption for non-national chain supermarkets is critical to the health of these crucial businesses. I urge the Council to adopt my legislation, Intro 799A, on this matter. This CRT exists for businesses from Murray Street to 96 Street in Manhattan and although it was reduced recently, it is a burden to these businesses. Expanding FRESH zoning and tax benefits to include vital neighborhood commercial services such as laundromats, dry cleaners, book stores, shoe repair shops, neighborhood drug stores, and other neighborhood-specific commercial enterprises will help preserve the fabric of our local small business communities.

The City must also take full advantage of its own assets to assist small businesses. There are many kiosks and other city owned locations which can help support small businesses. The City should not allow kiosks to sit vacant for years and should explore alternative approaches to keep these kiosks occupied in order to provide commercial services to underserved areas, to provide opportunities to small entrepreneurs, and to raise money for City services. The many kiosks by 1 Centre Street, which the Department of Transportation previously rented to a variety of small food businesses, have been vacant for years and it is a disgrace.

Additionally, we must look to support public markets and increase the use of pop-up markets. These provide a low cost method for entrepreneurs to test their business skill at a small scale and improve survival rates. At present, many vacant or underutilized sites could easily support a pop-up market. If successful, pop-ups could gain greater access to the capital necessary to establish a brick and mortar presence in one of the many vacant storefronts. The administration should look to increase funding for locally managed public markets.

Our goal is to protect the small businesses which contribute to the character and identity of local neighborhoods, especially the storefronters which have been around for a long time. To do so, we should identify programs that other cities are instituting and study whether they are applicable to New York City and explore new ideas. The Council should look at establishing legacy incentives to help reduce the burden created by taxes on these key members of the community as San Francisco has. London has explored higher taxes on e-commerce to incentivize buying locally and supporting small businesses. More locally, perhaps Albany could tax vacant stores and/or give tax breaks to storefronters. Lastly, there is merit to negotiating for permanent affordable retail space in new developments much as we already do with new affordable housing development.

The challenges facing small businesses today are varied. There is no single solution, but we must immediately reduce the burden with reforms and incentives that are carefully tailored, and help ensure their success through close monitoring and adjustment as necessary. We do need to pass legislation in the Council and in Albany if necessary.

SMALL Business

BIG Impact

*Expanding
opportunity
for Manhattan's
storefronters*



Gale A. Brewer

MANHATTAN
BOROUGH
PRESIDENT

March, 2015

Executive Summary

The Manhattan Borough President’s Office (MBPO) produced this report to help more small businesses thrive and grow, because small businesses have historically provided the majority of jobs for New Yorkers and a gateway to the middle class, especially for immigrants and ethnic communities.¹

Over the past few years, however, the future of the city’s small businesses—and specifically street-level retail stores and restaurants—has begun to look murky. High rents, corporate competition, and real estate development deals are creating challenges over and above the ones small businesses typically face.

Activists have cited the speed with which commercial landlords move to evict small businesses to make space available for a corporate franchise or a bank, which can and do pay substantially higher rents. These evictions are having an impact on Manhattan’s commercial landscape. Vast stretches where mom-and-pops once prevailed have disappeared from Clinton and Chelsea to Little Italy and the Bowery. Empty storefronts persist for weeks, months, and even years, and more and more streetcorners are claimed by major banks and corporate chains.

Launching a small business in New York City has never been easy. Of the thousands that open every year, many close that same year. Landlords evict commercial tenants for a variety of reasons. Tenants close up shop not just because of escalating rents but also because of back taxes, damages or losses for which they haven’t carried enough insurance, and demographic changes among clientele. Regardless of why small businesses close, when they do, everyone loses, because small businesses hire locally, contract out services locally, make local purchases, and give New York City streets their character.

Based on what the MBPO heard from small business stakeholders, we’ve made recommendations under four categories: (1) help small businesses cope in the current real estate market, (2) improve government interaction with small businesses, (3) reform the city’s Commercial Rent Tax, and (4) maximize resources among government agencies.



Special thanks to Lucian Reynolds of the MBPO Land Use Division for his extensive work on this report.

HOW BIG IS SMALL?

Finding the data to help analyze the small businesses targeted in this report was difficult because there is no standard definition of “small.” We looked at how federal, state, and city agencies set the maximum number of employees a business can have to qualify as a small business:

Federal: *Depending on industry sector, the U.S. Small Business Administration (SBA) measures business size by either the company’s dollar value or the number of employees. The Small Business Act defines small business as generally one with fewer than 500 employees.*

The SBA further recognizes microbusiness as an organization with fewer than five employees and small enough to require little capital (\$35,000 or less) to get started.

State: *New York defines small business as a shop that employs fewer than 100 people.*

Local: *New York City’s Small Business Services doesn’t give a hard number; rather, it encourages any business to inquire about its services.*

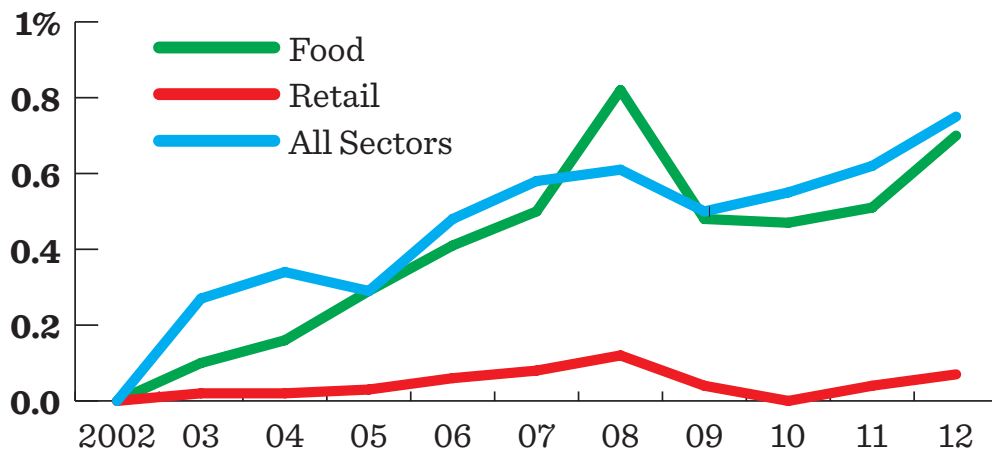
Clearly there’s a need for better integration of benchmarks and criteria between different levels of government when it comes to smaller shops. It would be great to have common thresholds. We believe that the majority of storefronters our recommendations will help are businesses with 15 or fewer employees.

New York City has been fertile ground for small businesses

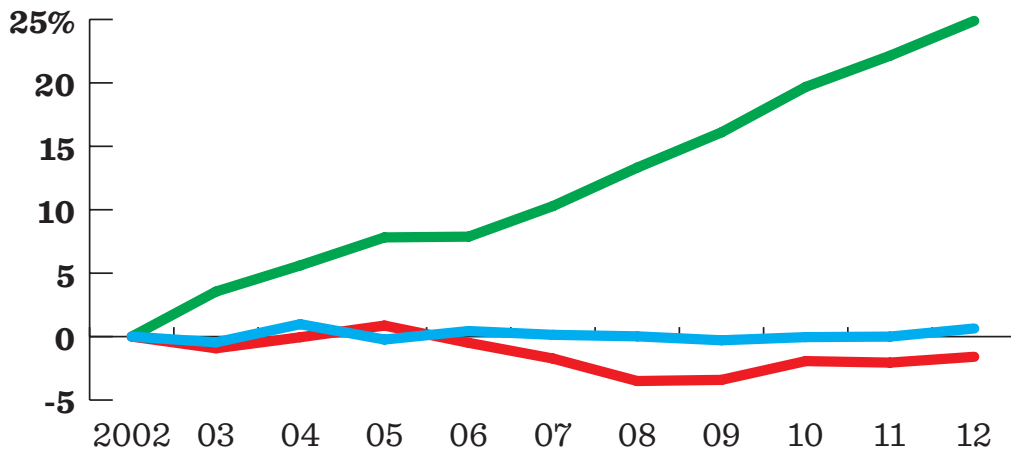
Successful small businesses make our city stronger, bolstering our unique identity and helping to revitalize neighborhoods. They provide a broad range of essential services—such as washing clothes, repairing shoes, and cooking and delivering food—and often go beyond that, exposing their customers to new products or experiences.

Although New York is one of the world’s most expensive and competitive places to do business, entrepreneurs with one or only a handful of employees are undeterred from entering the ring. According to an October 2014 report by the Center for an Urban Future, firms with fewer than five employees constituted the bulk of growth in new businesses in New York City between 2000 and 2013, providing a net gain of 31,421 jobs.²

These numbers, of course, reflect the meteoric growth in digital and tech startups, buoyed by an array of Silicon Alley co-working spaces like New Work City and AlleyNYC.³ In addition, according to U.S. Census data compiled by the Center for an Urban Future, 7.9% of Manhattan residents were self-employed (meaning “in own not-incorporated businesses”) in 2012, a larger share of the workforce than in any other borough.⁴ When you add up these tens of thousands of Manhattanites, you can see how



Growth rate in quantity of 100+ employee firms



Growth rate in quantity of under-99 employee firms

Source: U.S. Census Bureau data for New York County

INTERVIEWEES

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Wellington Chen, *Exec.
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Kerri Culhane, *Associate
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Neighborhood Council*

Alexandra Hanson, *Policy
Director, NYS Ass'n for
Affordable Housing*

William Kelley, *Exec. Dir.,
Village Alliance*

Sung Soo Kim, *President
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Center of New York*

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Danny Meyer, *CEO, Union
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Ramon Murphy, *Pres.,
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Fred Owens, *Development
Dir., Project Enterprise*

Nancy Ploeger, *President,
Manhattan Chamber of
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Martha Soffer,
*Economic Development
Specialist, Small Business
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firms with fewer than 20 employees constitute over 90% of the businesses in the New York metropolitan area.⁵

U.S. Census data on business patterns for Manhattan (New York County) between 2002 and 2012 reveal some interesting trends.⁶ For instance, the number of businesses with fewer than 99 employees and more than 99 employees varied by only a few percentage points in 2010. The number of food establishments with fewer than 99 employees appeared to be unaffected by the 2008 recession, increasing steadily by 25% over 2002 levels. Finding success in the restaurant business is notoriously difficult, but there seems to be no limit in the number of entrepreneurs attempting to do so in Manhattan.

The focus of this report is what we call storefronters—retail stores/services and food purveyors/restaurants that rely on street-level customer activity for their success—and therein lies the challenge. In a booming commercial real estate market, chain stores don't need to be profitable to afford their lease, because the street-level location may be more useful as an advertisement than as a means to profitably move merchandise. Storefronters, on the other hand, struggle mightily to pay \$65.14 per square foot—the average Manhattan asking rent in the fourth quarter of 2014 according to Avison Young.⁷

The types of small businesses we seek to help are independent (not part of a national chain and not franchisees), responsive to a neighborhood clientele, and have often built their businesses with very little capital, using their life's savings or getting loans from friends or family. Franchisees are often similar to our targeted storefronters, but the nature of the franchise allows them certain economies of scale and advertising support that are not enjoyed by those who fit our definition.

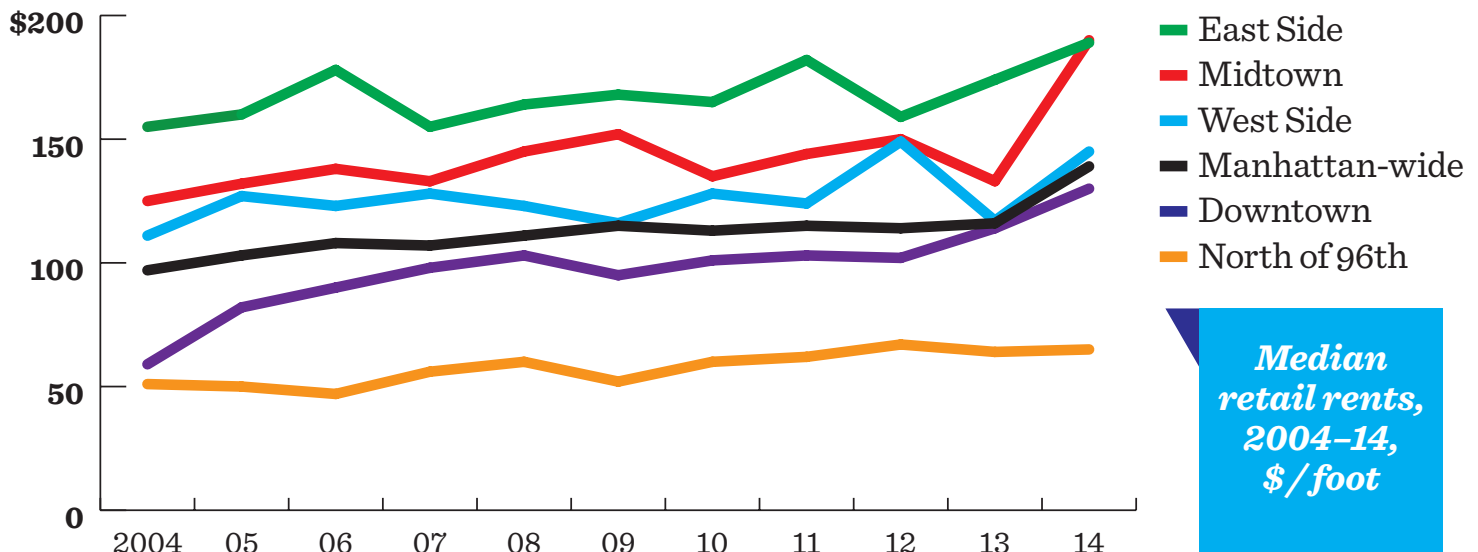
When small businesses are replaced with chain banks or chain drugstores, the market fails both the business owners and New Yorkers who prefer unique and specialized services. It also fails the economy. As noted urban theorist Jane Jacobs discussed in a 2003 interview, "The general idea at the time I wrote *The Economy of Cities* was that small businesses were . . . no longer of any importance. It's only a few years ago that it became the accepted new wisdom—which is true—that most of the jobs added in an economy are added in small businesses, not from growth in already large businesses."⁸

Challenges to making it in Manhattan

This report was shaped by what we heard during interviews with individuals from a wide spectrum of organizations in neighborhoods in all parts of Manhattan (*see sidebar at left*). These interviews gave us critical perspective on the market, on the damage that large rent increases are causing storefronters, and on challenges these entrepreneurs face daily.

Rising commercial rent and changing clientele

We've all seen businesses close under sad but recognizable circumstances. Most often, the market just does not exist for their product or service. Even well-established firms can be done in by credit problems, changes in management



Source: Real Estate Board of New York, Spring Retail Report 2014

costs, or retirement. Recently, however, New Yorkers have seen something different happening: the closing of businesses that have stood the test of time and enjoy healthy patronage from the neighborhood and surrounding city. The reason: large-scale increases in commercial rents.

As more ultra-high-income individuals move into New York City, property values and rents escalate, and owners of ground-floor retail spaces search for the new market ceiling. Many are avoiding locking themselves into 10- or 15-year leases at a price per square foot that may turn out to be below that of neighboring buildings. Instead, they are keeping their stores vacant until they land a tenant who accepts a higher rate, which establishes a new market norm.

Businesses that can't adapt their models to afford higher rents can do nothing but close. If banks and chain drug stores are the only tenants that can afford top-market prices, New York City will see greater numbers of storefronters going under.

With rising rents come new clientele, and a marked change in neighborhood demographics can significantly alter shopping patterns. The dissipation of an ethnic enclave could reduce demand for certain goods or services, even if the incoming population has the same purchasing power.⁹ Many small businesses consider a shift in strategy risky, but their failure to alter their business strategy is just as risky. A shift in neighborhood tastes could necessitate additional investment—for instance, a capital investment like a new display counter or funding to cover the retraining of employees to provide a new service—that the owner is unable to afford.

Ill-informed management decisions

In speaking with Bernadette Nation, Director of the City Business Assistance Program at New York City's Department of Small Business Services (SBS), we learned more about what causes businesses to fail. In the wake of natural or manmade disasters—for instance, building fires and flooding—SBS's program helps business owners pick up the pieces, connecting them to emergency response programs and helping them negotiate with insurance companies.

Here are some common small business pitfalls Ms. Nation cited:¹⁰

Not carrying enough insurance. Though businesses are usually required to buy insurance as part of their lease, many buy bare-minimum policies that prove insufficient for each type of coverage.

Delaying tax payments. Many small businesses elect to pay their state sales tax annually rather than quarterly, which gives them more time to dip into money that should be earmarked for the state. To further complicate matters, the state may not contact the business about unpaid sales tax until the second or third year, whereupon the owner might not have properly accounted for the sales tax revenues and is unable to pay.

Not budgeting for utilities. New small business owners are often unaware that utilities treat business customers differently from residential customers: if they fall behind on their payments, Con Edison will cut off electricity and gas to the shop.

Lack of readiness to change or expand

Communities can change a lot over the course of a 15-year lease. If a business serves a neighborhood of young families with strollers, they may need to reflect on their business plan if a decade passes and children become adolescents but young families are no longer moving in. Consumption patterns change as well. Family bakeries and bagel shops have had a wild ride as tastes have changed from no-carb to whole-grain bread to gluten-free products.

Some small business owners may fear change, especially if they have been running their business the same way for a long time. These businesses would benefit from an organization that could help them identify the new market and make any needed adjustments to their strategy.

Changing consumer tastes might force business owners to carry more expensive products that would require taking out a loan. But because many small businesses have been built from personal savings or loans from friends or family, their owners don't have experience gathering the paperwork to successfully apply for a loan. Moreover, many fear an application that requires them to be transparent about their business's financial history and future.

Both New York State's Empire State Development Corporation (ESDC) and the federal government's Small Business Administration (SBA) have loan programs for small businesses. Independent microloan organizations like Accion and Grameen America serve needs that are too small for traditional banks and credit unions. If more small businesses could be connected with these services, more would succeed.

Business-inhibiting laws and policies

Although city, state, and federal governments all have agencies that respond to the needs of small businesses, government can also restrict business when enforcing those zoning codes, laws, and regulations to protect the public's interests. These inhibitors include:

Rigid zoning codes. New York City's Zoning Resolution dictates whether a business can operate in any of the five boroughs. Business types are separated into groups, and each group may be included in one or more zoning districts or commercial overlays. The city's current zoning system distinguishes between residential, commercial, and manufacturing uses. Exceptions can be made as some commercial districts may be built with residential units and certain commercial establishments are allowed in some manufacturing zones. These rigid descriptions do not leave much room for interpretation, and storefronters need room to innovate.¹¹ Real estate development is an incredible opportunity to add ground-floor commercial units to the market and increase Manhattan's overall supply. Unfortunately, many new commercial spaces are built out in large dimensions that please investors but not storefronters, who are unable to justify spacious floor plans suited to chain pharmacies and banks.¹²

Uncooperative agency inspectors. Various New York City agencies interface with small businesses to ensure that they comply with regulations—the Department

of Consumer Affairs (DCA), the Department of Sanitation (DSNY), the Department of Transportation (DOT), and the Department of Health and Mental Hygiene (DOHMH).

The DCA protects New Yorkers from business practices that may cause economic or physical harm—for instance, misleading product signage, availability of receipts, and the sale of expired over-the-counter medicine. For many storefronters, the DCA is their principal contact with city government. But for many of the small business owners we interviewed, DCA inspectors were perceived as taking a guilty-until-proven innocent approach, viewing business owners as willfully negligent or perhaps even as scam artists.

As people making a life for themselves, storefronters are not inclined to look for problems. If the owner is discovered to have unknowingly violated a regulation, he or she should be given the opportunity to learn from this mistake and be fined only if the situation is not corrected. This situation is compounded by the fact that each city agency deploys its own inspectors with specific checklists, subjecting small businesses to at least four different visits and complex interactions over regulation.

Commercial Rent Tax. If you are an entrepreneur who does business between 96th Street and Chambers Street in Manhattan, the cost of doing business will likely include the Commercial Rent Tax. For the most part, this is a tax levied on for-profit commercial tenants paying at least \$250,000 per year in gross rent. It turns out that this threshold is easier for a small business to reach than one might expect.

To calculate gross rents, the city looks at how much a business pays its landlord every month per the requirements of its lease. Gross rent takes other costs into account, such as property taxes. Many commercial leases have pass-through clauses that make a lessee pay any increase in property taxes for their space. So if their landlord's property taxes increase, the tenant will have to pay the difference; what the tenants pay in property taxes is included in what is considered gross annual rent. This tax-on-a-tax punishes successful business owners for improving their neighborhoods.

Opportunities and challenges for street vendors. Street vendors are storefronters without a brick-and-mortar location. This style of retail should be a very low-cost, low-risk way to enter the marketplace, as the vendor doesn't need a commercial lease and may be able to get his/her business up and running with little or no credit. In reality, however, street vendors' overhead is often higher than anticipated. They may be operating from a table or cart, but their equipment and inventory may need to be transported and must be safely stored when not in use, which can be costly.

The city recognizes street vendors as a legitimate business type, but policies that limit the expansion of street vending constrain opportunity. The city capped the number of street vendor licenses in 1979 and has not been taking new names on the waiting list since 1992. (There are exemptions for U.S. military veterans or First Amendment vending like newspapers and magazines.) The city also makes it difficult for street vendors to contract private carting services for their business waste (which can result in business waste ending up in overflowing public trash receptacles).¹³

Gaps in government support

Government agencies—New York City's SBS prime among them—provide very useful resources to help small businesses. New York State's ESDC and Harlem Community Development Corporation (Harlem CDC), along with the federal government's SBA, have offices that provide small business support. Like the regulatory agencies, these agencies seek to improve the lives of New Yorkers, but sometimes gaps in service occur.

Department of Small Business Services. SBS helps demystify the process of getting a business up and running and overseeing New York City's Business Improvement Districts (BIDs). Although SBS works hard to lower the barrier to entry for small businesses of every class, our interviews revealed a handful of issues that reduce its effectiveness.

While SBS offers impressive services for those preparing to establish a business that conforms to current laws and regulations,¹⁴ the same types of services are not available for street vendors who may or may not hold a license but want to expand into a brick-and-mortar location. Such a service is sorely needed as New York City has no lack of entrepreneurs. This SBS service could assist them in launching informal-sector businesses or helping legitimate microbusinesses as they grow to stay in compliance with laws and regulations that previously did not apply to them.

SBS provides services to storefronters that could be complemented by available state and federal services. Unfortunately, the city does not appear to be coordinating its efforts with ESD, SBA, or other agencies. SBS is best situated to provide small businesses with individualized assistance. Entrepreneurs would be better served if SBS coordinated its services with those of other agencies, making referrals to clients and tracking when this is done.

Business Improvement Districts. BIDs are credited with improving the look and feel of commercial areas by providing additional sanitation services and beautifying the area with plantings and tree care. Many BIDs, like that in Washington Heights, provide an expansive slate of services to small businesses by conducting market research and lobbying on their behalf.

Because BIDs are primarily funded by an assessment on real properties within the district's boundaries, many of our interviewees expressed dismay that the funding mechanism makes BIDs beholden to property owners over all other constituents. It makes sense that BIDs seek to improve property values for the entities that dominate their boards and from which they garner most of their budgets. But the city needs to empower BIDs to provide more services that benefit storefronters in their catchment areas.

Recommendations

We need to pursue all possible avenues to help new storefronters survive and existing ones strengthen their foothold in Manhattan neighborhoods. Given the challenges our interviewees helped us identify, the MBPO suggests the following solutions.

Help small businesses cope in the current real estate market

To take some of the pressure off of lease renewals, we recommend institution of a mandatory negotiation and mediation period, with the option of a short-term lease extension. As a long-term commercial lease draws to a close, these policies will aid both small business owners and property owners alike by ensuring a frank, informed conversation takes place while maintaining protection and flexibility for both parties. This isn't a new concept—in 1986, the Small Business Retail Study Commission (SBRSC) examined the city's retail market and included this policy in its recommendations. Three decades later, the urgency is only greater, and this is an idea whose time has come.

Unlike commercial rent control, this plan leaves the question of how much a tenant will pay for the duration of their lease to the negotiation between tenant and landlord. It does not give the city or state authority over market rates; it merely requires both parties to talk. If an agreement is not reached, the lease is extended to give the tenant a reasonable amount of time to move.

The landlord of a small retail business with an expiring commercial lease would have to contact that tenant 180 days before the end of the lease to let the tenant know whether

*Negotiate
or mediate
lease
renewals*

they intend to offer a renewal. If they do, they will also have to provide the terms. Should the tenant seek to negotiate with the landlord or the landlord's representative, they would have to do so within 30 days of receiving the terms.

If the negotiation does not produce an agreement, the tenant or the landlord may invoke nonbinding mediation within 30 days. This way, landlords are not able to simply run out the clock on their tenant without coming to the table in some way. The mediation session must have a mediator present, and if the mediator feels that progress is being made toward an agreement, he or she can order that the parties attend a second round of mediation. If both parties do not agree on lease terms, the tenant's current lease is extended for one year with up to a 15% increase in rent. This gives the tenant enough time to search for a new retail space.

We also recommend an increase in the supply of ground-floor retail space to provide more competition between building owners and more competitive leases for small businesses. More commercial space in the neighborhood can also give a business that is forced to move out of its current space a way to secure a more favorable lease in the same neighborhood. This is another good idea with roots in the 1986 SBRSC report, and there are several ways the city might put it into practice:

Don't allow ground-floor retail to expire. Many ground-floor commercial units have been functioning as a nonconforming use but were grandfathered as an existing use under the 1961 zoning. When these spaces lay vacant for two or more years, they were required to conform with the permitted use, which meant an end to the continuation of that space as retail. The commercial overlay would allow existing businesses to expand and new small businesses to replace those that close without the danger of losing the grandfathered retail space forever.

Create an Urban Neighborhoods Fund. The New York State Association for Affordable Housing has found that current subsidy programs do not adequately support the creation of ground-floor retail. To ensure that such space is built whenever possible, it proposes an Urban Neighborhoods Fund for the city's affordable housing developments.¹⁵ This fund would reduce the level of debt that a developer must carry on the retail portion of their project, which can reduce the amount of rent that that building needs to charge. Cheaper commercial spaces providing important neighborhood services can be prioritized for storefronters. The fund is structured to leverage federal and state resources and would be administered by the New York City Department of Housing Preservation and Development.

Expand retail opportunities by expanding commercial overlay districts. It's critical that the city allow for additional commercial retail density in places where upzonings occur and create opportunities for commercial activity in surrounding areas. The Department of City Planning (DCP) should match the expansion of commercial overlay districts with additional zoning provisions requiring new buildings with a certain amount of commercial frontage to have a minimum number of storefront establishments. In neighborhoods like the Upper West Side, banks are assembling smaller commercial retail units to create larger frontages, which allow them to use the space as advertising. The Upper West Side's 2012 Neighborhood Retail Streets rezoning protected storefronters by preventing the further loss of appropriately sized commercial spaces. Under the new provisions, banks and formula retail could still use building cellars, space on the second floor, and commercial space behind other smaller units to expand their usable commercial area without having to dominate the street frontage.

Create commercial opportunities for storefronters within public housing complexes. Commercial overlays should be added to the existing residential zones to permit retail activity. The New York City Housing Authority (NYCHA) could then remodel the bases of some of its buildings to allow for ground-floor commercial units to replace underutilized

***Expand
the supply
of retail
space***

storage or workshop space. This will provide additional revenue for the cash-strapped NYCHA as well as important “eyes on the street” storefronts that help create vibrant and safe neighborhoods—something that “towers in the park”-style developments often lack.¹⁶ **Create an ultra-low-intensity commercial district.** Zoning currently lumps together a broad range of uses classified as retail, but more than one metric can be used to measure building intensity. If a ground-floor retail space is strategically important to a business and the intensity is low, parts of the city could accommodate the business even if currently zoned as residential. Many residential zones allow for community facilities that can be used for medical offices. A low-intensity commercial district would create additional commercial space for other types of unobtrusive businesses. Because this class of business would no longer compete for commercial space, demand would be reduced. This pilot would require an agency with experience in business plans to assist the DCP in establishing the low-intensity threshold and reviewing applications. The low-intensity zones should be distributed near commercial areas experiencing high demand for ground-floor commercial stock.

Make it easier to buy the building

One way for storefronters to avoid the need for lease negotiations is to buy the commercial space they had been leasing. Given the current market for residential property in Manhattan, however, it is unlikely that many owners could manage this.

One solution is to separate residential and commercial units into condominiums. The SBA’s 504 Loan allows businesses to purchase properties valued at up to \$5 million if they can provide at least 10% of the purchase amount and if 51% of the building is used as part of the business.¹⁷ A program that promotes “condo-ization” for compliance would make the purchase of ground-floor retail space possible for storefronters. A procedure with New York State’s Real Estate Finance Bureau would allow building owners to easily separate the uses if the split has no effect on residential tenants.¹⁸ Once the commercial units are legally separate, the commercial tenant is far more likely to use 51% of the condominium.

To incentivize this process, the city could implement a program by which buildings that have accumulated heavy Buildings Department fines or are in arrears in Department of Environmental Protection sewer payments can get these debts reduced by using the earnings from the sale of their commercial condominium to pay for the necessary capital improvements. The property owner would have to agree to not apply for a Major Capital Improvement by New York State’s Department of Homes and Community Renewal, which would allow them to increase the tenant’s rent in return for fixing the serious, longstanding issues.

Improve government interaction

As noted in the previous section, improving interactions with DCA, DSNY, DOT, DOHMH, and other regulatory agencies can make small businesses more sustainable.

Combine overlapping inspections. Agencies with complementary goals can combine efforts to provide more comprehensive oversight. An ideal combination would be NYPD’s Traffic Enforcement Agents and Department of Sanitation inspectors. Combining inspections would give owners fewer interruptions from tending to their business and allow sanitation and traffic laws to be dealt with simultaneously. The city might pilot this process by recruiting experienced inspectors for the new position or by creating interagency teams to go into the field.

Transform inspectors into educators. Inspectors have the potential to become the city’s greatest asset for connecting with storefronters. While inspecting retail establishments is important for consumer protection, DCA should reform and expand this position to make it a Small Business Education Specialist to assist small businesses in achieving compliance. Education Specialists would engage in outreach on behalf of SBS, nonprofit

Maximize city inspector efficiencies

partners, and local BIDs when applicable. They would connect the city to the needs of the storefronter and respond with a menu of available city services.

Provide language services for Cure Law participants. The 2013 Cure Law—which the MBP co-sponsored as a City Council Member¹⁹—listed 84 DCA violations that can be corrected by submitting certification that the condition has been fixed. It also allows businesses to avoid DCA fines by expanding the list to include over 100 types of violations that can be corrected. We need to ensure that storefronters—regardless of their fluency in English—have enough language support to properly submit their paperwork to “cure” first-time DCA violations. Otherwise, those with limited fluency might be unable to benefit from this law, which helps small business owners by reducing the number and cost of fines, increasing transparency and fairness, and improving business education.

The persistence of street vendors in the face of adversity confirms their entrepreneurial spirit. New York City should help these sidewalk storefronters grow their businesses.

Create a ladder of entrepreneurship. SBS can strengthen the pipeline to fill brick-and-mortar retail spaces by helping fledgling entrepreneurs learn stronger business practices. Because every vendor has different needs, SBS could build out multilevel, multi-language curricula beginning with the basics (building and using credit) and finishing with classes on commercial lease negotiation.

Raise the cap on vendor licenses and permits. The current limit has not been raised since 1981. Allow new entrepreneurs to go into business for themselves. New York City should think of every new business as a startup, not just those seeking venture capital funding.

Issue temporary license papers to replace lost or stolen licenses. DCA does not currently issue temporary cards for vendors to use until their replacement card arrives. So if a street vendor loses his or her license card for any reason, he or she is unable to work until receipt of a replacement, which can take up to a month.

*Empower
street
vendors*

Reform the Commercial Rent Tax

City government should improve how the Commercial Rent Tax deals with store-fronters. In particular, the base gross annual rent should be raised from \$250,000 to exclude the majority of storefronters from qualifying for the tax. All retail tenants should also be allowed to ignore any property tax pass-throughs when calculating gross annual rent.

Facilitate agency collaboration

New York City has the potential to give small businesses access to a full line of free or low-cost business services. SBS’s Business Express is a fantastic tool to jumpstart new businesses.²⁰ The state’s ESD has a Business Mentorship Program.²¹ The federal government’s SBA has impressive loan programs and conducts free seminars.²² To get businesses the support they need, we recommend an integrated system in which each level of government takes in new clients and passes them off to the agency providing those services.

Publish enhanced SBS open data. Before the city, state, and federal governments begin sharing their caseloads, SBS must develop a way to track and tally the number of businesses it takes in and subsequently hands off to state or federal partners. These data will enter the city’s Open Data Portal (created by Local Law 11 of 2012, co-sponsored by the MBP as a Council Member),²³ where they can be analyzed by external organizations to better target the needs of storefronters.

Co-locate agencies from different levels of government. Each of the government agencies should share an office space for overlapping and complementary programs where employees who cover intake, handoffs, and strategic planning can work, communicate, and build partnerships. If developed jointly, future programs could reduce administration

*Integrate
city, state,
and federal
services*

costs across all levels of government, with the savings applied to help small businesses. **Expand 311 to cover state and federal programs.** The city's 311 operators are trained to ask the right questions and navigate the caller through a special knowledge base to narrow the list of possible services. While city services and agencies are well represented, state and federal programs should also be included, especially if a similar service is not offered by the city. For example, if a minority or woman who owns a business wants to become certified as an M/WBE and do business with the state, a call to 311 would connect the client with Harlem CDC to start the certification process.

Leverage BID resources

Few organizations know the current commercial climate of an area like the local BID. Moreover, BID staffers often have very close relationships with the businesses in their catchment areas. BIDs pay to collect important data, and their staff have the training to identify trends that would help local businesses strengthen their products and services in light of changing consumer tastes.

Partner with SBS to identify and help struggling businesses. BIDs can help identify storefronters who need SBS assistance and refer them to the closest center. For example, because the Washington Heights BID and SBS share office space, they work very closely together to target needed services. SBS should explore how this model can be replicated throughout the city and give BIDs more power to directly help small businesses.

Develop the capacity to provide microloans. Once the local BID has identified ways to strengthen a business, the owner may need a small loan to begin selling a new line of products or update a sign. SBS should start a pilot program to give BIDs with a large share of storefronters the ability to provide microloans of less than \$25,000. These loans can help to build a business's credit rating and expose entrepreneurs to the loan procurement process. Organizations with experience in providing microloans are in turn eligible for assistance from the SBA.²⁴

Encourage government innovation

Government can help small businesses achieve economies of scale. As with the Affordable Care Act, action by the state or federal governments to unify the buying power of individuals or small organizations brings economies of scale to everyday people.

Create a New York State commercial insurance exchange platform. Commercial insurance comes in many forms. Depending on the nature of a business and where it is located, it could have at least four types of commercial insurance. While many commercial leases require fire and theft insurance, other types of insurance (like business interruption insurance and flood insurance) are often not required but no less important. When leases do require fire and theft insurance, storefronters sometimes buy cheap plans with poor coverage. A commercial insurance exchange would allow them to input important aspects of their business— such as risk factors, size of shop, and approximate value of capital investment—and then allow them to shop between the various plans according to monthly cost or payout.

Launch an annual SBS competition for small business apps. Small businesses have a great deal to gain from the proliferation of smartphones. Well-written apps can help them work together and build their own scale without having to be part of a chain. Mind My Business by Vizalytics Technology allows business owners to subscribe to a feed about what is happening in their neighborhood and what people are saying about their shop.²⁵ CUPS by Urban CUPS Inc. creates a single customer loyalty program for independent coffee shops to share, freeing consumers to reward themselves by drinking coffee regardless of where they are in Manhattan.²⁶

Next steps

As a follow-up to this report, we will convene a series of roundtables with small business stakeholders, elected officials, and city, state, and federal agency representatives—including all individuals we interviewed for this report.

The first two roundtables—one for Upper Manhattan and another for Lower—will focus on first-year pitfalls among new storefronters. From these discussions, we will gather information from city, state, and federal agencies to produce a menu of the most common pitfalls that can doom a business in its infancy. Such a comprehensive publication does not currently exist and would be indispensable to new and existing businesses.

The second series of roundtables will focus on three of our recommendation areas: (1) Help small businesses cope in the current real estate market (2) Improve government interaction with small businesses (3) Maximize resources among government agencies.

Our goal is to learn which of our recommendations will best serve a particular neighborhood or community and tailor strategies to varying needs across the borough.

With this targeted feedback, we will be better prepared to move ahead on all fronts to increase the social mobility that small businesses have always provided New Yorkers, especially lower-income families and immigrants. Storefronters and small businesses more generally are essential to preserving the character of our neighborhoods and maintaining the livability of New York City for the middle and working class.

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COMMUNITY DEVELOPMENT PROJECT

TESTIMONY

Of

The Community Development Project

Int. 737A: In relation to creating a small business lease program for establishing an environment for fair negotiations in the commercial lease renewal process in order to determine reasonable lease terms

Presented to:

**New York City Council
Committee on Small Business
Hon. Mark Gjonaj, Chair
Monday, October 22, 2018**

Presented by:

**Julian M. Hill, Staff Attorney
Community Development Project**

**123 William St., 16th Floor
New York, NY 10038
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Introduction

Good afternoon Chairman Gjonaj and distinguished members of the Committee on Small Business. Thank you for this opportunity to testify with respect to the Small Business Jobs Survival Act.

My name is Julian Hill, and I am a Staff Attorney at the Community Development Project. Among other things, the Community Development Project, or CDP, offers legal advice to new and existing worker cooperatives, nonprofits and small businesses, works with grassroots groups, organizations and coalitions to ensure marginalized communities are not pushed out of their neighborhoods, and supports our partners' work towards racial, economic and social justice.

Our Experience

Last year, CDP, along with two other legal service providers, received city funding to start the Commercial Lease Assistance, or CLA, Program, through which we provide free, non-litigation legal advice regarding commercial leases for small businesses. I am testifying only on behalf of CDP today and with a vision for a day where small businesses are not bullied by landlords and are respected as the engines of community economic progress that they are.

About Our Clients

Our clients include: (i) clothing stores, restaurants and beauty shops; (ii) Wolof-, Spanish- and Cantonese-speakers; (iii) women; (iv) people of color; and (v) low-income folks in Queens, Manhattan, Brooklyn and the Bronx. Let me tell you about a few.

Where SBJSA Could Help

There is Anne, who has been in business for almost 40 years. She was on a month-to-month lease after her previous lease expired. Several months into that arrangement, she was asked to leave. We bought her some time with a termination agreement, but she experienced immense stress in negotiating a new lease.

There is Calvin, who was in business 25 years with no issues. His landlord told him several months before the end of his lease that it would not be renewed. Last time we spoke, he had no idea what he was going to do.

Anne and Calvin may have benefited from the SBJSA and had a chance to negotiate a renewal lease. However, these cases do not represent the majority of what we see.

Where SBJSA Falls Short

There is Brenda, excited to buy her first business from a previous tenant. When she tried to set up the electricity submeter, however, the local provider told her that the landlord

needed to resolve Department of Building violations that the landlord refuses to pay. Having invested several thousands of dollars into the business, she cannot operate just few months after signing her lease.

I think of Maxine and Tim, siblings who took over the successful business their mother ran for over 40 years when she passed away. The fixtures they believe they need to pass a Department of Health inspection are getting old. Their written lease expired five years ago, and they cannot get a loan to renovate without a written lease. They have asked the board of their landlord, a limited equity cooperative, to sign a new lease, but no one on the board believes they have that authority. Therefore, they are stuck.

We know of worker cooperative clients with oral contracts who cannot afford to hire counsel to pressure their landlords to give them a written lease and hosts of owners burdened by Department of Building violations amounting to thousands of dollars regarding awnings, uses of sidewalk space and the like.

The SBJSA will not help these clients. Some do not even have a written lease to renew.

Even for our clients who may benefit from SBJSA, we have questions: (i) why does it apply to all businesses and not include a definition of “small business”?; (ii) who will pay for mediation, if necessary?; (iii) is the supply of possible mediators sufficient to provide these services?; (iv) how will the city fund those services? and others.

Conclusion

We are not in support of or against the SBJSA. CDP’s experience suggests that the SBJSA could be useful to some of our clients, but that it would not be enough to keep the majority of small businesses we see in their spaces.

Regardless of the outcome with this bill, CDP is happy to work with small businesses, City Council and other interested and impacted stakeholders on a solution that will work for the kind of clients we serve—varied, multi-faceted and vastly overwhelmed small businesses throughout this city.

Once again, thank you for the opportunity to testify.



**TESTIMONY BEFORE NYC COUNCIL SMALL BUSINESS COMMITTEE
OCTOBER 22, 2018
REGARDING OPPOSITION TO INTRO. 737-A**

Good afternoon Chair Gjonaj, Members of the Small Business Committee, and to the other Council Members present. My name is Robert J. Benfatto, and I am the co-chair, along with Meredith Phillips Almeida, of the New York City BID Association which represents the Directors of the City's 75 Business Improvement Districts.

I am testifying today on behalf of the Association in opposition to Intro. 737-A.

BIDs are stewards of commercial corridors throughout the five boroughs of New York City and have a unique and vested interest in cultivating a vibrant streetscape with a wide and healthy range of businesses and services to meet consumers' needs.

Storefront vacancies and the decline of "mom and pop" stores are certainly a critical challenge facing our city and our BIDS, so we truly appreciate the Council's attention to this important issue.

BIDs care about this issue because ground floor vacancies discourage pedestrian activity and are detrimental to our mission of cultivating dynamic commercial corridors. However, the current bill applies to every commercial tenant in the city – regardless of how big or small – ground floor or penthouse.

Every vacancy and store closing has a unique story and there is no silver bullet or one size fits all approach that will solve this challenge. In a time of dramatic and ongoing transformation in the retail sector – small businesses, communities, and property owners need more flexibility, not less. From the rising costs of doing business and ever-growing regulatory hurdles to increased competition from online shopping and disruption from street vendors, we see a complex and serious problem on our streetscapes that demands more than one blunt tool that applies to too many and helps too little.

In fact, our BID directors believe that this legislation could have a host of negative, unintended consequences. This bill will essentially freeze commercial tenants and neighborhoods in place for decades. While that may help some mom and pop stores, it will also restrict the natural evolution of our commercial corridors which enables new products to come to market and new business owners – potentially immigrant and minority business owners – to gain a foothold.

We strongly encourage the City and the Council to assess the state of vacancies in New York City. There is currently no clear definition of vacancy and no reliable data to truly understand the scope and causes of those vacancies. While we've heard many anecdotes and will surely hear more today, our Association would like any potential fix to be based on a thoughtful process and data. There is legislation – Int. 1049 – sponsored by CM Rivera and Co-Sponsored by Speaker Johnson, that would require the Department of Small Business Services to complete an assessment of the state of storefront businesses in every community district which could then be used to craft a more helpful solution.

There are many positive policy solutions that would truly help support small businesses and the jobs they sustain. The BID Association had established a Working Group on Storefront Vacancies long before this recent push on Int. 737, and the Association is committed to finding helpful solutions that work for both small businesses and commercial corridors as a whole.

We hope that the City will look at the following potential solutions:

- Establishing lease renewal notice requirements which would help balance the landlord/tenant relationship
- Adopt regulatory reform measures that focus on punitive fines as a last resort
- Encourage policies for the flexible and creative use of ground floor space such as pop up tenants
- Consider the establishment of a small business czar or commission
- Look at property and further commercial rent tax reform
- Establish a legacy business support program that would provide bridge financing, marketing, and other incentives to assist our “mom and pop” businesses
- Require a business impact analysis for new legislation proposed by the City Council
- Increase support for SBS and BIDs which serve and assist businesses

The BID Association remains committed to working with the Council on these and other solutions to the challenges our commercial businesses face, but we strongly oppose Int. 737-A.

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WRITTEN TESTIMONY OF THE REAL PROPERTY LAW COMMITTEE
NEW YORK CITY COUNCIL SMALL BUSINESS COMMITTEE
HEARING ON INT. NO. 737-A, THE SMALL BUSINESS JOBS SURVIVAL ACT

October 22, 2018

Good afternoon. My name is Steven Kirkpatrick, and I am a member of the New York City Bar Association's Real Property Law Committee. I have practiced real estate law for over 20 years, representing both property owners and commercial tenants in connection with lease disputes. I helped prepare the Committee's legal analysis regarding Intro 737A-2018.¹

The Committee concluded that the New York City Council is not authorized to enact this legislation because it is tantamount to rent control as it limits a landlord's rights with regard to the use and occupancy of his or her commercial space. In its common definition, rent control is a statutory scheme which places limitations on the amount of rent that may be charged, and may include other requirements such as mandatory lease extensions. Because of the Committee's plenary conclusion, we did not analyze possible constitutional objections to the bill.

While policy concerns were not the Committee's focus, our committee members are concerned about the bill's likely unintended consequences, and there seem to be many, because the bill applies to all property owners, and to all commercial tenancies in the City of whatever kind, without limitation.

For instance, the legislation applies to residential cooperatives renting a store or office in their building, or even possibly just a cellar storage space, or an exercise room. The bill applies to churches renting any extra space, and not just a retail space but even a meeting room. It applies to mom and pop building owners, including those who may be renting their one store to a national tenant with hundreds of stores nationwide, and an army of lawyers behind it. It applies regardless of the tenant's size and sophistication, and without regard to how many locations it may have, either in the City, or nationwide.

Whether it is a local pizzeria in Harlem or a Fortune 500 company renting 100,000 square feet of office space in midtown, the tenant would have the right to the 10-year renewal option provided for in the bill, even the original lease term were six months, for example. It would also apply to subleases and subtenants, and could potentially give them more rights than the prime

¹ The Committee's report on Int. No. 737A-2018 is available at <https://www.nycbar.org/member-and-career-services/committees/reports-listing/reports/detail/small-business-jobs-survival-act-commercial-rent-control>.

tenant has, and create rights overlapping in time. The bill also isn't clear as to how many 10-year renewals must be offered.

Another consequence is that it would reduce the turnover, and thus availability of commercial spaces. The bill gives tenants "two bites at the apple" - - if the tenant, after arbitration, does not agree to the arbitrator's rent determination, and landlord finds a prospective tenant who agrees to the rent, the original tenant can match that deal. What prospective tenant is going to take the time and incur significant costs to negotiate a lease knowing that he or she may lose it? What will be the impact on brokers who invest resources in marketing a space and find a new tenant, only to have the original tenant decide after all that it wants to remain in the space under the terms of the new tenant's lease? Does a commission get paid to that broker? If so, what happens to the existing tenant's broker? Could owners be obligated to have to pay two commissions as a result of this bill? Given the incredible broadness of the legislation's applicability, the unintended consequences are likely to be unexpected and overwhelming.

The power of a local government in New York State, such as the City, to enact local laws must be based upon a grant of authority found within its charter, the State Constitution, the Municipal Home Rule Law or a State enabling statute. And there is no State enabling statute expressly authorizing the City to control rents, let alone commercial rents which have historically not been regulated in the same manner as residential rents.

Further, the City Charter, the State Constitution and the Municipal Home Rule Law contain no express provision authorizing the City to control commercial rents. Rather, each of these sources of authority grants a general power to municipalities to enact local laws, not specifically barred or pre-empted by State law, or not inconsistent with the State Constitution or other State law, and either relating specifically to their own property, affairs or government, or generally for health and welfare purposes.

Although no cases could have arisen specifically resolving the City's power as to commercial rents or spaces, attempts by the City to enact residential rent control legislation without explicit State authorization have been invalidated by the courts. Because the interests of residential tenants are much more closely related to "health and welfare" concerns of a local government than commercial tenants as a general class, the result in the residential area would seem to apply to the commercial area.

The enactment of the bill would also create inconsistencies with existing provisions of the State Real Property Law. For instance, the bill purports to create several new substantive rights for commercial tenants not now existing under State law, including a right to a lease extension of ten years. The Bill would also create a right to binding arbitration whenever a commercial landlord and tenant could not agree on the amount of rent or the landlord refused to renew the existing lease on the basis of any of the grounds set forth in the Bill. These rights conflict with the rights of commercial landlords under Real Property Law § 228, to terminate tenancies at will within 30 days and re-enter, and under Real Property Law § 232-a, to terminate month-to-month tenancies on 30 days' notice. Furthermore, such automatic lease renewal conflicts with Real Property Law § 229, which provides for the recovery by Landlord of double

rent from hold-over tenants. Entitling tenants to automatic renewals also thwarts contractual relationships between landlords and tenants.

The Bill also conflicts with Real Property Law § 235-d (2), which explicitly excludes the refusal to renew a lease as a form of harassment. Even though such law explicitly permits conflicting local law (*Id.* at § 235-d (5)), it does so only for existing Local Law and amendments thereof, but not for new Local Laws. Thus, these provisions of the Bill expressly conflict with State law.

The Bill's requirement that landlord-tenant disputes including renewal rights and setting of rents be subject to binding arbitration also infringes on the State's control over the court system as it establishes a parallel adjudicatory system in conflict with existing State court powers, which are governed by Municipal Home Rule Law, § 11(1)(e), providing that the State retains power over legislation which applies to or affects the courts.

The arbitration requirements also conflict with landlords' and tenants' rights to resolve their disputes through judicial proceedings, such as summary eviction proceedings brought under Real Property Actions and Proceedings Law Article 7, and Civil Practice Law And Rules § 7501 and 7511, which recognize that the parties are entitled to litigate their controversies unless by contract they have agreed to arbitrate them and make all arbitral awards subject to judicial review before they are enforceable at law.

While the courts have not firmly established a clear and bright line test regarding which types of inconsistencies are impermissible, the inconsistencies relating to lease renewal and termination between the bill and existing State Real Property Law are so substantial and involve such a significant State interest that commercial rent control laws enacted by the City would likely be invalidated.

Given the history of court decisions finding local laws attempting to control residential rents and the landlord tenant relationship to be invalid in the absence of express State authority, the Real Property Law Committee of the New York City Bar Association has concluded that New York City, and by extension, the New York City Council, lacks power to enact commercial rent controls by local law.



BLS Legal Services Corp.
Community Development Clinic

David J. Reiss
Director

Areeb Been Khan
Law Student

A Bureaucratic Negotiation Process

The Small Business Jobs Survival Act (the “Act”) would create a bureaucratic, costly process that is difficult to navigate. My testimony today will focus on three big problems with the process. First) big businesses will benefit the most; second) similar tenants will be treated differently; and third) the process is overly complex for small businesses.

I. Mom and Pop Stores Will Be at A Disadvantage

My colleague, Robert Levy, described how the Act does not distinguish between big and small tenants. By not doing so, the Act allows big businesses to take conservative negotiation stances at a relatively minimal cost while smaller businesses are left needing to spend a relatively higher amount to negotiate a new rent that is in no way guaranteed to be affordable.

This issue can be illustrated by comparing two tenants, a Chipotle and a local Mexican restaurant. On the one hand, Chipotle has in-house lawyers who already work on lease negotiations and will absorb those costs as the standard price of doing business. The local Mexican restaurant on the other hand doesn’t have a similar legal department. For businesses like them, this system becomes pay-to-play: they may need to hire a lawyer for the mediation and arbitration, and after spending thousands of dollars, they

may still be left with a rent that is too costly for them to stay in business.

II. Similar Tenants Will Be Treated Differently

The Act's arbitration provision sets forth twelve factors that an arbitrator must consider when setting the rent. Those twelve factors can then be supplemented by "all other relevant factors." Such a complex and vague standard will lead to inconsistent and unpredictable results. Two arbitrators determining rents for similar businesses located near each other are likely to arrive at different rents for these businesses because of the broad set of criteria they can consider. This unlimited level of subjectivity afforded to individual arbitrators becomes all the more problematic for small business tenants considering that an arbitrator's decision is final and non-reviewable.

The City's property tax system offers a cautionary tale. The property tax system is complex, many of its decisions are unreviewable and its results are arbitrary and unfair. One consequence has been that property owners in wealthier neighborhoods often pay lower property taxes than those in less affluent neighborhoods. This state of affairs has led to a high-profile lawsuit and a reconsideration of the entire property tax system by the Mayor's Advisory Commission on Property Tax Reform. The mayor himself has called the property tax system "too opaque" and "too complex."

The complex, vague and unreviewable rent-setting provisions of the Act are likely to create analogous problems for tenants and landlords alike. Similar small tenants will be treated differently, and big tenants are likely to work the system to their relative advantage.

III. The Process Is Overly Complex for Mom and Pop Retailers

In addition to high costs and a lengthy process, the proposed system is not easily navigable for mom and pop business owners. Most of them are not too familiar with the legal system. For those tenants who choose to negotiate under the proposed system themselves, they would face a new world of legal processes that have nothing to do with their businesses. The Act almost requires that tenants hire lawyers to guide small business owners through a system that might begin to feel like the soul-crushing New York City Housing Court, where tenants and landlords spend countless hours and often obtain results as perplexing as the problems that brought them there in the first place.

Tenants entering Housing Court face steep odds. The system is confusing and impersonal, and as many as 90% of tenants enter the court without a lawyer, making the atmosphere chaotic. Tenants are often unaware of their rights and how the court works, leading to temporary judgments that do nothing but postpone the date of their eviction.

The Act similarly disadvantages small business owners by creating a need for lawyers without which the majority of small businesses will be left feeling lost and may end up being railroaded.

Conclusion

The Act's proposed process exacerbates the advantages that big business tenants currently enjoy in the commercial rent market. The Act would not accomplish its stated goals of creating a fair negotiation market with "reasonable and fair lease terms to help small businesses survive and encourage job retention." The Council should consider

alternatives to assist small businesses. My colleague, Juliana Maldonado, will offer some.



BLS Legal Services Corp.
Community Development Clinic

David J. Reiss
Director

Robert Levy
Law Student

Small Vs. All

Good afternoon. My name is Robert Levy. I am a legal intern in the Community Development Clinic at Brooklyn Law School. I, along with my fellow legal interns, Areeb Khan and Juliana Malandro, are testifying about the likely impact that the Small Business Jobs Survival Act would have on small businesses. The Act is intended to protect small businesses from excessive rent increases. Its actual affect may be to harm them.

My testimony will focus on how the procedures outlined in the Act are overly broad, given the Act's stated purpose. Mr. Khan's testimony will focus on some of the unintended consequences that might impact small businesses if the Act is made into law. And Ms. Malandro's testimony will outline three more narrowly tailored policy alternatives that the Council may want to consider in place of the Act if it would like to assist small businesses.

Two major problems with the Act are: 1) the bill applies to both large and small tenants; and 2) both tenants and landlords share the costs associated with mediation and arbitration.

Small Vs. All

While the title of the Small Business Jobs Survival Act would seem to imply it would help small businesses more than large businesses, it actually applies to all leased

spaces in New York City, with the only carve out being for residential leases. That is, a tenant that is a multibillion-dollar corporation with hundreds of locations would get the same treatment as a mom and pop shop with only one location.

A Costly Process

The costs associated with the Act's mediation and arbitration provisions will be split between the tenants and landlords. The process contemplates that tenants and landlords will hire lawyers to exercise their rights. A tenant may spend thousands of dollars on attorney's fees simply to mediate and arbitrate. For big tenants with in-house attorneys, these costs are minimal. For small tenants, this could mean having to pay a month or more's worth of rent. The total cost of mediators, arbitrators and lawyers could easily run into the thousands of dollars for both the tenants and landlords. As written, the Act will exacerbate the relative advantages that larger tenants have over smaller tenants.

In order to narrow the scope of the Act to provide a relative advantage to the small business, it would need to limit its applicability to a class of small tenants. For instance, the applicability of the Act could be limited to stores under a certain square footage and gross rent within specific geographic areas. Limiting the scope of the Act in that way would better accomplish its goal of assisting small businesses.

Conclusion

Thank you for the opportunity to present my testimony to you today.



TESTIMONY OF
THIRD AVENUE BUSINESS IMPROVEMENT DISTRICT
Michael Brady, Executive Director
before the
New York City Council
Committee on Small Business
Monday, October 22, 2018, 1:00pm – City Hall Chambers

Int. No. 737A-2018 - Small Business Jobs Survival Act

Good morning. Chair Gjonaj, Councilmembers Ayala, Levin, Perkins, and Rivera; thank you for the opportunity to speak today. I am Michael Brady, Executive Director of the Third Avenue Business Improvement District located in the South Bronx. The Third Avenue Business Improvement District is the Bronx's oldest BID, has approximately 200 member businesses – slated to grow to 800 by 2019 - and greets over 200,000 visitors daily. In addition to leading the Third Avenue Business Improvement District, my organization currently manages the Southern Boulevard Business Improvement District to our east, and the Bruckner Boulevard Commercial District to our south. Collectively these areas represent the majority of the South Bronx with over 700, largely first and second generation immigrant owned, member businesses, slated to grow to 1,500 member businesses by 2019. 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.

As you know, business improvement districts are legislated partners of the City of New York. Funded and self-sustained by contributions in the form of a special assessment on property owners, business improvement districts have management agreements with the City of New York and are some of the earliest examples of public and private partnerships. At the very heart of what we do is maintaining the stability and growth of small businesses and commercial districts. In 2017, over \$147 million in services were provided by New York City's network of 75 BIDs across all five boroughs, assisting over 93,000 small and micro businesses.

The Third Avenue Business Improvement District, Southern Boulevard Business Improvement District, and Bruckner Boulevard commercial district oppose Int. No. 737A, the Small Business Jobs Survival Act, as written. After careful consideration and input by all stakeholders our organizations will not support the legislation without significant revision.

We realize that the optics of passing legislation that is embraced by the populist base in our political environment is appealing to many members of this Council; however, the unintended consequences of passing this legislation will burden already struggling mom and pop store owners with legal fees, pave the way for predatory leasing by larger credit rated tenants further threatening our community fabric and small business ecosystem, and provide no clear and sustainable plan to really support small businesses. The legislation does not tackle the fundamental challenges of business development and variables in the market, nor does it address property taxes. I know – no one wants to hear about property taxes, but it is a real issue that is overly burdensome to small businesses and small property owners alike.

It is our understanding the legislation in front of the committee, when it was first proposed, was developed as a radical solution with the full understanding that the legislation was not enforceable or legally binding. Akin to a "what if" piece of legislation. The proposed legislation misses the mark for the following reasons:

1. Legal Standing - *New York City is not authorized to enact legislation tantamount to rent controls.*

Inasmuch as several provisions in the Bill purport to limit a landlord's rights with regard to use and occupancy of the space, we view these provisions as the equivalent of rent control. Courts have found that New York City ("City") is not authorized to enact rent controls under its general powers with respect to the property, affairs or government of the City. The only possible basis for their validity is under the general "health and welfare" powers. Whether the power to enact legislation

that mimics aspects of commercial rent control is within the City's general health and welfare power has not been specifically decided by the courts. The power of a local government in New York State, such as the City, to enact local laws must be based upon a grant of authority found within its charter, the State Constitution, the Municipal Home Rule Law or a State enabling statute. No State enabling statute expressly authorizes the City to control rents. Further, the City Charter (the "Charter"), the State Constitution and the Municipal Home Rule Law contain no express provision authorizing the City to control rents. Rather, each of these sources of authority grants a general power to municipalities to enact local laws, not specifically barred or pre-empted by State law, or not inconsistent with the State Constitution or other State law, and either relating to their own property, affairs or government, or for health and welfare purposes. The courts have found that the City is not authorized to enact rent controls under the rubric of the property, affairs or government of the City; thus, the only possible basis for their validity is under the general "health and welfare" powers. Whether the power to enact commercial rent control is within the City's general health and welfare power has not been specifically decided by the courts.

2. Inconsistent with State Law- *The enactment of the Bill would also create many inconsistencies with existing provisions of the State Real Property Law.*

While courts have permitted City laws to remain in effect when such laws were somewhat inconsistent with State laws addressing minor State interests, they have generally invalidated City laws that were inconsistent with State laws addressing significant State interests. Although the courts have not firmly established a bright line test as to which types of inconsistencies are impermissible, the inconsistencies between the proposed commercial rent control legislation and existing State Real Property Law are so substantial and involve such a significant State interest that commercial rent control laws enacted by the City would be invalidated. Thus, the City lacks power to enact commercial rent controls by local law.

The aforementioned legal issues would tie small businesses up in litigation – because at the very core of the legislation is the argument over our municipal law as it relates to New York State law. An unintended real consequence for these small businesses – accruing a legal bill in excess of \$15,000 – a sum that would shutter many of our immigrant owned businesses and something that I do not think the legislation intends to do.

3. Creation of a Predatory Leasing Environment – *As the law reads only tenants that have fulfilled all requirements in their lease agreement would be eligible for the renewal option.*

If this is the case, we anticipate a rise in either 1. Credit rated tenants monopolizing prime property because their ability to have access to the financial and staffing resources to comply with all terms of the lease agreement 2. A secondary market of strong players in commercial districts that would be the lease holder but then price gauge mom and pop tenants to have access to their leased space through a lease assignment clause or sub-lease agreement. In either of these cases the law, as written, would create a predatory market further exacerbating the livelihoods of small businesses.

There are several other issues with the legislation, such as the arbitration clause, that would create an environment preventing our small business community from not just staying in business but growing.

During a time when small businesses are under constant threat as a result of rising rents, a rising tax burden, and increase in operational costs – we cannot afford to pass the equivalent of a pilot program on to our small businesses without knowing its effects and validity. It's not fair and it goes against everything being America's fairest big City is all about. This legislation is not part of a broader plan to assist our small business communities and will white wash the future of leasing for our commercial districts – removing the vibrant business cultures that make New York City so New York.

It is our recommendation that this Council should:

1. Keep this bill in committee for redrafting to comply with NYS Real Property Law
2. Include a revised version of this legislation with the roll out of a fairer property tax structure
3. Develop a suite of mechanisms and more importantly, resources (financial and otherwise) for small business owners that may experience litigation as a result of 737A.
4. Not let politics get in the way of supporting businesses – something this politicized legislation does.
5. Examine and mandate city agencies to work together to support small businesses
6. Bring equity to city services distribution

At the end of the day, when the cameras are gone and the political rhetoric has died down, when the protesters and the lobbyists stop calling your offices. We will be left with a business – a business that at one time could have generated

CATHOLIC COMMUNITY RELATIONS COUNCIL

80 Maiden Lane, 13th Floor, New York, New York 10038

Testimony of Joseph Rosenberg
Executive Director, Catholic Community Relations Council
New York City Council Committee on Small Business
Intro. 737-A
October 22, 2018

Good afternoon Chair Gjonaj and members of the New York City Council Committee on Small Business. I am Joseph Rosenberg, Executive Director of the Catholic Community Relations Council (“CCRC”), representing the Archdiocese of New York and the Diocese of Brooklyn on local legislative and policy issues. I am here to indicate our opposition to Intro. 737-A.

This bill would provide commercial tenants with the right for at least a 10-year lease renewal upon expiration of the lease, unless the tenant opts for a shorter renewal term. Such a lease extension is not required if the tenant had used the space illegally, breached a substantive obligation under the lease, illegally sublet the property, or if the owner can prove that the rent had not been paid at least three times or, intends to occupy the retail space with its own business.

Commercial premises are very broadly defined in the legislation as a “building or space in the City of New York occupied for nonresidential purposes pursuant to a valid commercial lease.” Accordingly, this legislation would cover spaces leased by social service providers, community organizations and other nonprofit entities for noncommercial purposes. Furthermore, the bill does not define “lease” implying that nonresidential tenants with leases that are only “month to month” must be offered a 10-year lease renewal.

Intro. 737-A would eliminate a property owner’s ability, once a “commercial” tenant’s lease is about to expire, to select a new nonresidential tenant more appropriately suited to a location than the previous tenant. Removing this well established legal right would result in a tremendous burden on owners, and a particularly devastating one on nonprofit religious organizations. Nonprofit religious organizations are not engaged in purely commercial enterprises. They use their resources and their properties to support their core mission. They must have the flexibility to determine the best way in which their nonresidential spaces can be used to serve their congregations and communities. Intro. 737-A eliminates their ability to do so.

For example, both the Archdiocese of New York and the Diocese of Brooklyn provide community organizations and other enterprises with rental opportunities to provide services to local residents. These would include such facilities as food pantries and senior citizen community centers, which are defined as “commercial premises” by this bill, since they are nonresidential in use. If Catholic Charities or local parishes conclude that their congregations and neighborhoods were to benefit from the termination or relocation of these operations by replacing them with other community uses, they would be unable to exercise this option. Instead, the existing enterprise must be offered a 10-year lease renewal. This is a hardship on the parish, the religious organizations and, in many instances, the local residents as well. The burdens of this bill could result in not only an inappropriate use of rental space, but fewer spaces available to local community groups who provide much needed social services. Such an outcome is not in the best interests of our City.

Provisions in the legislation that attempt to bring both sides together through mediation and then arbitration are also a burden on property owners, especially nonprofits, who must spend time and scarce financial resources in order to determine the use of their respective property.

The Archdiocese of New York and the Diocese of Brooklyn have also constructed and preserved thousands of low-income housing units throughout New York City over the last several decades. A revenue source to help cover the maintenance and operation of such low-income housing are the use of commercial rents on the ground floor level of such developments. If a charitable or other affordable housing organization determines that a commercial tenant nearing the end of their lease term should be replaced by one that can better serve the local residents and/or pay a greater rent to help cover the housing development's operations, they should be able to make such an important financial decision. This bill creates many hurdles preventing them from exercising such an option. It appears to inadvertently create a barrier against many nonprofits and religious organizations that are devoted to and focused upon the development of low-income housing in our City.

The health of the commercial sector in our City is extremely important. Although Intro. 737-A is well intentioned and attempts to address a real problem facing our City, it creates an untenable burden on all property owners, not just nonprofits and religious organizations. It is deeply flawed and should not be passed.

Thank you.



A Comprehensive Planning Framework to Move Toward Equity

Testimony before the New York City Council Small Business Committee

By Adam Friedman, Executive Director

September 27, 2018

I am Adam Friedman, Director of the Pratt Center for Community Development, and I appreciate the opportunity to offer some thoughts about both Intro 737A and other strategies to help small businesses.

I first testified before the City Council on this issue about 30 years ago. It is one of most vexing policy challenges because it requires a difficult balancing of equities between business and property owners, and I have gone back and forth countless times.

To make it even more complicated, the conflict being played out between business and property owners is really a reflection of changes in the city's overall economy, specifically the growth in income disparity. The stores owners are being squeezed not just by rents, but by a shift in the demographics of the city, and not being able to shift with or capitalize on the changes in their customer base. This complicates the issue not only because the cause of the problem is so powerful, but it is ongoing, not a temporary, emergency situation.

This dynamic has the perverse effect of actually causing a kind of blight in many neighborhoods when landlords set rents in anticipation of gentrification. Then, storefronts and other commercial spaces sit vacant because the market is not there yet to support it. The result is empty stores, darkened streets and a psychological assault on the security of residents and business owners.

There is no single strategy to address this complex challenge. Instead, a series of measures to help return vitality to our city's commercial streets and stability to our neighborhoods should be on the table:

First, we simply need more information about the causes of the problem, including how it relates to gentrification, and whether it is citywide or concentrated in certain neighborhoods. We also need a better profile of property ownership, meaning individuals with 1 or 2 buildings vs. those with larger holdings and how this correlates to the problem. This information is essential to crafting the most beneficial but least bureaucratic strategies.

Second, I want to be clear that I think the strategy of mediation followed by binding arbitration is a reasonably balanced government intervention. Mediation alone may result in meaningful discussions that lead to an agreement but probably only in a modest percentage of cases. Given the unequal bargaining power, there needs to be an incentive for compromise. The possibility – or fear - of a third party arbitrator stepping in is the necessary incentive for mediation to work.

However, two points; first, I don't know whether this is a citywide or neighborhood specific strategy. As I said before, there is insufficient data on the problem.

Second, building owners should have an as-of-right option to achieve a reasonable rent increase without the mediation/arbitration process. This could be done by creating an index that reflects the costs of building management and maintenance plus a reasonable return on investment. An increase below this cap would not trigger mediation/arbitration. I suspect that this approach might accommodate many smaller owners of commercial space, which is why it would be important to first look at the profile of who owns these spaces and how that relates to commercial displacement.

Third, a tax or surcharge on vacant storefronts would help correct the imbalance in the negotiating dynamic. However, it would have to be well beyond typical property tax levels if it is to actually influence a building owner's decision.

Fourth, limitations on chain or "formula stores" is another way to help preserve neighborhood character and address some of the imbalance.

Finally, the city needs to truly rethink the regulatory framework for everything from street signage to fire and health inspections. I am sure all these measures are well-intended but there must be a way to simplify the process, and eliminate conflicting and outdated regulations.

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

**Testimony of Francis Greenburger
Chairman, Time Equities, Inc
Committee on Small Businesses
Int. 737-A
October 22, 2018**

An arbitration process will create a bureaucratic nightmare that will devalue New York City properties and create obstacles to lease renewals, redevelopment, and the natural growth and contraction of the city's retail establishments.

Instead of focusing on creating more bureaucracies that do not work in this city, the City Council should pass or enforce laws to help retailers stay in business. For example, one of the most difficult situations for retailers occur when long term scaffolding blocks the visibility of stores. Scaffolding should be kept up to the absolute minimum amount of time that is needed to repair facades. Currently there are cases where scaffolding is allowed to remain up for months and months and even years. Ask any retailer and they will tell you this is the kiss of death for them.

The next bureaucracy that does not work is the New York City Landmarks Commission. It often imposes unnecessarily expensive design specifications and lengthy time frames for approvals on retailers. The commission should partner with retailers to find cost effective ways to protect the historical details of facades without causing unnecessary delays and expenses.

A similar problem exists with other agencies that have jurisdiction over the streetscape that do not take retailers needs into consideration. Street construction storage and shed facilities should be located in areas that do not obscure retailers frontage.

Next the city should look at the excessive taxes that city policies have imposed on retailers. Increases of 10% and more per year in assessments have placed an intolerable and exorbitant burden on retailers. Retailers can plan for rent increases when they sign a lease, but that cannot plan for a city that imposes double digit tax increases on them at will, often exceeding inflation rates by 2 and 300 percent per year.

Retail vacancies are in abundance right now and the power of negotiation has shifted to the retailers. It is misleading to pretend that excessive demands by landlords are the issue leading to store vacancies. Most landlords are happy if a tenant renews at existing rent levels. They know tenants will quickly relocate to another landlord down the street who is desperate for tenants and will give them a market deal with generous concessions, if they do not offer them a fair deal.

Founded in 1966, Time Equities, Inc. (TEI) has been in the real estate investment, development and asset & property management business for more than 50 years. TEI currently holds in its own portfolio approximately 31.1 million square feet of residential, industrial, office and retail property – including over 4,000 multi-family apartment units.



**Testimony of Lena Afridi before the New York City Council
Committee on Small Business Hearing on
the Small Business Jobs Survival Act**

October 22, 2018

Good afternoon. Thank you to Chair Gjonaj and to the members of the Committee on Small Business.

My name is Lena Afridi and I am the Director of Economic Development Policy 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 use organizing, advocacy, policy research, and capacity building to support our members in their work to build equity and justice in their neighborhoods and citywide, focusing on both affordable housing and equitable economic development. One aspect of that work is 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.

Small business tenants are facing a displacement crisis in our city. In many neighborhoods, they are not only facing unsustainable increases in rent, but are also too often subject to the harassment of landlords who are disconnected from the local community. Immigrant small business owners, whose businesses are often pillars of culture and community throughout NYC neighborhoods, are particularly susceptible to this rent pressure and this harassment.

ANHD believes that new solutions and tools are needed to fight the rampant displacement of small businesses. However, we do not support the Small Business Jobs Survival Act as it is currently written because we believe that legislation as important as this, and which will have a major impact on small business in our city, should be fully understood and evaluated to ensure that it will have the correct impact.

Although we do not have a comprehensive analysis of the bill, what follows is a partial list of some questions that we believe should be fully considered before any action is taken.

Structure:

The twelve criteria for rent-setting that are laid out for the arbitrator in the bill can be interpreted as very contradictory; an honest reading of some of the criteria could be interpreted as creating a moderating pressure on the rent in some neighborhoods and in some circumstances, and an honest reading of some of the criteria could be interpreted as creating an upward pressure on the rent in some neighborhoods and some circumstances. It is unclear what the actual impact would be.



Although it is referred to informally as “commercial rent control”, the bill has a very different structure than the relatively streamlined commercial rent control system that existed in New York City until 1963. Under that old system, the commercial tenant and the landlord negotiated a first-lease among themselves, and then the stability of the tenant was addressed by capping future annual rent increase according to a standard government policy. The bill functions by creating a much more complex system of individually-negotiated mandatory arbitrations between the commercial tenant and the landlord at each rent renewal, with a complex schedule of deadlines for notices and actions laid out. This complex process has the potential to create enough delays, pitfalls and expense for both the commercial tenant and the landlord that periods of vacancy could be extended.

This issue of the complexity of the bill and the potential to extend periods of vacancy matters because commercial rental markets function differently from residential rental markets. Rent regulation for residential tenants is premised on the fact that a tenant in a relatively affordable apartment is overwhelmingly likely to remain in that apartment, unless their landlord actively pushes them out. In any given year, the expected rate of turnover for tenants in affordable apartments is 3%. As such, a system of residential rent regulation that is biased towards an assumption of stability for the tenant, and actively impedes any action by the landlord to impede that stability, is entirely appropriate and consistent how residential rental markets should function. However, commercial rental markets function differently because 20% of small business fail in their first year, 50% of small businesses fail within their first five years, and 60% of small businesses fail within the first eight years. As such, regular moments of vacancy are a normal part of the life cycle of commercial spaces and commercial rental markets, and any system that is designed to provide more stability in rent level for the commercial tenant should not be so complex that it has the potential, in some types of commercial rental markets, to create extended periods of vacancy during the moments of natural turnover.

Different commercial markets have different issues and may need different solutions:

Commercial rental markets in different parts of our city face different circumstances, and any solution to the problem of commercial stability should take those differences into account. For example, in high-rent commercial areas, the risk of extending periods of vacancy that this bill brings could be probably accounted for by adjusting the commercial rent down. And, in a strong residential rent market, any impact on the economics of the building could probably be accounted for by adjusting up the rents of the high-rent paying residential tenants. However, in weak-rent commercial areas – where neither the commercial or the residential rents have a high margin of error - the risk of extending periods of commercial vacancy could disrupt already-struggling commercial corridors. The impact on the luxury rental markets of much of Manhattan, for example, would be very different from the impact on genuinely struggling commercial rental markets in many areas of the outer boroughs. The landlords in the worst examples of aggressive rent increases fueled by a desire to take advantage of rising rents in gentrifying neighborhoods deserve little sympathy. However, it is important not to create a mechanism that does damage to the health and viability of commercial rental markets in other neighborhoods, as well.

Impact on naturally-occurring affordable housing:

The issue of commercial rents cannot be understood in a vacuum in a city like New York, where much of our naturally-occurring affordable housing exists in mixed-use rental/commercial



buildings. In those buildings, the economic health of the building include both the residential and the commercial rents. This matters because we are currently facing crisis of harassment and displacement of affordable rental residential housing, often fueled by predatory and speculative investment in the building. Tenants in affordable rent-regulated apartments whose rents are significantly below the market-rate are especially vulnerable. In many of these cases, the stability of commercial rent collection for the landlords is an important part of keeping the economics of the building viable while not aggressively raising rents on the residential tenants. For this reason, we believe that the issue of the complexity of the bill and its potential to extend periods of vacancy could create negative impacts on naturally occurring affordable housing. Again, the landlords in the worst examples of aggressive rent increases fueled by a desire to take advantage of rising rents in gentrifying neighborhoods deserve little sympathy, but it is important not to create a mechanism that does damage to the health and viability of naturally occurring affordable housing in other neighborhoods.

Unintended consequences on some types of vulnerable small businesses:

The central provision of bill, binding mediation and arbitration, could risk making immigrant-owned small businesses even more vulnerable to the threat of displacement. Without a structure to ensure that the process is equitable (including an explicit know your rights campaign in several languages and city funding for arbitration and mediation), this process could create even more arduous red tape for immigrant small businesses and tip the scales in favor of landlords who can afford the cost of the process and have a savvier understanding of what it entails. In addition, the bill could exacerbate incentives for the landlord that increase the threat of tenant harassment, a problem to which immigrant small business owners are especially vulnerable. If a tenant is at the end of their lease and a landlord wants to replace them, unscrupulous landlords could take extreme measures to ensure that the tenant chooses not to engage in the mediation process and vacates the property.

Landlords could be spurred to choose chain stores over mom and pop businesses. Rather than filling a property with a small business with the risk of repeated arbitration, landlords could be made more willing to find a chain that will simply pay rent increases without challenge. In neighborhoods with high vacancy, this could mean that empty spaces will be filled, but more likely with chain stores. This would be a particular risk in immigrant-dense neighborhoods already susceptible to displacement pressures caused by gentrification, such as Bushwick and Jackson Heights. Any bill that takes on these issues should keep in mind the material realities of immigrants.

We are committed to finding solutions to keeping New York's small businesses thriving. While we deeply believe that immediate measures must be taken to curb the displacement of New York's small businesses, more information is needed in order to better understand the impact of SBJSA and to prevent any unintended consequences.



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**Testimony of Jessica Lappin
President, Alliance for Downtown New York**

**Committee on Small Businesses
Hon. Mark Gjonaj, Chair
Int. 737-A “The Small Business Job Protection Act”
October 22nd, 2018**

Good afternoon Chair Gjonaj and members of the committee. I am Jessica Lappin, President of the Alliance for Downtown New York.

Small locally owned businesses are the backbone of New York City and what make it different from other places around the globe. They employ New Yorkers and give our neighborhoods character. Their importance is hard to overstate. And today, they face a myriad of challenges. The pressure of e-commerce alone is enormous. But beyond that, while rent is a factor, what we hear most from struggling business owners are complaints about bureaucracy and unresponsive city agencies, crippling property tax assessment increases, over regulation, scaffolding that obscures storefronts, traffic, and aggressive enforcement. Unfortunately, Int. 737 doesn't address these problems and may even have unintended consequences that will make them worse.

The onerous lease renewal process mandated by Int. 737, which applies to unnecessarily to ALL commercial leases in NYC regardless of size and to shopping malls, would severely restrict the flexibility that successful retail needs in this day and age. It would disincentivize new, exciting and creative uses for ground floor space at a time when experimentation is key to evolving in a rapidly changing retail landscape.

It also would lock in existing uses for decades and ignores the changing winds of consumer demand. And takes away any leverage that communities, elected officials or owners have in dealing with problem businesses, like a noisy bar, since they are guaranteed the right to stay.

Int. 737 would also disincentivize investment in developing new retail space. Lower Manhattan, has added over 2.9M square feet of new retail since 2014. Small businesses ranging from Num Pang to Beer Table and Nunu Chocolates have flocked to these newly built spaces. Landlords in many instances have actively sought out local small entrepreneurs. The new restrictions imposed by Int. 737 would discourage the development of new space, prevent this type of future job growth and over the long term, reduce supply and actually increase pricing pressure.

Lastly, since an owner has to expect they will have the same tenant for decades, it will likely incentive property owners to seek out banks and national chains with large footprints and deep capital reserves - exactly the opposite of what the bill's proponents hope to achieve.

Promoting healthy retail corridors should be a top priority for the City Council. There are alternative ways to do that. A good first step would be directing the Dept. of Small Business Services to develop a citywide survey of vacant spaces so we can better understand the scope of the problem. A second one would be to change our property tax system and slow down the runaway assessment increases that get passed on to tenants. Third, well crafted incentives could do more to encourage property owners to lease vacant space to local small businesses at reduced rents. And lastly, several years ago I had the honor of co-chairing a Red Tape commission organized by Comptroller Stringer. We held hearings in all five boroughs and heard loud and clear that owners would like less regulation and quicker and more responsive help from city agencies in opening their doors and operating.

We all care deeply about our neighborhood businesses that are the heart and soul of the city. I hope that the Council will table this bill and continue to work with small business owners, landlords, and community leaders to develop better a set of solutions that would better address the 21st century problems facing our small entrepreneurs.

Comments from the Building Owners and Managers Association of Greater New York on Int. No. 737-A: A Local Law to amend the administrative code of the city of New York, in relation to creating a small business lease program for establishing an environment for fair negotiations in the commercial lease renewal process in order to determine reasonable lease terms.

Good afternoon Chairman Gjonaj and Councilman Rodriguez. My name is Laura Belt Ponomarev, and I am Chair of the Advocacy Committee at BOMA/NY, the Building Owners and Managers Association of Greater New York. I thank you for this opportunity to testify today on Intro. 737-A, a proposed bill that would establish rent control for commercial property in New York City. BOMA New York opposes this legislation for the reasons I will explain in a minute, but first, let me give you some background on the organization.

BOMA New York represents more than 750 property owners, managers, and building professionals who own or manage 400 million square feet of commercial space in New York City. We are an association within BOMA International, a federation of 90 US associations and 19 international affiliates that own and operate approximately 10.5 billion square feet of office space in the United States.

As for this proposed legislation, we are strongly opposed to it for several reasons. First, we object to the structure and scope of this legislation. Second, the legislation is outside the authority of the City and is therefore not legal.

The goal of the legislation is to protect certain small businesses from being forced out of their spaces due to increasing rents, an understandable and laudable effort. But the legislation would apply to all rental spaces and not all business (big and small) are in need of such protection.

This bill's structure and scope, as written, seems to want to freeze the City in time. Such an attempt is misguided and unrealistic. In reality, City's thrive on change and competition. They are by nature dynamic and in a constant state of evolution. Trying to prevent these changes is not just inadvisable, it's also impossible. And it will have the effect of injuring other businesses looking to move into the City from other locations or those looking to grow and move up.

In addition, the bill would interfere with buildings upgrading in areas like energy efficiency and otherwise complying with good social policies or even City Council laws and requirements. The rent from tenants is exactly how buildings pay for these upgrades and efforts at compliance,

and, therefore, reducing rents will lower revenue and lead to a decreased ability to upgrade the buildings and comply with new and existing Local Laws.

As for the legality of the bill, for the sake of time, we will just defer to the opinion of the New York Bar Association, which has found this bill and all of its precursors, going back decades, outside of the City's authority. The City simply lacks the power to control rent without State authorization.

In conclusion, this proposed bill is entirely too far-reaching and would completely disallow property owners from making important decisions about how their rental spaces are used. Such an extreme diminution of property rights is not only unfair to property owners, it will severely interfere with the City's needs to grow and change and evolve as new commercial enterprises arise and expand. In addition, the bill is plainly illegal under City and State Law. Therefore, we are opposed to it.

Thank you once again for allowing me to testify today. I'll be happy to answer any questions.

FOR THE RECORD

My name is Peter Cecere, I own a small business in Hell's Kitchen called, RedEye Coffee. Open for 2 ½ years, we were the first specialty coffee shop in the neighborhood that services Clinton, northern Chelsea and the area of Hudson Yards. And for a small coffee shop with an outstanding reputation for consistently providing some of the best service and coffee in the city, we have become very successful and have even turned into a "brand."

Everyone knows us – from residents to office workers to even tourists -- we have become a destination spot in the neighborhood, even though we are only 130 square feet. According to our customers, our coffee is sublime, our space is cozy and intimate, and our baristas always welcoming. Currently, we're increasing our sales every month — all great news. But I am at the mercy of the whims and greed of my landlord.

To be clear, Red Eye is small space, a micro-business employing less than 10 people, and we're paying a premium price, far above the market value. Right now, our landlord raises the rent whenever the lease comes due, and because of these increases, I face the prospect of being evicted. As a small coffee shop, unreasonable increases in rent negatively affect my business because our profits are incremental.

So, I feel like I'm in a chokehold. Either I pay the higher rent, or I have to leave to another space — incurring many other high out of pocket expenses, including relocation costs, build out costs, first/last/security deposit for a new space – extremely challenging expenses for most small business' in addition to building a new customer base.

I want City Council to truly understand that I have NO RIGHTS when it comes to the lease renewal process and I'm very frustrated with the position I'm in. It's completely unfair and gives landlords total control over commercial tenants. The SBJSA would give me the right to have an affordable lease and the right to renew that lease, which is what I need as a small business owner.

Such financial consequences do not only affect me and my family, but also my employees, who I have given real economic opportunity to. To our baristas, this job really matters, and we care about our employees and their growth. One of our employees is an LGBT homeless youth, disowned by his Korean family, who is turning around his life for the better. Another one of our young baristas from Queens depends on this job in order to move out of her household that is not always supportive. We pay all our people very well, RedEye baristas make anywhere between \$28 and \$36 an hour, including credit card tips. They make a good wage, which translates into social mobility and new horizons. If I cannot survive, my life in addition to their lives are negatively affected.

This bill is not just a business survival issue, it is a jobs issue and an economic opportunity issue for the people of New York City. Don't let us down.



BLS Legal Services Corp.
Community Development Clinic

David J. Reiss
Director

Juliana Malandro
Law Student

Small Business Job Survival Act Policy Alternatives

Good afternoon, given the testimony of my colleagues it is important to shed light on policy alternatives that may achieve the intended goals of the bill, namely to protect small businesses and promote job growth in the local economy. These three policies—vacancy laws, formula business restrictions, and tax credits for landlords—may be more effective ways of targeting and protecting small businesses.

Vacancy Laws for Retail Spaces:

First, cities like San Francisco and Chicago have enacted vacancy laws to target large increases in vacant store fronts. These laws require commercial landlords to maintain their vacant properties with the goal of decreasing the negative impact these vacancies have on the surrounding neighborhood. Vacancy laws provide clear guidelines to owners that require: 1) registration with an associated fee; 2) an insurance policy for the property; 3) maintenance of the interior and exterior of the property for the safety of the community; and 4) a point of contact for questions regarding the property. San Francisco, has also introduced a program that aims to attract businesses to a particular neighborhood based on the type of vacancies and community desires. Similarly, New York City could use a vacant storefronts registration requirement as a foundation for a broader small business retention strategy.

Restrictions on Chain and Franchise Stores

Second, the City could protect small by enacting formula business restrictions. Bristol, RI, and San Francisco, CA, have enacted restrictions that place limits on formula businesses entering particular neighborhoods. Formula businesses include chain retail stores and fast food establishments. Many New York City neighborhoods have gone through a dramatic change over the last few years and these changes are slowly moving into other neighborhoods. The formula business restriction serves to prevent chains from operating in particular neighborhoods in order to protect their historical fabric. This will help to protect the unique character of NYC neighborhoods that have yet to strongly feel the effects of gentrification. A restriction on leases to formula businesses will incentivize leasing to small business tenants. This will protect existing small businesses and it should also tend to increase the number of small businesses overall.

Tax Credits for Small Businesses

Lastly, a tax credit could alleviate some concern about long standing small tenants being forced out of their spaces due to rising rent prices. SCRIE/DRIE—the Senior Citizen Rent Increase Exemption and the Disabled Rent Increase Exemption—are residential tax credit programs currently used in New York City. These programs freeze rent for eligible tenants in rent-regulated units and in turn provide landlords with a tax credit to cover the difference between the rent paid by the tenant and the maximum legal rent.

To successfully implement this type of model, the city would need to create clear guidelines and limitations on the use of this tax credit to prevent abuse and excessive pressure on the City's budget. For a commercial rent tax credit program, the city should

target existing tenants and take into consideration annual gross revenues of the business, number of employees and the impact the tenant has on the neighborhood, for instance are they a long-standing tenant. This system should be a short-term solution to prevent payment shock for small tenants that are struggling financially due to a large increase in their monthly rent rather than a long-term solution to changing market conditions.

Additionally, the City must, of course, consider that tax credits come at a price paid by taxpayer dollars.

Conclusion:

The intended goals of the Act are not achieved in its current form. An alternative method, or a combination of alternative methods as listed above, may prove to be more fruitful.

Dear Council =

Oct. 22nd, 2018

This to express my support of the SIBJSA. As a musician and part time teacher who lives in a rent stabilized loft in Long Island City I have watched as small mom and pop style businesses have nearly disappeared from the Hunter Point neighborhood. The area is turning rapidly into a boring amalgam of luxury condo's and, more recently, chain stores like CVS and Dunkin' Donuts. Artists of all kinds as well as craftsmen/artisans are losing affordable rehearsal and work space at a frightening rate. Protect this city's diversity, liveability, and status as a great ~~at~~ metropolis. Ernie Brooks, -347-547-835
9-01 44th Ave. Apt. 4CN,
L.I.C., N.Y. 1110. ebrooks@earthlink.net

#Passes

SBJSA

The problem of storefront mergers – Five storefronts at Amsterdam & 78th St were combined into a single storefront just before the Special Enhanced Commercial District regulations went into effect.



2011

2016

Image Source: Google Streetview 2011 & 2016

Case Study - Upper West Side Special Enhanced Commercial Districts

In order to examine the impact of the Special Enhanced Commercial District regulations, the City Council Land Use Division surveyed the Upper West Side retail corridors of Columbus Avenue, Amsterdam Avenue, and Broadway in December 2016 and used Google Streetview archived images from October 2011 to document the changes in the retail mixture over the five-year period.

We found that the Upper West Side restrictions on storefront sizes have been successful in stabilizing the number of storefronts on Amsterdam and Columbus Avenue and preventing the displacement of existing businesses for storefront mergers. It is also possible that the restrictions have helped contribute to a low vacancy rate and a higher rate of business retention. The impact on chain stores and retail diversity is less clear.

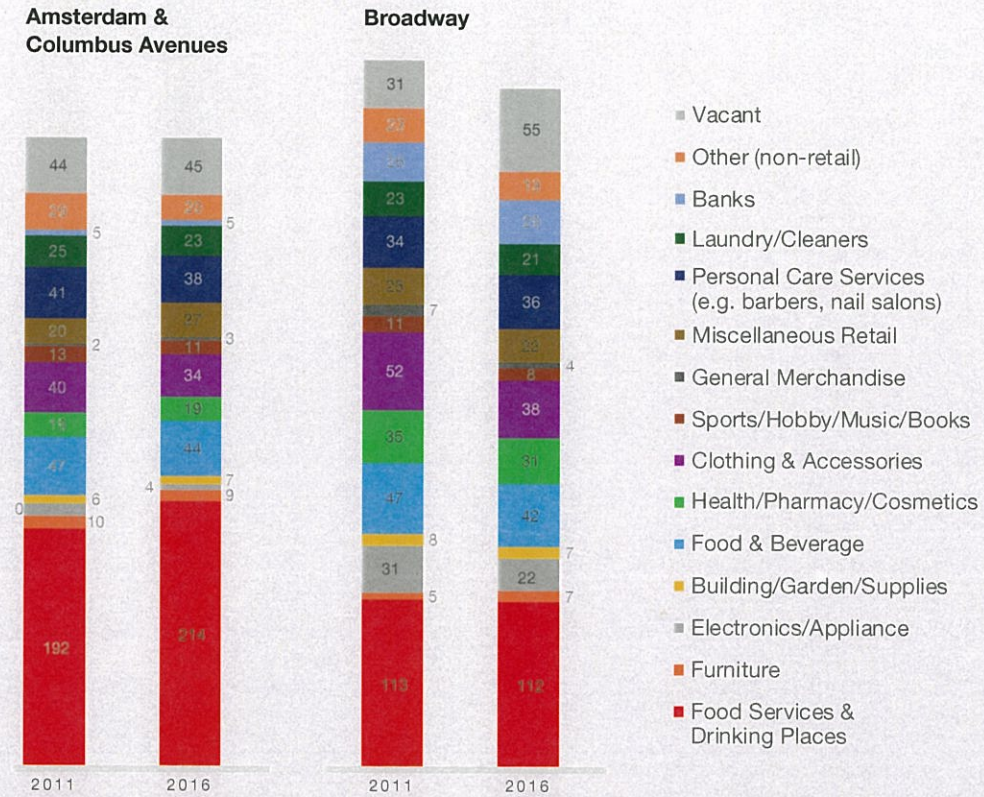
The overall number of storefronts on Amsterdam and Columbus remained constant from October 2011 to December 2016 at 503. The merging of five storefronts (formerly a diner, shoe repair store, locksmith, optometrist, and independent children's clothing store) on Amsterdam Avenue and 78th Street for the "Sugar and Plumm" bakery-restaurant that

occurred just before the regulations took effect illustrates what could have happened in other buildings if not for the regulations.

In contrast, on Broadway where the City only applied restrictions on banks and residential lobbies, the number of storefronts declined from 471 to 453 as new development replaced small storefronts with large chain stores such as the CVS and Marshalls at 2180-2188 Broadway, which displaced over a dozen small stores. The Amsterdam and Columbus corridors also maintained a relatively healthy 9% vacancy rate during this period, while Broadway vacancies increased from 7% to 12%.

The effect of the regulations on business retention is less clear. On Amsterdam and Columbus, 67% of the businesses present in 2011 remained in 2016, while on Broadway 64% remained. Five-year retention rates in the range of 65% are consistent with the range of findings of a recent citywide analysis of retail change from 1990 to 2011¹⁰² but are higher than the 57% citywide retention rate measured in the most recent analyzed five year period of 2006-11. More comparative data and study is needed to definitively conclude whether or

Upper West Side Retail Corridors – Number and Type of Storefronts 2011 vs. 2016



Overall, the Upper West Side Special Enhanced Commercial Districts appear to be a highly effective tool in preserving the number of small storefronts and a lively streetscape.

not the Special Enhanced Commercial Districts significantly aided in business retention.

While the regulations appear to help stabilize overall conditions, the effect on chain stores versus independent ownership is also an open question. The percentage of chain stores on Amsterdam and Columbus Avenues actually increased from 13% to 15% during this period despite the prohibition on creating large storefronts. In the southern, most affluent part of the area, small boutique luxury chain stores such as Couture Kids, Liana, and Farrow & Ball replaced less glamorous neighborhood businesses. On Broadway, the number of chains remained constant at 36%. The number of banks on Amsterdam and Columbus held at five while the number of banks on Broadway increased from 26 to 29. However, the new banks such as the Wells Fargo at Broadway and 90th Street fit the small storefront rules as opposed to those like the TD Bank at Broadway and 88th Street that replaced three stores to take over an entire building's frontage in early 2012, just before the regulations were put into place.

For retail diversity, the effects of the storefront size regulations are also unclear. The number of restaurants and

bars increased significantly on Amsterdam and Columbus (from 192 to 214), following a pattern that occurred across Manhattan in recent years, while nearly all retail categories declined slightly with significant decrease in clothing stores (from 40 to 34). On Broadway, nearly all categories declined slightly as the vacancy rate rose, with a noticeable decline in clothing stores from 52 to 38 businesses.

Overall, the Upper West Side Special Enhanced Commercial Districts appear to be a highly effective tool in preserving the number of small storefronts and a lively streetscape. The regulations may also help stabilize retail conditions by contributing to a low vacancy rate and a higher business retention rate, although additional study is needed to determine this more clearly. Additional study is also needed on the impact of the regulations on retail diversity and the affordability of commercial space.

While this urban design tool should not be regarded as a panacea, other neighborhoods concerned with stabilizing and preserving a retail landscape of small storefronts should consider the model of Amsterdam and Columbus Avenues' Special Enhanced Commercial Districts.



BRONX BOROUGH PRESIDENT RUBEN DIAZ JR.

**Testimony of Bronx Borough President Ruben Diaz Jr.
RE: Intro No. 737-A/Small Business Jobs Survival Act**

Good afternoon.

My name is Marlene Cintron, and I am President of the Bronx Overall Economic Development Corporation and I am here today to testify on behalf of Bronx Borough President Ruben Diaz Jr. on Proposed Intro No. 737-A, the Small Business Jobs Survival Act.

I support a thriving and entrepreneurial economy in New York City, and I support the providing small businesses with an opportunity to compete and thrive across the five boroughs. The Small Business Jobs Survival Act (SBJSA) is a good idea whose time has come. With some improvements, it could be exactly what this city needs to ensure a lively commercial climate.

The time is certainly ripe for action in this city to protect and preserve the spirit of our neighborhoods and to give small businesses a chance to survive in the face of a two-sided problem: the continued expansion of chain stores in the five boroughs and the proliferation of vacant storefronts at the expense of the health of our communities.

However, for this bill to truly be about supporting the preservation of jobs - a worthy stated goal of the legislation- it needs to be about entrepreneurship. We should be especially protecting vulnerable local-job-creating small businesses that fit under the New York City Small Business Services definition of 125 employees or less in the business, not protecting large chain conglomerates or self-storage operators that do not necessarily promote local entrepreneurship and the well-being of our neighborhoods.

I would further caution that the bill provide language specifying that the described lease renewals can be at a mutually agreed upon rate that may include increasing rents over the course of the renewal period. This is not commercial rent control.

We cannot entirely leave landlords and developers out in the cold. In fact, we must recognize that some landlords could be described as small businesses themselves. The bill should include a provision that the likelihood of a landlord or developer defaulting on a loan with their financial institution—a loan taken in good faith and responsibility accounted for—should be factored into the arbitrator's final decision. We should also include a carve-out if the landlord herself wishes to start a small business in good faith in the commercial property.

This legislation presents some novel commercial tenancy issues. There may be, for instance, some questions worthy of exploration about the arbitration clauses central to the legislation.

However, we must focus on the greater good of this legislation. Small businesses need an opportunity to stand on equal footing with their landlord, and have a real chance to negotiate a fair lease extension. We cannot abide the continuing scourge of massive rent increases without regard for the vibrancy of a neighborhood, nor can we accept the ongoing plague of empty storefronts in once thriving commercial corridors.

One of the key issues that has risen around the SBJSA is its legality. However, this point has been much debated and answered. In 2010, my office convened a legal summit surrounding this legislation, which was then known as the Small Business Survival Act, in partnership with the Bronx Overall Economic Development Corporation and other organizations. The report of that panel found that "The Small Business Survival Act is fully constitutional and legally sound to withstand likely court challenges." Regardless, such a matter can be decided by the courts. We should not allow a hypothetical legal challenge to block critical legislation.

This body must do what it can to promote a vibrant commercial economy for New York City's small businesses and entrepreneurs. The Small Business Jobs Survival Act is an excellent first step towards this goal. I look forward to working with my colleagues to amend the existing bill in order to both preserve the character of our neighborhoods and promote commercial vitality across the five boroughs.

Thank you.

NYC ARTIST COALITION

Hello! I'm Jamie Burkart, a member of the NYC Artist Coalition and a resident of Fort Greene / Clinton Hill.

It's great to see so many Council Members support SBJSA. Thank you! And thank you to New York City's First Nightlife Mayor, Ariel Palitz for being here!

I am here because New York City's cultural spaces are small businesses. And cultural spaces close due to RENT.

My life as an advocate began because of the loss of another. My friend Nick Gomez Hall who was one of the 36 people killed in Oakland's tragic Ghost Ship fire.

When a city's residents can't afford appropriate commercial spaces for culture, our diverse cultures are forced out of our neighborhoods, out of business, or "underground" into less safe exploitative slumlord situations.

As a safety advocate, affordability is a life or death issue for culture in New York.

Cherished community spaces can't get a fair lease and are closing. Silent Barn closed due to rent increase. Madiba South African restaurant closed due to rent increase. Bar Sepia closed when the landlord wouldn't come to the table for a lease renewal. Treasured neighborhood institutions must be able to afford to thrive. When we lose places to come together, we lose New York.

Culture needs the right to renew its lease in New York. In Paris you can still go to the cafe where Sartre and de Beauvoir wrote, but the spaces in the Bronx and Harlem where hip hop was born have closed. They're not open any more.

We need commercial lease protections. Save the places that make New York, New York with fair leases and fair rent. Pass the Small Business Jobs Survival Act Intro #737.

Thank you.

NYC ARTIST COALITION

Testimony on:
Small Business Jobs Survival Act (SBJSA), Intro #737-2018
before the
The New York City Council Committee on Small Business by Olympia Kazi
Monday October 22nd, 2018

Thank you for holding this long awaited hearing. My name is Olympia Kazi and I am a member of the NYC Artist Coalition. We advocate for the safety and preservation of grassroots cultural spaces that are critical to our city's vitality. These spaces are talent incubators, that create and support communities, and are treasured small businesses.

In 2017, a report on the music industry by the Mayor's Office of Media and Entertainment stated that: "In the past 15 years, **more than 20 percent of New York City's smaller venues have closed**, among them some of the industry's most prominent and revered locations." it mentions CBGB in the East Village that closed in 2006 and Wetlands Preserve in Tribeca that closed in 2001. After 13 years of operation, Wetlands Preserve was on a short-term lease because of gentrification. CBGB ended up closing after its 12-year lease expired because of rent increases. "The latest and highest-profile rock club to vanish from Lower Manhattan in recent years as rents and other expenses have continued to skyrocket." explained the New York Times in 2006.

It is the same 'skyrocketing' forces we are fighting twelve years later. It's shocking and disheartening when you realize that SBJSA was first introduced in 1987. What we are dealing with goes beyond the effects of Amazon and the natural occurring turnover of small businesses. Special interests have allowed for the **unchecked lease practices and landlord abuses to generate a vacancy epidemic**. When we advocate for lease protections, we advocate for **jobs, for community, for culture, and for the very soul of New York**.

The **right to renew** and **arbitration** as proposed by Intro 737-2018 are important steps but to be more effective and equitable the **bill must also require**:

- The creation of a **fund** by the City that can **cover the arbitration expenses** for those who cannot afford it. (The fund can be based on the existing **Right to Counsel** model.)
- Fund **translation** services; a "**Know your Rights**" campaign and a substantive program for "**Tenant Harassment Protection**".
- **When arbitration fails**, require random follow up controls to **fine landlords** that are found to be abusive.
- Create a program for small business tenants **without proper leases**. **A lease is often not an option for immigrant entrepreneurs**.

NYC Artist Coalition supports tackling the problem of small business displacement from as many angles as it is possible: **We want Lease Protections, Arbitration, Vacancy Control, Landlord Tax Incentives and Commercial Rent Stabilization**. First stop, **pass a strengthened Intro 737**.



875 Third Avenue, Mezzanine
New York, NY 10022
212-813-0030

**Testimony in Opposition to Intro 737-A
October 22, 2018**

Chairman Gjonaj and Members of the New York City Council:

My name is Rob Byrnes, and I'm president of the East Midtown Partnership, a Midtown Manhattan Business Improvement District, which counts among its constituents more than 800 ground floor businesses and thousands of upper floor commercial tenants. I also co-chair the New York City BID Association Working Group on Storefront Vacancies, which the Association created last spring as part of our own efforts to study the issue and look for creative solutions.

I commend City Council for looking for ways to protect our city's vulnerable small businesses, but I strongly oppose Intro 737-A for several important reasons.

First, although ostensibly the bill is designed to protect small businesses, it is so broadly written that it would apply to all commercial tenants. It could just as easily – and accurately – be titled the “Hedge Fund Jobs Survival Act” or the “Commercial Banking Jobs Survival Act.”

Second, many factors contribute to small business closings. Small businesses feel they are under siege on many fronts, and while rent hikes can be a factor, each situation is unique. The rapidly changing nature of our economy, the explosive growth of online retail, and the sudden retail obsolescence of formerly popular consumer products – for example, music and video outlets – all play a role. Yet this legislation puts the entire responsibility on property owners, many of which are small businesses themselves.

Third, if Intro 737-A were to become law, there is every reason to believe we would see less retail diversity, as property owners seek to rent to businesses with the strongest credit... meaning more banks and national chains, and less independent “mom and pop” stores.

And this is just scratching the surface. The complexity behind why small businesses close deserves more than just a “blame the landlord” approach if there is to be meaningful and positive change, which is one of the reasons we would support Intro 1049 by Council Member Rivera, to determine the numbers, types of businesses, locations, and causes behind closures.

As a BID Director, my core responsibility is to help create a vibrant street life in my district, and work with businesses – primarily our small independent businesses – to develop programming to bring people through their doors. Economic uncertainty and vacant storefronts pose a direct challenge to that goal. They discourage pedestrian activity and depress economic activity, to the detriment of the entire community.

That is why I am invested in this issue and want New York City to find a solution that works. Concerns over small business viability and commercial vacancies are not unique to New York City, nor are they unique to the United States. This is an international problem that governments across the globe are facing.

But there are positive steps the City could take to strengthen small business, fill vacant storefronts, and serve as a model for the international community. Through a host of measures – including targeted tax incentives, regulatory reform, and the encouragement of flexible and creative use of commercial space – the City can make the system less onerous on property owners and their tenants alike. And it is also reasonable that tenants receive adequate notice of whether or not a lease will be renewed, as well as the terms, so that all parties have time to negotiate or consider their options.

The NYC BID Association has been developing a number of suggestions to provide long-term support for small businesses, which we’ll be discussing with Council Members as this process unfolds.

The City’s 75 BIDs are constantly on the streets working with small businesses. We hear their concerns, and those concerns are more complex than rent. To do this right, the City must look at this issue comprehensively and fairly.

Thank you.



Small Business Committee

Intro. 737-2018

Testimony of Denis Johnston, 32BJ SEIU Vice President

October 22, 2018

SERVICE EMPLOYEES
INTERNATIONAL UNION
CTW, CLC

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Executive Vice President

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National Conference of
Firemen and Oilers
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New England District 615
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New Jersey District
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www.seiu32bj.org

Good morning Chairperson Gjonaj, Committee Members. My name is Denis Johnston and I am a Vice President of 32BJ SEIU and Director of our Commercial and Security Division. I am here today to testify in opposition to Intro 737 of 2018, the Small Business Protection Act.

I appear today on behalf of the union's 85,000 New York City members. We are the city's janitors, security officers, window cleaners, doormen and porters.

Our members live across the five boroughs from Co-Op City to Coney Island where local stores serve as vital anchor points for the community. We appreciate the contribution of small businesses to the vibrancy of our city and recognize the importance of their continued success to the health of the city's economy. We also recognize that there is a deep affordability crisis in our city and that many small retail businesses struggle to make ends meet.

This bill however does not apply exclusively to small businesses. It applies to all commercial leases – including office leases -- in the city no matter how large the tenant business. Under the proposed bill, the city would be providing a new raft of protections for large corporate tenants, who are more than capable of standing on their own two feet when negotiating their lease renewal.

Additionally, in the property services industry, restrictions on the rent receivable by a building owner is ultimately a restriction on the revenue pool from which building service contracts are paid. The proposed bill may allow an arbitrator to consider the services provided by a building owner, but it provides no guidance as to how they should consider whether buildings service workers receive a decent wage, quality health care or a pension.

When building workers unionize and win a contract for the first time, it is possible that a building owner may seek to recoup the change in labor costs from their commercial tenants. We strongly attest to the fact that good labor standards improve productivity and the quality of services provided, but none the less, it would be a terrible unintended consequence of this bill, if restrictions on commercial rents were to stand in the way of workers unionizing.

We trust that council members who have supported this bill are well intentioned; we simply ask that they, along with the committee, carefully consider the full consequences of the legislation and consider more direct means to support the city's small businesses.

October 22, 2018

Committee on Small Business of the New York City Council
250 Broadway - Committee Rm, 14th Fl.
New York, NY 10065

On behalf of Seward Park Cooperative, we express our strong opposition to this legislation—Intro 737. Seward Park is home to approximately 5,000 residents who depend on the income derived from the coop's 45 retail and professional tenants to offset their maintenance costs. Not only are we a Naturally Occurring Retirement Community (NORC), we were also incorporated as a Title I Redevelopment Company in 1956, with more than 40% of our current shareholders entering between then and the coop's 1996 reconstitution as a free-market coop. We retain one of the lowest per-square-foot maintenance fees in Manhattan and pride ourselves in keeping fees affordable for all our residents.

Revenue from commercial rent provides about 15% of our operational costs. Not incidentally, real estate taxes account for nearly half of our \$29 million annual expenses, having almost tripled in the last decade. Our newer commercial leases include provisions for contributions to these rising costs, which are otherwise borne exclusively by our shareholders.

Nevertheless, the Board has continuously made concerted efforts to acquire and maintain unique, independent business that add value and needed services to our community. Even in the current environment of many empty storefronts and demise of beloved mom & pops in the neighborhood, our commercial strip has only two vacancies. Both are notable to this discussion.

- 1) At 403 Grand St, 7-11 had a 10-year lease signed in 2013 that they chose to terminate early. Aside from Citibank, this was the only national chain in all of our commercial spaces. Bill 737 in its current form would protect our corporate retailers at the expense of our shareholders and the broader community. To wit: the coop is now poised to select a neighborhood small business to replace 7-11.
- 2) At 393 Grand St, a long-term tenant nearing the end of his lease was given the opportunity to upgrade his service and offerings to match the needs and desires of the community. When he did not, we sought additional proposals from other local small businesses that offered superior service and products in addition to better terms. The lease was awarded to a new small businesswoman who is also a neighborhood resident. Under Bill 737, this free negotiation and new small business opportunity would not have been possible.

Seward Park exemplifies the 100,000 coop households that act as both landlords and consumers of the businesses on their properties. We are continuously balancing the line between defraying shareholder costs and providing needed community services. Bill 737 removes our negotiating power and stymies our efforts to attract and retain diverse, small, local businesses, the very businesses that supporters of Bill 737 hope to protect. We urge you to reject this Bill and consider other legislation that would help existing small businesses without hurting working families and homeowners like my neighbors in Seward Park.

I appreciate the opportunity to be heard on this important matter.

Darcey Gerstein, President of the Board of Directors of Seward Park Cooperative
413 Grand Street
New York, NY 10002

Testimony of Stuart M. Saft

Before The New York City Council

October 22, 2018

Honorable Members of the City Council:

My name is Stuart Saft and I am a lifelong resident of the City of New York. I am also Chairman of the Council of New York Cooperatives and Condominiums, an attorney representing the elected boards of dozens of cooperative housing corporations throughout the City of New York, a former chairman of the Board of Directors of the National Cooperative Bank, and the President of the Board of a Manhattan Co-Op.

I have been actively involved in cooperative and condominium housing in New York City for more than 35 years having done numerous workouts of defaults in affordable cooperatives in Brooklyn, Queens and the Bronx including refinancing Co-Op City 20 years ago to keep it solvent, inventing a form of financing to assist Parkchester North and South Condominiums in the Bronx from crumbling, preventing Kings Village and Clinton Hill in Brooklyn and Hyde Park Gardens, Boulevard Gardens and Hampton Court in Queens and many others from being forced into bankruptcy and dissolution. During the real estate recession of the 90s, I served on the Manhattan Borough President's Affordable Housing Task Force, the Queens Borough President's Co-Op Task Force and four New York State Attorney General's Task Forces on the Martin Act. I have met with representatives of Fannie Mae and Freddie Mac to keep funding New York Co-Ops and, as I indicated above, and for twelve years I served on the Board of the National Cooperative Bank including four years as Chair of the Board and six years as the Chair of the Loan Committee and my goal was to make certain that funds would always be available for co-ops and condos in New York City. Moreover, I have voluntarily advised the tenants of numerous rental buildings about tenant sponsored conversions so they could obtain equity and control of their environment. I have devoted more than half my life to protecting the ability of co-op and condo buyers, owners and boards to manage their real estate and preserve the quality of life of approximately five hundred thousand New Yorkers who live in co-op and condominium buildings.

I am here today to advise you that the Small Business Survival Act would be a disaster for co-ops and their residents as well as landlords in general and it is bad public policy. If anything, Intro 737-A should be called the Commercial Landlord-Tenant Lawyers Bonanza Act because, in the end, it will turn every lease expiration into either a litigation or an opportunity for commercial tenants to extort money from landlord's to avoid litigation. Today, co-op housing is becoming unaffordable, competent owners do not want to serve on boards, and no one is paying attention to the real problems facing the most successful form of housing in New York; the huge increase in funding cooperatives and the difficulty of boards to maintain affordability particularly because of huge tax burden placed on cooperative owners and the endless stream of unfunded mandates. It is no accident that there have been virtually no cooperatives formed in New York City in almost thirty years.

First, the title of the Bill “the Small Business Jobs Survival Act” is entirely misleading because there is nothing limiting the proposal to small business. This badly written piece of legislation would apply to every single lease or rental agreement in the City of New York that is not residential. It applies to every office tenant and every retail tenant; it applies to tenants with dozens of locations and tenants in bankruptcy such as Mattress Firm and Toys r Us.

Second, the proposal places a burden on residents of the City of New York, New York City taxpayers and voters and benefits tenants who do not necessarily live or pay taxes in New York. Can you tell me if, even the small tenants live in New York City or, like most small business owners have fled to less expensive areas such as New Jersey, Long Island, Westchester and further locations. So this legislation places a cost on New York residents and owners and does not necessarily benefit New Yorkers. In fact, the small business owners, who the City Council wants to protect, may not even be small business owners, but investors that own dozens or hundreds of leases and allow the businesses to operate. The actual tenants the City Council wants to protect live in Florida and Arizona and are not the couple who have been working in the coffee shop that you see every morning.

Third, while the City Council wants to provide this protection to tenants, that may be conglomerates operating, has the City Council given any thoughts to placing a limitation on how much the store operator charges?

Fourth, probably one of the most dangerous parts of the proposal is giving an existing tenant a right of first refusal to keep the space that a potential tenant has negotiated. Rights of first refusal will prevent most potential tenants from negotiating a lease because of the huge cost to a potential tenant of finding the space, preparing plans, checking title, land use, environmental and zoning issues, and then negotiating the terms of the lease. What tenant will spend the sums required to negotiate the lease and then lose risk losing the space?

Every new law has unintended consequences and what will be the consequences of this one?

I indicated that I served on the Board and as chair of NCB’s Loan Committee and I can tell you that this piece of legislation that is intended to help someone, somewhere, will make it more difficult and, in an economic downturn impossible, for landlords including co-ops from being able to obtain financing. How will lenders judge the impact of a lease expiration when in addition to the Landlord and Tenant, there will be a mediator, an arbitrator, a phalanx of lawyers, and a yet unnamed City Agency that who are going to become participants in the lease renewal process? Moreover, if the existing tenant has an absolute right to renew its lease and has a right of first refusal, what if the lender says no. Remember, most lenders have to deal with federal regulators and this will require a whole new set of regulations.

What about the litigations? Who do you think is going to be paying for all tenants who will be commencing lawsuits to buy time and pressure the landlords into doing what the lawyers want? Now that you have waive “treble damages” in front of the lawyers, the Tenant’s Bar will take these cases on contingency, but the co-op boards in your districts will see their maintenance costs increase to pay for the costs as these cases languish in court and the tenants are remaining in possession paying, at worst case, a 10% increase in rent.

Amazingly, the 16 sponsors of this Proposal have 864 cooperative corporations containing 55,285 apartments and perhaps 110,000 voters and 4.8 million square feet of retail space and untold millions of square feet of office space. What are you going to tell your constituents when they are mired in lawsuits and investigations? I know some of you in whose districts I represent co-ops and condos, pass the blame for various problems to City Agencies, but your name is on this Proposal and you will be responsible when your constituents are suffering under the whatever good intentions may have caused the Proposal to be written. In fact, there would be affected co-ops in 38 of the 51 council districts.

It is true that the legislation contains an arbitration provision, but many if not most business people (both landlords and tenants) dislike arbitration and frequently when I include it in agreements, one or both parties asks to have it removed because they have previously been unhappy with the result. As a result, offering binding arbitration is not something that few people other than academicians want.

Let's now talk about real estate taxes. I will not remind you that co-ops and condos have a much heavier tax burden than one to three family houses even though co-ops and condos are a better use of the land, more energy efficient, and are subject to all the City multiple dwelling rules and are taxed as if they were rental buildings. I also won't remind you that your predecessor Carolyn Maloney, said before she was elected to Congress and many times since, that a home is a home is a home. If this Proposal (or anything similar to it) becomes law, then every single building with commercial tenants is going to challenge their assessments based on the burden you are creating today; because suddenly, the free market is not making decisions regarding commercial space, so why should the assessments be based on the market. At a time New York City needs every dime of tax money, is this the time for you to further complicate the tax system.

Please remember that co-op and condo boards are composed of individuals with lives and do not have staffs to deal with all the problems associated with real estate ownership. The Council should be looking for ways to ease their burden rather than add another level on bureaucracy with which they must deal.

Intro 737-A is unnecessary, unworkable, and unfair and should be shoved back in the drawer where it has been hiding for the last few years. If the City Council wants to do something, it should look to make co-ops more affordable; the 500,000 New Yorkers who live in co-ops and condominiums have a much bigger problem and it is jeopardizing their ability to exist. What is so sad is that no one in City government is focused on the huge increases in the costs to operate these buildings.

Ladies and Gentlemen of the City Council, I beseech you to drop Intro 737-A and focus your attention on solving the real problem that will, if left unchecked, destroy housing in New York; how you are making it unaffordable and then decrying the fact that there is not enough affordable housing. Ladies and Gentlemen of the City Council there are thousands of co-op and condo owners living in your districts who cannot afford to keep paying for mandate after mandate and ever higher real property taxes. Please do something about that and not creating a benefit for commercial tenants and the Landlord Tenant Bar. Thank you.

**Testimony on Intro 737-A
New York City Council Committee on Small Business
10/22/18**

**Park Slope Fifth Avenue BID
Mark Caserta, Executive Director**

Good afternoon. My name is Mark Caserta. I am the Executive Director of the Park Slope Fifth Avenue Business Improvement District, which runs from Dean Street, adjacent to the Barclays Center to 18th Street. That's 30 blocks of storefronts through the heart of Park Slope Brooklyn. I also want to add that I was once a small business owner, myself. For 7 years I had a small ground floor retail shop in Park Slope and one in Maplewood, New Jersey.

I want to thank you for holding this hearing today. Our commercial district is host to more than 500 businesses, a vast majority of which are small and locally owned. We walk the entire BID, all 3 miles of it, and talk to our merchants **every single day** and we know that they are growing increasingly concerned. I share their concerns.

Is rent an issue? Yeah, you bet. Are bad landlords a concern? Absolutely. But you know what else small businesses are worried about? The endless and, quite often, incomprehensible rules and regulations that small business have to follow and be aware of. We hear that complaint more often than any other. And it seems that the city's first response to every violation is to fine and hurt a small business rather than attempting to educate and correct the action for the future. One wonders what the goal of these fines really is.

We also hear a great deal of concern about the continued rise of property taxes on buildings with ground floor commercial spaces. Commercial tenants are getting hurt, new leases are rising to make up for the increased costs and landlords, many of which are literally just mom and pop small business owners of a building, are feeling squeezed.

Add these pressures to growing competition from online retailers and the continued rise in costs from wages to utilities and you have the perfect storm which is contributing to the vacancies you see on the streets of New York.

It is because the situation is so complicated and multilayered that we oppose Intro-737A as written. We want our small businesses and the jobs they create to thrive and prosper, not just survive. This bill is well-intentioned but we believe it will lead to more vacancies and more caution on the part of landlords before they sign a lease with a budding entrepreneur.

What small businesses need is to be heard by our local government. They need to give input and from that input the city needs a more comprehensive approach to tackling their challenges. The time for action has come and we want to be helpful in any way we can to make sure that our merchants are heard and their needs are met.

So what are some other ideas we can get behind?

- 1) We can get behind a study of limited time that helps the City better understand the forces at work in our commercial districts. Intro-1049 by Council Member Rivera proposes such a

study. That's a good start but we certainly don't want the study to drag on while our businesses are hurting.

- 2) Intro-737A brings an important idea to the table: notification. Too often, our small businesses are left in the dark about their commercial lease renewals. Will they be able to stay? Will they be forced to go? Sometimes they get those lease offers just days before they need to renew. **That practice needs to stop.** We support requirements that give our merchants the information they need in order to properly plan for the future of their businesses.
- 3) The City needs to do a better job of understanding how its rules and regulations, whether intended or unintended, affect our small businesses. It's probably time for the Administration and the City Council to take a hard look at these rules and regulations and make changes. We would absolutely support that. In the meantime, the City Council should work with the Department of Small Business Services to expand their Small Business Compliance program, which sends trained inspectors to any business, upon request, to educate them on the rules they need to follow. In addition, we support the creation of some sort of Small Business Advisory Council. The City of San Francisco realized that its small businesses needed a bigger voice when created an independent Small Business Commission. It's a small, independent body with a few staff members and a board made up of small business owners. Their job is to review and comment on legislation and policies and their effects on small businesses in that city. Their comments are not binding but they do enlighten City Government, elected officials and the press and we think that is a critical concept. The time has come for small businesses to have a similar voice in New York City.
- 4) The city needs to look at how its property taxes are contributing to the storefront vacancy problem. We know that there is a NYC Advisory Commission on Property Tax Reform. We hope that they are hearing about the concerns of commercial tenants and property owners who own commercial properties. But if that isn't the focus of their findings, the City needs to take a closer look at this serious issue. Small Businesses and small property owners are not an endless fountain of revenue for the City, especially under the current circumstances.

I would be happy to answer any questions you might have. I am also offering to help in any way I can to make sure that New York City's small businesses thrive, not just survive, in the coming years.

Thank you.



Council of New York Cooperatives & Condominiums
INFORMATION, EDUCATION AND ADVOCACY

250 West 57 Street • Suite 730 • New York, NY 10107-0700

TESTIMONY BEFORE THE COMMITTEE ON SMALL BUSINESS
Monday, October 22, 2018

OPPOSING INT. 737-A

Good afternoon and thank you for this opportunity to testify. My name is Mary Ann Rothman. I am executive director of the Council of New York Cooperatives & Condominiums, which is the largest of several membership organizations for housing cooperatives and condominiums in the five boroughs and beyond. More than 170,000 New York families make their homes in our member buildings, which span the full economic spectrum from very modest housing to upscale dwellings.

Citywide, around 100,000 families live in housing cooperatives that include commercial space. When this space is actually owned by the cooperative or by a condominium, revenue from commercial tenants supplements the carrying charges paid by the residents, and helps keep housing costs affordable. No cooperative or condominium has any incentive to leave its commercial space vacant nor any reason to push out a good tenant. When vacancies occur, boards try their best to find tenants who will be an enhancement to the building and the neighborhood, who will pay on time, who will comply with City laws; who will not create noise or other disturbances. They are happy to retain such tenants. But there are disappointments! Tenants do fail to meet these reasonable criteria, and then the board looks forward to terminating the relationship when the lease expires.. **CNYC and its members strongly oppose Int. 737-A for the restrictions it seeks to impose on the right of a cooperative or condominium to administer its own space.**

Quenia Abreu, President, New York Women's Chamber of Commerce

Testimony for the New York City Council Committee on Small Businesses

Intro. 0737A, the Small Business Jobs Survival Act (SBJSA)

Monday, October 22, 2018 at 1pm

City Hall, New York City

Good Morning Mr. Chair and members of the Small Business Committee. Thank you Speaker Corey Johnson for making this hearing possible. Thank you Councilmember Ydanis Rodriguez for introducing the legislation and thank you to the members that are on record today supporting the legislation. Thank you also to those who have not yet made up your mind but are going to be supporting the legislation because it is the right thing to do and because we are going to remember you! My name is Quenia Abreu, President of the New York Women's Chamber of Commerce (Women's Chamber), I thank you for the opportunity to testify today on the Matter of the Small Business Jobs Survival Act.

I come before you today to testify in favor of the Small Business Jobs Survival Act. It's simple: this bill will save jobs, eliminate storefront vacancies, and enable small businesses to stay in NYC.

We must do that what is right for the people of New York City. What is right for the people of New York City is saving the more than 300,000 family owned small businesses and the millions of jobs they provide to the residents of this great city! And that can only happen if we pass the Small Business Jobs Survival Act.

As most of you know the New York Women's Chamber has been a true advocate of small businesses since the organization was created in 2002. We are a member of the coalition of Small Business Jobs Survival Act supporters that have united to ensure that independent small business will have an opportunity to keep their storefronts, save jobs, and protect our neighborhoods. We are proud of that role! We recognize the importance of our small businesses in our thriving NYC economy. Collectively small businesses are the largest employer providing the majority of employment in NYC. They are, as many of you like to call them, the backbone of this great city! I call them the gatekeepers of our neighborhoods! Small businesses bring spending dollars to our neighborhoods and keep those dollars circulating in our neighborhoods, they generate millions in taxes; keep our neighborhoods safe, our sidewalks clean and more important they provide jobs to our people. But let's face it, our small businesses are dying at a very fast pace! We are facing a small business crisis! Storefront vacancies in NYC are an epidemic afflicting our neighborhoods and communities and the City needs to save them. The city spends millions of dollars in programs for small business services, many of them are great, but those programs are just a band-aid and a waste if we cannot save our small businesses!

Manhattan Borough President Gail Brewer and Councilmember Hellen Rosenthal did a study on the storefront vacancies and both showed there are many. We don't need to read the study to know that, unless you are blind, in denial or a hypocrite you know this is the reality on every avenue, every neighborhood and every borough. We've examined this issue for far too long. It's been 30 years since the Small Business Jobs Survival Act was introduced at City Council. Today more than ever, the City is in need of a solution to the commercial vacancies blighting our neighborhoods. We are becoming a city that is displacing its small businesses and warehousing commercial spaces.

The Small Business Jobs Survival Act is the only real solution to stop the closing of long established local, small businesses and save jobs. This is not a rent control bill! This is a City of Big Businesses and Small Businesses that is part of what makes NYC great! They need to be able to co-exist! The Small Business Jobs Survival Act will encourage parties, property owners and small business owners, to establish fair conditions and requirements for lease renewal negotiations, including requirements for lease renewal terms, limits on security deposits and prohibitions on landlord retaliation. The Bill gives rights to small business owners: Rights to renew 10 year leases, right to negotiate equally with the landlord on new lease terms, arbitration process fair to both if agreement can't be reached. I would like to add that the results of the arbitration must be binding. If the results are not binding, we are wasting our time here today! I also like to add that we need to put a stop to a practice that is becoming too common which is the rental of commercial spaces month-to-month or with no leases at all. These practices leave our small businesses totally unprotected and increases the vacancy rate. We must also define small businesses in the legislation since this bill should only be intended for small businesses not big businesses.

We urge the City Council to pass the Small Business Jobs Survival Act or be responsible for the loss of our small businesses and the millions of jobs they provide.

Again, thank you for this opportunity!

Quenia Abreu

President, New York Women's Chamber of Commerce

212-491-9640, qabreu@nywcc.org

FOR THE RECORD

Heidy Hernandez, Executive Director
Chamber of Commerce of Washington Heights & Inwood
City Hall, New York City
October 22, 2018

The Small Business Jobs Survival Act

- My name is Heidy Hernandez, Executive Director of the Chamber of Commerce of Washington Heights & Inwood.
- I support the Small Business Jobs Survival Act
- I represent the small businesses in Washington Heights and Inwood. We need to support our neighborhood to decrease the numbers of commercial vacancies and help our small businesses stay financially healthy.
- The Small Business Jobs Survival Act will encourage the property owners as well as small business owners to establish requirements for fair lease initiations, renewal terms and limits on security deposits and landlord retaliation.
- The Small Business Jobs Survival Act will give the rights to small business owners to renew 10 year leases and to negotiate equally on new lease terms with landlords.
- This coalition is to ensure that independent small businesses will keep their storefronts and at the same time save jobs in our community.
- This bill will help us to maintain our economically vibrant communities and continue to make New York City the greatest city to live, work and do business.

Heidy Hernandez

212-928-6595
201-681-4823

My name is Nikki Leger. I was born at that hospital on West 168th Street.

Thirty years. Someone left the barn door open and the horses escaped. Humpty Dumpty had a great fall and all the king's men couldn't put him back together again. Or, Obama in 2008, speaking to the bankers: I am all that stands between you and the pitchforks. Take your pick. I am deeply saddened and distressed by the extraction of cultural and economic wealth from our communities. Poof! It turns into the pocket change of the real estate super magnates. The small commercial leases must no longer be their commodities; they must be decommodified.

About five years ago Robert Hockett, professor of law and public affairs at Cornell, suggested that underwater mortgages be saved by means of a novel use of the "takings clause" of the Fifth Amendment, better known to us at eminent domain. (See:<https://www.lawschool.cornell.edu/spotlights/upload/Testimony-of-Robert-Hockett-11-September-2012-Third-Round.pdf>) Perhaps a novel use of eminent domain might be investigated to reclaim our empty storefronts. This would require brave politicians, perhaps a few of whom are sitting before me, who understand that at times citizens do NEED a strong state.

In 2014 former Canadian politician Michael Ignatieff wrote that people '...know that they need a sovereign with the power to compel competing sources of power in society to serve the public good...they want some public authority to protect them from the systemic risks imposed on them by the powerful.' Here, City Council, is your mandate.

New York City is losing its sovereignty to the real estate super magnates; losing it to Albany. Reclaim New York City. Time is running out; the rate of decay of our life at street level has accelerated. Should we pass this bill small immigrant businesses and families will be saved.

Thank you.

TESTIMONY OF JOHN BANKS, PRESIDENT OF THE REAL ESTATE BOARD OF NEW YORK BEFORE THE COMMITTEE ON SMALL BUSINESS IN OPPOSITION OF A PROPOSED LOCAL LAW TO AMEND THE ADMINISTRATIVE CODE TO MANDATE LEASE RENEWALS AND BINDING ARBITRATION, INT. 0737-A

October 22, 2018

INTRODUCTION

The Real Estate Board of New York, Inc. (REBNY) is a broadly-based trade association representing owners, developers, brokers, managers and real estate professionals active throughout New York City. We are vehemently opposed to this legislation which will do nothing to solve the underlying issues behind storefront vacancies and instead would have a catastrophic impact on our local economy.

There are some who are not aware of how far reaching this bill attempts to stifle the commercial lease market, so I'll spend a moment on that. The bill would require that all commercial tenants – so the CVS as well as the flower shop, the architect's office and the international banking institution - be offered a ten-year lease renewal that can only be changed with the tenant's approval. Rents would be set by binding arbitration if the tenant does not agree to the owner's offer. If tenant refuses the arbitration offer and the landlord makes a deal with someone else, that same tenant gets to say yay or nay first.

You have heard and will continue to hear from homeowners, business leaders, affordable housing advocates and others who are strongly opposed to this bill. The bill would severely limit all New York City property owners from making independent decisions about their properties and would adversely impact the finances of the 100,000 New York City households located in co-op buildings. These homeowners rely on revenue generated by their buildings' retail spaces to help offset maintenance costs and make crucial energy efficiency upgrades to their properties.ⁱ This bill says they cannot be trusted to make their own business and quality of life decisions.

We know that job growth in this city is fueled by new ideas. Yet, this bill will take away the rights of new entrepreneurs in two ways. First, by requiring that existing businesses have the right to remain in place, regardless of business idea or financial viability or neighborhood need, takes spaces off line for other users. Secondly, the bill increases the risk in signing a new tenant. The misperception that our members hold out for the chain tenant will become a self-fulfilling prophesy.ⁱⁱ If our members know that they will be locked into a lease agreement in perpetuity, they will wait for someone whose idea is proven, and can pay, and will not be a nuisance to their residential tenants. In the interim, more storefronts will remain or become vacant.

DEATH OF A THOUSAND BUREACRATIC CUTS

Even if the bill was more limited in scope to target the small, neighborhood businesses proponents say they want to help, the bill would not address some of the greatest challenges facing these proprietors in the city today.

Since a hearing was last held on this bill, the minimum wage has gone up 31 percent and the water and sewer rate has gone up 89 percent.ⁱⁱⁱ In the last 10 years the actual assessed value on retail stores citywide has increased 77 percent. New York has taxed commercial properties at 8 times the rate it applies to homeowners where other big cities average 1.7 times. Assessed value of retail properties has only increased

over time and has increased at a higher rate than properties without retail square footage.^{iv} And that's why there is NO incentive to property owners to keep these spaces vacant. The assessed value is not adjusted downward every time a store leaves. New York State Senator Brad Hoylman's 2017 report, "Its Bleaker on Bleecker," even cites this blatant falsehood as "pervasive misinformation."^v

In addition, small, independent store owners absorb the cost of paid sick leave and of the bureaucracy in getting approvals. For instance, storefront approvals in historic districts take on average six months for necessary business changes as mundane as new signage.^{vi} The Health Department has increased fine revenues 40% and the City's latest budget projects collecting nearly \$900 million in fines and fees this year-- \$110 million increase from the previous year.^{vii}

If you wanted to open a restaurant today, which has 60 percent chance of failure in the first year,^{viii} you would need:

- Gas authorization from the Department of Buildings;
- Food Service Establishment Permit;
- Sales Tax Vendor Registration;
- Alcohol Dealer Registration;
- Canopy Permit;
- Workers' Compensation Insurance; and
- Disability Insurance.

Before you can open, you would also need pre-operational inspections from DOH and FDNY, amongst others. And those inspection continue through the life of your business. If you want to sell liquor you need a license for that too, and woe to you have if you have the misfortune of going to Manhattan Community Board 2 where they will deny you out right or demand 10 different ways to hell for you to open.^{ix}

Additionally, if you were a different use from the prior tenant, you would also need a change in the Certificate of Occupancy. Here's what else you would need: to be well versed with the rules of the New York State Department of Agriculture and Markets rules if storing produce, Department of Environmental Protection rules for grease interceptors and the air and noise code, portable fire extinguisher requirements from the Fire Department, and resuscitation equipment rules from the Department of Health and Mental Hygiene. Finally, you would need to have familiarity with local laws to ensure that the required posters and signs such as minimum wage and sexual harassment, trans fat, and the smoke free act were posted in a visible location.^x

Rising business costs and regulatory requirements impede occupancy.^{xi} Older, outdated space impedes occupancy.^{xii} This bill will not impact either root cause of storefront vacancies.

WHAT OUR NEIGHBORHOOD BUSINESSES REALLY NEED

Legal concerns remain. The New York City Bar Association recently reported the Council has no legal authority to pass this bill. If we put that issue aside though, this bill still would not address some of the greatest challenges facing small businesses in New York City. Our own research shows that restrictive zoning and other regulatory requirements lead to higher retail vacancy rates. Commercial Rent Control ignores market conditions and would hurt the economy.

We hope any legislation put forward by the City Council will be legal, based upon data and not anecdotes. We hope the Council will pass legislation that will create jobs for small businesses rather than perpetuate the endless government regulations and laws that are an ever-increasing burden on small businesses.

There is no silver bullet to solving local, long serving neighborhood businesses' woes. Flexibility is the greatest help we can give small businesses. Failure rates have been consistent for decades - the average retail business survives less than 14 years – because there is always a new challenge.^{xiii} This decade the big

disruptor is ecommerce, with a 50% increase in the online share of the retail sales market since 2013.^{xiv} The last decade it was big box. Nearly twenty years ago it was 9/11, and before that suburban flight and urban blight. We remember what real blight is, and what we see today, while disconcerting, is not it.

This bill will kill jobs, kill ingenuity, and ensure the homogenization of retail in the City of New York. It was deeply flawed thirty years ago, and it is deeply flawed today. The only survival the bill ensures is of continued vacancies.

The City Council should focus on initiatives that allow businesses to adapt to the pressures of ecommerce and the challenges of tomorrow. We should spend more time discussing the myriad of permits one needs to open a business in the city instead of talking about a thirty-year-old bad piece of legislation. The city should pursue a collection of financial and technical assistance programs and seek to ease of government regulation, based on standardized data. We need to get the policy right, so let's start by taking the time to do a citywide vacancy survey.

CONTACT:

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ⁱ City of New York PLUTO Data, 2016; Council of New York Cooperatives & Condominiums press release, May 2018.

ⁱⁱ Property owners have been dropping rents and offering concessions to rent spaces, with rents dropping 18% in the fourth quarter of 2017. "How SoHo and Hudson Yards Tell the Story of Manhattan Retail's Present and Future." *BisNow*, January 31, 2018; "There's Never Been a Better Time to Open Retail Stores in NYC." *New York Post*, January 18, 2018.

ⁱⁱⁱ According to the New York State Department of Labor, in 2007 the minimum wage was \$7.15; in 2017 it was raised to \$10.40. Effective December 31, 2018 the minimum wage will be \$15 an hour. According to the City of New York Department of Environmental Protection the combined water/sewer rate was \$5.23 in 2008 and was increased to \$9.87 in 2018.

^{iv} Assessment Rolls for Fiscal Years 2009/2010 and 2017/2018, City of New York Department of Finance.

^v Page 9, "Bleaker on Blecker: A Snapshot of High-Rent Blight in Greenwich Village and Chelsea," Report released by New York State Senator Brad Hoylman, May 2017.

^{vi} City of New York Landmarks Preservation Commission, Agendas, Permit Issued Dates and Rule Amendments Presentation, Spring 2018.

^{vii} Fiscal 2018 Mayor's Management Report.

^{viii} Bureau of Labor Statistics, web accessed April and October 2018.

^{ix} Agendas and Minutes, Manhattan Community Board 2.

^x City of New York Small Business Services, "Open A Business Scenario" tool and "Opening A Business Quick Guide," web accessed October 2018.

^{xi} This is a not a new statement. Small business owners request fewer regulations, lower taxes and fines in order successfully thrive. "Small Businesses to NYC: Get Off Our Backs!" *City Journal*, Autumn 2009; "Why Small Businesses Fail." *Business Insider*, August 2017; "Top 10 Reasons Small Businesses Fail." *New York Times*, January 5, 2011.

^{xii} Today in Manhattan there is 15 million more square feet of retail space than in 2004. This includes The Oculus, built to replace the PATH commuter railroad terminal at the World Trade Center, which added 150,000 additional square feet of retail to the complex.

^{xiii} The rate of failure is the same today as 20 years ago. Only 80% of small businesses survive past their first year. "Success Rate: What percentage of businesses fail in their first year?" *USA Today*, May 21, 2017.

^{xiv} U.S. Department of Commerce, web accessed April 2018.



Testimony before the New York City Council Committee on Small Business

In Support of the Small Business Jobs Survival Act

**Greenwich
Village
Society for
Historic
Preservation**

October 22, 2018

232 East 11th Street
New York, New York 10003
(212) 475-9585
www.gvshp.org

Good afternoon Councilmembers, and thank you for the opportunity to testify. My name is Andrew Berman, and I am the Executive Director of the Greenwich Village Society for Historic Preservation, the largest membership organization in Greenwich Village, the East Village, and NoHo.

Executive Director

Andrew Berman

Board of Trustees

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Ruth McCoy
Andrew S. Paul
Robert Rogers
Katherine Schoonover
Marilyn Sobel
Judith Stonehill
Naomi Usher
Linda Yowell
F. Anthony Zunino III

Our organization previously testified at the September 2016 joint hearing held by this committee on promoting retail diversity and preserving neighborhood character where a number of compelling initiatives were discussed. At that hearing we testified in support of the Small Business Jobs Survival Act, and strongly reiterate that support today. We commend the Speaker and the Council for finally bringing this common-sense bill to a hearing, and we hope it will be approved to accomplish its intended goals.

While zoning incentives and vacancy penalties are important to consider, without consideration of commercial lease renewal protections, these alone won't be enough. One vital approach to the vexing challenge of rent gouging and refusal to renew leases is the Small Business Jobs Survival Act. Now co-sponsored by a majority of this Committee and over 20 council members, this hearing should lead to a vote to approve this much-needed measure.

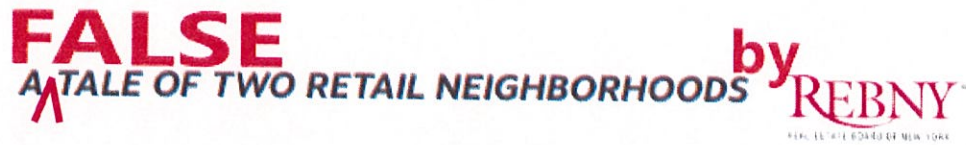
To many the commercial lease renewal process is more of a shakedown than a fair negotiation. This bill will afford a better, more equitable environment for small businesses dealing with difficult and unyielding landlords.

Throughout the neighborhoods in which we work, Greenwich Village, NoHo and the East Village, we have seen a devastating loss of long-standing businesses, often due to a refusal of landlords to renew leases or to astronomical increases in rent. The list of lost businesses is too numerous to bring up today, but one example is Avignone Chemist on Bleecker Street, the oldest apothecary in the city at over 180 years old which was forced to close when their lease came up and the new landlord tripled the rent. Caffe Vivaldi was a quintessential Greenwich Village café, restaurant and live music venue which was forced to

Don't believe the REBNY hype

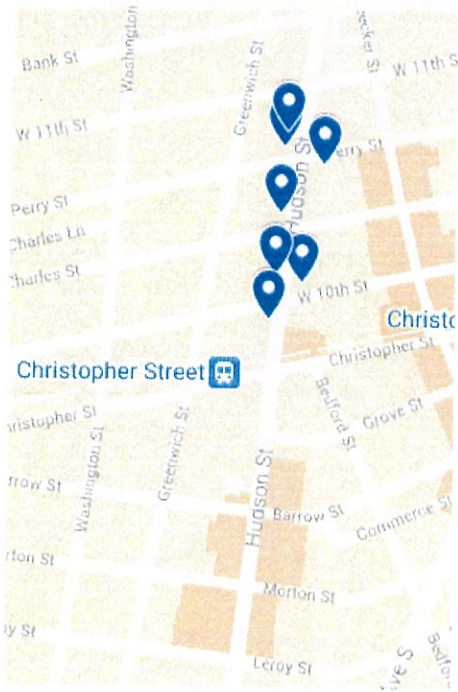
REBNY Report Falsely Blames Landmarking for Empty Storefront Syndrome

Landmarking and Historic Districts Are Actually Healthy Climates for Retail Business



A recent “report” by the Real Estate Board of New York (REBNY) was released that (incredibly, but predictably for REBNY) blamed the retail vacancy crisis impacting our city on landmarking and historic districts. Although it was uncritically parroted by some media outlets, some simple digging found multiple misrepresentations and inaccuracies. We compared the same streets they relied on in their “report”.

Vacancies on Hudson Street in the Greenwich Village Historic District



9 % vacancy rate

Vacancies on 9th Avenue
No Historic Districts



19 % vacancy rate

More links about the alternative facts of REBNY here: <http://gvshp.org/blog/tag/rebny/>

Ms. Fern Cunningham
Community Board 1 Member
Downtown Alliance Board Member

Testimony on Int. 737-A: Small Business Jobs Survival Act
October 22, 2018

I've lived in Lower Manhattan since the 1980's and know firsthand the impact on so many beloved small businesses by constant development and increasing rents. So I completely understand the impetus to help them. That said, however well intentioned this bill is, it is **very** ill conceived. It assumes that ever increasing real estate prices in many neighborhoods always benefit the commercial landlord at the expense of the small business owner. The flaw in that assumption is that it makes absolutely **no** distinction between *mom and pop shops* (i.e. small businesses) and enterprises like banks, pharmacies chains or urgent care centers (large businesses).

A bill that simply assumes the commercial tenant is **always** at a disadvantage and does not consider scenarios where the landlords are the minnows and the commercial tenants are the whales is bad for our community. A residential co-op or the owner of a commercial space in a small building would be at a considerable disadvantage when the commercial tenant is a bank or CityMD. There really ought to be other options for saving "mom and pop" stores besides penalizing "mom & pop" landlords. Surely our elected officials can come up with something more equitable than placing further financial burdens on the middle class. That's my perspective as a lifelong New Yorker and downtown resident for over 30 years.

Testimony of Sullivan & Cromwell LLP
125 Broad Street New York, New York 10004
Committee on Small Businesses
Int. 737-A
October 22, 2018

Sullivan & Cromwell LLP ("S&C") is an international law firm headquartered in New York City for nearly 140 years with an extensive commercial real estate practice. We share in many of the numerous negative views that have been expressed regarding Int. 737-A and would like to raise several points that we hope the City Council will consider in the course of its deliberations.

- Int. 737-A would constrain a landlord's ability to change the quality and the nature of the services and goods provided in the leased commercial space. For example, S&C owns the building in Lower Manhattan that is home to our global headquarters, occupying about half of it and leasing out the balance. Our retail tenants on the ground floor are selected in large part for the convenience and benefit of the building's occupants. Int. 737-A would force us to renew for ten years the lease of a tenant that provides unwanted or inferior products or services. This would be the case even if we had deliberately granted that tenant a short-term lease on a trial or interim basis and/or a short-term extension right.
- Despite its title, the scope of the proposed law is not restricted to small businesses. It covers all commercial tenants – in other words, all office, retail, industrial and other non-residential tenants, regardless of the size of the tenant and regardless of the amount of space leased.
- Int. 737-A gives tenants significant, undue leverage. By declining to pay the arbitrated rent, a tenant can elect to remain in its premises indefinitely post-lease expiration with a one-time 10% rent increase. In that event, the proposed law would chill the landlord's ability to re-let by giving the tenant a right of first refusal on any proposed replacement tenant. Further, it will be difficult if not impossible for a landlord to prove to a replacement tenant that the landlord has complied with its many obligations to the prior tenant under the proposed law such that the leased premises are free and clear of claims by the prior tenant, which will further adversely affect leasing, as well as tenant investment in new premises.
- By specifying considerations (other than fair market rental value) that the arbitrators are to consider in determining rent, Int. 737-A inequitable provides for the determination of rent at a rate less than fair market rental value.
- Challenges to the various arbitration rulings called for by the proposed law will result in ongoing litigation in state court that will further impair landlords' attempts to re-let space.
- Int. 737-A is being considered without any studies showing the efficacy of this approach in remedying the loss of jobs in the small-business sector.

**Submitted on Behalf of Larisa Ortiz to the Committee on Small Business
10/22/18; 1:00 PM**

My name is Larisa Ortiz and I am the Principal of Larisa Ortiz Associates, a retail planning consultancy. I am also a New York City Planning Commissioner. As part of my obligations under Conflict of Interest Rules I must say that I am here to provide expert testimony and am not here on behalf of a client, though I recognize that I may have clients interested in the outcome of this legislation.

Since founding my firm I have worked in over 200 communities nationwide and have devoted my life's work to helping small businesses, especially in disadvantaged communities.

I applaud the efforts to advance a small business agenda. But this legislation has significant potential to create a set of unintended consequences that undermine small business.

First and foremost, it gives all commercial establishments – from chain stores to large office tenants - the right to renew without distinction, which I believe would result in market distortions that favor those tenants over small businesses.

Think about it, if you were a landlord and knew that the first lease you signed would obligate you in the long term to a particular tenant, wouldn't you be much more cautious about taking a risk on an unproven small business? Wouldn't it be understandable if this legislation made landlords skittish about signing a lease with a small business? And wouldn't it be a shame if that caused landlords to leave spaces vacant for longer as they wait for that credit tenant?

And who pays for the arbitrator? Like most costs, tenants are often on the hook, which would likely be the case here.

And what factors does the arbitrator use to determine a fair rent levels? Is the arbitrator expected to conduct an appraisal without the training or expertise to do so? The fact that no standard for arbitration is included in the legislation makes it ripe for legal challenges.

And what about mixed-use co-op buildings where rent from the commercial space are precisely what is keeping maintenance costs low? These cross subsidies are what prevent the displacement of low to moderate income tenants, particularly those in strong market neighborhoods.

In 2014, on behalf of SBS, our firm conducted a survey of small businesses and asked what their profitability challenges were. Rent was not first, second, or third. In fact, it was tied for fourth place after access to capital, utility costs and help understanding a changing customer base.

Yet when that same question was posed to the City's small business service providers, they indicated that rent was the number one concern among small businesses. So I ask, is this legislation truly responsive to what the majority of small businesses say they need and want to remain competitive?

I do believe that there are many things we can and should do. To give you an example, just a few weeks ago, my colleagues and I were trying to determine whether a local cafe needed a permit (petition of revocable consent) to place a single café table directly in front of their business – something that in our experience would drive a 10-15% increase in sales. We spoke to five different people via 311, read countless regulations, sent two emails, and came up with opposing findings. Yet if the business owners get this wrong, it's a quick fine which can far exceed monthly rent.

With that, I do believe we can help make small business more competitive, drive their sales, and bring in more customers, all things that would ultimately help them in tangible ways. And we have the tools at our disposal to do so. But unfortunately I do not believe that this legislation, and the way it is currently written, is among them.



TESTIMONY BEFORE NEW YORK CITY COUNCIL COMMITTEE ON SMALL BUSINESS

**JESSICA WALKER
PRESIDENT AND CEO**

MONDAY, OCTOBER 22, 2018

Good afternoon. My name is Jessica Walker and I am the President and CEO of the Manhattan Chamber of Commerce. The Chamber is a community of businesses – including startups, solo entrepreneurs, small businesses and large companies – that help one another succeed.

We oppose the Small Business Jobs Survival Act because it could actually have the unintended consequence of hurting small businesses that need help. It would discourage building owners from ever offering leases to small businesses, and its arbitration process would require small business owners to allocate time and resources that most cannot realistically afford.

More commonsense approaches exist that should be explored such as helping businesses finance the purchase of their spaces and/or using the zoning process to incentivize inclusion of affordable commercial space in new development.

Moreover, to truly help small businesses survive - and, indeed, thrive - the focus of this conversation must expand beyond rent and vacancies. High rents are not the only reason businesses are closing. In fact, a recent survey of our small business members showed that challenges related to real estate and rent were dwarfed by concerns surrounding government regulations, taxes and increasing competition. City government has direct control over many levers that can ease these burdens such as reductions to the commercial rent tax and property taxes and implementation of a formal economic analysis process to ensure small businesses won't be hurt by proposed legislation.

Ultimately, businesses need customers to survive. We need to help them compete through better marketing and an enhanced capability to compete online. Our Chamber has launched numerous initiatives in partnership with Google, Facebook and others to do just that. But there is still a lot of work to do in this area and we welcome the help of government.

Thank you.



Testimony to the New York City Council Committee on Small Businesses
Proposed Int. 737-A (Small Business Jobs Survival Act)
October 22, 2018

Thank you Chair Gjonaj and members of the committee for the opportunity to testify on Proposed Int. 737-A which would create a new set of requirements around commercial lease renewals. The Partnership for New York City represents the city's business leaders and largest private sector employers who seek to maintain the city's position as the pre-eminent global center of commerce, innovation and economic opportunity.

The Partnership opposes the proposed legislation. We suggest that the Committee undertake more careful research into the causes of storefront vacancies and escalating commercial rents. Laws should not be enacted based on anecdotal evidence or emotional appeals, particularly when their passage could disrupt the city's main source of tax revenue.

There is no citywide database that establishes the number, size and type of commercial properties in the city or the tenants and owner-occupants of that space. Without that data, it is impossible to determine whether this legislation, if enacted, would address the true causes of commercial vacancies and business closures in multiple local markets across the five boroughs. It is also impossible to calculate the economic and fiscal impact that Proposed Int. 737-A would have on the city or its neighborhoods.

Ironically, there have been many actions by state and local government over the past few years that have contributed to the challenges facing small businesses in our neighborhood commercial corridors. For example, small retail and service businesses have been hardest hit by the increase in the minimum wage, new mandatory benefits such as paid sick leave, and a general increase in compliance costs and litigation exposure. Rising rents are only one factor that the Council should be considering if they want to promote small business survival.

We also object to Proposed Int. 737-A because it is an overly broad and complicated piece of legislation. Despite its stated intent to "help *small* businesses," the legislation would substantially change the process for commercial lease renewals for *all* businesses, including large businesses and upper-story office space. It would mandate a poorly conceived arbitration process and would add substantial time and cost to the commercial leasing process.

We all sympathize with the Mom & Pop stores that are struggling to survive in the face of rising costs, changing consumer demands, and increasing competition from online retailers and national brand stores. But sympathy is not sufficient justification for city government to make a major change in public policy without much more research and consideration than this bill has received.

Thank you.

**Statement of Ric Clark
Chairman, Brookfield Property Group
Chairman, Alliance for Downtown New York**

**Submitted to the Committee on Small Businesses, Hon. Mark Gjonaj, Chair
Re Int. 737-A “The Small Business Job Protection Act”**

October 22nd, 2018

“As a major owner and operator of commercial space in New York City with job-creating investments in neighborhoods in Manhattan, Brooklyn and the Bronx, Brookfield cares a great deal about the strength of the local economy, the health of New York’s retail sector, and the quality of life in communities in all five boroughs. Small businesses are critical to the City’s success, and we share the view that support for them is important and warranted.

“Brookfield owns more than 800,000 square feet of retail space in New York City, more than 95% of which is leased to a range of businesses, from small shops with single locations to global brands. The success of retail businesses in New York City is important to – and aligned with – our business.

“Int. 737 would have serious, negative consequences on the commercial real estate market in New York City, *reducing* the amount of space available for small, local businesses and limiting community input on ground floor uses. Even if the bill was re-written to apply to retail space only, it would have a devastating impact and hurt the very businesses it was drafted to support.

“By eliminating property owners’ ability to negotiate fair market rents, the bill would seriously disincentivize the creation of new retail space. Brookfield is building a major, mixed use development on Manhattan’s Far West Side, and we are excited about its major 250,000-square-foot retail component, which will include a mix of shops and restaurants. Without our ability to negotiate fair market rents, it would not have made as much sense to create such a substantial retail corridor and we likely would have had to explore other uses for much of that space. The loss of new retail space would only add price pressure to existing retail space.

“Further, if property owners are bound to tenants for such periods without regard to the condition of the business or use, the bill would incentivize owners to lease space only to the largest, most credit-worthy retail tenants. Leasing space to a less-experienced tenant with an untested concept and limited financial resources would only become riskier.

“The reduction of property owner and community input in the use of retail space would also be problematic. When Brookfield leases space to a retail tenant, we try hard to find uses that align with the surrounding area and would have a positive impact on the quality of life of the local community. We take feedback from community boards and local authorities very seriously. Sometimes we don’t get it right on the first attempt and a change of use is warranted. The bill would severely eliminate any opportunity to revisit a use once in place.

“To support and protect small businesses, the City should undertake a comprehensive survey of vacant space to understand the state of the market and what policy measures would make sense. The City should explore financing assistance for small retailers as well as measures to reduce the burden of starting and operating a business in New York. Instead of eliminating fair market forces and creating disincentives for property owners to create retail space or lease to small businesses, the City should *incentivize* owners to lease to and retain these small businesses.

“These and other measures are worthy of the Committee and Council’s exploration. In the meantime, Int. 737 should be withdrawn.”

Testimony of James Wacht

jwacht@srcny.com

212-776-1202

Monday, October 22

City Council/Small-Business Jobs Survival Act

- *Name: James Wacht*
- *appearing in opposition to the proposed bill*
- *profession:*
 - *small business owner and tenant for over 30 yrs.:*
 - *partner in 4 bagel stores-the Bagelry (no longer in business: sold out several years ago)*
 - *96th & Madison*
 - *88th and Lex*
 - *14th and 6th*
 - *30th and 3rd*
 - *currently own "My Gym": first location in Park Slope, Brooklyn*
 - *own a commercial real estate brokerage company (Lee & Associates): over 85 brokers, 25 of whom specialize in the brokerage of retail stores*
 - *Property owner and property manager for over 35 yrs.: own or manage over 40 buildings in New York City, many with retail stores.*
- *The premise on which the bill is founded is wrong.*
 - *The long-term Vacancies today are not primarily due to speculators. Due to a number of factors.*
 - *we are in the midst of a retail Apocalypse. Internet sales have turned the market upside down.*
 - *Most long-term vacancies today are due to a lack of demand not due to greedy landlords. Beginning to change*
 - *648: case in point*
 - *vacancies are due to a number of factors: not just greedy landlords.*
 - *In general, retailers, particular mom and pops, have a high failure rate.*
 - *According to the Bureau of Labor Statistics, 50% of small businesses fail after five years in business.*
 - *Reasons for failure:*
 - *inexperienced operators*
 - *undercapitalized*
 - *too much competition*
 - *bad concept*

- Ironically, while named the "Small Business Jobs Survival Act" nowhere within the legislation is there a definition of small business.
- my experience for over 30 years as tenant:
 - always had good relationships with my property owners
 - always able to negotiate renewals
 - several times property owners granted me rent relief when times were bad.
 - only closed one store due to rent increase.
 - The fact is we operated very badly. Probably could have afforded the higher rent had we managed the business better at that location
 - Didn't help that a coffee cart selling bagels was allowed to open directly in front of our store
 - city regulations have made increasingly more difficult for small business owners to operate:
 - sanitation fines
 - building and other city agency approvals
 - cost and delays
 - arbitrary decisions: our experience in Brooklyn was a nightmare added over \$50,000 of expense and months of delay
 - liquor licensing: given the impact of Internet sales, restaurants and food tenants now are even more necessary to fill vacant space. Yet liquor licensing laws make it extremely difficult to open new venues.
 - Handicap access issues: add significant costs. We needed to install four handicap access bathrooms in a space that at maximum capacity would hold 35 people.
 - Gyms: also, a use that has grown in significance and is filling the void left by retailers impacted by Internet sales. Yet, because of an antiquated law enacted in the 1970s the city requires a special permit for these uses.
 - Medical leave/minimum wage: significant impact on small businesses.
- My experience as a property manager and landlord for the past 30 years:
 - almost always renew a good tenant:
 - valuable commodity
 - strong financial incentives to renew an existing tenant
 - no lost rent during lease-up period
 - no rent concessions
 - no brokerage commissions
 - tenants that have not been renewed:
 - bad history with the landlord
 - bad operators
 - bad payment history
 - desire to upgrade building and quality of retail
 - 875 6th Ave.
 - 21 E. 87th St.
 - Changing neighborhood demographics
 - reasons to oppose the legislation:
 - Based on a false premise (discussed above)

- *fiscal impact on city: generally, real estate taxes are about 30% of total rent roll. This legislation will significantly decrease property values, which will reduce property tax revenues particularly since the arbitrator's decision is not based solely upon market rents. As a city prepared a study as to the impact?*
- *The market is beginning to correct. Need to be patient.*
 - *Property owners have capitulated and are cutting rents. We are seeing a significant increase in activity in our office. It is not a quick process as anybody who is trying to sell a house or an apartment in a soft market can attest.*
 - *Retailers who have been sitting on the sidelines have recalibrated and are adapting to the new realities of the marketplace and are now actively sourcing locations*
 - *Smaller stores*
 - *More user friendly*
 - *Opening pop up stores to test the market*
 - *Internet retailers now looking for brick and mortar stores*
 - *Experiential retail*
 - *medical uses*
 - *health and fitness uses*
 - *food uses*
- *Creates disincentives for property owners to invest in their properties*
- *May actually discourage property owners from renting to mom and pops*
- *my recommendation: nobody likes seeing small mom-and-pop's put out of business or stores remaining vacant for a long period of time. But this legislation is not the answer.*
 - *establish a task force including small business owners, property owners, senior staff from various city agencies and city Council members to evaluate the following:*
 - *eliminate or modify regulations that impact small businesses*
 - *overhaul approval process in the building department*
 - *eliminate the special permit requirement for fitness and gym uses*
 - *provide low-cost loans to small businesses to help offset the cost of opening a new business*
 - *less opposition to food tenants requiring liquor licenses.*
 - *Evaluate Fiscal Impact of proposed legislation*
 - *BE PATIENT: The market will correct itself*

○



FOR THE RECORD

**Testimony before the New York City Council
Committee on Small Business**

Int. No. 737-A
October 22, 2018

Good Morning Chair Mark Gjonaj and other members of the New York City Council's Committee on Small Business. My name is Nelson Eusebio and I'm the Director of Government Relations for the National Supermarket Association (NSA). NSA is a trade association that represents the independent supermarket owners in New York and other urban cities throughout the East Coast, Mid-Atlantic Region and Florida. In the five boroughs alone, we represent 400 stores that employ over 15,000 New Yorkers.

Some quick background on our industry – beginning in the late 1970s, supermarket entrepreneurs began opening stores in areas abandoned by the large chains, as they were economically depressed and mostly minority neighborhoods. These men and women had the vision and the commitment to fill a vacuum in those communities, at a time when the term “food desert” had not even been coined. Currently, many NSA members continue to serve those areas by offering healthy foods and full service supermarkets.

I'm here today to testify on 737-A also known as the “Small Business Jobs Survival Act” – which would create a “small business lease program for establishing an environment for fair negotiations in the commercial lease renewal process in order to determine reasonable lease terms.”

We would like to thank Council Member Ydanis Rodriguez for taking a meaningful and comprehensive look at the existing business climate for grocery stores. It's no secret that the industry is in crisis, particularly in Manhattan, with local grocery stores closing their doors regularly and leaving neighborhoods devoid of healthy food options due to increasing rent.

Creating a small business lease program would be a significant step towards protecting the viability and sustainability of the supermarket industry. The “Small Business Jobs Survival Act” would help save many supermarkets from closing their doors and finally create a fair environment for them to negotiate their leases.

The city has a vested interest in helping supermarkets keep their doors open.

- First, we know that access to local supermarkets is vital for the health of every community. Studies have shown that access to grocery stores corresponds with lower obesity rates, diabetes and diet related deaths. In addition to the health benefits, supermarkets offer a cost savings measure for many individuals and households that cannot afford to regularly buy precooked meals or eat out.
- Second, supermarkets are an economic driver that employ thousands of people citywide. Their employees are often from the communities in which they serve. Most of our owners have been in their neighborhoods for years, they know their customers



by name; they contract with local vendors and contribute to a robust ecosystem in the neighborhood.

NSA strongly supports 737-A, the “Small Business Jobs Survival Act”. Thank you and I welcome any of your questions.

My name is Justin Levinson, and I worked on the Vacant New York project tallying and mapping empty storefronts in Manhattan.

I initially began investigating as I saw the number of businesses leaving the neighborhood, without being replaced. I was curious as to how widespread the problem was - I certainly felt that I was seeing an increase in For Rent signs but wanted to be sure.

As it turns out, the problem is quite widespread. As of summer 2016, I had recorded nearly 1000 vacancies in Manhattan via a combination of online collection and hand counting. I'm currently working on an update: while I don't have final figures, the initial count is more than 1200 - more than a 20% increase. Due to inaccuracies in the data gathering process, in both 2016 and today, I undercounted by a fair amount - properties that weren't represented by large brokers in neighborhoods that I hadn't handcounted weren't recorded. More than 100 additional vacancies written in by readers, as well as seeing the Broadway handcount of 188 storefronts from Gale Brewer's office confirmed this.

Although present across the borough, the distribution tended to be around higher-rent districts, with Soho being particularly hard-hit. Based on research and anecdotal evidence, what appears to be happening is that rental tenants are being presented with large increases in rent when their lease comes up (or not being offered a renewal), vacating, and the property owners are waiting to find a new tenant who will pay what they're asking.

My most surprising finding was the response to the project - it acted as a lightning rod for an immense amount of anger from residents and business owners. I still get emails from people upset about the loss of a favorite restaurant or store, a massive hike in their rent, or, paradoxically, their inability to find a space they can afford to start a business.

There's no silver-bullet solution. Monitoring is an important first step - a registry of storefronts vacant longer than specific time, say six or twelve months, would allow us to keep tabs on the problem.

The second step is prevention, which is really what we're talking about today. Before we can begin addressing what to do with the empty spaces, we need to stop the flow of businesses from vacating due to rent hikes and speculation. Requiring lease renewals to be subject to arbitration, limiting the percentage increases in rent, or otherwise regulating the process is unpopular, but essential. There's no point trying to fill a bowl that has holes in the bottom.

The third is to fill the spaces that are already vacant. Pop-ups are frequently suggested as an answer, but they're a Band-Aid solution -- we need businesses that build relationships with the the community for the long term, not retailers who will disappear in six months. Some combination of carrots (property tax breaks for leasing to small businesses, matchmaking programs, grants) and sticks (penalties for keeping storefronts vacant, limiting frontage, limits on chain stores) will be required, and it will take some experimentation.

From: Patrick Rapp 915 E 17th St Brooklyn 11230
To: New York City Council 250 Broadway New York, NY 10007

October 22, 2018

Dear City Council Members:

When a half-block in East Flatbush or Flatlands gets 're-developed' as a glass needle, many of the old residents, unable to afford Needle Life, are effectively exiled to god-forgot... e.g. the Carolinas. What about the people running the mom & pop shops that used to line the sidewalk? Reeling from the often-unexpected eviction, with no alternative income, they can't survive the construction years, to re-open at the same address. The loss of affordable housing and the loss of small businesses are closely linked.

SBJSA's six-month notice, before their lease expires, gives them at least a chance at making arrangements: maybe a temporary shop, or another job altogether. Six months doesn't seem like much time actually; developers know their plans over a much deeper time horizon.

What happens? You can see it on Flatbush, creeping from the Barclay Center down toward the Marina. Chain stores. Fuhgeddaboutit!

Christine REBNY Quinn was representing her big campaign contributor when she fronted its legal claims: 1) SBJSA is rent control in disguise, and 2) SBJSA violates private property rights. Hopefully, Corey Johnson has a little more independence, a little more steel in his backbone. Consider:

- 1) SBJSA does not limit the rent. It merely requires binding arbitration in the case of a dispute.
- 2) NYC had commercial rent control from 1945 onward, supported by several rulings by the Court of Appeals, in cases that challenged it. It died a natural (political) death in 1963.

I encourage you to support SBJSA, make it happen. Sooner rather than later.

Thank you for reading this far,

Patrick Rapp
915 E 17th St
Brooklyn 11230

Small Business Committee members, my name is Luis Tejada, I am founder of the Mirabal Sisters Cultural and Community Center in Upper Manhattan. For the past 25 years I have advocated for the rights of mostly immigrant families. Today, I want to make the committee members aware of the **forgotten victims** of the small businesses closings, the sky high rent increases, and the illegal extortion of cash by unscrupulous landlords. These **forgotten victims** are the workers in small businesses as well as the families living in other countries who depend upon support from these workers.

The bill is called the Small Business Jobs Survival Act because it is a **JOBS bill**, which is critical to the stability of every immigrant community in NYC. I commend Councilman Rodriguez for fighting for this bill and the rights for both the small business owners and their workers. He recognizes the critical role small businesses and jobs plays to the future of most immigrant families. The majority of immigrants, who come to our city, are able to survive thru the jobs in small businesses. The jobs in small businesses provide a pathway to higher social mobility and a better life. Small Businesses are the backbone of the Dominican economy in NYC and must be saved or the jobs will be lost and the pathway for social mobility will be lost for the Dominican community.

As I speak here today, all over the city containers are being filled with medicine and food to be shipped to families in the Dominican Republic and other countries. Its this support from hard working workers of mostly small businesses that are helping their families in need back in their home countries. Medicine needed by their parents to survive, food needed by families hungry and with no money. If the council members do nothing to stop the closings of our small business and save jobs, and continue allowing a handful of wealthy landlords to reap windfall profits, the victims will be not just be the small business owners but their workers and the families in other countries. When you walk by the empty storefronts think of the workers who once worked there and the hardship to their families when they lost their jobs.

Again, I commend Council member Rodriguez for standing up against the shameful policy of many unscrupulous landlords who demand cash **under the table** from mostly immigrant owners by intimidating to throw them out of business if they do not pay up.

The largest study of Hispanic businesses in 2009 asked by former Small Business Committee Chairman David Yassky showed 31% of Hispanic owners had been extorted. Since the council did nothing to stop the extortion of mostly immigrant owners, the extortion has grown worse and still the council accepts this anti immigrant act, anti humanity and deplorable act. I appeal with the committee members that this shameful act against poor hardworking immigrant owners must be stopped and I ask you "whatever legislation you pass, and I hope it's the Small Business Jobs Survival Act, it will fully stop all illegal extortion of small business owners.

Thank you

Luis Tejada

My name is Kirsten Theodos and I am a cofounder of TakeBackNYC, a coalition of residents, community leaders and small business owners with one goal, to see that City Council votes on and passes Small Business Jobs Survival Act.

Trying to save Mom and Pop isn't about nostalgia, banning chain stores, nor is it "commercial rent control". It's about over 1,000 small businesses being shuttered every month which equates to over 8,000 jobs lost every month in NYC. When a community is out of work, the fabric of that community deteriorates and the path of social mobility for low income families is lost. *And this*

~~Under Mayor de Blasio, NYC Court warrants to evict commercial businesses are averaging 542 per month, higher than under former Mayor Bloomberg, which illustrates this crisis is getting much worse and rapidly spreading to every neighborhood in every borough as evidenced by vacant storefronts on every Main Street across the city.~~

NYers want a real solution to stop the closings and save jobs. We don't want initiatives, loans, reduction in fines or landlord incentives. We want legislation so our struggling business owners ~~and jobs~~ can begin thriving again. If we are seriously looking at solutions to save our Mom & Pops then we need to address the crux of the problem which is exorbitant rent increases and no right to a lease renewal. ¹ ~~We also shouldn't be considering proposals originating out of former Speaker Christine Quinn's office, that were created back in 2009 to substitute for a bill she obstructed a vote on that was sure to pass with the unanimous support of the Small Business Committee and 32 CMs signed onto the bill.~~

² ~~The 2011~~ ² ~~was~~ the SBJSA ~~and~~ addresses the issues our commercial tenants face by giving them a right to a minimum 10-year lease renewal and a right to equal negotiation terms when it comes time to renew their lease.

NYC Business owners are victims of decades of manipulation and speculation of the free market, rent gouging, banks bidding against franchises for prime space, warehousing store fronts sometimes for years, flipping property with commercial space in it and just plain greed. ~~All~~ ^{NYC} results in commercial tenants not able to ~~compete to~~ gain reasonable lease terms. Let change come to a neighborhood, but let the small businesses who sacrificed and invested in that neighborhood have the opportunity to stay in business, protect their investment, and the jobs of their employees. Small Businesses are the largest employer, the backbone of NYC's economy, and vital to

1) The SBJSA should have passed in 2009

the stability and character of every neighborhood. The majority of NYers want our lawmakers to live up to their campaign pledges of supporting progressive legislation like the Small Business Jobs Survival Act. It is time that all lawmakers take the crisis our business owners ~~and state~~ face today seriously and stop the closings and save jobs by passing the Small Business Jobs Survival Act.

Jenny Dubnau, Artist Studio Affordability Project

The affordability crisis in New York City has reached unsustainable levels, and is decimating the small business and artistic communities. Each month, hundreds of small businesses are issued eviction warrants, priced out, or their leases are simply not renewed, and it is completely legal. The reason for this is simple: commercial rents are skyrocketing, and no bodega owner, florist, or working artist can afford them. Most neighborhoods in our city have become unrecognizable, with beloved local businesses from Posmans Books to Galicia restaurant in Washington Heights threatened with extinction. Meanwhile, our neighborhoods are left without supermarkets, beloved restaurants, or hardware stores. Local businesses, many of them immigrant-owned, are going under at a rapid pace as gentrification spreads through Brooklyn and Queens. In the Fulton Mall in Brooklyn, dozens of long-time shops, many of them owned by African-Americans and immigrants, were simply forced to close with just weeks notice, and were replaced by a high-end mall. These local businesses are the lifeblood of our communities: they are a stepladder to the middle class for countless families, many of them immigrants, and provide vital jobs and services to neighborhood residents.

And the community of working artists in NYC is at a tipping point: there are simply no more industrial neighborhoods in the city that are affordable. Many working artists, dance troupes, and musicians are losing their spaces, and some are leaving the city. In my building in LIC, everyone is getting a 40% rent increase when our leases are up: we will all have to leave, and go where? The only real solution to this crisis is legislation that addresses the unsustainable rise in commercial rents. New York City is being hollowed out by hyper-gentrification, and is in danger of losing the vital community of makers that is so vital to our cultural heritage.

There are no meaningful lease protections for NYC commercial renters, and the SBJSA is the only bill currently on the table which offers real help.

- It is the only bill which gives the basic right to renewal to commercial tenants
- It is the only bill which gives reasonable length of leases to the tenants (10 years)
- It is the only bill which would address the extortion of mostly immigrant owners
- It is the only bill that protects all the city's commercial lease holders, including arts, culture, not-for-profits, and manufacturing

The cries of illegality from big real estate are absurd: the Urstadt Law in Albany specifically addresses residential rent regulation, not commercial rents. And the idea that any rent regulation is a "taking" beggars belief: if that is the case, then any rent regulation is illegal. NYC had true commercial rent control from 1945-1963, and it survived numerous court challenges. Please pass this bill without watering down any of its essential provisions! I would like to see translation services offered for non-English speaking participants in the arbitration process, as well as a fund for commercial renters who cannot afford arbitration fees.

Bring the SBJSA to the floor for a vote in the City Council, and pass the bill!

**Ray Rogers, Director, Corporate Campaign, Inc. 718-852-2808
Comments at City Hall SBJSA Hearing October 22, 2018**

Right now commercial tenants have no rights and are completely at the mercy of unscrupulous landlords. Small business owners, their employees and their neighborhoods need the rights and protections the SBJSA passed intact will provide.

The key elements of the SBJSA would guarantee small businesses, whether storefronts on the ground floor or professional offices on the 20th floor, 1. the right to renew leases for a minimum of ten years 2. the right to mediation and binding arbitration to stop rent gouging and 3. the end of concocted oppressive landlord pass-alongs like inflated water and property tax bills. The legislation would also end the all too common practice of extorting large sums of money from small business owners, and especially immigrants, just to get a lease!

Any City Council member, who votes against passage of the SBJSA intact, in essence, is casting a vote against NYC's immigrant population much of which is made up of struggling small business owners and their families.

Council members who vote against it, or try to weaken its protections, are also supporting the Real Estate Board of New York's continued hostility against our mom and pop stores and other small businesses they have targeted as irrelevant, expendable and an impediment to maximizing profits.

Why are REBNY and its President John Banks so terrified of the SBJSA? Why has REBNY prevented passage of this bill for 32 years? Why is REBNY's President John Bank's spewing out misinformation that the SBJSA is a commercial rent control bill which it is not and never has been?

Because passage of SBJSA intact will mean the flow of billions of dollars in money from super wealthy property speculators, developers and unscrupulous landlords represented by REBNY to small businesses, their employees and the local economy. That is why passage of the Small Business Jobs Survival Act intact is so crucial for a much healthier New York City and the well being of everyone living and working here.

FOR THE RECORD

Marni Halasa
Community Control of Land Use
Remarks for Press Conference 10/22
917-501-9444, marnihalasa@gmail.com

I'd like to thank everyone for coming, it's really wonderful to see everyone here who is engaged on the SBJSA -- and want to give rights to small business owners.

I'd also like to thank Naureen from the Alexandria Ocasio-Cortez campaign, for coming, and also thank Alexandria for taking leadership on this issue. The small business closings have become a crisis, and can't be ignored anymore. But what also can't be ignored is that the bill can't be watered down, it must have : (1) 10-year affordable lease (2) right to renew lease (3) binding arbitration.

My name is Marni Halasa, and I founded Community Control of Land Use after I ran for City Council last year, and championed the SBJSA. I am also a small business owner with my husband, at Red Eye Coffee Shop, in Hells Kitchen. (We have the best coffee on the planet). But this issue of the lease renewal process is directly affecting us with our own landlord, so this issue has become very personal to us.

But I wanted to call this press conference because there's a narrative out there that isn't being told. We all agree that the big real estate lobby is no friend of small businesses -- but I think it's important to also say City Council is no friend to small business either. And it's an important narrative to say, because it's the (1) TRUTH, (2) people are worried the legislation will get WATERED DOWN and (3) they don't have faith in City Council as an institution that was created to give the public relief.

Why are people worried?

1) THIRTY YEARS OF INACTION: We have had 3 decades of a small business crisis. The Council has been sitting on this bill for 3 decades. And now, the crisis is even worse. Currently, every month, 1,200 businesses close with New Yorkers losing 8,000 jobs -- which translates into almost 15,000 businesses and almost 100,000 jobs lost A YEAR! This is a traumatic loss to our city's economy, and Yes we are grateful for getting a public hearing, but what we need is for the BILL TO PASS and PASS INTACT.

2) PUBLIC HEARING IS POLITICAL THEATRE: People are also worried this public hearing is just an exercise -- another "feel good" procedural tactic used by City Council to give us FALSE HOPE. City Council has a record of betrayal. Ydanis Rodriguez, who introduced this bill, just voted to upzone all of Inwood. Carlina Rivera voted for the Union Square Tech Hub when she made a campaign promise she would protect her neighborhood. And Jimmy Van Bramer has refused to oppose the BQX which will bring even more displacement and gentrification to Brooklyn and Queens.

3) REAL ESTATE MONEY in CITY COUNCIL: And it's no secret outrageous amounts of real estate money flow to City Hall. Just look our Speaker Corey Johnson. I ran against Corey for City Council last year and I examined his campaign contributions from September 2017. I looked up 168 of his individual donors. And my calculations showed that: out of \$485,000, nearly \$335,000 were from real estate, Wall Street, Nightlife and Corporate Philanthropy -- that's 69% from the 4 industries that hyper-gentrify our city. By approving every single large development in District 3, it makes you wonder who he is really working for.

4) But all this corruption is also doing something incredible: it is collectively organizing and unifying numerous anti-gentrification groups against unresponsive politicians. I want to give a shout out to Lynn Ellsworth for organizing a historic rally of 65 groups, Rally to Save Our Neighborhoods, last Saturday, and bringing up interesting solutions to pushing electeds --- like revising the City Charter and calling for a "recall" of councilmembers who ignore public demands.

I recently had a conversation with a former city official for 40 minutes, and the one thing he kept on saying is that City Council only responds to pressure. So let that be the lesson today, to never let up pressure, to keep calling them out and to not let them hide behind the real estate lobby as the villain. They have the power to make monumental change to help businesses and give business owners like us RIGHTS IN THE LEASE RENEWAL PROCESS and because they have not so far, they too are complicit. But if they want to redeem themselves, they should pass the bill out of committee, and then onto a full floor vote, and then pass the bill INTACT. I'm done being nice.



Testimony to the New York City Council Committee on Small Businesses
Proposed Int. 737-A (Small Business Jobs Survival Act)
October 22, 2018

Thank you Chair Gjonaj and members of the committee for the opportunity to testify on Proposed Int. 737-A which would create a new set of requirements around commercial lease renewals. The Partnership for New York City represents the city's business leaders and largest private sector employers who seek to maintain the city's position as the pre-eminent global center of commerce, innovation and economic opportunity.

The Partnership opposes the proposed legislation. We suggest that the Committee undertake more careful research into the causes of storefront vacancies and escalating commercial rents. Laws should not be enacted based on anecdotal evidence or emotional appeals, particularly when their passage could disrupt the city's main source of tax revenue.

There is no citywide database that establishes the number, size and type of commercial properties in the city or the tenants and owner-occupants of that space. Without that data, it is impossible to determine whether this legislation, if enacted, would address the true causes of commercial vacancies and business closures in multiple local markets across the five boroughs. It is also impossible to calculate the economic and fiscal impact that Proposed Int. 737-A would have on the city or its neighborhoods.

Ironically, there have been many actions by state and local government over the past few years that have contributed to the challenges facing small businesses in our neighborhood commercial corridors. For example, small retail and service businesses have been hardest hit by the increase in the minimum wage, new mandatory benefits such as paid sick leave, and a general increase in compliance costs and litigation exposure. Rising rents are only one factor that the Council should be considering if they want to promote small business survival.

We also object to Proposed Int. 737-A because it is an overly broad and complicated piece of legislation. Despite its stated intent to "help *small* businesses," the legislation would substantially change the process for commercial lease renewals for *all* businesses, including large businesses and upper-story office space. It would mandate a poorly conceived arbitration process and would add substantial time and cost to the commercial leasing process.

We all sympathize with the Mom & Pop stores that are struggling to survive in the face of rising costs, changing consumer demands, and increasing competition from online retailers and national brand stores. But sympathy is not sufficient justification for city government to make a major change in public policy without much more research and consideration than this bill has received.

Thank you.

Small Business Jobs Survival Act

October 22, 2018

The very character of New York City is made up of its distinctive neighborhoods, landscapes, and architecture that tell the story of the City's history. It is the small family-run and owned businesses in storefronts that dot the streets of our city, telling the story of the remarkable spirit and strength of the people who built this city out of a labor of love, hard work, and determination to make it in America.

I believe that residents and visitors alike benefit by supporting small businesses, whether it's the local tavern where residents gather after a hard day's work to unwind and socialize, or a visitor uncovering a unique shop that designs one-of-a-kind handbags. Everyday New Yorkers find utility in that expert watch repair, shoe repair, or card shop and the convenience of the open-late bodega – just a few of the businesses that lend life to the busy streets of our great city.

I believe that the Small Business Jobs Survival Act is key to the future of preserving New York City's culture, heritage, and competitive advantage. The economy of this city relies on our residents and visitors who find value in a destination that is unique like *no other in the world* and are willing to invest in living here, running a business here, or vacationing here. Why travel here, or live here if New York City transforms into another strip mall – *along with their empty storefronts*. The bill will give small business owners some peace of mind, an opportunity to plan for their business's future, and the fortitude to keep their establishments alive. This bill will help protect employees from uncertainty and possible unemployment and residents from losing additional small businesses not only neighborhoods depend on, but an integral part of what makes a community unique. Landlords can benefit from the stability of its tenants and avoid additional costs associated with transient tenants, businesses and residents fleeing the city proper because of the grave changes they have witnessed over the last decade and more.

It's depressing to see the long-term empty storefronts along Hudson Street, 8th Ave, Bleecker Street, sadly I could go on. A seemingly endless slew of vacant storefronts and closed neighborhood restaurants once cherished and packed with lively diners. New York has always been about development. The landlords of New York have invested in this city, and we thank them. Now we ask for them to help us look not at the short-term gain, but in the long-term future and creating a balanced quality of life for all who work in, live in, and visit the City.

Thank you for voting for the Small Business Jobs Survival Act.

###



Michael Talbot
Acting President and Chair
West Village Committee



**BUILDING &
CONSTRUCTION
TRADES COUNCIL
OF GREATER NEW YORK**

GARY LaBARBERA
PRESIDENT

AFFILIATED WITH THE
BUILDING CONSTRUCTION TRADES DEPARTMENT
OF WASHINGTON D.C.

BUILDING AND CONSTRUCTION TRADES COUNCIL
OF NEW YORK STATE

AMERICAN FEDERATION OF LABOR OF CONGRESS
OF INDUSTRIAL ORGANIZATION

Good morning City Council Members,

My name is Santos Rodriguez and I am here to testify on behalf of Gary LaBarbera, President of the Building and Construction Trades Council of Greater New York & Vicinity. I am here to testify in opposition to Int. 737-A.

The Building and Construction Trades Council of Greater New York is an organization of local building and construction trade unions that are affiliated with 15 International Unions in the North American Building Trades Union. Our Locals union Affiliates represent approximately 100,000 union construction workers, as well as an advocate for all construction workers in New York City. The BCTC has always advocated for good paying construction jobs and safety standards that protect the men and women building our city and provide a career path within our communities.

We oppose this bill as we believe it will have a foreseeable and adverse impact, even if unintended, on New York's construction industry and the construction workforce we represent. Simply put, this bill will stifle new construction, renovation, and rehabilitation of existing buildings in New York City. It will limit the ability for growth and innovation of office and commercial spaces and will negatively impact the ability for New York City to attract new companies in emerging sectors of the economy. However, most importantly for the Council, its affiliates, and our members, it will limit and detract from job opportunities in the construction industry that would otherwise be available to help provide hundreds of thousands of New Yorkers with the opportunity to earn a middle class living.

We thank you again for this opportunity to testify in opposition to Int. 737-A. We urge you to oppose it.

CITY COUNCIL HEARING - SMALL BUSINESS JOBS SURVIVAL ACT 10/22/18

My name is Jean Standish, and I'm a member of the Bowery Alliance of Neighbors and the Lower East Side Preservation Initiative.

Small businesses are the life's blood of our communities and are under tremendous pressure. We are losing them on a daily basis. Longtime stores and restaurants that have been an integral part of the success of our neighborhoods are being forced out, in many ways a victim of their own success. Other small independent businesses that provide necessary services to local communities are being pushed out by ever-increasing rents and competition from chain stores. One prime example is McNally Jackson Books who are facing an astronomical rent hike of \$500K. This is only one sad story out of many hundreds. Our city and our neighborhoods are losing these vital and necessary institutions which keep them livable while providing invaluable jobs and economic opportunity.

The Small Business Jobs Survival Act will help even the playing field and give small businesses a greater opportunity to remain in place and secure reasonable rents they can afford. The bill is fair, and allows the market to determine rents while protecting tenants from gouging and discourages the warehousing of commercial space. Without such action, we will likely only see the rate of loss of small businesses in our neighborhoods accelerate beyond the already disturbing pace. I'm urging the City Council to support the Small Business Jobs Survival Act. Thank you.

Jean Standish
308 East 6th Street
New York, NY 10003



184 Bowery, #4 New York, NY 10012
www.boweryalliance.org
David Mulkins, President
mulbd@yahoo.com 631-901-5435

President
David Mulkins

Oct 22, 2018

Vice Presidents
Michele Campo
Jean Standish

City Council Members
250 Broadway
New York, NY 10007

Secretary
Sally Young

Treasurer
Jean Standish

Dear City Councilmembers,

Landmarks Committee Chair
Mitchell Grubler

When I was growing up, the image I had of landlords was the kindly Fred and Ethel Mertz on the *I Love Lucy* show.

Co-Founders
Anna L. Sawaryn
David Mulkins

When I moved here in 1983, my landlords were actually like the Mertzses: a little cranky, but kind, and they actually came around in person whenever you signed a lease renewal.

Board of Advisors:

Simeon Bankoff
Executive Director
Historic Districts Council

In more recent decades, the face of real estate has changed dramatically as corporations and giant LLCs swallow up buildings, and corner the market on commercial as well as residential properties. Increasingly, there are no faces attached to *these* owners, and real estate speculation coupled with this vicious Kafkaesque world that sees only numbers rather than human beings, makes it real easy for big real estate---without a moment's hesitation---to double or triple rents, especially on their commercial properties.

Kent Barwick
President Emeritus
Municipal Arts Society

Leo Blackman
Architect

Kerri Culhane
Architectural Historian

Doris Diether
Zoning Consultant

About 8 years ago, Edwin Medina, who ran a bodega on the Bowery, told me that his landlord was going to over double his monthly rent. He'd been there 20 years, installed a real cool neon sign, served delicious Latin hot plates, and hoped to pass the business to his son. Goodbye, Mr. Medina.

Eric Ferrara
Historian & Director
Lower East Side History
Project

PI Gardiner
Executive Director
Merchant's House Museum

Michael Geyer
Architect

About 10 years ago, my friend Mike Shumacher, whose family-owned 2nd Avenue supermarket has served the community for 34 years, was shocked to find that his landlord, NYU---an "institution of higher learning"---was doubling their rent.

Bob Holman
Poet & Proprietor
Bowery Poetry Club

Eventually---after a groundswell of support from the neighborhood and Councilmember Rosie Mendez---NYU lowered their demand and gave the Shumachers a more reasonable rent.

Joyce Mendelsohn
Historian/Writer/Educator

Mick Moloney
Musician, Historian

Luc Sante
Historian

There's 1,000s of stories like this, and most do not end well.
Small businesses need to be protected NOW.

City Council members:

Some of you may have taken money from big real estate, but it is the voters who got you in office, and you must do the right thing---REPRESENT US!

You've been sitting on this bill for 30 years.

It's time to act.

Protect our small businesses!

Give them a leg to stand on!

Vote to Pass the Small Business Jobs Survival Act.

Sincerely,

A handwritten signature in black ink, appearing to read "David Mulkins", written over the printed name.

David Mulkins

President

East Village Community Coalition Preliminary Storefront Vacancy Report

October 22, 2018

Methodology:

The East Village Community Coalition conducted a storefront vacancy survey in August 2018. Interns conducted a walking count, noting the address of vacancies from the south side of 14th St to the north side of Houston St, and from the east side of 3rd Ave to the west side of Avenue D. (The east side of Avenue D is NYCHA housing which does not have commercial ground floor space.)

Recorded data includes:

- vacant storefront addresses
- the number and usage of occupied storefronts
- calculations of total storefronts and vacancy percentages

For this preliminary report, we will share vacancy data for the survey area, with detailed information on the Avenues within our scope and for 14th St.

Eliminating questionable vacancies:

- Questionable vacancies were confirmed by Googling, cold-calling or follow-up visits to avoid mischaracterizing businesses with late night or erratic hours, such as bars and hair salons.
- Using open data research, we eliminated permanently-gated “storefronts” located outside the commercial overlay on side streets, such as those used by co-ops for common space.
- Businesses undergoing renovation were considered occupied and not included in the vacancy count.

New Development:

- New buildings with undivided retail space, no matter how large, were counted as **one** vacant unit, for example the Steiner building at 185-187 Avenue A, 502-510 E 14TH St and 524-528 E 14th St.
- Managing or rental agents of these buildings freely stated that their “priority” was residential closings or rentals, and that they were “willing to wait for the right fit” for the commercial space.

Under Construction:

- Because much of the new commercial space within the survey area is vacant, we included **four** mixed-use buildings under construction using the same criteria used for New Development.

The data was digitized (noting block, lot and owner), verified and updated in the last week of September 2018.

Report:

Despite our conservative methodology, the average vacancy rate in the survey area is 15%, higher than we have observed in previous years. However, the vacancy rates differ wildly from Avenue to Avenue:

- 3rd Avenue: 27% vacant
- 2nd Avenue: 11% vacant
- 1st Avenue: 9% vacant
- Avenue A: 17% vacant
- Avenue B: 19% vacant
- Avenue C: 23% vacant
- Avenue D: 9% vacant

Another exceptional example is 14th St, at 31% vacant. If we count one vacancy per address for units such as 502-510 E 14th St and 524-528 E 14th St (as they were counted in our previous studies), the rate increases to 37%.

We looked for commonalities to explain the exceptional values.

Notable vacancies in buildings with publicly listed property owners:

- NYU has **five** vacancies on 3rd Avenue at 35-41 and 83.
- NYCHA has **four** vacancies on Avenue C at 89 (there are 5 storefronts in this building with only one occupied) and **one** at 31 Avenue A.
- HPD has **one** vacancy at 195 Avenue C and **two** at 204 Avenue A.

There are **eight** vacancies in large newly-developed properties:

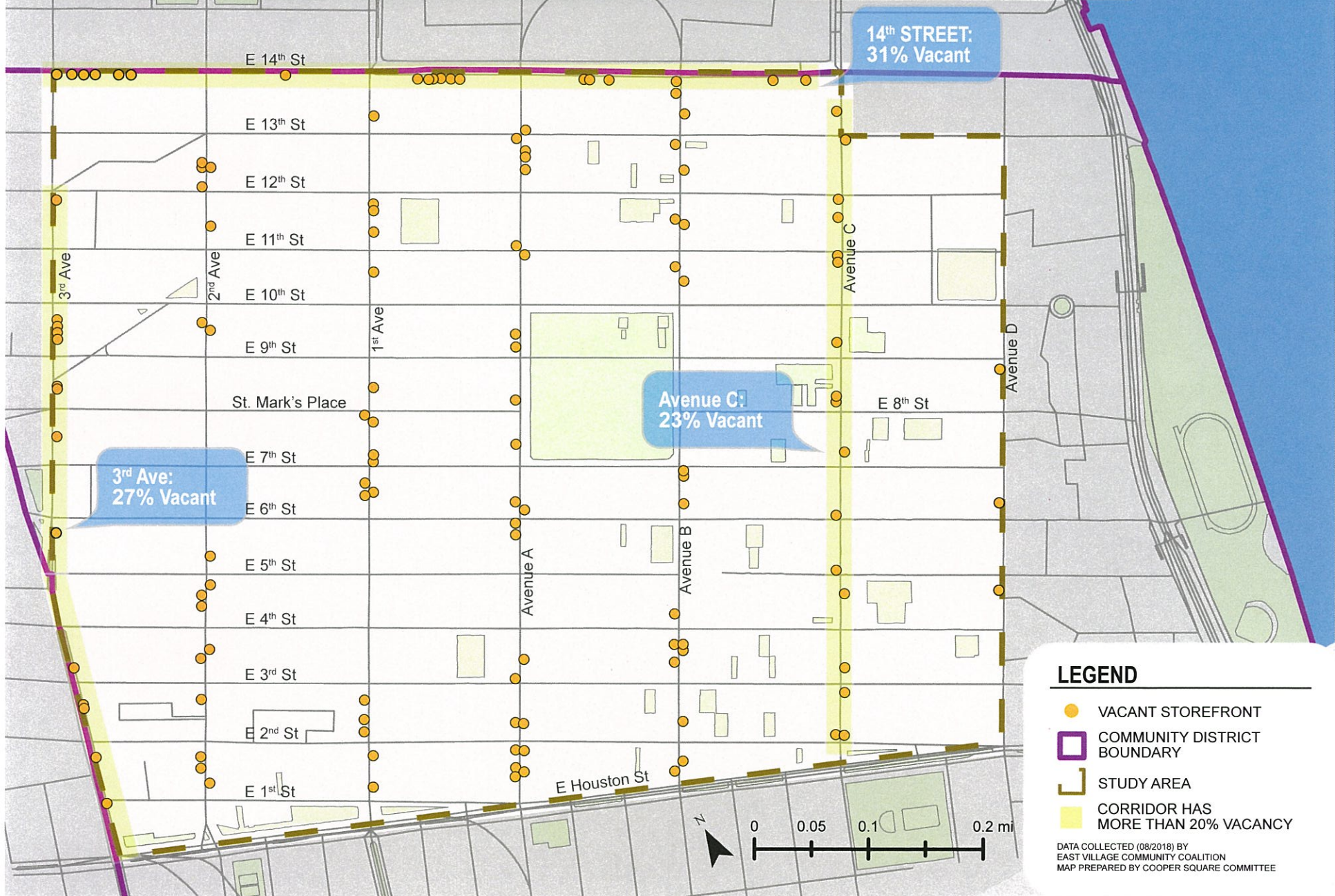
- 349 Bowery
- 35 Cooper Sq
- 123 3rd Ave
- 185-187 Ave A
- 189 Ave C
- 127 Ave D
- 502-510 E 14th St
- 524-528 E 14th St

There are **four** under-construction mixed-use properties, **two** nearing completion:

- 223 Ave C
- **432 E 14th St**
- **79 Ave D**
- 11 Ave C

Next Steps: Our next step will be to break out side street data by side or cross streets to identify clusters and extraordinary values

STOREFRONT VACANCIES IN THE EAST VILLAGE



LEGEND

- VACANT STOREFRONT
- COMMUNITY DISTRICT BOUNDARY
- STUDY AREA
- CORRIDOR HAS MORE THAN 20% VACANCY

DATA COLLECTED (08/2018) BY EAST VILLAGE COMMUNITY COALITION
MAP PREPARED BY COOPER SQUARE COMMITTEE

SMALL BUSINESS JOBS SURVIVAL ACT

Hello,

I would like to submit this testimony to the Council regarding the Small Business Jobs Survival Act.

"With little negotiating power, the New York City small businesses we know and love are being squeezed out of their real estate—replaced by the highest bidder, big commercial chains, and mega-stores willing to pay more for a New York City lease.

When you look at the numbers, the commercial real estate crisis in New York is staggering:

It's estimated that between 1,000 to 1,200 small businesses lose their lease because of steep rent increases every month in New York City.

The top reason given in the past 30 years for why established businesses (5 or more operating years) fail is the inability to renew a commercial lease.

The top reason given in the past 30 years for why businesses lay off employees is the failure of the commercial lease renewal process.

Small business is the backbone of New York City's economy, with its 185,000 small businesses being the largest employer of Manhattan's residents. The SBJSA will shield New York City's small businesses from unreasonable rent hikes, give the stability of a long-term lease, end instances in which small business owners can't even negotiate to renew their lease, and protect them from under-the-table cash extortion by landlords once leases are up for renewals."

Please support the SBJSA and pass it.

Many of the above points are quoted from an [opinion piece](#) by Georgia McIntyre, 2017.

Thank you,

Jennifer Thorpe-Moscon

2605 Bath Avenue, Apt 2F

Brooklyn, NY 11214

jen.s.thorpe@gmail.com

SMALL BUSINESS JOBS SURVIVAL ACT

To Whom It May Concern:

Small businesses in our city are under tremendous pressure, and we are losing them on a daily basis. Longtime stores and restaurants that have been an integral part of the success of our neighborhoods are being forced out, in many ways a victim of their own success. Other small independent businesses that provide necessary services to local communities are being pushed out by ever-increasing rents and competition from chain stores. Our city and our neighborhoods are losing these vital and necessary institutions which keep them livable while providing invaluable jobs and economic opportunity.

The Small Business Jobs Survival Act will help even the playing field and give small businesses a greater opportunity to remain in place and secure reasonable rents they can afford. The bill is fair, and allows the market to determine rents while protecting tenants from gouging and discourages the warehousing of commercial space. Without such action, we will likely only see the rate of loss of small businesses in our neighborhoods accelerate beyond the already disturbing pace. I urge you to sponsor the bill if you have not already, and to attend the City Council hearing on it on October 22nd and support a vote on the bill right away.

Thank you,

Sara Kimbell
708 Greenwich St., 2A
New York, NY 10014
917-673-5425
sarakimbell2@gmail.com

SMALL BUSINESS JOBS SURVIVAL ACT

To the Council:

I am an 18-year Brooklyn resident who lived in Lower Manhattan for over 20 years and have been dismayed and disheartened by the squeezing out of small local businesses and the proliferation of empty storefronts and chain stores that destroy neighborhood character. Despite REBNY's rhetoric, this bill only offers small businesses a somewhat more level playing field on which to try to survive skyrocketing commercial rents driven by landlord greed. On my corner a local pizza place had its rent triple and had to close; the storefront remained **vacant for four years**--and this was after a fire in the building (the second of three in 12 years in this same building) had temporarily closed this business, which the pizza parlor had survived and reopened.

But this particular landlord's bad behavior (which includes eliminating most of the rent-regulated apartments and displacing of other commercial tenants) is not unique. Landlords warehouse small storefronts all the time waiting for higher paying tenants no matter how many years it takes, which usually means bars or chain stores. Shoemakers, locally-owned and staffed bodegas and laundromats get shoved out, all useful businesses to local residents, and small business owners who have poured their lifeblood into creating businesses are helpless.

No one is arguing for commercial rent control—though I personally think some kind of regulation governing percentage hikes is called for—only for longer leases that offer small businesses some degree of security for the investment required in launching such enterprises, as well as some arena in which to negotiate fairer rent hikes. New Yorkers are fed up with pretty rhetoric from elected officials—this includes council members as well as our current mayor. **Do something** that supports these small local businesses that also mostly hire locally instead of allowing landlords to blight our neighborhoods with empty storefronts, killing people's livelihood in the process.

Yours truly,

Enid Braun

116 Adelphi Street

Brooklyn, NY 11205

Small Business Jobs Survival Act

The Small Business Jobs Survival Act (SBJSA) will ensure every small business that rents commercial space in NYC — retail stores, dentists, working artists, small manufacturers, accountants, restaurants, bodegas, delis, barbershops, salons, etc.

1. The right to a 10 year lease renewal for all small businesses.
2. Legally binding arbitration to establish a rent increase that is reasonable for both landlord and tenant.
3. Outlawing pass-alongs like property tax increases and water bills in addition to the rent.

It is vital for every small business owner and every New Yorker, including the members of the Queens Preservation Council who are infuriated to see another favorite “mom and pop” store/restaurant shutting down, to see that the Speaker and the members of the Council pass SBJSA with the above provisions intact.

Mitchell Grubler, Chair

Queens Preservation Council

SMALL BUSINESS JOB SURVIVAL ACT

Dear Speaker Johnson and Members of the New York City Council:

Thank you for inviting me to send you an email testifying to why I believe the Council should pass the Small Business Survival Act.

I grew up in Brooklyn, lived on the Upper West Side, with family, and am now back in Brooklyn. I have MS, use a power scooter, so take AAR to go see doctors in the city.

Every trip through the city I weep, not because of MS, not because of [9/11](#), not because my family and friends are gone. Not because of Trump's awful lack of compassion.

No, because all the storefront small businesses are gone. Empty. Shuttered. Replaced by stores only the super rich can shop in or by apartment buildings only the super rich can afford to live in.

The bookstores I worked in are long gone but also the candy shops, the coffee shops, the diners, the delis, the everyday small businesses chased away by landlords increasing rents at what must be by an astronomical rate, shifting New York City's axis catastrophically. I feel like the city I love is doomed to fall off the face of the earth.

We were once the rare booksellers of the country -- <https://untappedcities.com/2015/08/26/4th-avenue-the-history-of-nycs-book-row/> -- Fourth Avenue), the center of the fashion world -- the garment district, where people, many of them women and immigrants (my aunt, my grandmother) worked until this happened -- <https://www.csmonitor.com/Business/2018/0806/New-York-s-shrinking-garment-district-hangs-on-by-a-thread> --. Even restaurant row is in danger <https://www.nytimes.com/2018/02/02/nyregion/the-elegant-relic-of-restaurant-row.html> -- fine dining for the rich and wannabe rich made possible only with the hands and hearts of nowhere near rich men and women working exhausting hours to do what they love.

There are other areas too that I don't know much about, the music stores around [47th Street](#), the diamond district around Times Square, which in itself is now a misnomer. The Times is nowhere near Times Square anymore. Even that paper may go digital only one day. Like the Village Voice did, only to die, like so many other NYC publications might do too, because no one really buys advertisements on line at the same rate publishers need to keep printing presses going.

You can't smell perfume on line, thank goodness.

Our society has become wireless and groundless. I am emailing you, not writing a letter. I buy from Amazon because there are no bookstores where I live. My local drug stores are closing because they can't afford to stock shelves when people can just buy what they need on line.

The internet has done a lot of good but terrible damage too.

It's great kids can go online and get tutored by the Khan Academy. It's great I can hear the Shofar on the High Holidays live on line when I can't attend a synagogue.

But the internet's lack of foresight together with a blind rush to tear down and rebuild is destroying our city.

Yellow taxi drivers killing themselves because of Uber and Lyft? Those deaths are the warning bells before the curtain goes up and crashes down.

Forgive me my mixed metaphors and what may seem melodrama. I just need you to feel the true depth of the despair I feel when I am driven in an AAR van through the city.

Lest you think me merely sentimental, think how the dearth of small businesses affects one of our prime sources of revenue: tourism. Tourists need to be able to buy things when they come here.

See also this story, published in The Atlantic: <https://www.theatlantic.com/ideas/archive/2018/10/new-york-retail-vacancy/572911/>.

Thank you for reading my testimony, and please, please, please pass the Small Business Jobs Survival Act.

Sincerely,

Arlene Herring
arleneherring@gmail.com
2540 Batchelder St
Brooklyn, NY 11235

Small Business Protection Act Hearing
October 22, 2018

My name is Jeanne Ruskin, resident of Inwood. I am speaking on behalf of the local small businesses, which will benefit from the security provided by the enactment of the impending protection act. While it does not (in my understanding) prevent eviction of the lease holder outright if the landlord sells the property, it would protect against sudden and unanticipated massive jumps in rent, which would make the venue unaffordable and cause displacement of the proprietor and the employees. I am more specifically speaking on behalf of my personal pharmacist, Abid, who owns and operates Dyckman Pharmacy. He has already had to relocate once because of an untenable rent increase. If he is forced to again, he will likely lose his business, Inwood will lose another stable employer and service, and I will lose a caring professional who has become a friend. We share a condition for which we are medicated, and on finding out that I had a serious side effect to an early medication, he was supportive in sharing his own similar story (involving the same medication) and in advising me of alternatives. He continues to be concerned and to offer his professional opinions when helpful. That does not happen with Big Box pharmacies. (He would be here himself, but could not leave in the middle of the workday.) As current real estate and development practices, especially in areas such as Inwood, continue to erode the close and vital functions of community, please do all you can to protect our neighborhoods against the ongoing predation. If we lose them, we lose our hearts and souls, and eventually our minds.

271 words

TESTIMONY ON THE SMALL BUSINESS JOBS SURVIVAL ACT (Int. No. 737)
Jonah Belser

I submit this testimony not as the representative of a small business lobby, an activist group, a community development organization, or a real estate association. I plea to you as an individual, a concerned citizen.

I am a fourth-generation New Yorker. My great-grandparents arrived in Ellis Island in 1909, hoping for a new life. I understand that New York has always been a place of great change. The face of the city changed tremendously during that wave of immigration, bringing scores of Jews—like my ancestors—Italians, Chinese, and other groups, who had not been as present here before. Brooklyn and Queens were transformed from farmland into urban landscapes in a matter of a few decades.

So I get that New York must always change, must always have the tallest, the greatest, the newest, and the most innovative.

But the difference between those earlier trends and what is going on now is that earlier periods of economic growth expanded rather than narrowed the opportunity for hard-working people to leave their mark on the City.

New York has always been a tale of two cities. Wall Street bankers on one hand, the working poor on the other. Tammany Hall and the tenements. But at least New York always preserved space for working- and middle-class people to start their own businesses and have the opportunity to flourish economically and creatively.

I was born in 1994. I'm a millennial. I haven't been on this planet for very long. Yet I can see that it is increasingly difficult for small businesses to thrive in New York City. Many cultural institutions I enjoyed growing up, from the Café Figaro in Greenwich Village, a favorite hangout for Bob Dylan and the Beats, to the independent Lincoln Plaza Cinemas, known for showing avant-garde films that few others would screen, have left us.

I understand that when businesses close, many factors are involved. Sometimes owners just want to retire, like with the recent closing of Glaser's Bake Shop, or they pass away and may not have someone to inherit the business. Sometimes people no longer demand a product. The products made in tool and die shops, like Etna, which opened in 1946 and closed in 2017, are now mostly made overseas in more efficient facilities. Or people change how they buy a product. We all know how the Internet has revolutionized commerce. Industries are born and die out. That's normal.

But when you talk with New York City's small business owners, you find that many have just found rent unaffordable and are forced to shut their doors. And with the passing of each business—and when many are replaced by retail chains and banks that can actually afford the rent— New York City becomes, well, less New York. Others, like Jeremiah Moss, have documented these changes, so I ask you to refer to his great *Vanishing New York* blog and book for many of these heartbreaking tales. The Committee on Small Business Report on Proposed Int. No. 737-A (Oct. 22, 2018) mentions a few examples of landlords raising rent by between 50 and 200 percent after the expiration of a lease; these stories are not

uncommon (pp. 3-4). It is time we start to think about what kind of city we want New York to be. New York is defined by its artistic and cultural offerings, its economic and ethnic diversity, its businesses that distinguish it from the landscapes of chain stores sprinkled across America. We need to keep New York that way.

The main reason I am submitting this testimony is to demand the City Council pass some version of the Small Business Jobs Survival Act (Int. No. 737). The Act as it is currently being proposed guarantees ten-year leases that allow businesses to better plan how they want to spend money over the next several years, rather than being confronted by sudden rent hikes after a one- or two-year lease, which can significantly reduce their profitability or force them out of business. The Act also allows for tenants to initiate arbitration procedures when they feel that rent terms are unfair or that landlords are not providing a legitimate reason for terminating their lease. These elements would significantly improve tenants' likelihood of renting properties at a fair market value that would also generate a fair return to landlords.

Some may feel these provisions cut against free market principles; they say the provisions will make it more difficult for landlords to achieve greater profitability, and for the "invisible hand" of the market to sort out which businesses a community wants. Yet if a landlord sets the initial terms of a rent agreement, and a tenant continues to pay that rent for ten years, that landlord will almost certainly continue to earn from that property. And if the tenant is able to pay that rent, the business is likely earning enough from the community it is located in and has significant local support. Meanwhile, the bill still allows landlords to deny tenants the right to renew a lease if tenants fail to pay rent, violate lease terms, or are involved in illicit activity. The landlord may also deny a lease renewal if he or she wishes to renovate a property in a way that would require the tenant to leave or to open his or her own business on the premises. These are hardly gross violations of free market principles.

The Small Business Jobs Survival Act is merely leveling the negotiating field between tenants and landlords by expanding the time horizon for tenants. As rent negotiations currently stand, many tenants have a one- to five-year time horizon, while landlords, as owners of their properties, have an infinite time horizon. That is just not fair. Why should landlords be able to exercise greater control over their financial planning than tenants? It is no wonder why landlords have had the upper hand for years. More than anything, the Small Business Jobs Survival Act would improve tenants' abilities to predict their expenses for a minimum of ten years. That would not only allow them to manage their finances better, but give them a better chance of surviving and thriving.

Some also argue that New York has done just fine without having such legislation in the past. Yet it is noteworthy that during New York's rapid postwar growth, from 1945 to 1963, a more extreme piece of legislation—commercial rent control—was in place. Meanwhile, between the 1960s and 1990s, New York experienced varying levels of urban decay and blight in which higher-income individuals moved out of the city, and poverty and crime rose. In those periods, landlords had to keep rent affordable because the market demanded it. The New York of today is a different animal. Successful young people are increasingly moving here, and people in industries like finance, consulting, and tech are increasingly choosing to live here, rather than commuting from the suburbs as they did in the past. These are good things overall. New York is a much more prosperous and safe place today than it was in many earlier periods.

Yet an outcome of this process is that, with more and more people willing to spend great sums on food, drink, clothing, and other things, landlords are realizing they can constantly charge more and more. They are realizing that they have no need to rent to a small business when they can rent to a corporation like JPMorgan Chase, Marc Jacobs, or Starbucks who can pay so much more. Rent has spiraled out of control, far exceeding inflation. There is no level playing field. The City must step in and place reasonable stabilizations on commercial rent. Otherwise, in the coming decades, as automation and artificial intelligence continue to displace working people, New York will turn into a self-contained haven for the wealthy. We must do something now to keep New York's greatness accessible to all people.

A final argument often deployed by real estate interests and the American Bar Association is that this piece of legislation is not legal because the City is not allowed to impose stronger rent controls than the state. That argument does not hold up. The Small Business Jobs Survival Act does not actually place caps on commercial rent. It is not commercial rent control! The bill would simply make it easier for landlords and tenants to come to an agreement on rent terms.

I conclude by reiterating that I am neither a representative of small businesses, nor of the real estate industry. But because of that, I am a voice that is often unheard in this debate. As a concerned citizen who believes in the power of compromise, I am not saying that this current bill is necessarily what must be passed. Both sides seem steadfast in their resolve to pass the bill as it stands, and to defeat any version of the bill, respectively. My main point is that the City Council can no longer ignore the very real problem we are facing here. The Council *must* do something to make it easier for small businesses to thrive in New York City again. Commercial rent stabilization is a necessary part of the solution to this problem. There may be room for compromise. Maybe instead of a ten-year lease minimum, there can be a seven- or eight-year lease minimum, if that would assuage landlords' concerns. But in the end, if the City Council does nothing, it is indirectly taking the side of real estate and failing to serve "89 percent... of the 220,000 businesses in New York City [that] employ fewer than twenty individuals" (Committee Report, p. 2). And that is completely unacceptable.

Thank you for your time.

Small Business Jobs Survival Act

Hello,

I attended the rally and hearing today at City Hall, and I'm writing to express my support for the SBJSA.

With McNally Jackson closing because of rent, I truly believe that any law that allows independent bookstores to go out of business is on the wrong side of history. Our neighborhoods need bookstores. We don't need more banks.

Thank you,

Julie Klausner

SBJSA

I would urge the Council to approve this bill, finally! It's been around for almost 20 years and our small businesses could use help.

I understand there are reservations about the legality of this bill. Then please vet it with real attorneys with no ties to the real estate industry.

Thank you,

Kathy Slawinski

To the City Council:

I strongly support the SBJSA.

Building owners have for a long time been able to raise rents for small businesses to an extent that is shocking, outrageous and cruel. This practice should be stopped in its tracks. Small businesses are a mainstay, a stabilizer, in a neighborhood. They provide needed goods and services, usually at reasonable prices. Exorbitant rent increases have been driving out businesses that have existed for decades. That is traumatic and unfair to the small business owners and their workers. Then those spaces sit vacant for years, as the building owners wait for new tenants who can and will pay those rents; those long-term vacancies bring down entire streets and neighborhoods. If replacement businesses finally come, they will have to charge high prices for the goods and services they offer. This in turn makes it harder for neighborhood residents to survive or feel welcome in their communities.

One argument against the bill seems to center around the idea that the small businesses should be forced out to give new businesses, including minority-owned businesses, the chance to come in. The influx of minorities or other desirable businesses is not guaranteed at all. Nor should a building owner be encouraged simply to get rid of a business he or she is tired of. Those small business owners work very hard to support their families, up early in the morning and often late at night, sick or well.

Let's face it—those shocking rent increases are strictly for the purpose of further enriching the owners, not on behalf of any humanitarian concern. Nor would it guarantee the hiring of more building maintenance workers at good wages, as one union asserts it might.

I don't think this bill goes far enough, but it's a step in the right direction. It really gives building owners a lot of leeway, but it gives the mom-and-pop stores a chance to survive.

Enough already of building owners' greed! Don't think for a minute that they will die on the vine if they can't get their outrageous rent increases.

Sincerely,

Carol F. Yost
212 West 16th Street
New York, N Y 10011-6194

Small business Jobs Survival Act

to the
Committee on Small Business
City Hall

Dear Members of the Committee,

The survival of small business in my Greenwich Village community has been on my mind for years, and a matter of great concern to me as one store after the other closes, stores that sold children's clothes, hardware, pharmacy items, bread, groceries, shoe repair, friendly neighborhood restaurants -- the things that make a neighborhood a neighborhood. They are replaced by tattoo parlors, high-end restaurants, more and more and more restaurants, so that the things we really need for everyday life are no longer around. Did I mention supermarkets?

They have all gone. The restaurants also don't necessarily survive, and now those stores sit empty.

We need help. We need laws that prevent the sudden rise of rent so that overnight a store owner sees no choice but to pack up and leave.

The owners need help, and we who live here need help. You can save our neighborhood if you want to, and urge you to pass some sort of rent regulation that prevents the owner of a building from raising rent more than some reasonable percentage when a lease expires, something like the rent control laws for apartments.

Yours urgently,

Styra Avins Eisinger
197 West Houston Street
New York, NY 10014

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savins@att.net

sa@johannes-brahms.org

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SBJSA Hearing Testimony

I waited for an opportunity to speak at the SBJSA Hearing on Monday, October 22, 2018, standing in line for over an hour after the hearing began, but was not admitted because the hearing space was at capacity. Therefore, I am submitting this written statement in opposition to the bill.

Since 1980 I have owned a small building on Fifth Avenue in Park Slope in Brooklyn. My building has a commercial unit and three residential units occupied by myself, my daughter and her husband, another residential tenant and a storefront commercial tenant. It is a small building with both a commercial unit and residential units, of the type commonly referred to as a "Taxpayer."

In the 1970s many buildings in New York City were taken In Rem, including some in Greenwich Village. However, it is notable that no Greenwich Village buildings with a commercial unit were ever taken In Rem for unpaid taxes. That is because it is the commercial unit in these "Taxpayer" buildings that provides the revenue stream necessary to meet the ever increasing costs of real estate taxes, utilities, insurance, repairs and capital improvements. It allows Landlords to subsidize the operating and maintenance costs of rent controlled and rent stabilized units, which might otherwise result in the displacement of such tenants.

My experience as a Landlord of my own commercial unit has been a bad one. I could not find a suitable commercial tenant for my commercial unit for the first 21 years of my ownership. Fifth Avenue in Brooklyn had many empty storefronts during that time. Starting in 2001 and for a period of fifteen years, Gorilla Coffee was my tenant— for ten years under a lease and for five years as a holdover tenant.

While I had offered Gorilla Coffee a renewal lease, the offered rent increase of \$1,000 per month was rejected by Gorilla Coffee. The offered rent was below market rates at the time. Gorilla Coffee was unwilling to pay any part of the back rent and additional rent that it owed to me. Gorilla Coffee simply stayed there until I took them to court in an eviction action. I was pressured into a stipulation, allowing Gorilla Coffee to holdover after three court appearances for an additional six months without any payment of the overdue back rent and additional rents.

In April, 2010, Gorilla Coffee was the subject of a number of articles in The New York Times over all seven of its baristas quitting at once because of what their employees termed a "perpetually malicious, hostile, and demeaning work environment" under Carol McLaughlin's management. The articles identified Carol McLaughlin as the causative factor in their joint resignation. Ms. McLaughlin also tried to make my life miserable. For example, Ms. McLoughlin accosted me one day when I had asked one of the Baristas to please empty the air conditioning bucket more often because the storefront A/C drops were going into the basement. Ms. McLoughlin stepped up to me yelling, "Step outside, step outside, step outside." When I immediately stepped outside to disengage, she followed me down the street yelling at me at the top of her lungs and shaking her fist in my face for three blocks, telling me that I was not allowed to speak to her employees or enter the storefront. My only response to her was that this behavior convinced me that she no longer wanted to be my neighbor at lease renewal time.

A law requiring me to renew the lease for another ten years would have had a cruel effect on my well-being and may have caused me to sell the building just to rid myself of a bad tenant who would not properly maintain the commercial storefront and comply with lease requirements. Limits on rental income would also have prevented me from making badly needed improvements to my building that a steady income from the storefront now allows. Small building owners should be able to select pleasant tenants through a free market leasing process.

My new storefront tenant is a delight. As a senior citizen, I am delighted to have such a good tenant. I will always be reasonable in my rental requirements for a good tenant.

With storefront vacancies on the rise in this City due to online ordering and big box stores, the rental rates for storefronts will become more favorable to commercial tenants. Legislation to produce that result is unnecessary.

City Limits | (<http://citylimits.org/2015/12/03/why-support-small-businesses-its-more-than-the-economy-stupid/>)

Why Support Small Businesses? It's More Than the Economy!

By **Rachel Meltzer** | December 3, 2015

View as "Clean Read"



Marc Fader

The 86th street thoroughfare in Bay Ridge has been a bastion of small business activity in Brooklyn for decades.

This past weekend featured Small Business Saturday—a campaign to encourage shopping at small, local "brick-and-mortar" establishments. Yes, it is sponsored by American Express. However, the irony is that most of the businesses that could potentially benefit from such a shopping surge probably do not even accept American Express. So this is not simply corporatist propaganda, or a vague call to improve the economy. In fact, I think it's something deeper, something that should resonate at a much more personal level than it has in the past. Here are five reasons why, some more compelling than others:

1. It helps the economy: I had to start here, because it's the prevailing rationale, and a valid one at that. Small businesses make up between seventy and eighty percent of establishments and provide almost forty percent of the jobs in the U.S. By shopping in their stores or by buying their products, you are obviously supporting them. For a whole slew of reasons, their successes mean good things for the nation's economy and, in turn, your own prospects. However, the success of this argument very much relies on the benevolence of shoppers—that they are shopping local to support some greater notion of economic growth and prosperity. And this can work for some, especially on one day out of the entire year, but it still seems rather disconnected as an ongoing strategy.

2. It supports entrepreneurship: Small and local businesses are synonymous with innovation, creativity and the nimbleness of independent ownership. The stories of entrepreneurial struggle and success can provide inspiration for local purchases, and highlight accomplishments in developing one-of-a-kind products. What they also do, however, is glamorize the narrative around small business ownership and make exceptional a feat that is not only very challenging (sometimes prohibitively so), but is also as simple as operating a shoe repair or bagel shop. Know that you can support entrepreneurship by shopping at the local hardware store too.

3. It furthers diversity: What many people maybe don't know is that business ownership and formation rates are higher among immigrants than non-immigrants. Turns out, then, that small, local businesses are an important pathway for employment, asset-building and overall livelihood for a growing part of our population. The growing probability of a consumer, or his or her relative, being an immigrant (25 percent and growing, based on population shares) alone increases the chances that this argument will resonate more profoundly.

4. It leads to other good things for the community: Communities with more small, local businesses can actually be safer, more resilient places. Commercial establishments, especially those run by people familiar with or tied to the community, can create a presence on the streetscape where lights are on and eyes are outward. But, as Jane Jacobs notoriously asserted: "You can't make people use streets they have no reason to use. You can't make people watch streets they do not want to watch." We need those businesses, and we need people patronizing them. More local businesses can also stabilize communities, since they can diversify the economic base and will more likely make operational decisions (i.e. hiring, relocating) with the interests of nearby residents and consumers in mind. This also means less vulnerability in the face of distant economic shocks (i.e. China).

5. It can actually save our communities: Every holiday season I walk through New York City's Union Square Holiday Market, a cluster of over 200 independent vendors that rent out 180 kiosks to sell their goods. I love this experience for two main reasons. First, the very rational part of my brain relishes the efficient shopping—I can find something for everyone in one place. The convenience makes the experience enjoyable and fulfilling and, honestly, one that I wish I could achieve within walking distance of my home. However, more and more, what I pass on the streets, in my neighborhood or nearby, are vacant, empty storefronts; or businesses that are open, but empty nonetheless. This brings me to the second reason why I love my holiday

market shopping trip—because I am not the only one there. The aisles are packed with other people similarly searching for that perfect gift, or that one-of-a-kind item that they can't find at Target. The experience is visceral, sensory, one where people can feel and smell the products and even meet the person who made them. Maybe you even bump into another customer in the kiosk next to you or for the first time notice a necklace, not on the shelf, but in the hands of another customer. It turns out to be a social, extroverted experience rather than a very isolating or dispassionate one.

The unfortunate part is that this campaign is once a year, one small part of an onslaught of other tactics to induce consumer-spending. The reality is that this push needs to happen more often, for it to generate a cultural, systematic shift, rather than a blip on the consumer spending trend lines. The second irony (see the beginning of this post for the first one) is that American Express is perhaps doing more for our small businesses than even the government, which reportedly gives out more incentive awards to big businesses and leaves small businesses with little to no insurance to protect their livelihoods under unexpected and sustained business interruptions. Certainly, we need to think about public interventions to help small businesses form and thrive, especially in places where the costs of operation are highest. However, those solutions take time and political will. The reality is that while small businesses need us, we need to start realizing that we are just as reliant on them. Perhaps this can be motivation enough to shop small all year long.

Rachel Meltzer is an assistant professor of urban policy at the Milano School at The New School in New York City. She Tweets @ProfRachelM
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Gentrification and Small Business: Threat or Opportunity?

Rachel Meltzer
The New School

Abstract

Local, small businesses are very much tied to their surrounding communities. Therefore, when neighborhoods undergo meaningful economic and social changes, such as those that take place under gentrification, one would expect local businesses to feel the effects. Is gentrification, however, a threat or a boon for existing businesses? What are the implications for the residents who patronize these services? I test these questions here, using microdata on properties and businesses in New York City. I also drill down to three illustrative case neighborhoods, which reveal nuance beyond the average citywide effects. The results are mixed and show that gentrification is associated with both business retention and disruption. I find that most businesses stay in place, and displacement is no more prevalent in the typical gentrifying neighborhood than in nongentrifying neighborhoods. When businesses do leave gentrifying neighborhoods, however, the spaces tend to sit vacant for relatively longer periods of time than they do in nongentrifying neighborhoods. Gentrifying neighborhoods are more likely to attract new types of services than are nongentrifying and higher-income neighborhoods, and they more often attract multiple-establishment businesses (chains) to replace displaced businesses. As the neighborhood drill-downs show, however, cases still exist in which neighborhoods undergoing gentrification lose businesses without the upside of new amenities.

Introduction

Much of the literature on gentrification has focused on how it affects residents and housing. We know, however, that the nature and quality of neighborhoods, especially those in urban settings, are also determined by the commercial enterprises that serve the community. The “corner store,” an emblem of local retail, has long played an important economic and cultural role in neighborhood development and livelihood (Liebow, 1967). Retail services, particularly in mixed-use settings, not only provide material needs for those living nearby, but less-tangible social and cultural capital as well (Deener, 2007; Hyra, 2008; Zukin et al., 2009). Therefore, it follows that, when

neighborhoods undergo meaningful economic and social changes like those that transpire under gentrification, implications surely exist for the local business environment. These potential changes are important not only for the business proprietors but also for the residents who patronize their services and consume their goods.

We know that business location decisions and their subsequent survival are a function of the existing (and potential) consumer base in an area (Meltzer and Schuetz, 2012; Waldfogel, 2008). A gentrification-induced shift in its composition, certainly economically and often racially/ethnically, could mean several things for local businesses. These changes could be a boon for local businesses if they bring in new consumers; however, if the new consumers also have different tastes and usher in higher rents, then the incumbent businesses could suffer. For residents, the prospect of new services, new employment opportunities, and street vitality are weighed against the potential interruption in the culture and services on which they historically had relied.

To get at some of these tensions, I examine more closely the issue of business turnover and displacement under conditions of gentrification. I use microdata on business activity and neighborhood conditions in New York City to test what kinds of businesses tend to open, close, or persist in the face of gentrification. I also drill down to three illustrative case neighborhoods, which reveal nuance beyond the average citywide effects. I find that gentrification can bring both opportunities and threats for the businesses and the community as a whole. Citywide, most businesses stay in place over time. Furthermore, the rate of displacement/retention is no different across gentrifying and nongentrifying neighborhoods. When businesses do leave gentrifying neighborhoods, however, their spaces tend to sit vacant for relatively longer periods of time. Gentrifying neighborhoods more often attract *chains*—that is, businesses with multiple establishments or locations—to replace displaced businesses than do nongentrifying and higher-income neighborhoods and are more likely to attract services that are different from those that operated in the neighborhood before gentrification. As the neighborhood drill-downs show, however, cases still exist in which neighborhoods undergoing gentrification lose businesses without the upside of new amenities.

Neighborhoods and Small Business

In this section, I consider the role of small businesses in neighborhood life and the mechanisms through which they respond to localized gentrification.

Neighborhood-Based Small Businesses

Small, local businesses historically have played an important role in the cultural and economic capital of urban neighborhoods.¹ Before the 1970s and before inner cities faced decades of disinvestment, local businesses, like corner stores, markets, and eateries, were a central part of the neighborhood's fabric (Ehrenhalt, 1999; Lloyd, 2010; Oldenburg, 1999; Sutton, 2010). In addition, those businesses have long been considered vehicles for entrepreneurship, especially among

¹ Throughout the article, "small business" refers not only to establishments with fewer than 100 employees (as defined by the U.S. Census Bureau) but also to a set of businesses that tend to provide neighborhood services and goods. The current article does not dedicate much attention to the small businesses that do not necessarily rely on the local community for their livelihood (for example, small technology or finance firms).

minority and immigrant populations (Fairlie, 2012; Sutton, 2010). These neighborhood businesses epitomize “local” not only in terms of their consumer base and proprietors (many of whom often come from the immediate community) but also in terms of their cultural and economic reach (Hyra, 2015; Hyra, 2008). This geographic immediacy of their inputs and outputs is consistent with Jacobs’ argument (1961) that local small businesses are not only good for services and access to jobs but also are critical to the vitality of community life.

What Happens to Businesses When Neighborhoods Gentrify?

Patch (2008) suggests that retail change, or “street gentrification,” is an important harbinger of broader socioeconomic trends that has thus far been underappreciated. Gentrification, a term coined by Glass (1964), originally referred to a phenomenon of socioeconomic transition: one in which more affluent and more educated “gentry” enter a low-income neighborhood. These changes can bring new services and access to a wider choice of basic goods, more vital and safer streets, and even local employment opportunities. Gentrification, however, can also disrupt commercially driven neighborhood identities and introduce services and products that do not serve incumbent residents. The commercial activity and residential composition of a neighborhood are closely tied, and, when a neighborhood gentrifies, the consumer base and costs of operation for a local business can shift as well (Carree and Thurik, 1996; Hotelling, 1929; Meltzer and Schuetz, 2012; Zukin, 2008). Here I lay out the mechanisms through which gentrification might affect the livelihood and composition of neighborhood-based small businesses.

Changes in Consumer Demand

For existing businesses, a new pool of local residents could mean both more and less patronage. Waldfogel (2008) shows that preferences for retail services are strongly correlated with observable population characteristics, such as income, educational attainment, and race/ethnicity. Empirical evidence also shows that household residential preferences are influenced by local amenities like commercial services (Kolko, 2011; Meltzer and Capperis, forthcoming). If, on net, the local consumer base has tastes that do not align with the services or goods that existing establishments provide, then local businesses could suffer. On the other hand, new residential activity could be a stabilizing force if it provides an injection of cashflow that the neighborhood was previously lacking. In addition, these socioeconomic changes could draw new businesses and services into the neighborhood.²

Changes in Startup and Operating Costs

Gentrification can also change the costs of operating or opening a business. For existing businesses, the effect is very direct: because of increased demand for the area, rents can increase. Without a concomitant increase in revenues, the costs of operating could become unsustainable and force closure. It is important to note that the pressures from rising commercial rents can take a different form than residential ones. Commercial leases tend to be much longer than residential ones (Genesove, 2003; Mooradian and Yang, 2000), and, therefore, businesses can often sustain operations

² For example, empirical evidence exists about how crime can deter commercial activity (Bowes, 2007; Fisher, 1991; Greenbaum and Tita, 2004; Lens and Meltzer, 2016; Rosenthal and Ross, 2010). It follows, then, that if businesses know or understand an area to be less crime ridden, the likelihood of their opening up there (all else constant) should increase.

at the original, lower rents as properties in the neighborhood otherwise appreciate. Therefore, any displacement could take longer to transpire. Rising rents (and new investments more broadly) can also influence the kinds of businesses that opt into the neighborhood, and, by association, the range and prices of products that they sell. As an alternative, higher rent can also deter entry, leaving vacated commercial spaces empty for sustained periods of time.

What Is the Empirical Evidence?

The empirical literature on gentrification and commercial activity is less developed than that on residential outcomes. Much of this research gap is because of the fact that no census of businesses is conducted at a fine-grained level of geography that truly approximates a local neighborhood. We do know, however, that lower-income and minority neighborhoods have fewer and, in certain cases, less diverse retail establishments, smaller average establishments, and a higher proportion of “unhealthy” restaurants (Block, Scribner, and DeSalvo, 2004; Lewis et al., 2005; Meltzer and Schuetz, 2012). In addition, banks and supermarkets tend not to locate in poorer ZIP Code neighborhoods, even after controlling for purchasing power (Alwitt and Donley, 1997; Powell et al., 2007; Zenk et al., 2005). Therefore, the empirical evidence confirms that, as the demographics of an area change, so do the businesses that serve it.

Fewer studies have focused on how commercial services *change* under conditions of gentrification. In general, initially low-valued neighborhoods that experience faster price appreciation and/or larger income gains also get more retail establishments (Meltzer and Schuetz, 2012; Schuetz, Kolko, and Meltzer, 2012). Chapple and Jacobus (2009) and Zukin et al. (2009) all found that retail revitalization is most strongly associated with gains for middle-income neighborhoods (and, according to Zukin et al. [2009], largely for independent or local chains). Meltzer and Capperis (forthcoming) found that, although more business churn takes place in neighborhoods undergoing relative price appreciation, most of it is driven by new business births rather than business deaths or exits. The authors also found that retail churn is associated more with changes in the local consumer profile than in the commercial environment. Supply-side factors matter, too; evidence indicates that changes in local businesses are also driven by targeted investment (Koebel, 2002).

What are the implications for local residents and the businesses?³ One of the most comprehensive attempts to document these changes on the ground is a compendium of case studies from cities around the world by Zukin, Kasinitz, and Chen (2015). It is not surprising that they found that the experiences of local businesses and consumers vary, depending on the sociohistorical role of neighborhood businesses and the nature and degree of government intervention. A few other studies shed light on what gentrification-induced shifts in local retail services mean for incumbent residents in typically lower-income communities. Ellen and O'Regan (2011) observed that residents who stay in gentrifying census tracts report greater increases in their satisfaction with

³ Although not a focus in this article, gentrification can also affect local job opportunities. Meltzer and Ghorbani (2016) tested this idea for neighborhoods in the New York-Newark, NY-NJ-CT-PA Core Based Statistical Area and found that incumbent residents living in gentrifying census tracts experience job losses in the immediate neighborhoods but gain access to jobs at farther 1- to 2-mile distances. Another set of related papers on the local labor market impacts of big box store entry found that the opening of a Wal-Mart or other large retailers is associated with net job and business losses and drops in retail wages (Dube, Lester, and Eidlin, 2007; Ficano, 2013; Haltiwanger, Jarmin, and Krizan, 2010; Neumark, Zhang, and Ciccarella, 2008).

the neighborhood than those in other, nonupgrading low-income tracts. Another study (Dastrup et al., 2015) focused on how gentrification affects the residents of public housing in New York City. The authors found that, although residents appreciate improvements in safety, they are more hesitant about how new retail and services benefited them—the new commercial activity tended to cater to the new in-movers rather than the incumbent residents and signaled future threats of displacement. Less directly related is a paper by Ding and Hwang (2016), in which the authors found that those who stay in neighborhoods undergoing price appreciation show significant improvement in their credit risk scores. The result is increased access to credit and, possibly, a greater ability to patronize local businesses.

Empirical Strategy

Although case studies have been invaluable in drilling down and understanding the processes for particular neighborhoods, they tell us very little about how gentrification, writ large, can affect small businesses across municipalities. Here, I look at neighborhoods within a dense and diverse municipality—New York City—and exploit variation in gentrification and business activity across space and over time. I specifically test whether gentrifying neighborhoods are more likely to experience business displacement than are nongentrifying neighborhoods. I consider the implications both for businesses and for the local residents who consume their services and goods.

Although the forces of gentrification have been particularly acute in New York City and the unusually high density has been an advantage for small businesses, the city exhibits great diversity in its types of neighborhoods and retail markets. Indeed, many New York City neighborhoods are comparable with those in other large U.S. cities. For example, although the median resident lives in a much denser neighborhood than someone in an otherwise comparable city, the range of densities reflects those experienced in other large cities (Capperis et al., 2015). Typical education levels, unemployment rates, and racial/ethnic makeups are comparable with those in other large cities; incomes, in general, are also comparable, with the exception of slightly higher median household incomes and lower poverty rates (Been et al., 2013; Capperis et al., 2014).

Data

The primary data set for this analysis is the National Establishment Time-Series (NETS) Database, a longitudinal, establishment-level database that is constructed by Wall & Associates, Inc., from the Dun & Bradstreet business register. Unlike publicly available government data on establishments, the NETS data set does not suppress small-cell counts of employment and provides full street addresses for each establishment. In addition, NETS is more likely to capture nonemployer businesses than are other public records (Neumark, Zhang, and Wall, 2005). Industry is reported at the 6-digit North American Industry Classification System (NAICS) level to allow for a fine-grained distinction across establishment types and also across chains and stand-alone businesses.⁴ Most importantly for this analysis, because the NETS data are longitudinal and establishment specific, I can track

⁴ NAICS is a classification system for U.S. businesses that identifies the industry for the establishment's primary activities. NAICS are self-declared by the business and exist "for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. economy" (<https://www.sba.gov/contracting/getting-started-contractor/determine-your-naics-code>).

the movement of businesses into and out of very precise locations (that is, single buildings). The establishments are identified specifically by a unique identification (a Dun & Bradstreet D-U-N-S[®] number), which stays with the establishment even as it changes addresses over time.⁵

I augment the NETS data with information about the properties' physical characteristics and assessments from the New York City Department of Finance's tax assessment roll files and the New York City Department of City Planning's Primary Land Use Tax Lot Output (known as PLUTO). I also merge in tract-level economic and demographic variables from the Geolytics Neighborhood Change Database (1980 to 2000, decennially), the 2010 census, and the American Community Survey's 3-year estimates from 2008 to 2010.

Analytics

I operationalize the neighborhood as the census tract, as defined in the 2010 census, which is an area optimally populated by 4,000 people (U.S. Census Bureau, 2012). Previous studies have used the census tract to capture neighborhood communities and markets (Ellen and O'Regan, 2008; McKinnish, Walsh, and White, 2010), because it is a level at which sociodemographic information is readily available over time. The census tract also captures a walkable market area in New York City, which, on average, can be traversed in 5 to 10 minutes. This market area is consistent with my focus on neighborhood businesses and the proximate impact of localized economic change. I consider only mixed-use neighborhoods (that is, census tracts with populations greater than 200 and with some kind of commercial activity).⁶ In the end, I end up with 1,990 tracts, which constitutes nearly 95 percent of all census tracts in New York City.

I classify neighborhoods as gentrifying if they improve in their relative economic position during the course of the study period; doing so will capture any meaningful shift in local consumer characteristics. This classification is consistent with previous approaches (see Ellen and O'Regan, 2008; McKinnish, Walsh, and White et al., 2010; Meltzer and Schuetz, 2012) and with the (empirically supported) assumption that local commercial markets respond to changes in consumer demand.⁷

⁵ I recognize several limitations with using NETS. Other studies have advised against using it to identify very short-term changes in firm characteristics (and firm births, specifically), and, therefore, I process any changes during periods of 5 or more years (Neumark, Zhang, and Wall, 2005). Doing so will mitigate any lags in the NETS data in observing new firm births (Yang and Aldrich, 2012). Furthermore, I note that the NETS data are less adept at capturing within-city moves (Kaufman et al., 2015); because I am not following businesses across space and only within single, fixed locations, this limitation should not affect the current analysis. Finally, because employment numbers in NETS often are rounded to an even number or even imputed, identifying changes (especially short-term changes) in employment is difficult (Neumark, Zhang, and Wall, 2005). NETS data are better suited for identifying employment levels and changes during longer periods of time (a few years or more). Although I do use the employment data reported in NETS, it is a secondary part of my analysis and I rely on levels.

⁶ I retain selected commercial properties (store, loft, and garage buildings) and mixed-use properties (residential and commercial together) and exclude properties that are wholly office or residential. I do this to ensure that I capture local, neighborhood-based businesses rather than more corporate establishments. I select on the building classification rather than the type of actual commercial activity to retain areas that may be underpopulated by businesses but that are still set up to host them (indeed, the gentrifying neighborhoods might be disproportionately composed of building areas that are underused).

⁷ I also replicate the analysis across strata that reflect other neighborhood differences (those related to supply-and-demand factors) that could be correlated with both gentrification and business displacement, such as property values, housing age, population growth, and change in the share of the foreign-born population (see Freeman, 2005; Hammel and Wyly, 1996; Lester and Hartley, 2014). In general, the differences across strata are nonexistent or consistent with what is observed using the income-based gentrification metrics.

To be specific, I (1) identify neighborhoods as “low income” if they have average household incomes that are in the bottom two quintiles of the neighborhood income distribution in 1990 or 2000⁸ and, (2) out of those low-income neighborhoods, identify those in which the relative average household income (compared with the broader metropolitan statistical area [MSA]) has increased by the end of the decade that follows (each analysis is conducted for the 1990s and 2000s separately). I rely on relative measures of income and how those change over time to account for the fact that macrometropolitan area economic shifts may or may not be reflected equally at the neighborhood level (Ellen and O’Regan, 2008; Rosenthal, 2008). Of all the census tracts in the study area, between 905 and 941 are designated as low income (for 1990 and 2000 respectively); of those low-income tracts, about 5 percent during the 1990s and nearly 30 percent during the 2000s are identified as gentrifying.⁹

To measure business retention and displacement, I consider the succession, or “lifecycle,” of businesses within individual properties during the course of the study period, 1990 to 2011.¹⁰ I divide the study period into four separate intervals of about 5 years each and, in turn, observe business retention and displacement during these smaller 5-year intervals. I consider 5 years a reasonable window during which to observe business succession, because the median lifespan of a neighborhood-based business is around 5 years as well.¹¹ I include only properties that contain their maximum number of businesses at the start of the 5-year interval, because I cannot account for changes in or additions to the number of commercial units over time.¹² Finally, I construct metrics for

⁸ To be specific, I use average household income for the tract relative to average household income for the MSA.

⁹ This income-based designation reflects other demographic, housing, and commercial differences across gentrifying and nongentrifying neighborhoods, and these differences vary, depending on the decade. Furthermore, many of these trends for the neighborhoods that gentrify during the 2000s are already present in the 1990s. These findings demonstrate why it is important to consider gentrification processes during long periods of time (Zuk et al., 2015) and to segment the different time periods of change.

¹⁰ I use the term “business” and “establishment” interchangeably here, to keep with the theme of “small businesses.” In practice, however, a business can have multiple establishments (or locations).

¹¹ Furthermore, the NETS data are not known to be reliable in their year-on-year changes; previous reviews and critiques of the NETS data have suggested that longer intervals, like 5 years, produce more accurate measures of business flows (Neumark, Zhang, and Wall, 2005).

¹² To be specific, I can observe the number of establishments per property over time; if that number is higher at the end of the 5-year interval (compared with the start) then I drop these properties from the analysis. My concern is about whether more vacant spaces are available for commercial activity than what is observed by establishment activity. This restriction on the sample is not much of a concern for the current analysis because my focus is on business retention and displacement (and for incumbent businesses in particular) and not for business entry and formation in general. In addition, the omitted businesses are largely similar on observables compared with those represented in the sample (especially those located in multiple-business properties). The omitted businesses, however, tend to locate in larger properties and tend to be newer, independent, and more concentrated in insurance and professional services. Still, I note that the statistics presented here on business retention and displacement will be lower-bound estimates, because any businesses that enter the neighborhood into new spaces could also contribute to ongoing retention and/or displacement. I do replicate the analyses with a constant sample of properties based on business occupation in 1990 (the start of the study period). The results are substantively the same and do not indicate any bias from properties/businesses that enter the sample during later intervals in the study period. These results are available on request from the author.

single-business properties and multiple-business properties separately. I do this not only because the businesses that occupy them could behave differently but also because the buildings in which they are located are likely distinct (in terms of size, location, and classification).¹³

For each property, I construct rates of retention (*Stay*) and displacement during each 5-year interval, the latter of which is operationalized in two ways: (1) leaving without a new establishment to replace them (*Leave*) and (2) leaving with a replacement (*Replace*).¹⁴ I disaggregate the displacement metric to better identify how the business's exit affects the local community—both in terms of the new service that replaces it and in terms of the vacant space it leaves behind. I use the business's 6-digit NAICS industry classification to identify the kind of goods or services it provides. I also use information on the number of reported employees for the establishment to capture the typical size of each business. The employee count serves as a proxy not only for the size of the business (in terms of the number and perhaps variety of products offered) but also for the number of potential local jobs. Note that, because I have restricted the property types to include only retail and mixed-used classifications, I am focusing on small businesses (that is, those with fewer than 100 employees; Caruso, 2015). As another proxy for service type, I identify establishments that are stand-alone businesses versus chains (that is, linked to at least one other establishment through a common headquarters). This distinction is also important in light of the controversies around small businesses' vulnerability to chains, which are seen as more pervasive in gentrifying neighborhoods (Basker, 2005; Haltiwanger, Jarmin, and Krizan, 2010; Neumark, Jhang, and Ciccarella, 2008).

The analysis is twofold. First, I exploit the larger sample of single- and multiple-business properties to look at the within-building succession of businesses over time. Second, I drill down to several neighborhoods that have undergone different degrees of economic change to better understand the nature of the small business dynamics observed in the large-N sample.

Findings

In this section, I present results first from the citywide analysis of business displacement and replacement and then from three illustrative drill-down neighborhood analyses.

¹³ These differences are confirmed in the data. In addition, it is slightly harder to identify new businesses that replace displaced businesses for multiple-business properties, because there is not always a one-to-one replacement and I do not have consistent information on the number of commercial units. The one-to-one replacement in single-business properties is a much cleaner identification and I wanted to keep that part of the analysis separate.

¹⁴ $Stay = \frac{\#_Estab_Stay_t}{\#_Estab_Total_{t-5}}$ where $\#_Estab_Stay$ is the number of establishments that were in operation at $t-5$ and at t ;

$Leave = \frac{\#_Estab_Leave_t}{\#_Estab_Total_{t-5}}$ where $\#_Estab_Leave$ is the number of establishments that were in operation at $t-5$, but not at t

(and no other new establishment had reoccupied its commercial space by time t); and $Replace = \frac{\#_Estab_Leave_Replace_t}{\#_Estab_Total_{t-5}}$

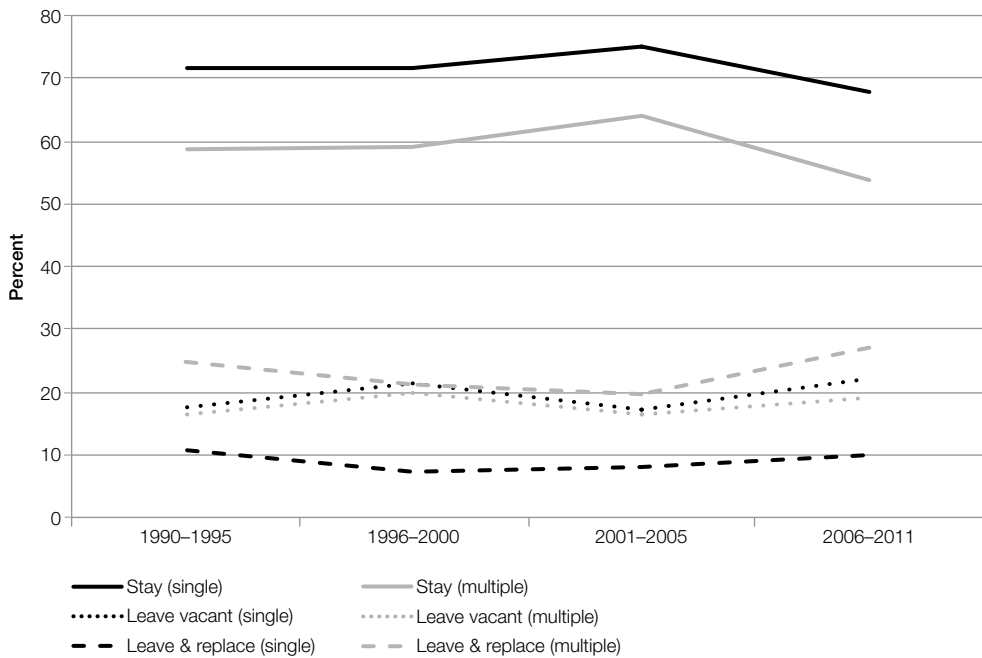
where $\#_Estab_Leave_Replace$ is the number of establishments that were in operation at $t-5$, but not at t (and with a new establishment in its commercial space by time t).

Citywide

Before looking at the association between business succession and gentrification, I establish some baseline retention and displacement rates for the overall sample. These rates are illustrated in exhibit 1. In general, businesses are more likely to stay in place than leave; this trend is consistent across both decades and both types of properties (single- and multiple-business), although the retention rate does go down in the second half of the 2000s and is lower for multiple-business properties throughout both decades. Businesses are also consistently more likely to leave without replacement, meaning that space is vacant by the end of the 5-year interval. This rate is relatively consistent across the decades, as is the share of those businesses that leave with a replacement establishment operating by the end of the 5-year interval. The likelihood of replacement, however, is substantially higher for multiple-business properties (about double), suggesting that commercial spaces in single-business properties are more likely to sit vacant after a business's displacement.¹⁵ I note that national retention rates of businesses within the first 5 years of operation fall at around 50 percent (SBA Office of Advocacy, 2014). The rates in the current analysis are higher, largely

Exhibit 1

Business Retention and Displacement Rates, Citywide



Sources: National Establishment Time-Series Database; author's calculations

¹⁵ To test whether these patterns vary across space, I replicate the same rates by borough (not shown here but available on request from the author). New York City consists of five rather distinct boroughs: Bronx, Brooklyn, Manhattan, Queens, and Staten Island. The five boroughs largely show similar retention, displacement, and replacement rates, which provides assurance that the results should not be driven by one borough in particular.

because the sample comprises both older and newly opened establishments; when rates are calculated for newer establishments only (that is, less than 5 years old) the rates are closer to the national rates (ranging between 50 and 60 percent) and the relative trends remain the same.

Does Gentrification Matter for Business Retention and Displacement?

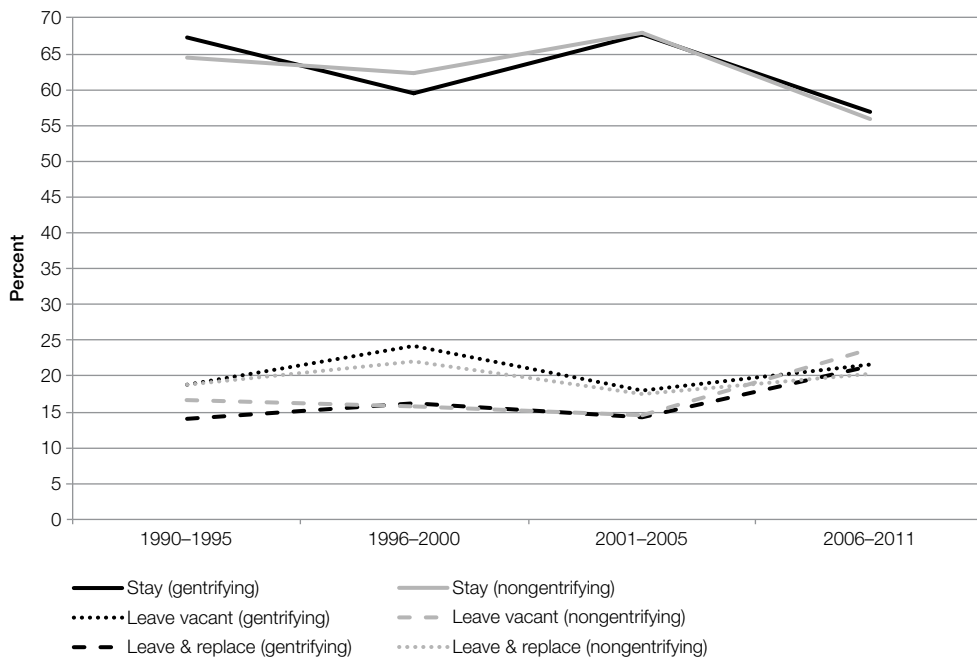
I now replicate the same set of statistics but stratified across three groups: low-income and gentrifying, low-income and nongentrifying, and the balance of tracts, where incomes range from moderate to high. Single- and multiple-business properties are combined, and I display here statistics that are contemporaneous with the decade of gentrification.¹⁶

Retention and Displacement Trends

Exhibit 2 displays retention and displacement rates across time for both gentrifying and nongentrifying neighborhoods (the underlying statistics are shown in exhibit 3). I first note that, although the magnitude of retention and displacement rates vary somewhat across time, the relative positioning of their shares persists. That is, most businesses stay in place, and the smallest share leaves with replacement. Second, the overall patterns indicate consistency in retention and displacement rates

Exhibit 2

Business Retention and Displacement Rates, by Gentrifying Neighborhoods



Sources: National Establishment Time-Series Database; author's calculations

¹⁶ For brevity of exposition, the displayed statistics are weighted averages of the single- and multiple-business property subsamples. When the analyses are conducted on the subsamples separately, the same patterns emerge. Where the data allowed, I also lagged the decade of gentrification and the results are substantively the same to those displayed.

Exhibit 3**Difference in Business Retention/Displacement Rates, by Gentrifying Neighborhoods**

	1990–1995		1996–2000		2001–2005		2006–2011	
	Difference	Sig.	Difference	Sig.	Difference	Sig.	Difference	Sig.
Gentrifying and nongentrifying tracts								
Stay entire period	0.027		– 0.027*		– 0.003		0.010***	
Leave without replacement	– 0.001		0.023*		0.006		0.013***	
Leave with replacement	– 0.027		0.004*		– 0.003		– 0.023***	
Gentrifying and moderate- to high-income tracts								
Stay entire period	0.037***		– 0.033***		– 0.002***		– 0.012***	
Leave without replacement	0.036***		0.056***		0.021***		0.026***	
Leave with replacement	– 0.073***		– 0.023***		– 0.020***		– 0.014***	

* $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$.

Notes: Values shown are the differences in retention/displacement rates. Statistics are based off of weighted averages of single- and multiple-business samples.

across gentrifying and nongentrifying neighborhoods. The most significant differences in retention rates exist during the second half of the 2000s, when businesses in gentrifying neighborhoods actually exhibit higher retention rates (in substantive terms, however, this rate is only a 1-percentage point difference). In addition, businesses that stay in place in gentrifying neighborhoods during the 2000s tend to be older than those in nongentrifying areas; the opposite is true for the 1990s.¹⁷ Therefore, it is not the case that longstanding businesses are more vulnerable to gentrification-induced displacement. Separate analyses on only gentrifying neighborhoods, however, show that those with faster commercial assessed values (AV; that is, rent) appreciation do display slightly lower rates of retention and higher rates of displacement without replacement, suggesting that rising rents could affect business displacement under conditions of gentrification.¹⁸

What happens to the commercial spaces after businesses leave? Although the rate of displacement without replacement universally goes up during the latter part of both decades, this increase is more pronounced for gentrifying neighborhoods; the lowest rates tend to be in the moderate- to high-income neighborhoods. Again, these differences manifest themselves in fewer than a few percentage points.¹⁹ Additional analyses (not shown here) indicate that most (that is, upward of 80 percent) vacancies are filled immediately. For those spaces left vacant, however, the duration of vacancy is often longer in gentrifying neighborhoods than in nongentrifying ones (and vacancies are always more prolonged in gentrifying neighborhoods compared with those in moderate- to high-income areas).²⁰ To check

¹⁷ These differences are all significant at $p < .05$. When I look at only retention/displacement rates for new businesses (that is, those operating less than 5 years), there is still no meaningful difference between gentrifying and nongentrifying neighborhoods (one exception is the early 1990s, during which retention rates are higher in gentrifying neighborhoods for newer businesses).

¹⁸ These results are not displayed here but are available on request from the author.

¹⁹ Most (that is, 85 to 90 percent) businesses shut down rather than relocate to another space within New York City (or outside the city). In addition, Meltzer and Capperis (forthcoming) found that when businesses relocate within the city, they tend to move to neighborhoods with new housing investment and growing retail, suggesting more (and perhaps cheaper) spaces for commercial activity.

²⁰ These results are not displayed but are available on request from the author. The disproportionate vacancy duration in gentrifying neighborhoods is most pronounced in the later 2000s and least evident in the early 1990s. Spaces can sit vacant for as little as 1 year and for more than 10 years.

the robustness of these results, I also conduct multivariate regression analyses, estimating the likelihood that a business stays in place conditional on its neighborhood gentrifying (see exhibit 4). As I did previously, I pool the single- and multiple-business property samples, but I control for business- and property-level characteristics (including the number of other businesses in the same building) and also for time (that is, interval) and geographic (that is, borough and smaller neighborhood) trends.²¹ In the most parsimonious model, the coefficients on the gentrification dummies (both

Exhibit 4

Logit Regressions

	Pr(Stay=1) (1)	Pr(Stay=1) (2)	Pr(Stay=1) (3)	Pr(Stay=1) (4)
Gentrifying	- 0.080*** (- 4.71)	0.019 (0.86)	0.023 (1.04)	0.004 (0.15)
Nongentrifying	- 0.053*** (- 5.56)	0.053*** (4.25)	0.048*** (3.81)	0.005 (0.34)
Number of establishments in building	- 0.009*** (- 22.11)	- 0.009*** (- 18.78)	- 0.002*** (- 4.21)	0.0004 (0.83)
Number of employees		- 0.001** (- 3.04)	- 0.001*** (- 3.56)	- 0.001** (- 2.95)
Year start		- 0.005*** (- 15.13)	- 0.005*** (- 14.48)	- 0.006*** (- 16.03)
Lot frontage		- 0.001*** (- 7.80)	- 0.0004*** (- 4.52)	- 0.001*** (- 6.92)
Corner location		0.046*** (3.68)	0.060*** (4.65)	0.036** (2.77)
Chain		- 0.407*** (- 14.95)	- 0.323*** (- 11.72)	- 0.304*** (- 10.93)
Property NAICS index			0.521*** (24.78)	0.509*** (23.01)
Constant	0.584*** (86.89)	11.780***	11.690*** (15.27)	13.180*** (16.23)
Industry classification dummies	No	No	Yes	Yes
Time dummies	No	Yes	No	Yes
Geography dummies	No	Yes	No	Yes
N	211,279	156,465	156,465	156,465

NAICS = North American Industry Classification System.

* p < 0.05. ** p < 0.01. *** p < 0.001.

Notes: t statistics in parentheses. Sample includes the full sample of tracts and "moderate- to high-income" is omitted. North American Industry Classification System index is a Herfindahl-type index that ranges between 0 and 1, where values closer to 1 represent more homogeneous industry mixes (single-business properties are assigned an index of 1).

²¹ I run regressions on the more restricted low-income tract sample and also the full sample, including moderate- and high-income tracts (the latter version is shown). I also run regressions disaggregated into single- and multiple-business property subsamples. The results are consistent across all the specifications. I also run the regressions wherein the dependent variable is specified as the probability of leaving; the results are consistent with those discussed in the previous sentence. Finally, I run a number of parsimonious specifications (omitting, for example, the time and geographic controls), and the direction of the gentrification coefficients are consistent; the coefficients tend to be larger in magnitude (and more significant) in the more parsimonious models, but they are consistently attenuated as more controls are added to the model. For purposes of brevity, these results are not displayed here but are available on request from the author.

relative to the moderate- to high-income neighborhoods) are negative and significant, which is consistent with what the bivariate tables showed. In addition, the difference between the two gentrification dummies is statistically zero. As more controls are added to the model, the coefficients on the gentrification dummies universally become insignificant, which shows that, after controlling for other property, business, and temporal-spatial variation, the retention rates do not vary significantly across any of the neighborhoods. These results, in general, are consistent with those from the bivariate analyses and reinforce the null gentrification effect.

Replacement Businesses

I turn now to exhibit 5, which displays statistics on the businesses that leave and those that replace them, to get a sense of how the service and commercial environment changes for local residents.²² Across the board, new businesses tend to be smaller than those that leave (that is, have a higher ratio between the number of employees in the business that leaves and the number of employees in the business that replaces); although these ratios are higher in gentrifying neighborhoods, they are not significantly different from those in nongentrifying neighborhoods. So, any job loss resulting from displacement is no bigger in the gentrifying areas. I also look at the correspondence between the industry classifications of the outgoing and incoming establishments to get a sense of how services

Exhibit 5

Business Replacement, by Gentrifying Neighborhoods

	Number of Establishments That Leave w/ Replacement	Ratio of emp_leave: emp_replace	Is the 6-Digit NAICS the Same? (%)	Is the 2-Digit NAICS the Same? (%)	Is the Replacer a Chain? (%)
1990–1995					
Low income and gentrifying	93	0.70	9.7	26.9	10.2
Low income and nongentrifying	2,850	1.36	13.7	27.3	9.4
Moderate to high income	4,595	1.46	12.8	21.7	11.0
1996–2000					
Low income and gentrifying	226	1.43	11.1	27.9	4.0
Low income and nongentrifying	5,142	1.00	9.9	20.6	8.6
Moderate to high income	6,820	0.96	9.0	17.2	10.8
2001–2005					
Low income and gentrifying	940	1.69	10.0	23.0	4.2
Low income and nongentrifying	2,069	1.77	12.2	24.3	3.3
Moderate to high income	4,026	1.69	10.1	19.1	6.0
2006–2011					
Low income and gentrifying	1,805	1.56	6.8	14.7	1.8
Low income and nongentrifying	4,444	1.49	8.2	17.9	1.4
Moderate to high income	6,472	1.76	7.2	16.2	2.0

NAICS = North American Industry Classification System.

Sources: National Establishment Time-Series Database; author's calculations

²² I focus primarily on the statistics for the single-business properties, because the correspondence between businesses that leave and that replace is cleaner (the one-to-one replacement match is less reliable in the multiple-business properties because of the fact that the number of businesses that leave can differ from the number of replacers).

turn over. I consider the narrowest 6-digit classification (for example, full-service restaurants) and also the broad 2-digit classification (for example, accommodation and food services). Although the pattern is less consistent across the 1990s, displaced and incoming businesses are less likely to have the same NAICS classification in gentrifying neighborhoods compared with nongentrifying neighborhoods in the 2000s.²³ A higher correspondence exists regarding 2-digit NAICS codes, indicating that the spaces retain broader service consistency (for example, a food establishment can return, but it may serve very different kinds of food and in a different setting). This finding makes sense if the commercial space is built out for a particular activity (like a restaurant, food store, or office). Overall, a slightly larger shift exists toward new services in gentrifying neighborhoods compared with nongentrifying neighborhoods.²⁴

Finally, the likelihood that the new business is a chain varies as well by neighborhood classification and decade. In the 1990s, replacement businesses are less likely to be chains in gentrifying neighborhoods; in the 2000s, this trend reverses, and replacement businesses are more likely to be chains in gentrifying neighborhoods compared with those in nongentrifying areas. The highest replacement rate for chains, though, is in the moderate- to high-income neighborhoods.

In sum, regardless of the neighborhood's gentrification status, businesses are more likely to stay in place during 5-year intervals than not; this likelihood is particularly true for those businesses that have been operating for a longer time. Gentrification does not induce disproportionately more displacement among businesses than what typically takes place in low-income neighborhoods. In addition, when a business leaves a gentrifying neighborhood, its commercial space is more likely to stay vacant for a longer period of time; this trend not only means that those services are gone but that the physical space is inactive and not contributing to street vitality. It is most notable that replacement businesses in gentrifying neighborhoods are more likely than those in nongentrifying neighborhoods to offer new types of services and are more likely to be chains (during the 2000s).

Case Neighborhoods

The statistics presented thus far capture average effects across the entire sample of neighborhoods. It is possible, however, that these broader patterns are obscuring important variation on a finer level. I identify three case neighborhoods that, within their broadly defined boundaries, contain (1) both gentrifying and nongentrifying census tracts and (2) a commercial presence that also crosses the gentrifying and nongentrifying tracts.²⁵ This design not only allows for a cleaner identification across gentrifying and nongentrifying tracts (because they all exist in the same macroneighborhood, with similar infrastructure and localized trends), but it is realistic in how gentrification can play out at the street level. It is not unusual to traverse a single neighborhood and cross street blocks that are

²³ This association is significant ($p < .01$) only in the second half of the 2000s.

²⁴ This shift is on a property-by-property basis; it could be the case that, as a neighborhood, a reshuffling of similar services occurs across properties.

²⁵ I use Neighborhood Tabulation Areas (NTAs), which were created by the New York City Department of City Planning to project populations at small geographies from 2000 to 2030. NTAs are compilations of census tracts, and, therefore, their boundaries are coterminous. They span multiple census tracts, but are smaller than Public Use Microdata Areas and Sub-Borough Areas. For all of the case areas, except Astoria, I combine two NTAs (that is, East Harlem South and East Harlem North) to constitute a larger, single neighborhood definition.

starkly different in their degree of development and their general character. I focus on gentrification classifications from the 2000s because a larger pool of tracts exists for this time period. I look at neighborhoods in three of New York City's five boroughs: East Harlem in Manhattan, Sunset Park in Brooklyn, and Astoria in Queens (see exhibit 6). Together, they illustrate the variation in change within and across macroneighborhoods.

For the discussion of the three case neighborhoods, I show an abbreviated set of statistics on retention and displacement. In addition to comparing these rates across tract classification (that is, low-income

Exhibit 6

Case Neighborhoods



Source: Underlying shapefiles from the New York City Department of City Planning

gentrifying and low-income nongentrifying, both within the same macroneighborhood), I also calculate the difference in rates across two decades—the 1990s and 2000s.²⁶ Therefore, the final column in each table represents a “difference-in-difference” of sorts, in which I first compare retention and displacement rates in the 2000s (the decade of gentrification designation) to those in the 1990s (to capture historical rates) for gentrifying and nongentrifying tracts. I then take this difference and compare it across the two neighborhood classifications. This approach controls somewhat for historical trends and baseline characteristics that could drive different outcomes above and beyond what is associated with the presence or absence of gentrification.

Case 1: East Harlem

East Harlem, located in the northeast section of Manhattan, historically has been an enclave for Hispanic residents. Public transit is moderately accessible and will improve even more after the new Second Avenue subway is complete (presumably, by 2017). Of the three case neighborhoods, East Harlem has the oldest housing stock, is the poorest, and houses the highest share of Black residents. More than one-half of the 22 census tracts that make up this macroneighborhood were designated as being low income in 2000, and, of those tracts, nearly one-half were classified as gentrifying in the decade that followed. The gentrifying tracts underwent significant economic and demographic changes during both the 1990s and 2000s compared with changes in the nongentrifying tracts. To be specific, population surged in the gentrifying tracts, as did the construction of new housing. The share of Hispanic households declined about 5 percentage points in the gentrifying tracts compared with increasing in the nearby nongentrifying tracts; the White population increased about the same throughout the macroneighborhood. The number of college-educated residents grew at a faster rate and the poverty rate declined more dramatically in the gentrifying tracts. It is not surprising that residential rents and prices also grew more acutely in the gentrifying tracts; the 2000s also brought increases in commercial prices and AVs compared with price declines and very modest AV increases in the nongentrifying tracts. Still, the gentrifying tracts saw a growth in retail establishments almost double that in nongentrifying tracts.

Business retention rates in the gentrifying tracts of East Harlem were slightly lower than the citywide average during the 1990s: about 65 percent of establishments in single-business properties (compared with 72 percent for the city overall) stayed in place (retention rates in multiple-business properties were slightly higher, at 68 percent, compared with 59 percent for the city overall).²⁷ In East Harlem, gentrification during the 2000s was associated with reduced business retention (see exhibit 7) compared with nearby tracts that did not gentrify. To be specific, the share of businesses that stayed in place decreased in the 2000s compared with the share in the 1990s for both gentrifying and nongentrifying tracts, but the decline was more pronounced for the properties in the gentrifying tracts (by about 5 percentage points, a meaningful drop that brings the neighborhood even further below the citywide mean). In addition, gentrifying tracts saw a larger decrease in the share of businesses that leave without any replacement and by a magnitude that makes a meaningful difference (almost 4 percentage points for single-business properties off of a base of 28 percent). A relative increase also occurred in the number of businesses that leave with replacement (based on the

²⁶ I do not include moderate- to high-income tracts as a comparison because very few or no tracts are in this income range in the case neighborhoods.

²⁷ These shares amount to 58 and 54 establishments for single- and multiple-business properties, respectively.

Exhibit 7**East Harlem, Retention and Displacement Rates**

	Difference: Gentrifying and Nongentrifying		Difference: 2000s and 1990s
	1990s	2000s	
Single-business properties			
Stay entire period	- 0.031	- 0.087	- 0.056
Leave without replacement	0.038	0.003	- 0.035
Leave with replacement	0.022	0.032	0.010
Multiple-business properties			
Stay entire period	0.036	0.040	0.004
Leave without replacement	0.032	0.023	- 0.010
Leave with replacement	- 0.051	- 0.076	- 0.025

Sources: National Establishment Time-Series Database; author's calculations

single-business properties) in gentrifying tracts, albeit smaller in magnitude. During the course of the 1990s and 2000s, the gentrifying tracts also witnessed a larger growth in the number of chains (although the nongentrifying tracts still have a higher absolute number of chains).²⁸ Older businesses were actually less likely to leave in the gentrifying areas than the in the nongentrifying ones (even though the average business age is the same across the two types of tracts).

To understand how the types of businesses and their services change over time, I compile statistics on the neighborhood's composition of NAICS codes for gentrifying and nongentrifying tracts (see exhibit 8a). The first column of each panel shows the average concentration of the industry groupings²⁹ during the two decades and the remaining columns show the percentage change in the number of establishments during three different time periods for each industry grouping. The composition of services is very similar across gentrifying and nongentrifying tracts, with the exception of manufacturing and other industrial activity. The group with the largest growth during the 2000s is manufacturing and industrial, which is largely driven by wholesale establishments (which started with a very small base). Otherwise, the largest gains for gentrifying tracts are seen in personal services and in educational, health, and social services, both of which exceed the gains in the nongentrifying tracts. It is also worth noting that these services are the very ones that were relatively less prevalent compared with those in nongentrifying tracts at the start of the 2000s. General retail and food establishments, on the other hand, started out with relatively larger shares of the commercial activity in the gentrifying tracts (compared with shares in nongentrifying tracts) and saw smaller gains.

The question remains, however, are residents seeing a qualitative change in services? To test this question, I consider five discrete types of businesses: (1) grocery stores, (2) drug stores, (3) doctors' offices, (4) full-service restaurants, and (5) exercise facilities (gyms). The first three

²⁸ The chain business results are not shown.

²⁹ I combine related two-digit NAICS categories into broader groupings to reflect the general services/goods provided. The groupings are created as follows: retail = NAICS44+NAICS45; service = NAICS51+NAICS52+NAICS53+NAICS54+NAICS55+NAICS56; entertainment and food = NAICS71+NAICS72; personal services = NAICS81; education, health, and social services = NAICS61+NAICS62; manufacturing and industrial = NAICS31+NAICS32+NAICS33+NAICS42+NAICS48+NAICS49.

Exhibit 8**East Harlem, Change in Services****a. Broad Industries**

NAICS Grouping	Gentrifying				Nongentrifying			
	Avg. Share	Percent Change			Avg. Share	Percent Change		
		1990–2011	1990–2011	1990–2000		2000–2011	1990–2011	1990–2011
Retail	0.37	51.7	– 7.6	64.2	0.31	133.3	34.1	73.9
Service	0.24	251.5	71.2	105.3	0.25	364.7	80.9	156.9
Food, entertainment	0.07	285.7	185.7	35.0	0.08	285.0	120.0	75.0
Personal services	0.16	352.9	88.2	140.6	0.17	287.5	95.8	97.9
Education, health, social	0.08	120.6	0.0	120.6	0.08	147.1	29.4	90.9
Manufacturing, etc.	0.07	127.6	– 24.1	200.0	0.11	122.0	2.0	117.6

b. Discrete Services

Discrete Service	Gentrifying						Nongentrifying					
	Number of Establishments			Percent Change			Number of Establishments			Percent Change		
	1990	2000	2011	1990–2011	1990–2000	2000–2011	1990	2000	2011	1990–2011	1990–2000	2000–2011
Grocery stores	17	39	87	411.8	129.4	123.1	26	38	83	219.2	46.2	118.4
Drug stores	12	11	22	83.3	– 8.3	100.0	10	9	16	60.0	– 10.0	77.8
Full-service restaurants	7	26	37	428.6	271.4	42.3	8	23	20	150.0	187.5	– 13.0
Gyms	0	0	4				0	0	3			
Doctors' offices	21	26	56	166.7	23.8	115.4	18	17	33	83.3	– 5.6	94.1

NAICS = North American Industry Classification System.

Note: Percent Change refers to the percent change in the number of establishments between the indicated end points; for example, Percent Change 1990–2011 (for Retail) =

$$\frac{(\#_Retail_{2011} - \#_Retail_{1990})}{\#_Retail_{1990}}$$

Sources: National Establishment Time-Series Database; author's calculations

represent more necessity services (that is, those that are more critical to have nearby for regular consumption), and the last two represent more discretionary services (that is, those that are not necessary but convenient to have nearby nonetheless). Exhibit 8b shows how the availability of these services changes over time in gentrifying and nongentrifying tracts. In all cases, the gentrifying tracts exhibit much larger gains in these services than do the nongentrifying tracts, suggesting that economic changes in the neighborhood are associated with increases in both necessity and discretionary services. Physical access to grocery stores increases most significantly, and it is important to note that most of these establishments are classified as general grocery stores (not convenience stores).³⁰

Case 2: Sunset Park

Sunset Park, a neighborhood in southwest Brooklyn, has been home to mostly Hispanic and Asian immigrants. It also includes large swaths of land zoned for manufacturing and has attracted increased investment in those areas. Of all the case neighborhoods, it has the highest share of Hispanic and Asian residents and, economically, falls in the middle. Like East Harlem, most of the census tracts in the Sunset Park macroneighborhood were designated as being low income as of 2000; slightly less than one-half of Sunset Park's 20 neighborhoods were designated as gentrifying. Even though poverty rates declined in the gentrifying tracts compared with increases in nearby nongentrifying tracts, population growth was comparatively slower. The share of White households declined, but less dramatically, than in the nongentrifying tracts, and the share of residents with a college degree increased more in the gentrifying tracts. The rate of housing construction was slightly higher in the gentrifying tracts, and housing costs were modestly higher only during the 2000s. Although relative commercial prices went down more in gentrifying tracts during the 2000s, commercial AVs went up. Although gentrifying tracts got more chains than did nongentrifying ones, their growth in general retail establishments was slower. Some of the biggest chains, like Home Depot and Costco, were attracted into the manufacturing section of the neighborhood.

The business retention and displacement patterns (see exhibit 9) are slightly different from those experienced in East Harlem, which has starker demographic shifts. Like the gentrifying tracts in East Harlem, those in Sunset Park also exhibit lower retention rates in the 1990s compared with rates in the city overall (65 percent for single-business properties; rates for multiple-business properties are on par with the citywide rate).³¹ It is most notable that, on net, business retention rates went down in gentrifying tracts compared with those in nongentrifying tracts. Furthermore, the magnitude of the shift was larger in Sunset Park than in East Harlem. Although displacement rates went down overall, displacement without replacement went up significantly among multiple-business properties (about 8 percentage points off of a 13 to 15 percent base). Although the gentrifying areas lost a substantial share of their older businesses, it was a smaller loss than that experienced by the nongentrifying parts of Sunset Park. Personal services were also relatively less

³⁰ It is still possible that bodegas and other establishments that carry a range, but not a comprehensive supply, of food and produce self-classify as general grocery stores. It is unfortunate that there is no way to distinguish these establishments in the data. Regardless, an observed increase in food-carrying establishments occurs, which makes a qualitative difference in the neighborhood.

³¹ These shares amount to 77 and 66 establishments for single- and multiple-business properties, respectively.

Exhibit 9**Sunset Park, Retention and Displacement Rates**

	Difference: Gentrifying and Nongentrifying		Difference: 2000s and 1990s
	1990s	2000s	
Single-business properties			
Stay entire period	- 0.068	- 0.005	0.063
Leave without replacement	0.064	- 0.002	- 0.067
Leave with replacement	0.000	- 0.032	- 0.032
Multiple-business properties			
Stay entire period	0.034	- 0.051	- 0.084
Leave without replacement	- 0.010	0.065	0.076
Leave with replacement	0.028	- 0.010	- 0.038

Sources: National Establishment Time-Series Database; author's calculations

prevalent in the gentrifying sections of Sunset Park (see exhibit 10a), but they experienced about the same degree of growth as in the nongentrifying tracts during the 2000s.³² Food and entertainment establishments, however, grew at a faster rate in the gentrifying tracts. Any gains in discrete necessity services, like grocery stores or doctors' offices, similarly are substantially bigger in the nongentrifying tracts (see exhibit 10b). In fact, the gentrifying tracts have a relatively large loss in certain services, like drug stores and restaurants. These patterns could be a result of the combination of rising commercial rents and relatively slower population growth in the gentrifying areas.

Case 3: Astoria

Finally, Astoria is a neighborhood in the western part of Queens across the river from Manhattan. Astoria, which is quite diverse ethnically, includes large groups of residents from Europe, South America, and the Middle East. It is considered more of a middle-class neighborhood and has a smaller share of low-income tracts than the other two case neighborhoods (about two-thirds, as of 2000). Astoria consists of a population that is substantially more White, but, of all of the case neighborhoods, it has the highest share of foreign-born residents. Of the 17 low-income tracts, nearly one-half were designated as gentrifying during the 2000s. Even though its population increased during the 1990s, the gentrifying tracts actually saw a greater population decline during the 2000s (however, it was a smaller decline than that in the higher-income tracts nearby); this decline appears to have been driven by losses in the White population (both Black and Hispanic residents increased their population shares). At the same time, poverty rates were declining more substantially in the gentrifying tracts and the share of college-educated residents was increasing. The gentrifying neighborhoods had a higher rate of new residential construction and marginally larger increases in rents. Residential prices were appreciating in the 2000s, albeit less than in the nongentrifying low-income tracts. Commercial prices were dropping more dramatically in the gentrifying tracts, but commercial AVs were increasing compared with declines in the rest of Astoria. Growth in the retail market was marginally higher in the gentrifying tracts than in the nongentrifying tracts (but was more than double that in the higher-income tracts).

³² Compared with the 1990s, the growth in gentrifying tracts was only marginally smaller than the substantial decline in growth in the nongentrifying neighborhoods.

Exhibit 10

Sunset Park, Change in Services

a. Broad Industries

NAICS Grouping	Gentrifying				Nongentrifying			
	Avg. Share 1990–2011	Percent Change			Avg. Share 1990–2011	Percent Change		
		1990–2011	1990–2000	2000–2011		1990–2011	1990–2000	2000–2011
Retail	0.26	115.9	49.2	44.7	0.35	135.9	42.3	65.8
Service	0.21	361.1	50.0	207.4	0.22	553.9	75.5	272.6
Food, entertainment	0.08	142.1	73.7	39.4	0.08	140.4	100.0	20.2
Personal services	0.23	208.9	77.8	73.8	0.15	288.1	122.6	74.3
Education, health, social	0.03	160.0	60.0	62.5	0.06	158.0	52.0	69.7
Manufacturing, etc.	0.20	67.2	14.8	45.7	0.13	241.3	50.0	127.5

b. Discrete Services

Discrete Service	Gentrifying						Nongentrifying					
	Number of Establishments			Percent Change			Number of Establishments			Percent Change		
	1990	2000	2011	1990–2011	1990–2000	2000–2011	1990	2000	2011	1990–2011	1990–2000	2000–2011
Grocery stores	21	33	44	109.5	57.1	33.3	50	101	203	306.0	102.0	101.0
Drug stores	1	4	3	200.0	300.0	– 25.0	15	18	31	106.7	20.0	72.2
Full-service restaurants	9	23	17	88.9	155.6	– 26.1	32	78	65	103.1	143.8	– 16.7
Gyms	0	0	2				0	1	7			600.0
Doctors' offices	4	5	7	75.0	25.0	40.0	38	52	90	136.8	36.8	73.1

NAICS = North American Industry Classification System.

Note: Percent Change refers to the percent change in the number of establishments between the indicated end points; for example, Percent Change 1990–2011 (for Retail) = $(\#_Retail_{2011} - \#_Retail_{1990}) / \#_Retail_{1990}$.

Sources: National Establishment Time-Series Database; author's calculations

Like broader citywide trends, most establishments stayed in place during both the 1990s and 2000s. For single-business properties, retention rates in gentrifying tracts were at 73 percent during the 1990s; for multiple-business properties, this number was lower, at 66 percent.³³ During the 2000s (relative to the 1990s), gentrifying tracts in Astoria, on net, had lower business retention rates and a higher likelihood of businesses leaving without getting replaced (see exhibit 11). The magnitudes of these shifts were small relative to what was observed in the other neighborhoods; for example, less than a 5-percentage-point decline off of a 73 percent share of stayers is not dramatic for a decade’s worth of change. Any decrease in the likelihood of displacement (with replacement) was small—less than 1 percentage point off of a 6 to 17 percent base. In addition, gentrifying tracts were no more likely to lose their older businesses (even though the businesses were older, on average, in the gentrifying tracts) than were nongentrifying tracts.

The growth in chains was also lower in gentrifying tracts than in the nearby nongentrifying tracts (in fact, the number went down during the 2000s). Otherwise, industry-specific gains were more prevalent in the nongentrifying tracts, although retail services grew slightly more in the gentrifying tracts (see exhibit 12a). Patterns for the discrete services tell a slightly different story: all these businesses grew relatively more in the gentrifying tracts, especially the necessity businesses, like grocery stores, drug stores, and doctors’ offices (see exhibit 12b).

Exhibit 11

Astoria, Retention and Displacement Rates

	Difference: Gentrifying and Nongentrifying		Difference: 2000s and 1990s
	1990s	2000s	
Single-business properties			
Stay entire period	0.025	0.030	0.005
Leave without replacement	- 0.014	- 0.022	- 0.008
Leave with replacement	- 0.023	- 0.038	- 0.015
Multiple-business properties			
Stay entire period	0.025	- 0.013	- 0.039
Leave without replacement	- 0.046	0.007	0.054
Leave with replacement	0.032	0.035	0.003

Sources: National Establishment Time-Series Database; author’s calculations

Conclusions and Policy Implications

Local, small businesses are very much tied to their surrounding communities: physically, economically, and culturally (Deener, 2007; Hyra, 2008; Meltzer and Schuetz, 2012; Zukin et al., 2009). Therefore, when neighborhoods undergo meaningful economic and social changes, such as those that take place under gentrification, one would expect local businesses to feel the effects. Is gentrification, however, a threat or a boon to existing businesses? What are the implications for the residents who patronize these services?

³³ These shares amount to about 76 establishments in single-business buildings and 144 establishments in multiple-business properties.

Exhibit 12

Astoria, Change in Services

a. Broad Industries

NAICS Grouping	Gentrifying				Nongentrifying			
	Avg. Share	Percent Change			Avg. Share	Percent Change		
		1990–2011	1990–2011	1990–2000		2000–2011	1990–2011	1990–2000
Retail	0.27	60.0	24.2	28.8	0.32	40.8	10.2	27.8
Service	0.28	253.3	48.3	138.2	0.23	243.7	25.2	174.5
Food, entertainment	0.10	120.0	70.0	29.4	0.10	152.8	77.4	42.6
Personal services	0.14	114.7	64.7	30.4	0.14	161.6	78.1	46.9
Education, health, social	0.08	73.3	51.1	14.7	0.07	87.8	38.8	35.3
Manufacturing, etc.	0.13	151.7	60.0	57.3	0.13	121.2	- 8.2	141.0

b. Discrete Services

Discrete Service	Gentrifying						Nongentrifying					
	Number of Establishments			Percent Change			Number of Establishments			Percent Change		
	1990	2000	2011	1990–2011	1990–2000	2000–2011	1990	2000	2011	1990–2011	1990–2000	2000–2011
Grocery stores	29	47	74	155.2	62.1	57.4	30	46	70	133.3	53.3	52.2
Drug stores	9	10	16	77.8	11.1	60.0	10	8	12	20.0	- 20.0	50.0
Full-service restaurants	21	46	46	119.0	119.0	0.0	28	60	58	107.1	114.3	- 3.3
Gyms	0	1	8			700.0	1	0	13	1200.0	- 100.0	
Doctors' offices	34	50	59	73.5	47.1	18.0	37	54	63	70.3	45.9	16.7

NAICS = North American Industry Classification System.

Note: Percent Change refers to the percent change in the number of establishments between the indicated end points; for example, Percent Change 1990–2011 (for Retail) =

$$\frac{(\#_Retail_{2011} - \#_Retail_{1990})}{\#_Retail_{1990}}$$

Sources: National Establishment Time-Series Database; author's calculations

The results are mixed and show that the nuances of gentrification cannot necessarily be observed in broader citywide trends. I find that the typical gentrifying neighborhood in New York City does not experience elevated rates of business displacement compared with a comparable nongentrifying neighborhood. This finding is in line with the evidence on residential displacement, which does not show systematic displacement of low-income residents in the context of gentrification (Ellen and O'Regan, 2011; Freeman, 2005; Freeman and Braconi, 2004; Freeman, Cassola, and Cai, forthcoming; McKinnish, Walsh, and White, 2010; Vigdor et al., 2002). It is also consistent with other research (Meltzer and Capperis, forthcoming) on neighborhood retail churn, a process that tends to be driven by new business entries (rather than business closures). When businesses vacate a space, however, it tends to sit vacant for longer in gentrifying than in nongentrifying neighborhoods. Therefore, implications apply not only for the displaced businesses but also for the communities left with empty storefronts. Businesses that replace the displaced establishments are more likely to introduce new types of services in gentrifying neighborhoods compared with both nongentrifying and higher-income neighborhoods. Although gentrifying neighborhoods have relatively more chains that replace displaced businesses, chains constitute a very small share of activity overall (less than 5 percent of all the replacement businesses).

The case studies illustrate how idiosyncratic the process can be. Together, the neighborhood drill-downs show that tracts undergoing gentrification in the 2000s had relatively larger, but varied, declines in retention rates than did nongentrifying tracts. In addition, the tracts' socioeconomic changes attracted new businesses and increases in both necessity and discretionary services. This shift was particularly true in East Harlem, which experienced larger population and income surges. On the other hand, gentrifying tracts in Sunset Park experienced increased displacement without replacement relative to nongentrifying tracts and smaller growth in necessity services from the businesses that moved in. So, here, the neighborhood experienced the disruption of business turnover but without the upside of more services.

Nonetheless, the results should be interpreted in the context of a large, dense city, which has experienced intense gentrification (especially during the 2000s); therefore, although the pressures from gentrification are particularly acute in New York City, the commercial markets are also relatively robust. The fact that displacement is not systematically higher in New York City's gentrifying neighborhoods bodes well for cities experiencing less aggressive gentrification; however, cities with less vibrant neighborhood retail markets could be more vulnerable to gentrification-induced displacement. Although the drill-down analyses attempt to shed light on some of this variation, the reality is that neighborhoods in less dense or walkable cities might have a harder time supporting local retail markets, even in the absence of gentrification.

In conclusion, opportunity appears to exist for the neighborhoods that gain quality-of-life services and that retain more businesses under conditions of gentrification—perhaps because of new and increased spending power locally. The threats are also palpable: the displacement that does occur can leave gentrifying neighborhoods with disproportionately more vacant spaces and without the promise of new amenities. Even in the neighborhoods where services grow and/or change, the new products, price points, or cultural orientation could be more alienating than useful for incumbent residents. Therefore, even in the absence of systematic business displacement, gentrification can present challenges around the management of changing neighborhood services.

Here, neighborhood-based organizations, like business improvement districts and Community Development Corporations, and real estate brokers can play a role in coordinating input from the community and conveying it to property owners. Moreover, new investment, which tends to happen in gentrifying neighborhoods, provides a critical opportunity for local government to negotiate the terms of development, including where commercial space is created and how it is used. This approach increasingly has been used with housing, where permitting or zoning allowances are contingent on affordable housing provision; a similar approach can be applied to the provision of commercial space and services.

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Does gentrification increase employment opportunities in low-income neighborhoods?



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ABSTRACT

Gentrification is a term often associated with displacement and other negative byproducts of affluent in-movers altering the economic and demographic composition of a neighborhood. Empirical research on neighborhood change, however, has not produced any conclusive evidence that incumbent residents are systematically displaced under circumstances of gentrification. This raises the question, do these incumbent residents benefit from the economic and social changes that accompany gentrification? In this paper, we focus on low-income neighborhoods undergoing economic transitions (i.e. gentrification) and test whether or not the potential benefits from these changes stay within the community, in the form of employment opportunities for local residents. We find that employment effects from gentrification are quite localized. Incumbent residents experience meaningful job losses within their home census tract, even while jobs overall increase. In our preferred model, local jobs decline by as much as 63 percent. These job losses are concentrated in service and goods-producing sectors and low- and moderate-wage positions. Proximate job losses, however, are compensated for by larger gains in goods-producing and low-wage jobs slightly farther away. There is some evidence that chain establishments are associated with modest job gains in gentrifying census tracts, and that, outside of NYC, businesses that stay in place around gentrifying neighborhoods are associated with marginal job gains.

1. Introduction

Gentrification is a term often associated with displacement and other negative byproducts of affluent in-movers altering the economic and demographic composition of a neighborhood. Indeed, new investment in a community can bring increased pressure on rents and prices and niche services that cater more to the relatively new residents than the incumbent ones; these kinds of outcomes do not always bode well for longstanding community members. However, there is another side to gentrification, and one that can bring opportunity and quality of life to areas that were otherwise neglected. These upsides have become increasingly more relevant, as the empirical research has not produced any conclusive evidence that incumbent residents are systematically displaced under circumstances of gentrification. This raises the question, do these incumbent residents benefit from the economic and social changes that accompany gentrification? In this paper, we focus on low-income neighborhoods undergoing economic transitions (i.e. gentrification) and test whether or not the potential benefits from these changes stay within the community, in the form of employment opportunities. Access to nearby jobs for residents of lower-income neighborhoods not only fosters economic mobility, but also physical

mobility, in the form of shorter commute times and reduced traffic congestion (Kaufman et al., 2014). There is also empirical evidence to suggest that individuals living in lower-income neighborhoods rely more heavily on nearby employment opportunities, if they exist, than those living in more affluent neighborhoods (Atkinson and Kintrea, 2001). In cases where there are no local jobs, those residents from poorer (and predominantly minority) neighborhoods face longer-than-average commute times (Roberts and Taylor, 2015; Kneebone and Holmes, 2015; Razza 2015). In the New York metro area, the site for this analysis, we know that close to 60 percent of the residents in the bottom income quintile spend more than 25 min commuting, compared to 52 percent for the top quintile.

The theoretical impact on employment opportunities for local residents is ambiguous. In the case where economic change brings in new local businesses, nearby existing residents will have the benefit of more information and lower search costs. All else equal, they should see more local employment opportunities—essentially a reversal of the spatial mismatch phenomenon. On the other hand, should neighborhood economic upgrading bring in new businesses that more productively use the existing commercial space or who exploit farther-reaching hiring networks (chains, for example), local existing residents, with

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potentially lower skill sets and smaller networks, will not be as competitively positioned for these jobs.

In order to test these predictions, we build a dataset that tracks the universe of neighborhoods in the New York City metro area for nearly a decade (2002–2011) with information on business turnover and contraction/expansion over time, demographic, economic, and built environment characteristics, and employment of the local resident labor pool. We compare changes in local employment across low-income neighborhoods experiencing gentrification to those that are more economically stagnant or declining. Our results suggest that the employment effects from gentrification are quite localized and that incumbent residents experience meaningful job losses within their home census tract. These proximate losses are most pronounced in places outside NYC, where jobs are at the same time less spatially concentrated and also initially more accessible to the typical neighborhood (in terms of commute time). There is little evidence of job gains or losses in larger live-work zones. The proximate losses are felt in service, goods-producing, and low-to-moderate-wage jobs. On the other hand, local residents gain higher-wage jobs within their home census tracts and low-wage and goods-producing jobs slightly farther away. It is harder to identify how changes in local jobs relate to the nature of business turnover. There is consistent evidence that, in places outside of NYC, businesses that stay in place in gentrifying neighborhoods are associated with significant (albeit very small) job gains within 1/3-mile. Finally, we see evidence of modest job gains in census tracts with more chain establishments.

The paper proceeds in the following way. Section 2 sets up the theoretical framework for the analysis and Section 3 summarizes the relevant empirical work to date. Section 4 describes the data for the analysis and Section 5 the empirical strategy. Section 6 presents the results from the analysis. Finally, Section 7 concludes and discusses policy implications.

2. Theoretical motivation

While the entry of new money and investment into a community can “price out” incumbent, typically lower-income residents, this increased economic activity can also bring new opportunities for local residents. One potential upside to gentrification is more nearby employment opportunities; the extent of this benefit will depend on whether or not and to what degree these new jobs actually go to local residents. However, the impact of neighborhood economic upgrading on employment opportunities for local residents is theoretically ambiguous.

Economic upgrading not only brings in more affluent and educated residents, but it also ushers in services that did not previously pervade those markets (Meltzer and Schuetz, 2012; Meltzer and Capperis, 2014). Both of these additions to the community can facilitate access to localized employment opportunities. First, it is possible that the residential integration of relatively more affluent and educated households could impose both direct and indirect positive externalities on incumbent residents, who also tend to be lower-income and less educated. Indirect effects, akin to peer effects, would come simply out of exposure to this new population, whether or not any direct interaction took place (Ellen and Turner, 1997; Galster, 2012). More likely is the employment opportunities that come out of direct contact with new, perhaps more networked or more enterprising neighbors (Ioannides and Loury, 2004). Both would result in a positive impact on access to employment opportunities, the direct more significantly than the indirect. Whether or not employment opportunities are local remains ambiguous, unless the new neighbor is also more likely to personally hire in his or her home or local business.

A perhaps more convincing scenario is where economic change brings in new and/or more local business establishments, i.e. those entities that actually hire. First, the likelihood to hire locally will depend on the type of business. More service-oriented businesses, or those that do not require technical or more advanced skill training, will

more likely be able to hire from a local pool that may not have higher or more technical levels of educational attainment (Hellerstein et al., 2015). Second, the search costs for both the businesses and local residents are lower: information about the employment opportunities is accessible and transparent (i.e. local residents can see when a new business is opening up) and advertising for available positions can penetrate the local community immediately (Johnson, 2006). Finally, government policies may require local hiring for new businesses, especially those in brand new developments or renovations (that are also more likely to receive public subsidies or permitting). All else equal, these mechanisms predict increased local employment opportunities—essentially a reversal of the spatial mismatch phenomenon.

On the other hand, physical integration may not translate into economic integration. Should neighborhood economic upgrading bring in new businesses that more productively use the existing commercial space (i.e. hire those with more technical training) or who exploit farther-reaching hiring networks (chain establishments, for example), local existing residents, with potentially lower skill sets and smaller networks, will not be as competitively positioned for these jobs. In addition, local businesses may simply discriminate against potential local hires, based on race or class, which would lower the chances of local employment (Lang and Lehmann, 2012).

3. Empirical literature review

The literature on spatial mismatch and the geography of employment is rich and documents, for various races and ethnicities, the importance of not just spatial proximity to employment (for example, Kain, 1968; Holzer, 1991; Ihlanfeldt and Sjoquist, 1998; Raphael and Stoll, 2002; Johnson, 2006; Liu and Painter, 2011), but also skill matching (Immergluck, 1998) and social proximity (i.e. networks) (see Ioannides and Loury, 2004 for a comprehensive critical summary). Fewer studies, however, have examined these relationships over time and, in particular, under circumstances of dramatic economic and demographic change. We discuss here the small body of work that relates directly to the current analysis.

3.1. The localized effects of gentrification

Gentrification is typically characterized as the arrival of relatively more affluent and educated households into neighborhoods that have historically been occupied by lower income and often minority households. This process is also usually accompanied by investment in the housing stock and local infrastructure. These physical changes, however, are usually not apace with the increased demand for occupying the space, placing pressure on prices and making it attractive for landlords to increase rents. Incumbent residents are immediately at risk of displacement, especially those who are renting, and this threat has been the focus of most of the gentrification literature thus far. Earlier investigations, whether they relied on case studies or microdata (Vigdor et al., 2002; Freeman and Braconi, 2004; Freeman, 2005), found no evidence of displacement for poor or minority households. Later studies that were able to exploit even more comprehensive micro-level panel data corroborated these findings. McKinnish et al. (2010) find no evidence of displacement of non-white households and that a disproportionate number of black householders, with no college education, remain in upgrading low-income neighborhoods. Ellen and O'Regan (2011) account for both in- and out-flows of residents, and still find no evidence of negative displacement effects. In fact, incumbent residents, under certain circumstances, experienced gains in income and reported higher levels of satisfaction with their neighborhoods, compared to other non-gentrifying low-income neighborhoods. This is also consistent with the findings from Sullivan and Shaw's (2011) study of retail gentrification in Portland, Oregon: black residents of the studied gentrifying neighborhood appreciated the convenience of the nearby retail (even though the satisfaction with

the type of services provided was less enthusiastic). Finally, extending these empirical tests to the United Kingdom, [Freeman et al. \(2015\)](#) rely on rich survey data and, again, find no significant differences in displacement between gentrifying and non-gentrifying neighborhoods.

3.2. Localized economic opportunity and gentrification

Even though the empirical evidence indicates that incumbent residents tend to stay in their gentrifying neighborhoods, we know very little about how they experience the potential opportunities that accompany neighborhood change. Do existing residents benefit from local gains in services and employment opportunities? A handful of studies focus on changes in commercial services (i.e. retail), in neighborhoods undergoing economic and demographic transitions. The economically upgrading neighborhoods tend to experience higher growth rates in local retail establishments and employment ([Meltzer and Schuetz, 2012](#); [Schuetz et al., 2012](#)). In their case-study analysis of gentrifying neighborhoods in New York City, [Zukin et al. \(2009\)](#) also observe retail growth, but more so for independently owned establishments compared to chain ones. [Immergluck \(1999\)](#) finds that neighborhoods that are relatively more minority and less affluent experience declines in commercial investment, as measured by changes in permit activity. [Chapple and Jacobus \(2009\)](#) observe retail revitalization most significantly in middle-income neighborhoods that are economically upgrading. Therefore, the literature implies that gentrifying neighborhoods do tend to witness an increase in commercial activity, likely due to the changing consumer population and the (perceived) increase in demand for goods and services in areas that were not previously seen as viable investments ([Carree and Thurik, 1996](#)).

Other studies have taken a different perspective, focusing instead on the production side. [Curran \(2004\)](#) conducts a case-study analysis in the Williamsburg neighborhood of Brooklyn, a historically manufacturing and blue-collar neighborhood that has, in recent years, undergone extensive gentrification. She finds evidence of gentrification-induced industrial displacement that has degraded local blue-collar work and forced much of it into the informal sector. [Lester and Hartley \(2014\)](#) also observe industrial restructuring in gentrifying neighborhoods, such that jobs in restaurants and retail services tend to replace those in goods producing industries. Furthermore, gentrifying neighborhoods experienced both more rapid employment growth and more rapid industrial restructuring than other, non-gentrifying neighborhoods. While Lester and Hartley conclude that gentrification is itself a catalyst for localized industrial restructuring, [Kolko \(2009\)](#) raises the important point that gentrification is also induced (and perpetuated) by the influx of affluent households who are presumably following higher paying jobs. In his study, Kolko focuses on neighborhoods located in or near the central business district and estimates the impact of changes in job pay on the average neighborhood income (his proxy for gentrification). [Baum-Snow and Hartley \(2017\)](#) conduct a slightly augmented analysis, in the same vein, that comes to similar conclusions: the demand for living in certain neighborhoods due to nearby job opportunities, especially those closer to the central business district, can influence the economic trajectory of those neighborhoods. These analyses shed light on the influence of “newcomers” on local labor markets and how they too might be competing for neighborhood-based employment opportunities. No study to date tests whether or not these employment benefits are realized by incumbent residents, or how access to employment might vary by job type or broader neighborhood conditions. This link is crucial, as it more directly measures how the benefits of gentrification are retained by local community members, or if they are exported to those without any longstanding community ties.

4. Data

The data for this project are compiled from a number of sources. The core component is derived from the LEHD Origin-Destination Employment Statistics (LODES) dataset, which is publicly available from

the Census Bureau. The LODES data contain information on annual employment counts and live-work patterns of employees for every census block in the New York-Newark, NY-NJ-CT-PA Combined Statistical Area dating from 2002 to 2011. In addition, the job counts are broken down with respect to their wage levels and sector classifications.¹ Since the census block is quite small and not consistent with a neighborhood’s span, we aggregate up this information into four larger geographies (“live-work zones”): census tracts and 1/3-, 1- and 2-mile-radius rings around the census tract where a worker (or potential worker) lives. A priori, it is also unclear at what geography local jobs would be most affected, and therefore we test for responses at all four radii.

We supplement the LODES data with two other datasets. First, we attach neighborhood characteristics from the Neighborhood Change Database. Geolytics’ Neighborhood Change Database provides data for 1970 through 2010, normalized to consistent census tracts as defined in the 2010 census. We use indicators from the Census and the American Community Survey’s three-year estimates for larger geographies. We retain variables on the neighborhood’s population total, racial and ethnic composition, education levels, housing stock (including typical structure age, rents and housing values), poverty rate, unemployment rate, age distribution, commuting times, and residential mobility (specifically, the share of housing units occupied by new households between 2000 and 2008). Since the data is available at the census tract level, we need to construct the variables for the larger ring geographies. To do this, we first identify the census tracts whose centroids lie inside the respective ring and then aggregate the census tract values up to the ring-level (in certain cases, we create weighted averages).

Second, we merge in information from a proprietary data set, the National Establishment Time Series (NETS), which allows us to follow the universe of business establishments in New York City (including their industry classification and organizational structure) over the study period. This database is constructed by Walls and Associates, using information from the Dun & Bradstreet business register. Unlike the LODES data, NETS provides full street address information for each establishment. We geocode these businesses’ addresses to tax parcels so that we can accurately attach census tracts and then aggregate establishment counts to obtain census tract (and then ring) totals. Because the NETS data are longitudinal and establishment-specific, we can measure gross changes in the number of establishments (i.e. the number of businesses that enter versus exit a neighborhood).

We limit our study area to the New York-Newark, NY-NJ-CT-PA Combined Statistical Area and run analyses on census tracts (and the various sized rings they comprise) that are populated as of 2000 and with valid income values throughout the study period. Ultimately, we end up with 50,889 tract-year observations across low- and moderate/high-income census tracts, which span 10 years (2002–2011) and over 800 municipalities. We restrict the regression analysis to low-income neighborhoods; this step is described in more detail below.

5. Empirical strategy

5.1. Identification of gentrifying neighborhoods

In our analysis, we operationalize the neighborhood as a census tract. While the density of a census tract can vary, it tends to have an average of about 4000 residents in our sample and is a common (and convenient) geography at which to measure neighborhood dynamics ([Lester and Hartley, 2014](#); [Ellen and O’Regan, 2008, 2011](#); [McKinnish et al., 2010](#)). For our analysis, the census tract identifies the location of residence; work zones will be defined coterminously and more broadly (see below).

¹ This data is not going to pick up informal hires and employment opportunities that are not recorded by unemployment insurance. Therefore, any count of jobs is admittedly an undercount. We hope to mitigate any systematic bias by controlling for other socioeconomic characteristics at the neighborhood level that are correlated with the likelihood of these informal activities.

We prioritize the economic dimension of gentrification, and identify neighborhoods as gentrifying if they improve in their relative economic position over the course of the study period. This is consistent with previous implementations (see [Ellen and O'Regan, 2008](#); [McKinnish et al., 2010](#); [Meltzer and Schuetz 2012](#)). However, we do replicate our analyses using alternative indicators of gentrification that capture other dimensions, such as education, housing values and housing vintage, which have also been used in prior studies (see [Hammel and Wylie 1996](#); [Vigdor et al., 2002](#); [Freeman 2005](#); [Lester and Hartley 2014](#)).² Fig. 1 displays a correspondence matrix for the tract and 1-mile ring (the matrices for the other radii look nearly identical), showing that the classification of census tracts as gentrifying is overwhelmingly consistent across the various definitions. At all of the live-works zones (described in detail below) the correspondence across at least three of the definitions is between 80 and 100 percent; the definition based on the vintage of the baseline housing stock is less consistent. Therefore, it is not surprising that the findings from these alternative specifications confirm the results from the specifications using an income-based gentrification indicator (see [Appendix A](#) for a table of these results). Nevertheless, variables capturing these alternative dimensions are included as covariates in our analyses; therefore, while they are not instrumental in identifying the gentrifying neighborhoods, they are accounted for as important correlates of neighborhood change.

To classify gentrifying neighborhoods, we (i) identify neighborhoods as “very low-income” if they have average household incomes that are in the bottom quintile of the neighborhood income distribution in 2000,³ (ii) create a ratio of tract-level income to MSA-level income for 2000 and 2008 ($AvgInc_{tract_2000} / AvgInc_{MSA_2000}$ and $AvgInc_{tract_2008} / AvgInc_{MSA_2008}$, respectively), and (iii) take the difference of these ratios to calculate the change in relative income over the course of the study period.⁴ We consider two degrees of gentrification. First, those neighborhoods with any positive changes in relative income (e.g. $[AvgInc_{tract_2008} / AvgInc_{MSA_2008}] - [AvgInc_{tract_2000} / AvgInc_{MSA_2000}] > 0$) are classified as *gentrifying*. Second, we array the census tracts with respect to their changes in relative income and identify those neighborhoods with changes in the top quartile of the distribution as *substantially gentrifying* (e.g. $[AvgInc_{tract_2008} / AvgInc_{MSA_2008}] - [AvgInc_{tract_2000} / AvgInc_{MSA_2000}] > .05$).⁵ We rely on relative measures of income, and how those change over time, to account for costs of living in a particular locality and the fact that macro metro area economic shifts may or may not be reflected equally at the neighborhood level (this is consistent with other studies such as [Rosenthal \(2008\)](#) and [Ellen and O'Regan \(2008\)](#)).

Out of all of the census tracts in the study area, 879 are designated as low-income; out of those low-income tracts, about 40 percent are identified as gentrifying over the study period.⁶ We also see that this

² $Gentrification_education = 1$ if $Chg00_08_share_baplus_tract > Chg00_08_share_baplus_MSA$ and 0 otherwise; $Gentrification_housingvalue = 1$ if $Chg00_08_mdhsgvalue_tract > Chg00_08_mdhsgvalue_MSA$ and 0 otherwise; $Gentrification_housingage = 1$ if $housingbltpost1970_tract < = housingbltpost1970_MSA$ and 0 otherwise.

³ We replicate all of the analyses using a more inclusive definition of “low-income” (the bottom two quintiles); the results are largely consistent with those presented (the magnitudes of the *Gentrify* coefficients are often bigger). We proceed with the more conservative definition of “low-income” to capture the very poorest, and likely more vulnerable, neighborhoods in the city.

⁴ We note that average household incomes were going up during this time period for all MSAs in our sample.

⁵ We opt for average-income metrics, instead of median-income ones, for two main reasons: (1) unlike median income, average income for the rings can be constructed from the census tract components in the NCDB database; since we want to compare results from models using census tracts to those using the various ring geographies, this feature is important; (2) due to the normalized boundaries in the NCDB database, median values are constructed through a series of interpolations, introducing additional noise into that metric.

⁶ We omit from the analysis tracts with outlier changes in relative income, specifically those falling in the top 2 percent of the distribution.

income-based designation reflects other demographic disparities across low- and moderate/high-income neighborhoods. For example, in [Table 1](#), we display demographics for very low-income tracts against those same variables for higher-income tracts, as of 2000. We see that relatively higher income tracts have more local jobs, which is consistent with a spatial mismatch narrative for lower-income tracts. The higher income tracts also have more educated and older populations, fewer non-white households, fewer residents in poverty, lower unemployment rates, higher homeownership rates and newer housing stock. The residential population was more stable as of 2008 (with a lower share that had moved in the previous five years) and a workforce that tends to commute slightly less than that in the poorer neighborhoods. While the relatively higher income tracts experienced more growth in population between 2000 and 2008, the lower income neighborhoods saw higher rent and housing value increases over that same time period. Relatively higher income tracts tend to have bigger retail establishments and smaller non-retail establishments (like, professional services or goods-producing enterprises); they also have more businesses that stay in place over the course of the study period. The movement of businesses into and out of the neighborhoods is comparable, however. These are all characteristics that will be controlled for in the regression analyses that follow.

5.2. Identification of live-work zones

The live-work zones are centered on the census-tract, and span four different radii. In order to test for geographically immediate labor effects, we define the first live-work zone as the same census tract. Second, we draw 1/3-, 1- and 2-mile rings around each low-income census tract and aggregate employment numbers accordingly. We consider the 2-mile ring a reasonable upper bound, since it is consistent with live-work buffers used in other studies ([Baum-Snow and Hartley, 2017](#); [Kolko 2009](#); [Immergluck 1998](#)).⁷

To provide a sense of how the various live-work geographies compare, we display some comparative statistics in [Table 2](#) and [Appendix B](#). We see that the 1/3-mile ring is comprised of, on average, two census tracts; the one-mile ring is comprised of about twenty tracts and the two-mile ring between sixty and sixty-five. The population in the 1/3-mile ring is just over 2 times that of the tract and the 1- and 2-mile rings have about six- and sixteen-times that of the 1/3-mile ring population, respectively. Whereas the number of local jobs increases even more dramatically as the live-work zone grows, the share of all jobs going to residents in the centroid tract is just about the same for the census tract and 1/3-mile ring and only slightly higher for the 1- and 2-mile rings. Therefore, the four zones provide reasonable variation in the distance between residence and work.

5.3. Estimation

We run regressions only on those neighborhoods designated as “low-income” and our estimation model generally takes the following form⁸:

$$Total_Local_Jobs_{i,z,m,s,t} = \beta_0 + \beta_1(Gentrify_i) + \beta_2(Business_{z,t}) + \beta_3(Nhood_z) + \beta_4(Nhood_00_08_z) + d_m + d_{s,t} + \epsilon_{it}$$

Here, *Total_Local_Jobs* measures the extent to which jobs in live-work zone *z* go to residents who live in the centroid neighborhood *i* at time *t* and is a simple count of the number of local jobs. We also include on

⁷ We also replicate the analysis using 5-mile rings; however the results become increasingly noisy and difficult to interpret at larger radii, since the mode of transportation and diversity of terrain become more heterogeneous.

⁸ We also transform the dependent variable and run log-linear models that are otherwise identical to the linear models. The results are consistent with the linear OLS results, in terms of sign and magnitude (we lose significance in certain specifications). These results are available from the authors upon request.

Tract				Ring1					
		Gent Hsg Age				Gent Hsg Age			
		No	Yes	Total			Total		
Income-based	No	5,283	0	5,283	Income-based	No	3,068	0	3,068
		100%	0%				100%	0%	
Gent Def	Yes	1,616	1,873	3,489	Gent Def	Yes	1,236	970	2,206
		46%	54%				56%	44%	
Total		6,899	1,873	8,772	Total		4,305	970	5,274

Tract				Ring1					
		Gent Educ Att				Gent Educ Att			
		No	Yes	Total			Total		
Income-based	No	5,283	0	5,283	Income-based	No	3,068	0	3,068
		100%	0%				100%	0%	
Gent Def	Yes	619	2,870	3,489	Gent Def	Yes	291	1,915	2,206
		18%	82%				13%	87%	
Total		5,902	2,870	8,772	Total		3,360	1,915	5,274

Tract				Ring1					
		Gent Hsg Val				Gent Hsg Val			
		No	Yes	Total			Total		
Income-based	No	5,283	0	5,283	Income-based	No	3,068	0	3,068
		100%	0%				100%	0%	
Gent Def	Yes	138	3,351	3,489	Gent Def	Yes	107	2,099	2,206
		4%	96%				5%	95%	
Total		5,421	3,351	8,772	Total		3,176	2,099	5,274

Fig. 1. Correspondence across Gentrification Definitions.

Table 1
Summary statistics for Mod-High- vs. Low-Income Census Tracts.

Variable	Mod-High-Income Tracts (Top 80 Pctl)			Low-Income Tracts (Bottom 20 Pctl)		
	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.
All Jobs	2787	1610	3101	816	1021	2318
Total Local Jobs	2787	63	76	816	31	46
Total Population	2787	4277	1840	816	4275	1877
Poverty Rate	2787	0.11	0.09	816	0.31	0.12
Prop. Adults w/ a College Degree or More	2787	0.29	0.16	816	0.11	0.07
Prop. Non-Hispanic Black	2787	0.17	0.26	816	0.40	0.31
Prop. Non-Hispanic Asian	2787	0.08	0.10	816	0.05	0.11
Prop. Non-Hispanic White	2787	0.58	0.32	816	0.18	0.24
Prop. Hispanic	2787	0.16	0.18	816	0.37	0.25
Prop. Foreign-Born	2787	0.26	0.18	816	0.29	0.16
Prop. of Units Built Before 1970	2787	0.77	0.21	816	0.79	0.18
Prop. Renters	2787	0.42	0.25	816	0.74	0.16
Unemployment Rate	2787	0.07	0.05	816	0.15	0.07
Prop. Commuting > 25 min to Work	2787	0.56	0.15	816	0.60	0.17
Prop. Living in the Same Unit for 5+ Years	2787	0.61	0.09	816	0.58	0.10
Prop. Younger than 18	2787	0.24	0.06	816	0.30	0.07
Prop. Older than 65	2787	0.13	0.06	816	0.10	0.07
% Change in College Grads 2000–2008	2787	0.25	0.41	816	0.59	0.88
% Change in Median Housing Value 2000–2008	2702	3.28	124.2	701	8.11	155.1
% Change in Median Gross Rent 2000–2008	2786	0.17	0.25	816	0.22	0.20
% Change in Poverty Rate 2000–2008	2786	0.144	0.83	816	-0.010	0.46
Prop. Housing Units Built 2000–2010	2787	0.05	0.07	816	0.06	0.09
% Change in Total Population 2000–2008	2787	0.09	0.87	816	0.01	0.17
Employees per Establishment, Retail	2762	5.9	5.3	805	4.4	3.7
Employees per Establishment, Non-Retail	2750	8.6	10.3	806	13.0	53.6
Prop. Estab. Stayed over Past 5 Yrs	2682	0.62	3.20	781	0.53	0.22
Prop. Estab. Moved In during Past 5 Yrs	2787	0.73	5.90	816	0.69	0.33
Prop. Estab. Closed/ Exited during Past 5 Yrs	2787	0.20	1.37	816	0.19	0.12
Total Number of Business Estab. in 2002	2756	234.15	232.45	794	144.72	163.11

the right-hand-side a measure of total jobs, including those occupied by local and non-local residents, to control for overall employment activity. *Gentrify* is operationalized in two ways, taking on the value of 1 if neighborhood *i* experiences any increase in relative income between 2000 and 2008 and, alternatively, if neighborhood *i* experiences a substantial increase in relative income between 2000 and 2008;

in both cases, it takes on the value of 0 otherwise.⁹ We will focus on the

⁹ We also run specifications where we control for gentrification and income changes during the prior decade, 1990–2000, and the results for the *Gentrify* coefficient are substantively the same.

Table 2
Characteristics of different Live-Work Geographies.

Full Sample	NYC				Non-NYC							
	Tract	0.3 m Ring	1 m Ring	2 m Ring	Tract	0.3 m Ring	1 m Ring	2 m Ring	Tract	0.3 m Ring	1 m Ring	2 m Ring
Number of Tracts	1	2.53	21.27	65.91	1	3.52	29.37	90.91	1	1.21	9.22	27.96
Total Population	4121	9091	56,176	148,222	4281	12,090	69,637	176,240	3843	4398	28,530	80,203
Total Local Jobs	30	91	2170	12,602	20	120	2833	15,985	50	61	1391	8085
Total Jobs	1319	2256	21,135	72,298	942	2778	25,513	89,337	1670	1811	12,750	38,515
Local Job Shares	0.052	0.060	0.130	0.219	0.062	0.073	0.153	0.247	0.050	0.052	0.126	0.223

results for the indicator capturing substantial gentrification, as it is a more conservative classification of gentrification.¹⁰ **Business**_{z,t} controls for changes in local business activity sourced from the NETS data, including the number of establishments that, over the prior 5-year period, have stayed in the live-work zone (*Stay*), have moved into the zone (*Inmove*), and have exited the zone either due to permanent shutdown or relocation (*Outmove*). We also control for the number of total establishments at the start of the study period, to distinguish among neighborhoods and zones that are more or less likely to host commercial activity. The vector, **Nhood**_z, includes a number of variables from the U.S. Census and ACS to control for the demographic and economic conditions at the start of the study period, 2000. Specifically, we include baseline population, poverty rate, share of the population with a college degree or higher, share non-Hispanic black, white and Asian, share Hispanic, unemployment rate, age and share foreign born to capture other resident characteristics that could be correlated with income and employment-readiness. We also include indicators of housing investment and tenures, such as age of the housing stock and share of the units occupied by renters, and mobility of the local population, such as the share of the working population whose travel time to work is more than 25 min and the share of residents that have not moved in the past five years. Likewise, **Nhood_00_08**_z controls for changes between 2000 and 2008 for a subset of zone characteristics (relative to changes in those same variables at the MSA level), such as education, median housing values and rents, poverty rate, population and housing units.¹¹ Again, we include these to control for other local demographic changes that could be correlated with economic upgrading and changes in localized employment opportunities. Finally, we also include MSA and state-year dummy variables to control for unobserved heterogeneity across metro areas and any macro changes over time that could be correlated with neighborhood and zone economic shifts and employment activity.¹² All standard errors are robust.

Thus far, we have considered gentrification as exogenous to any change in local jobs. However, if it is the case that gentrification is simultaneously induced by shifts in the local population and employment opportunities, then it needs to be treated as endogenous in order mitigate against any bias in estimating the direct effect of gentrification on local job access. To improve upon the above “naïve” model, we instrument for gentrification

¹⁰ In order to maximize our estimating power, we retain annual observations for jobs even though the gentrification indicator is based off of a single decadal change. In addition, it is consistent with operationalizing gentrification as a discrete shock, compared to the changing responsiveness of the job market over consecutive years. In addition, we replicate similar models using only long-differences (between 2000 and 2010) for the jobs variables, and while the precision in our estimates goes down, the results are substantively the same (the magnitudes of the *Gentrify* coefficient are generally smaller). These results are available from the authors upon request.

¹¹ We also run similar models that are more parsimoniously specified. The results are substantively the same; the estimates from the models with a more comprehensive set of controls tend to be smaller.

¹² We also run models without MSA dummies and with county dummies, instead of MSA dummies, and the results are substantively the same. Ideally, we would like to include finer controls at the neighborhood level, but since the Census-based variables do not vary across the inter-census years, we would lose those covariates in the presence of neighborhood-level fixed effects.

using a Bartik type variable (1991) and by adapting an approach employed by Guerrieri et al. (2013), in which the authors implement an exogenous shock on local income.¹³ Specifically, we compute the predicted change in income for the neighborhood between t = 2000 and t = 2010 by interacting state-level¹⁴ changes in earnings over that time period with the neighborhood's industrial composition at time t = 2000. Furthermore, we construct the instrument using earnings from only a subset of industries that represent professional employment; these are positions more likely held by those with higher levels of education and by those who represent the in-movers into gentrifying areas. Specifically, we include information on NAICS codes 51 (Information), 52 (Finance & Insurance), 53 (Real Estate), 54 (Professional, Scientific & Technical Services), and 55 (Management of Companies).¹⁵ Earnings data were obtained from Minnesota Population Center's IPUMS-USA data (Ruggles et al., 2015), and are combined with tract-level industrial compositions from the LODES data. The Bartik instrument takes on the following form:

$$\widehat{Bartik}_{j,t} = \frac{\sum_k \left[E_{j,k,t-10} \left(\frac{E_{k,t}}{E_{k,t-10}} - 1 \right) \right]}{\sum_k E_{j,k,t-10}}$$

where, *E* represents earnings, *k* denotes the industry (limited to the subset of five NAICS codes) and *j* indexes the neighborhood. Furthermore, a neighborhood's own growth is not included as part of the state's broader growth between 2000 and 2010. This instrument should capture exogenous and observable shocks in income at the geographically-broader state level that are predicted by neighborhood-specific industry mixes, but also absent of endogenous neighborhood-based income growth measures. We note that there is a good deal of variation in income growth (and contraction) across industries, ranging in magnitude from less than 10 percent to over 100 percent, and in industry mix across the neighborhoods (see Appendix C). In addition, no industry is concentrated in any particular census tract, preventing unwanted correlation between state-level growth rates and neighborhood-level income shocks (see Appendix D). This Bartik instrument assumes an income-driven mechanism behind gentrification (versus an amenity-driven one). Such an assumption is not only consistent with how the endogenous gentrification metric is formulated, but also with the expectation that, at a neighborhood level, amenities will tend to follow demand.¹⁶

¹³ A long list of studies have used the Bartik instrument as a measure of local labor demand shocks; for example see Blanchard et al., 1992; Bound and Holzer, 2000; Notowidigdo, 2011; Maestas et al., 2013; Edlund et al., 2015; Couture and Handbury 2015).

¹⁴ We also implement instruments using other larger geographies, such as the nation and the CSA. The results are substantively the same regardless of what instrument is used. The state-based Bartik performed slightly better in the first-stage models and therefore we present results using this version.

¹⁵ We employ a similar strategy to that used in Baum-Snow et al. (2017).

¹⁶ We run models that control for the level of neighborhood amenities (i.e. total retail services); the results are substantively the same. We also run models controlling for other mechanisms through which the neighborhood could improve (construction permits and the volume of *lis pendens*); the coefficient on *Gentrify* is unchanged when controlling for these variables.

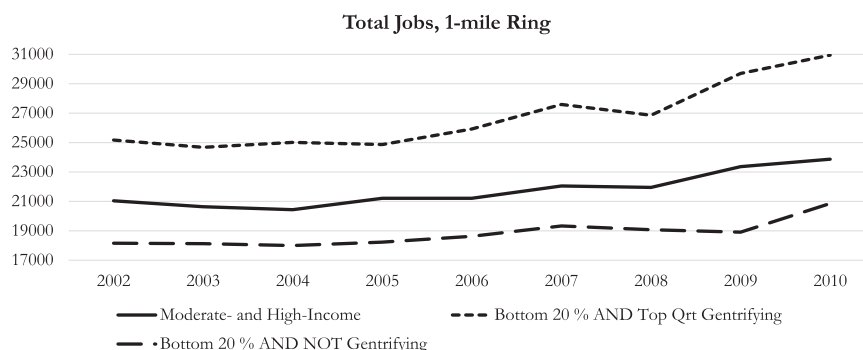


Fig. 2. Total Jobs, by economic status and change of neighborhood.

6. Results

6.1. Are there more jobs around gentrifying neighborhoods?

Before testing whether or not local residents are accessing nearby jobs, we first confirm that indeed gentrifying neighborhoods were experiencing larger increases in commercial activity (relative to non-gentrifying neighborhoods) over the course of the study period. These increases were more pronounced (i.e. statistically significant) in smaller zones around the gentrifying tract. Fig. 2 shows that over the same period, gentrifying neighborhoods exhibit the most movement, rising above the job numbers of even the moderate/high income neighborhoods in the city. The non-gentrifying neighborhoods, on the other hand, have persistently fewer jobs overall, with a slight increase over time.¹⁷ The question is, how many of these jobs were going to local residents?

6.2. Are local residents getting those jobs?

For all of the regression models, except where noted, we display results for the four different live-work zones. We discuss the results from the baseline specification (shown in Tables 3 and 4), and we use the less restrictive measure of gentrification, classifying any neighborhood with a positive change in relative income as gentrifying. We see that at close proximity (i.e. within the same census tract or within 1/3 mile) residents in gentrifying neighborhoods experience significantly more job losses compared to those in non-gentrifying areas. At larger live-work radii, local residents see significant job gains in gentrifying neighborhoods. In the second set of results we use the more conservative measure of gentrification, classifying neighborhoods in the top quartile of changes in relative income as substantially gentrifying. The patterns are largely the same as those from the models using the more inclusive definition of gentrification. Again, local residents in gentrifying neighborhoods experience job losses within smaller live-work radii, averaging close to 9 jobs per year (or just under ten percent of the total number of local jobs in a typical neighborhood). As the live-work zone grows, local residents see gains of between 89 and 192 jobs per year (or between four and 1.5 percent, respectively).

As discussed earlier, we are concerned that the process of gentrification will simultaneously change job access for incumbent residents and bring in newcomers searching for (or moving towards) local jobs. In order to mitigate against this simultaneity, we augment the analysis in two ways. First, we isolate whether or not the recipients of these jobs are incumbent residents, versus new in-movers, by classifying neighborhoods based on the share of occupied housing units for which the inhabitant recently moved in (i.e. since 2000, as of 2008).¹⁸ We then

stratify the regression models, separating the neighborhoods with a high share (at the 25th percentile or higher) of recent in-movers from those with larger shares of incumbent residents, and these results are displayed in Table 5.¹⁹ We are most interested in the coefficients on *Gentrify* for the subset of neighborhoods with a lower share of in-movers (i.e. “below 25th percentile”). The patterns are consistent with those observed in the pooled models, such that local job losses for residents in gentrifying neighborhoods are sustained in smaller live-work zones. As before, residents in gentrifying neighborhoods experience job gains, compared to those in non-gentrifying neighborhoods, at larger radii of 1- and 2-miles.

As a second strategy to deal with the threat of endogeneity, we instrument for *Gentrify* using the Bartik variable to predict local income shifts. The results from the 2SLS models are displayed in Table 6. The results are different in two important ways. For small live-work zones, the effect on local jobs is still negative in gentrifying neighborhoods, but the coefficient on *Gentrify* is now larger in magnitude (and significant for the smallest live-work zone). This suggests that, as hypothesized, OLS estimates were biased up by in-movers securing nearby jobs. In addition, the coefficients on *Gentrify* for the largest live-work zone is now negative as well, albeit insignificant. Specifically, at proximate distances, residents in gentrifying neighborhoods lose, on average, 16 jobs within the same census tract, which is a meaningful 53 percent loss based on the number of local jobs in the typical tract. As with the OLS models, the magnitude of the effect grows as the live-work zone expands, although it remains insignificant. Table 7 displays the first-stage results, which indicate that the instrument performs well, especially for the smaller live-work zones. For these smaller zones the first stage F-statistic ranges from 22 to 65; the statistic is considerably smaller, between 3 and 5, for the larger live-work zones. In all cases, the coefficient on the Bartik instrument is highly significant. We also note that the F-statistics improve (for all live-work zones) as the sample and dependent variable are disaggregated (see the discussion of the results that follows).

As displayed in Table 2, there are meaningful differences in job concentrations across the various live-work zones for localities inside and outside of New York City (NYC). Although less dramatic, there are also differences in other neighborhood socioeconomic characteristics that could drive different employment outcomes across NYC and non-NYC gentrifying neighborhoods (see Table 8). For example, gentrifying neighborhoods in NYC exhibit less residential turnover and faster growth in college-educated residents. We run similar 2SLS analyses, stratified across NYC and non-NYC tracts and note two important findings (displayed in Appendix F). First, the gentrification-induced job losses within smaller live-work zones appear to be driven by neighbor-

¹⁷ These patterns are similar to those in the more inclusive low-income sample, which includes the tracts in the bottom 40 percent of relative household incomes. The patterns in Fig. 2 are corroborated by 2SLS regressions, which also confirm significant total job gains in live-work zones surrounding gentrifying neighborhoods.

¹⁸ This variable is obtained from the American Community Survey 2008 3-year summary file.

¹⁹ We re-run these stratified models using different thresholds for the strata, and the results are substantively consistent. We also note that when we isolate the tracts with the highest share of incumbents (i.e. as the threshold gets closer to the bottom of the distribution), the magnitude of the coefficient increases for the strata with more incumbents. These results are displayed in Appendix E.

Table 3
OLS regression results, inclusive gentrification definition.

	Total Local Jobs			
	Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008	-2.498*** (0.877)	-7.223*** (2.047)	91.49*** (25.89)	188.0*** (68.27)
All Jobs	0.00241*** (0.000546)	0.00393*** (0.00132)	0.0145*** (0.00128)	0.0343*** (0.00208)
Total Population	0.00625*** (0.000450)	0.0148*** (0.000980)	0.0151*** (0.00255)	0.00302 (0.00325)
Poverty Rate	-5.246 (5.731)	162.8** (22.32)	2,175*** (410.5)	9,407*** (1679)
Prop. Adults w/ a College Degree or More	0.207 (9.028)	-28.72* (16.78)	929.7*** (251.3)	5660*** (1112)
Prop. Non-Hispanic Black	-21.22 (47.51)	-0.00844*** (0.000726)	-0.00659*** (0.00196)	0.0308*** (0.00330)
Prop. Non-Hispanic Asian	-17.02 (47.96)	-117.1*** (24.44)	3.089 (252.6)	1015 (1474)
Prop. Non-Hispanic White	6.825 (46.90)	8.041 (8.239)	509.2*** (105.1)	5205*** (496.7)
Prop. Hispanic	-18.27 (47.70)	-117.9*** (9.059)	-817.0*** (118.4)	3626*** (523.7)
Prop. Foreign-Born	-4.321 (3.160)	64.44*** (9.024)	1143*** (130.8)	3514*** (867.7)
Prop. of Units Built Before 1970	-0.00428*** (0.00118)	-0.0205*** (0.00263)	0.0159** (0.00783)	0.0407*** (0.0106)
Prop. Renters	-3.621 (3.642)	38.25*** (9.976)	479.5*** (168.4)	1332* (742.9)
Unemployment Rate	-5.962 (4.205)	-225.6*** (28.03)	1257* (689.8)	10,088*** (2090)
Prop. Commuting > 25 min to Work	-12.33* (6.561)	-167.8*** (10.62)	- 4153*** (251.5)	- 3826*** (905.6)
Prop. Living in the Same Unit for 5+ Years	6.236 (5.008)	143.8*** (14.45)	891.5*** (235.0)	- 5265*** (1633)
Prop. Younger than 18	28.73*** (9.829)	138.1*** (32.58)	2610*** (598.0)	15319*** (3572)
Prop. Older than 65	-30.34*** (8.085)	-1.380 (15.94)	298.6 (281.5)	5903*** (1609)
Change in College Grads 2000–2008	0.514* (0.304)	4.030*** (1.437)	-29.05 (40.02)	-496.4** (212.7)
Change in Median Housing Value 2000–2008	-0.000706 (0.000480)	-0.00304 (0.00506)	-27.74* (15.61)	959.5*** (124.0)
Change in Median Gross Rent 2000–2008	5.685***	4.119	-182.3	277.5

Table 3 (continued)

	Total Local Jobs			
	Tract	0.3 m Ring	1 m Ring	2 m Ring
	(1.797)	(5.314)	(115.1)	(579.4)
Change in Poverty Rate 2000–2008	2.024** (0.875)	6.233*** (1.199)	206.9*** (46.43)	1262*** (204.7)
Prop. Housing Units Built 2000–2010	0.0277*** (0.00347)	4.49e-05 (0.00609)	0.224*** (0.0280)	-0.130*** (0.0397)
Change in Total Population 2000–2008	-8.889*** (2.287)	-18.87*** (5.888)	-361.5*** (99.34)	- 2895*** (870.6)
Estab. Stayed over Past 5 Yrs	0.202*** (0.0327)	0.329*** (0.0392)	0.627*** (0.107)	1.820*** (0.199)
Estab. Moved In over Past 5 Yrs	-0.0737*** (0.0209)	0.114*** (0.0393)	0.193** (0.0831)	-0.314* (0.180)
Estab. Closed/Exited during Past 5 Yrs	-0.0479 (0.0382)	-0.220*** (0.0639)	-0.793*** (0.181)	0.0975 (0.289)
Total Establishments in 2002	0.0595** (0.0238)	-0.0710*** (0.0137)	-0.0541 (0.0936)	-1.111*** (0.323)
Constant	2.556 (44.66)	-59.56*** (17.96)	-690.4** (283.4)	- 7661*** (1208)
Robust S.E.'s? MSA and State-Yr Dummies?	Y Y	Y Y	Y Y	Y Y
Observations	5558	6571	6949	6950
R-squared	0.710	0.708	0.840	0.954

Robust standard errors in parentheses.

*** p < 0.01.

** p < 0.05.

* p < 0.1

hoods located outside of NYC (where losses are also observed for 1-mile live-work zones, which was not the case in the pooled sample). While the coefficients on *Gentrify* in the NYC strata are still negative for proximate live-work zones, they are no longer significant. Second, any significant gentrification-induced losses in the NYC sub-sample are observed in the largest 2-mile live-work zone (for which non-NYC gentrifying neighborhoods gain local jobs).

We also test to see if the gentrification effect differs based on the neighborhood's initial access to employment. We run these tests to shed light on how gentrification might be addressing any spatial mismatch in jobs. To do this we stratify the models by (i) the initial share of workers who commute more than 25 min, and (ii) the initial unemployment rate. These results are displayed in [Tables 9 and 10](#). They again show that local job losses are concentrated in small live-work zones and concentrated among neighborhoods with initially shorter commute times. Furthermore, for larger, 1-mile live-work zones, gentrifying neighborhoods with initially longer commute times sustain significant job losses. When the sample is stratified based on initial unemployment rates, job losses within proximate live-work zones are more pronounced for neighborhoods with lower rates of unemployment as of 2000. The 1-mile ring results show significant job gains for neighborhoods with initially lower unemployment rates; there

Table 4
OLS regression results, substantial gentrification definition.

Total Local Jobs				
	Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008 (Top Q)	0.458 (0.959)	-8.795*** (2.143)	89.39*** (28.98)	191.8** (75.62)
All Jobs	0.00244*** (0.000547)	0.00359*** (0.00132)	0.0147*** (0.00128)	0.0352*** (0.00211)
Total Population	0.00655*** (0.000467)	0.0149*** (0.00101)	0.0148*** (0.00261)	0.00912*** (0.00346)
Poverty Rate	-10.62** (5.235)	85.03*** (17.95)	2656*** (375.1)	15,414*** (1288)
Prop. Adults w/ a College Degree or More	-2.051 (8.692)	-5.439 (17.14)	743.4*** (243.6)	6049*** (1238)
Prop. Non-Hispanic Black	-25.70 (48.57)	-0.00857*** (0.000733)	-0.00688*** (0.00197)	0.0335*** (0.00348)
Prop. Non-Hispanic Asian	-19.75 (48.93)	-98.78*** (23.97)	-136.0 (250.9)	-840.8 (1565)
Prop. Non-Hispanic White	2.889 (47.84)	26.42*** (9.091)	395.3*** (101.2)	4712*** (499.4)
Prop. Hispanic	-22.86 (48.75)	-114.1*** (8.835)	-870.0*** (117.8)	3593*** (527.7)
Prop. Foreign-Born	-4.734 (3.210)	72.28*** (9.131)	1132*** (133.1)	3336*** (856.5)
Prop. of Units Built Before 1970	-0.00481*** (0.00121)	-0.0207*** (0.00273)	0.0171** (0.00807)	0.0237** (0.0118)
Prop. Renters	-1.763 (3.683)	39.85*** (9.788)	439.6*** (167.8)	61.49 (815.1)
Unemployment Rate	-4.787 (4.408)	-179.3*** (11.07)	-4067*** (238.7)	-3698*** (916.7)
Prop. Commuting > 25 min to Work	9.497*** (3.007)	51.09*** (8.701)	-303.7** (150.0)	4846*** (1030)
Prop. Living in the Same Unit for 5+ Years	10.29** (5.194)	184.9*** (16.42)	670.1** (265.3)	-1585 (1363)
Prop. Younger than 18	30.03*** (9.885)	169.6*** (33.06)	2487*** (686.0)	6205** (2946)
Prop. Older than 65	-27.54*** (8.260)	-1.805 (16.45)	306.7 (297.1)	4038*** (1432)
Change in College Grads 2000–2008	0.129 (0.284)	4.492*** (1.547)	-29.67 (40.11)	-578.6*** (203.8)
Change in Median Housing Value 2000–2008	-0.000306 (0.000474)	-0.000786 (0.00497)	-29.70* (15.55)	935.9*** (122.2)
Change in Median	4.022**	-5.692	-124.1	207.5

Table 4 (continued)

Total Local Jobs				
	Tract	0.3 m Ring	1 m Ring	2 m Ring
Gross Rent 2000–2008	(1.779)	(5.337)	(118.4)	(555.2)
Change in Poverty Rate 2000–2008	2.194** (0.900)	2.868** (1.165)	253.8*** (51.15)	752.2*** (221.0)
Prop. Housing Units Built 2000–2010	0.0257*** (0.00345)	-0.00435 (0.00623)	0.232*** (0.0292)	-0.198*** (0.0408)
Change in Total Population 2000–2008	-8.930*** (2.269)	-13.71** (5.829)	-391.9*** (100.2)	-2081*** (803.1)
Estab. Stayed over Past 5 Yrs	0.199*** (0.0325)	0.330*** (0.0393)	0.632*** (0.107)	1.866*** (0.200)
Estab. Moved In over Past 5 Yrs	-0.0731*** (0.0208)	0.120*** (0.0394)	0.182** (0.0814)	-0.366** (0.178)
Estab. Closed/Exited during Past 5 Yrs	-0.0478 (0.0379)	-0.225*** (0.0639)	-0.793*** (0.180)	0.103 (0.286)
Total Establishments in 2002	0.0604** (0.0237)	-0.0656*** (0.0137)	-0.0464 (0.0941)	-1.093*** (0.322)
Constant	-4.439 (45.38)	-142.4*** (19.71)	-240.2 (351.4)	-9003*** (1545)
Robust S.E.'s?	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y
Observations	5558	6571	6949	6950
R-squared	0.710	0.706	0.840	0.954

Robust standard errors in parentheses.

*** p < 0.01.

** p < 0.05.

* p < 0.1.

are no changes, however, for neighborhoods with initially higher unemployment rates. Together, this evidence suggests that gentrification does not help to reduce spatial mismatch with respect to jobs (and could potentially be widening it).

6.3. What kinds of jobs are local residents getting or losing?

We are able to decompose the total number of local jobs into specific types, with respect to sector (specifically goods producing or service-based) and to wages (low are those earning \$1250 per month or less; moderate are those earning \$1251 to \$3333 per month; high are those earning more than \$3333 per month). We use these metrics to better understand the quality of jobs that local residents either lose or gain. For example, goods-producing jobs are often considered to be better-paying and more stable than low-skill service jobs. Tables 11 and 12 display the results for stratified 2SLS regressions for all of the tract- and ring-based zones. Residents in gentrifying neighborhoods are losing goods-producing and service jobs in the most proximate live-work zones. The loss is most pronounced for service-sector jobs—about 14 jobs on average. There is some evidence that residents see gains in

Table 5
OLS regression results, stratified by distribution of incumbent residents.

Total Local Jobs	Proportion Moved in After 2000							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Below 25 Pctl	Above 25 Pctl	Below 25 Pctl	Above 25 Pctl	Below 25 Pctl	Above 25 Pctl	Below 25 Pctl	Above 25 Pctl
Gentrify 2000–2008 (Top Q)	-2.849 (1.951)	1.017 (0.867)	-49.42*** (8.969)	-4.822** (2.276)	402.7*** (72.80)	8.611 (16.28)	320.3 (224.6)	98.78** (48.17)
Constant	66.83 (68.12)	-30.92 (33.49)	46.31 (61.77)	-37.50* (20.17)	865.0 (858.4)	-2832*** (287.4)	-21,348*** (2540)	-7300*** (770.9)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	1081	4477	1193	5378	1559	5390	1610	5340
R-squared	0.834	0.722	0.758	0.726	0.900	0.852	0.969	0.925

Notes: The 25th percentile is set at 52 percent of residents moved into the neighborhood between 2000 and 2008.

goods-producing jobs within 1/3- and 1-mile radii; there is no meaningful change in service-sector jobs at these distances.²⁰

Next, we stratify the sample by wage levels and run separate regressions. Job losses within the same census tract and up to 1/3 mile are concentrated in low- and moderate-wage positions, which is consistent with the losses observed in both service and goods-producing sectors. In addition, there is evidence of gains in higher wage positions, which is one of the most optimistic findings with respect to proximate job opportunities. At farther distances there are job gains, but only in low-wage positions. Together, these findings suggest that the job losses suffered by residents in gentrifying neighborhoods are localized, span service and goods-producing sectors and are concentrated in low- and moderate-wage positions. There are significant job gains for residents, some in higher-wage positions within the same census tract, and more in the lowest-wage positions within 1-to-2 miles.²¹

6.4. Who is hiring local residents?

In order to better understand who is (or is not) hiring local residents, we augment the baseline models in two ways. First, we turn our attention for a moment to the coefficients on the business activity variables (displayed in Table 6), and observe that the coefficient on *Stay* is positive, while the coefficients on *Inmove* change sign depending on the live-work zone and the coefficients on *Outmove* are generally negative. These findings suggest that the number of local jobs increases in cases where more businesses stay and, in some cases, where new businesses move in. This is compared to a consistent loss in local jobs under conditions of business exit, and, in some cases, business entry. This evidence is consistent with the expectation that incumbent businesses will either already have hired local residents or be more likely to have ties to the community and therefore hire locally. Businesses that close obviously also take with them jobs, and new businesses are either hiring fewer people or looking elsewhere to fill positions. To test this even further, we interact the business activity

variables with the gentrification dummy to see if their presence in gentrifying neighborhoods generates differential hiring outcomes. These results are displayed in Table 13. Nearly all of the coefficients on the business-gentrification interactions are insignificant, with the exception of that for exiting businesses in the 1/3-mile live-work zone (which are associated with marginal job gains in gentrifying neighborhoods). We again disaggregate these models into NYC and non-NYC strata, motivated by the fact that gentrifying neighborhoods in NYC have lower rates of business retention and higher rates of business entry. The stratified results are displayed in Appendix G and differences across strata are evident. First, for the smallest live-work zones, businesses that stay in place in gentrifying neighborhoods are associated with significant (albeit very small) job gains in non-NYC places (this effect reverses for 2-mile live-work zones). Second, for gentrifying neighborhoods in 1/3-mile live-work zones, job losses are associated with business exits (but, again, are quite small). Finally, the findings for larger live-work zones are mixed, showing marginal gains for gentrifying neighborhoods with more new and exiting businesses and marginal losses for those with more businesses that stay in place.

We also use information on how many of the local establishments are chains to see if they are more likely to hire locally. Again, we interact a count of chains within each live-work area with the *Gentrify* variable to test this mechanism. These results are displayed in Table 14. The presence of chains in gentrifying has a very localized effect on jobs: within the smallest live-work zones more chains are associated with more local jobs in gentrifying neighborhoods. An additional chain in the census tract means 2.6 more jobs for local residents. The effect of chains is insignificant within larger live-work zones.²² This challenges the assumption that chain establishments might have broader networks from which to draw their workers and therefore overlook local residents. Instead, what might be happening is that the chain establishments located in these neighborhoods to benefit from lower-skilled (perhaps cheaper) labor and/or have agreements with local communities to hire locally.²³

²⁰ These patterns do vary across NYC and non-NYC neighborhoods. Specifically, losses in goods-producing jobs are driven by non-NYC neighborhoods and NYC neighborhoods actually experience significant gains (within smaller live-work zones). The proximate service job losses, however, are driven by the NYC neighborhoods.

²¹ Again, there are differences between NYC and non-NYC neighborhoods. Any response in wages is driven by non-NYC neighborhoods for smaller live-work zones; at bigger radii NYC neighborhoods drive gains in low-wage jobs (and also losses in high wage jobs). There are, however, gains in high-wage jobs within 2 miles from non-NYC neighborhoods.

²² Regressions stratified by NYC and non-NYC samples indicate that job gains associated with chains in gentrifying neighborhoods are driven by NYC places. They also show that there are job losses in gentrifying neighborhoods with more chains in non-NYC places.

²³ For example, Community Benefits Agreements often have local hiring stipulations, and are often a prerequisite to welcoming new businesses and developments into the community (Gross 2005).

Table 6
2SLS regression results.

	Total Local Jobs			
	Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008 (Top Q)	-19.03** (8.926)	-23.96 (40.49)	3205 (2073)	-508.4 (2354)
All Jobs	0.00229*** (0.000552)	0.00347** (0.00137)	0.0149*** (0.00178)	0.0345*** (0.00313)
Total Population	0.00513*** (0.000784)	0.0146*** (0.00135)	0.0240*** (0.00728)	0.00903*** (0.00345)
Poverty Rate	-0.748 (7.016)	91.23** (24.74)	-1693 (2980)	16,196** (2878)
Prop. Adults w/ a College Degree or More	18.56 (11.96)	8.871 (41.57)	-2231 (2006)	6680** (2630)
Prop. Non-Hispanic Black	-26.37 (47.01)	-0.00854*** (0.000747)	-0.00648** (0.00283)	0.0319*** (0.00630)
Prop. Non-Hispanic Asian	-26.06 (47.24)	-103.2*** (26.22)	1678 (1267)	-1757 (3740)
Prop. Non-Hispanic White	6.930 (46.66)	29.59** (12.21)	-89.94 (383.5)	4595*** (598.3)
Prop. Hispanic	-21.14 (47.30)	-112.0*** (10.99)	-982.9*** (219.3)	3374*** (862.5)
Prop. Foreign-Born	-6.412* (3.356)	68.98*** (12.66)	956.5*** (281.9)	3339*** (854.4)
Prop. of Units Built Before 1970	-0.00261 (0.00167)	-0.0201*** (0.00326)	0.00311 (0.0149)	0.0225* (0.0127)
Prop. Renters	-11.72* (6.345)	28.24 (32.69)	3756* (2247)	-316.8 (1551)
Unemployment Rate	-8.731* (4.985)	46.29*** (16.13)	-102.2 (370.1)	4434*** (1558)
Prop. Commuting > 25 min to Work	0.764 (5.444)	-186.0*** (20.34)	-2453** (1137)	-3940*** (1170)
Prop. Living in the Same Unit for 5+ Years	14.39** (5.652)	187.9*** (17.25)	-1011 (1234)	-1471 (1355)
Prop. Younger than 18	7.225 (16.10)	145.3** (74.03)	9374** (4727)	4222 (7124)
Prop. Older than 65	-54.82*** (15.77)	-29.37 (74.47)	7210 (4646)	2122 (6458)
Change in College Grads 2000–2008	1.357** (0.667)	5.968 (4.290)	-665.4 (430.3)	-483.8 (382.0)
Change in Median Housing Value 2000–2008	-0.00214** (0.000878)	-0.00184 (0.00582)	64.27 (66.62)	938.6*** (124.5)
Change in Median Gross Rent 2000–2008	7.400*** (2.388)	-4.307 (6.604)	651.4 (554.8)	-94.34 (1120)

Table 6 (continued)

	Total Local Jobs			
	Tract	0.3 m Ring	1 m Ring	2 m Ring
Change in Poverty Rate 2000–2008	0.687 (0.946)	2.428 (1.581)	324.8** (135.6)	864.1** (408.5)
Prop. Housing Units Built 2000–2010	0.0318*** (0.00435)	-0.00167 (0.00893)	0.143** (0.0697)	-0.176** (0.0820)
Change in Total Population 2000–2008	-10.10*** (2.428)	-14.56** (6.357)	2.981 (358.1)	-2112** (824.9)
Estab. Stayed over Past 5 Yrs	0.203*** (0.0334)	0.330*** (0.0391)	0.549*** (0.135)	1.846*** (0.210)
Estab. Moved In over Past 5 Yrs	-0.0681*** (0.0215)	0.122*** (0.0396)	0.223** (0.101)	-0.340* (0.204)
Estab. Closed/Exited during Past 5 Yrs	-0.0456 (0.0385)	-0.221*** (0.0657)	-0.659*** (0.213)	0.104 (0.286)
Total Establishments in 2002	0.0603** (0.0239)	-0.0618*** (0.0172)	-0.818 (0.531)	-0.941* (0.568)
Constant	13.65 (44.34)	-122.8** (57.25)	-4063 (2631)	-7671* (4577)
Robust S.E.'s?	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y
Observations	5558	6571	6949	6950
First State F-Ratio	65.46***	22.05***	3.2*	5.12**

Robust standard errors in parentheses.

*** p < 0.01.

** p < 0.05.

* p < 0.1.

7. Conclusion

Since the dark days of the 1970s and 1980s, many urban cores have experienced dramatic comebacks. This turn-around has brought economic prosperity to places that had not witnessed it in some time. It also has presented challenges to those who could not afford to sustain the rising rents and costs of living that tend to accompany gentrification. The empirical research on gentrification, however, has not supported the displacement hypothesis and in fact shows that a number of residents stay and benefit from the improved quality of life. With gentrification comes increased investment and economic activity more generally, and in this paper we test whether or not local residents, in low-income neighborhoods undergoing economic upgrading, benefit from nearby employment opportunities.

We find that employment effects from gentrification are quite localized. Incumbent residents experience meaningful job losses within their home census tract, even while jobs overall increase. These results are robust to models stratifying the sample based on the concentration of incumbents and using Bartik income shocks to instrument for actual income growth. Specifically, local jobs decline by as much as 63 percent (about 19 off of a base of 30 in the typical census tract). These job losses are concentrated in service and goods-producing sectors and low- and moderate-wage positions; but local residents do see gains in

Table 7
2SLS first-stage results.

	Gentrify 2000–2008 (Top Qrt)			
	Tract	0.3 m Ring	1 m Ring	2 m Ring
State-Based Bartik, 2000–2010	-1.515 ^{***} (0.1873)	-0.844 ^{***} (0.1797)	-0.322 [*] (0.1799)	-0.4 ^{**} (0.1767)
All Jobs	-0.000008 ^{***} (0.0000)	-0.000008 ^{***} (0.0000)	-0.000000533 (0.0000)	-0.00000104 ^{***} (0.0000)
Total Population	-0.0000735 ^{***} (0.0000)	-0.0000181 ^{***} (0.0000)	-0.0000285 ^{***} (0.0000)	-0.00000148 (0.0000)
Poverty Rate	0.542 ^{***} (0.0851)	0.394 ^{***} (0.1011)	1.38 ^{***} (0.1877)	1.112 ^{***} (0.2829)
Prop. Adults w/ a College Degree or More	1.008 ^{***} (0.1252)	0.893 ^{***} (0.1248)	0.929 ^{***} (0.1178)	0.868 ^{***} (0.1379)
Prop. Non-Hispanic Black	0.121 (0.4216)	0.000 (0.0000)	0.000 (0.0000)	0.000 ^{***} (0.0000)
Prop. Non-Hispanic Asian	-0.184 (0.4228)	-0.281 ^{***} (0.0644)	-0.581 ^{***} (0.0970)	-1.309 ^{***} (0.1398)
Prop. Non-Hispanic White	0.344 (0.4278)	0.209 ^{***} (0.0385)	0.15 ^{***} (0.0544)	-0.17 ^{**} (0.0745)
Prop. Hispanic	0.256 (0.4216)	0.149 ^{***} (0.0363)	0.037 (0.0563)	-0.306 ^{***} (0.0837)
Prop. Foreign-Born	-0.091 [*] (0.0512)	-0.23 ^{***} (0.0478)	0.053 (0.0707)	0.001 (0.1012)
Prop. of Units Built Before 1970	0.000 ^{***} (0.0000)	0.000 ^{***} (0.0000)	0.000 (0.0000)	0.000 (0.0000)
Prop. Renters	-0.553 ^{***} (0.0573)	-0.79 ^{***} (0.0587)	-1.07 ^{***} (0.0993)	-0.556 ^{***} (0.1480)
Unemployment Rate	-0.247 ^{***} (0.0661)	-0.316 ^{***} (0.0549)	-0.065 (0.1003)	-0.6 ^{***} (0.1447)
Prop. Commuting > 25 min to Work	-0.433 ^{***} (0.0576)	-0.474 ^{***} (0.0708)	-0.532 ^{***} (0.0974)	-0.355 ^{***} (0.1196)
Prop. Living in the Same Unit for 5+ Years	0.195 ^{**} (0.0845)	0.179 [*] (0.0922)	0.533 ^{***} (0.1381)	0.141 (0.2201)
Prop. Younger than 18	-1.275 ^{***} (0.1777)	-1.67 ^{***} (0.1909)	-2.24 ^{***} (0.3018)	-2.861 ^{***} (0.4460)
Prop. Older than 65	-1.436 ^{***} (0.1152)	-1.884 ^{***} (0.1078)	-2.237 ^{***} (0.1377)	-2.789 ^{***} (0.2226)
Change in College Grads 2000–2008	0.063 ^{***} (0.0085)	0.097 ^{***} (0.0117)	0.204 ^{***} (0.0227)	0.135 ^{***} (0.0373)
Change in Median Housing Value 2000–2008	0.000 ^{***} (0.0000)	0.000 ^{***} (0.0000)	-0.031 ^{***} (0.0050)	0.000 (0.0169)
Change in Median Gross Rent 2000–2008	0.166 ^{***} (0.0324)	0.082 ^{**} (0.0335)	-0.255 ^{***} (0.0517)	-0.446 ^{***} (0.0794)
Change in Poverty Rate 2000–2008	-0.081 ^{***} (0.0153)	-0.03 ^{**} (0.0145)	-0.022 (0.0320)	0.165 ^{***} (0.0344)
Prop. Housing Units Built 2000–2010	0.000 ^{***} (0.0001)	0.000 ^{***} (0.0000)	0.000 ^{***} (0.0000)	0.000 ^{***} (0.0000)
Change in Total Population 2000–2008	-0.047 (0.0424)	-0.054 (0.0452)	-0.125 (0.0955)	-0.049 (0.1187)

(continued on next page)

Table 7 (continued)

Gentrify 2000–2008 (Top Qrt)				
	Tract	0.3 m Ring	1 m Ring	2 m Ring
Estab. Stayed over Past 5 Yrs	0.000 (0.0003)	0.000 (0.0001)	0.000 (0.0000)	0** (0.0000)
Estab. Moved In over Past 5 Yrs	0.000 [†] (0.0002)	0.000 (0.0001)	0.000 (0.0000)	0*** (0.0000)
Estab. Closed/Exited during Past 5 Yrs	0.000 (0.0003)	0.000 (0.0002)	0.000 (0.0000)	0.000 (0.0000)
Total Establishments in 2002	0.000 (0.0002)	0*** (0.0000)	0*** (0.0000)	0*** (0.0000)
Constant	1.167*** (0.4488)	1.603*** (0.1372)	1.352*** (0.1736)	2.074*** (0.2278)
Robust S.E.s?	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y
Observations	5558	6571	6949	6950
F-Ratio for excluded instrument	65.46***	22.05**	3.20 [†]	5.12**

Robust standard errors in parentheses.

*** p < 0.01.

** p < 0.05.

[†] p < 0.1.

Table 8

Summary statistics, NYC vs. Non-NYC, Gentrifying Census Tracts.

Variable	NYC			Non-NYC		
	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.
All Jobs	83	647	984	100	2035	3197
Total Local Jobs	83	20	36	100	65	72
Total Population	83	3698	1822	100	3977	1527
Poverty Rate	83	0.36	0.09	100	0.22	0.13
Prop. Adults w/ a College Degree or More	83	0.13	0.08	100	0.14	0.10
Prop. Non-Hispanic Black	83	0.39	0.33	100	0.36	0.32
Prop. Non-Hispanic Asian	83	0.06	0.13	100	0.03	0.04
Prop. Non-Hispanic White	83	0.16	0.24	100	0.33	0.28
Prop. Hispanic	83	0.38	0.27	100	0.27	0.21
Prop. Foreign-Born	83	0.33	0.14	100	0.23	0.14
Prop. of Units Built Before 1970	83	0.79	0.13	100	0.74	0.15
Prop. Renters	83	0.77	0.12	100	0.62	0.17
Unemployment Rate	83	0.16	0.07	100	0.12	0.07
Prop. Commuting Longer than 25 min to Work	83	0.70	0.09	100	0.42	0.11
Prop. Living in the Same Unit for 5+ Years	83	0.62	0.08	100	0.53	0.10
Prop. Younger than 18	83	0.29	0.07	100	0.27	0.06
Prop. Older than 65	83	0.10	0.05	100	0.11	0.05
% Change in College Grads 2000–2008	82	1.04	0.92	99	0.47	0.69
% Change in Median Housing Value 2000–2008	69	1.37	1.0	95	1.03	0.8
% Change in Median Gross Rent 2000–2008	83	0.31	0.20	100	0.20	0.21
% Change in Poverty Rate 2000–2008	83	-0.257	0.24	100	0.116	0.93
Prop. Housing Units Built 2000–2010	83	0.08	0.08	100	0.09	0.12
% Change in Total Population 2000–2008	83	0.03	0.17	100	0.02	0.22
Employees per Establishment, Retail	82	4.0	2.0	100	6.1	5.6
Employees per Establishment, Non-Retail	81	8.8	7.1	100	13.0	9.9
Prop. Estab. Stayed over Past 5 Yrs	78	0.49	0.08	100	0.60	0.08
Prop. Estab. Moved In during Past 5 Yrs	83	0.60	0.09	100	0.49	0.10
Prop. Estab. Closed/ Exited during Past 5 Yrs	83	0.16	0.05	100	0.18	0.09
Total Number of Business Estab. in 2002	83	133.6	176.5	97	259.5	278.1
Change in Relative Income 2000–2008	83	0.082	0.04	83	0.082	0.04

higher-wage jobs in very proximate live-work zones and lower-wage jobs slightly farther away. There is some evidence that chain establishments are associated with modest job gains in gentrifying census tracts (about 2.5 jobs on average), and that, outside of NYC, businesses that stay in place around gentrifying neighborhoods are associated with

marginal job gains (i.e. less than 1 job on average).

One of the most significant take-aways from the analysis is the importance of defining the geographic span of the live-work market: any negative impact is on immediately proximate jobs (i.e. in the same tract), and job effects are more inconsistent (and often null) in larger

Table 9
2SLS Regression results, stratified by commute time.

Total Local Jobs	Proportion Commuting Longer than 25 min to Work							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl
Gentrify 2000–2008 (Top Q)	-50.43* (26.24)	-6.265 (5.189)	-218.5*** (64.60)	50.61 (44.01)	-120.1 (341.6)	-2680** (1327)	1186 (1017)	21.55 (1735)
Constant	-97.44 (91.60)	0.433 (22.70)	-44.63 (42.38)	-318.6*** (63.05)	-2329*** (318.1)	959.3 (1653)	-9655*** (2147)	9936*** (2634)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2868	2690	3199	3372	3302	3647	3258	3692
First Stage F-Ratio	17.79***	31.74***	20.76***	11.98***	14.83***	6.18**	22.35***	6.65***

Notes: The 50th percentile is set at 64 percent of residents commuting longer than 25 min to work.
* p < .10; ** p < .05; *** p < .01.

Table 10
2SLS regression results, stratified by unemployment rate.

Total Local Jobs	Unemployment Rate							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl
Gentrify 2000–2008 (Top Q)	-37.29*** (8.712)	-56.72 (131.3)	-56.49*** (20.42)	- 2106 (15,176)	708.8*** (209.8)	9893 (10,855)	263.5 (627.1)	3.500 (1274)
Constant	-5.714 (65.39)	-40.12 (275.3)	-88.56*** (33.34)	2461 (18,028)	-116.2 (324.4)	6983* (4146)	-13,131*** (2216)	23,533*** (4379)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3012	2546	3340	3231	3413	3536	3341	3609
First Stage F-Ratio	83.43***	0.44	125.88***	0.02	45.27***	0.87	98.45***	7.55***

Notes: The 50th percentile is set at 14 percent unemployment.
* p < .10; ** p < .05; *** p < .01.

Table 11
2SLS regression results, by job type.

Total Local Jobs	Job Types by Industry							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Goods	Services	Goods	Services	Goods	Services	Goods	Services
Gentrify 2000–2008 (Top Q)	-4.255* (2.302)	-14.21* (8.214)	19.14*** (5.816)	-36.83 (23.46)	287.9*** (98.99)	462.1 (362.3)	128.1 (293.5)	-188.6 (938.8)
Constant	-24.34*** (8.907)	46.95 (42.74)	-14.19** (6.325)	-124.6*** (27.38)	-4.535 (91.62)	1746*** (404.1)	-1553*** (445.5)	-351.9 (1707)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	5558	5558	6571	6571	6949	6949	6950	6950
First Stage F-Ratio	65.46***	65.46***	60.21***	60.21***	22.12***	22.12***	26.07***	26.07***

* p < .10; ** p < .05; *** p < .01.

Table 12
2SLS regression results, by job wages.

Total Local Jobs	Job Types by Wages											
	Census Tract			0.3 m Ring			1 m Ring			2 m Ring		
	Low-Wage	Mod-Wage	High-Wage	Low-Wage	Mod-Wage	High-Wage	Low-Wage	Mod-Wage	High-Wage	Low-Wage	Mod-Wage	High-Wage
Gentrify 2000–2008 (Top Q)	-10.91*** (3.349)	-16.78*** (4.326)	8.660** (4.022)	3.698 (14.79)	-16.16* (9.151)	7.521 (9.840)	1243*** (329.8)	9.642 (143.2)	-142.4 (148.2)	2058*** (547.4)	-472.1 (444.1)	-1609** (745.8)
Constant	103.8*** (40.07)	-51.47*** (13.65)	-38.64*** (9.907)	-133.9*** (20.82)	-7.504 (9.879)	-29.88*** (10.37)	-1922*** (351.1)	1174*** (155.9)	1678*** (168.0)	-5113*** (821.8)	2511*** (673.7)	-3271** (1663)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.'s?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Observations	5558	5558	5558	6571	6571	6571	6949	6949	6949	6950	6950	6950
First Stage F-Ratio	65.46***	65.46***	65.46***	60.21***	60.21***	60.21***	22.12***	22.12***	22.12***	26.07***	26.07***	26.07***

* p < .10; ** p < .05; *** p < .01.

Table 13
2SLS regression results, interactions with business activity.

Total Local Jobs	Gentrification and Business Activity			
	Census Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008 (Top Q)	-57.37* (30.64)	1.450 (71.15)	2680 (2205)	-506.4 (2039)
Stay	0.111*** (0.0411)	0.326*** (0.0774)	0.891** (0.439)	1.594*** (0.209)
InMove	-0.111*** (0.0421)	0.167*** (0.0542)	0.299** (0.135)	-0.276 (0.200)
OutMove	-0.0424 (0.0445)	-0.362*** (0.0849)	-1.133*** (0.329)	0.0493 (0.314)
Gent * Stay	0.0148 (0.0597)	0.0614 (0.0543)	0.0411 (0.300)	-0.187 (0.237)
Gent * InMove	0.341 (0.233)	-0.165 (0.176)	-1.156 (1.189)	0.321 (0.371)
Gent * Exit	-0.307 (0.187)	0.358* (0.189)	1.676 (1.174)	-0.233 (0.630)
Constant	98.01 (68.61)	-168.4*** (47.12)	447.0 (927.0)	-5652*** (2123)
Tract/Ring Covariates?	Y	Y	Y	Y
Robust S.E.'s?	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y
Observations	5558	6571	6949	6950
First Stage F-Ratio	14.89***	12.18***	3.10*	13.34***

* p < .10; ** p < .05; *** p < .01.

live-work zones. Most stark, are the very localized job losses, across all types of jobs. However, these less optimistic findings are balanced by signs of benefit-enhancing changes, such as more goods-producing and

Table 14
2SLS regression results, interactions with chain business activity.

Total Local Jobs	Gentrification & Retail Chain Businesses			
	Census Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008 (Top Q)	-72.47*** (22.45)	-31.78 (38.89)	2995 (2428)	3146* (1608)
ChainRetail	-1.250*** (0.381)	-1.696*** (0.485)	14.24 (11.41)	26.17*** (2.795)
Gent * ChainRetail	2.606*** (0.705)	1.640 (1.247)	-20.27 (20.00)	-7.026 (4.738)
Constant	121.2 (78.18)	-133.4*** (44.75)	-850.8 (1823)	-12,554*** (2085)
Tract/Ring Covariates?	Y	Y	Y	Y
Robust S.E.'s?	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y
Observations	3650	6571	6949	6950
First Stage F-Ratio	23.47***	29.48***	2.58	20.22***

* p < .10; ** p < .05; *** p < .01.

higher-wage jobs within 1 mile or less of gentrifying neighborhoods. Moreover, gains in goods-producing and low-wage jobs at 1-to-2 mile distances more than compensate for the volume of localized losses. And jobs within 1-to-2 mile commuting distances, in a locality with a well-developed transit system, are arguably still very “local.”

We also shed some light on the mechanisms behind the observed job changes: incumbent businesses and chain establishments may facilitate local hires and job retention. Moreover, there is meaningful variation in local job effects depending on the setting. Denser, tighter markets, like NYC, may respond differently and may therefore require different strategies in the face of gentrification.

Appendix A

See Appendix Table A1.

Table A1
Regression results, alternative gentrification definitions.

Total Local Jobs Census Tract	Housing Vintage	Share of College Educated	Housing Value
Gentrify 2000–2008	–1.821** (0.776)	2.932*** (0.916)	–0.927 (0.712)
Constant	–2.684 (44.76)	–16.43 (41.09)	–3.883 (36.96)
Local Covariates?	Y	Y	Y
Robust S.E.s?	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y
Observations	5526	5558	5558
R-squared	0.710	0.710	0.710
Total Local Jobs 0.3 Mile Ring	Housing Vintage	Share of College Educated	Housing Value
Gentrify 2000–2008	12.03*** (2.990)	–12.18*** (2.315)	–5.808*** (1.948)
Constant	–161.5*** (18.91)	–139.1*** (21.15)	–145.7*** (21.28)
Local Covariates?	Y	Y	Y
Robust S.E.s?	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y
Observations	6571	6571	6571
R-squared	0.706	0.707	0.706
Total Local Jobs 1 Mile Ring	Housing Vintage	Share of College Educated	Housing Value
Gentrify 2000–2008	–11.35 (31.91)	74.63** (32.53)	92.69*** (26.22)
Constant	–124.6 (392.6)	–253.8 (412.5)	–291.8 (323.8)
Local Covariates?	Y	Y	Y
Robust S.E.s?	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y
Observations	6949	6949	6949
R-squared	0.840	0.840	0.840
Total Local Jobs 2 Mile Ring	Housing Vintage	Share of College Educated	Housing Value
Gentrify 2000–2008	–74.61 (95.04)	214.7*** (72.06)	153.9** (67.18)
Constant	–8620*** (1596)	–9138*** (1596)	–8972*** (1555)
Local Covariates?	Y	Y	Y
Robust S.E.s?	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y
Observations	6950	6950	6950
R-squared	0.954	0.954	0.954

* p < .10; ** p < .05; *** p < .01.

Appendix B

See Appendix Fig. B1.



Fig. B1. Sample Census Tracts and Rings (Left: Putnam County - Right: Kings County). (Ring radii are, from small to large, 0.3 mile, 1 mile and 2 miles.)

Appendix C

See Appendix Fig. C1.

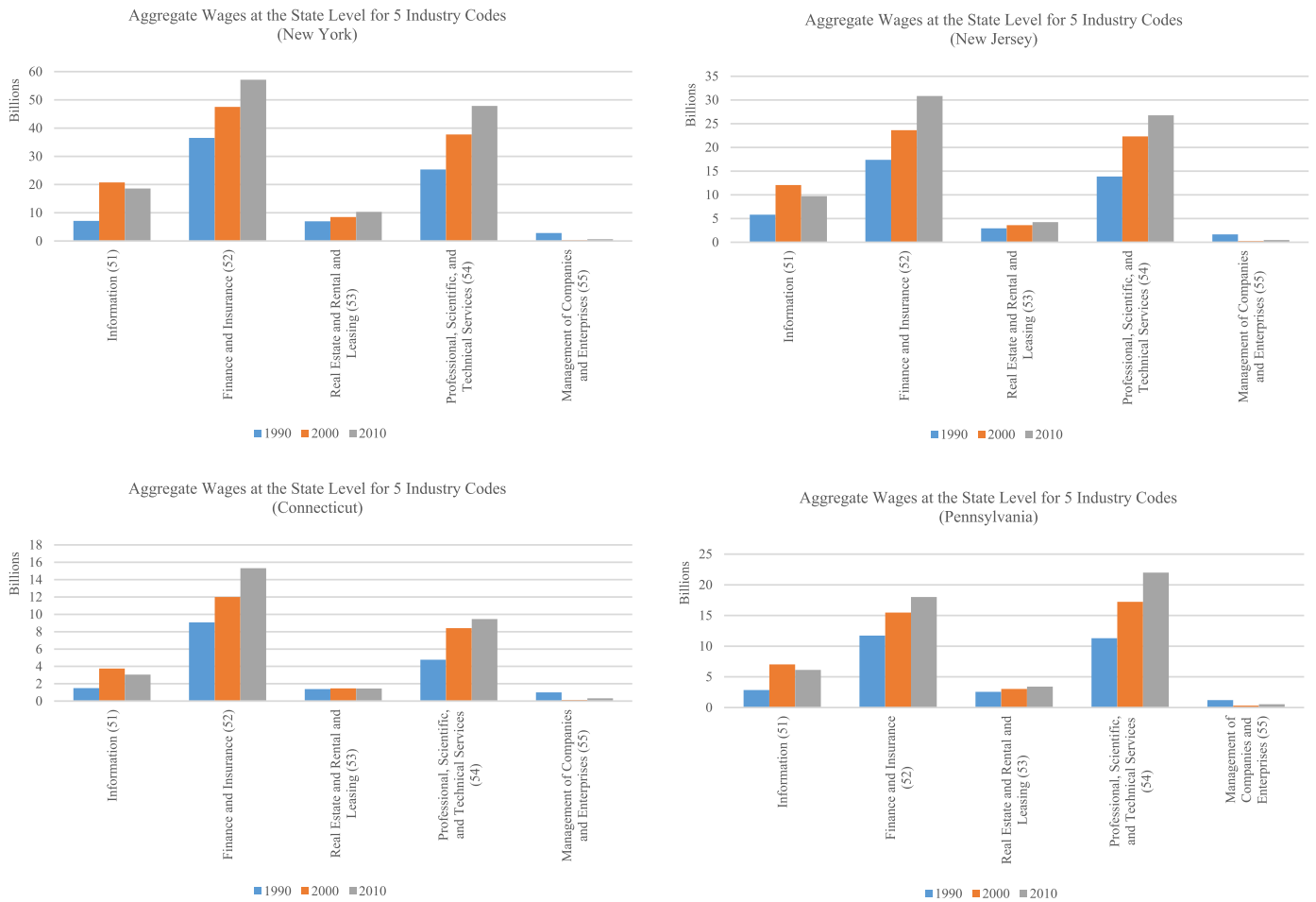


Fig. C1. Changes in Wages across “Professional” Industries for the 1990s and 2000s.

Appendix D

See Appendix Table D1.

Table D1
Concentration of Industries in Census Tracts.

NAICS	Description	Low Income		Low Income & Gentrifying	
		Over 30% concentration	Over 60% concentration	Over 30% concentration	Over 60% concentration
51	Information	2	2	2	2
52	Finance and Insurance	4	2	4	2
53	Real Estate and Rental and Leasing	2	1	2	1
54	Professional, Scientific, and Technical Services	5	2	5	2
55	Management of Companies and Enterprises	1	0	1	0

Appendix E. OLS regression results, stratified by distribution of incumbent residents

See Appendix Tables E1–E3.

Table E1
OLS regression results, stratified by distribution of incumbent residents.

Total Local Jobs	Proportion Moved in After 2000							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Below 75 Pctl	Above 75 Pctl	Below 75 Pctl	Above 75 Pctl	Below 75 Pctl	Above 75 Pctl	Below 75 Pctl	Above 75 Pctl
Very Low-Income								
Gentrify 2000–2008 (Top Q)	-2.271** (0.968)	5.220** (2.586)	-12.00*** (3.039)	3.201 (2.470)	145.4*** (42.96)	-88.99*** (21.19)	268.6*** (102.4)	-90.00* (46.04)
Constant	94.70 (65.71)	-367.2*** (63.48)	-26.98 (25.44)	21.00 (20.14)	-1035*** (334.6)	340.0 (479.5)	-11,432*** (1576)	1242 (1842)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3993	1565	4801	1770	5165	1784	5257	1693
R-squared	0.729	0.763	0.714	0.740	0.843	0.851	0.956	0.960

* p < .10; ** p < .05; *** p < .01.

Table E2
OLS regression results, stratified by distribution of incumbent residents.

Total Local Jobs	Proportion Moved in After 2000							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl	Below 50 Pctl	Above 50 Pctl
Very Low-Income								
Gentrify 2000–2008 (Top Q)	-0.252 (1.123)	2.132 (1.509)	-22.17*** (3.990)	-0.0540 (1.899)	250.0*** (61.47)	-13.34 (17.48)	474.7*** (137.5)	-172.3*** (41.60)
Constant	298.4*** (88.51)	-195.6*** (32.33)	34.96 (28.69)	-21.65 (27.86)	-753.2 (540.5)	-1327*** (426.3)	-11,331*** (1475)	-7844*** (1090)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2456	3102	2942	3629	3354	3595	3429	3521
R-squared	0.760	0.728	0.748	0.695	0.857	0.845	0.959	0.942

* p < .10; ** p < .05; *** p < .01.

Table E3
OLS Regression results, stratified by distribution of incumbent residents.

Total Local Jobs	Proportion Moved in After 2000							
	Census Tract		0.3 m Ring		1 m Ring		2 m Ring	
	Below 95 Pctl	Above 95 Pctl	Below 95 Pctl	Above 95 Pctl	Below 95 Pctl	Above 95 Pctl	Below 95 Pctl	Above 95 Pctl
Very Low-Income								
Gentrify 2000–2008 (Top Q)	0.135 (0.900)	-36.89*** (14.10)	-8.429*** (2.192)	-7.854 (9.138)	94.72*** (31.52)	20.45 (18.07)	132.5* (76.16)	236.3*** (87.38)
Constant	11.00 (49.66)	1546*** (363.4)	-56.51*** (19.04)	196.5*** (50.89)	-620.6** (316.5)	-2579 (1691)	-7502*** (1201)	-7574** (2996)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	5247	311	6231	340	6651	298	6636	314
R-squared	0.710	0.947	0.709	0.882	0.839	0.974	0.953	0.980

* p < .10; ** p < .05; *** p < .01.

Appendix F

See Appendix Table F1.

Table F1
2SLS regression results, NYC vs. Non-NYC.

Total Local Jobs	NYC				Non-NYC			
	Tract	0.3 m Ring	1 m Ring	2 m Ring	Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008 (Top Q)	-3.661 (4.784)	-31.84 (35.45)	51.20 (524.2)	-4269** (2114)	-62.10** (30.45)	-87.42** (37.13)	-792.3** (356.0)	1264* (712.6)
All Jobs	0.0009*** (0.000315)	0.00292** (0.00144)	0.0150*** (0.00149)	0.0313*** (0.00418)	0.0068*** (0.00090)	0.009*** (0.001)	0.030*** (0.00272)	0.0838*** (0.00332)
Total Population	0.00556*** (0.000730)	0.0134*** (0.00156)	-0.00536 (0.00577)	-0.00608 (0.00719)	0.00478** (0.00193)	0.0051** (0.00206)	0.026*** (0.00443)	0.0686*** (0.00922)
Poverty Rate	-10.43* (5.539)	97.72*** (30.22)	5445*** (844.6)	21,934*** (3615)	-8.909 (14.10)	-4.983 (17.19)	-697.6 (719.6)	-8033*** (1771)
Prop. Adults w/ a College Degree or More	-11.87* (7.019)	-99.94*** (36.63)	-1046** (510.6)	14741*** (4510)	48.34* (25.11)	41.35* (25.00)	-550.1 (377.4)	-2188** (901.3)
Prop. Non-Hispanic Black	-204.1*** (58.31)	-0.0117*** (0.000911)	-0.0146*** (0.00241)	0.0294*** (0.00725)	380.3*** (86.73)	-0.0037** (0.00179)	0.00129 (0.00311)	0.0108** (0.00435)
Prop. Non-Hispanic Asian	-189.1*** (58.48)	-205.5*** (29.58)	-1349*** (376.1)	-8453** (3746)	518.3*** (92.07)	137.3** (59.29)	1575** (677.6)	8129*** (2195)
Prop. Non-Hispanic White	-195.7*** (56.65)	-51.75*** (16.38)	486.1** (238.6)	7171*** (931.0)	449.8*** (83.54)	68.55*** (12.93)	108.9 (115.1)	-445.6 (488.0)
Prop. Hispanic	-205.5*** (58.57)	-212.5*** (15.37)	-2817*** (194.8)	-3354* (1863)	408.8*** (83.44)	18.58* (9.659)	-229.0 (159.4)	1134* (662.8)
Prop. Foreign-Born	2.004 (2.366)	122.4*** (15.63)	2388*** (206.1)	2959 (2035)	-27.59* (15.06)	-24.14 (18.46)	-471.6*** (176.1)	-2172** (965.3)
Prop. of Units Built Before 1970	-0.00572*** (0.00155)	-0.0156*** (0.00378)	0.0842*** (0.0160)	0.0446 (0.0278)	0.0103* (0.00594)	0.023*** (0.00774)	0.00209 (0.0119)	-0.116*** (0.0289)
Prop. Renters	-0.0133 (4.873)	75.48*** (26.17)	-1821*** (576.9)	-4386* (2650)	-21.34*** (7.610)	-29.05*** (10.00)	866.3*** (204.6)	2846*** (958.2)
Unemployment Rate	-35.31***	-495.7***	-12,874***	-23,433***	-37.86**	-67.47***	-2033***	-5560***

(continued on next page)

Table F1 (continued)

Total Local Jobs	NYC				Non-NYC			
	Tract	0.3 m Ring	1 m Ring	2 m Ring	Tract	0.3 m Ring	1 m Ring	2 m Ring
	(3.994)	(34.51)	(788.7)	(3619)	(18.61)	(22.24)	(387.3)	(757.8)
Prop. Commuting > 25 min to Work	-0.905 (2.472)	102.2*** (17.53)	-2497*** (536.4)	12,350*** (3269)	-30.31 (24.08)	-38.83* (22.58)	165.7 (178.5)	5416*** (623.3)
Prop. Living in the Same Unit for 5+ Yrs	23.91*** (5.092)	316.6*** (27.55)	-646.3 (578.1)	-15,646*** (3569)	34.36 (22.02)	35.52 (22.73)	-381.7 (716.2)	-6460*** (1959)
Prop. Younger than 18	6.971 (10.53)	111.1* (66.19)	2786** (1327)	27,927*** (8833)	33.17 (30.70)	32.22 (39.94)	-1532 (1417)	13,586*** (3045)
Prop. Older than 65	21.84* (11.35)	-79.82 (64.43)	-13,020*** (1287)	-9631 (9964)	-120.6*** (37.36)	-140.1*** (44.72)	-232.9 (689.2)	10,083*** (1362)
Change in College Grads 2000-08	0.358 (0.245)	-2.889 (3.064)	-281.0** (126.2)	363.0 (588.0)	4.541 (2.813)	10.24** (4.348)	-104.1** (53.01)	-1476*** (200.6)
Change in Med. Housing Value 2000-08	0.000564 (0.000579)	0.00941 (0.00675)	-35.10 (23.14)	593.1*** (199.7)	4.783*** (1.394)	5.786*** (2.241)	273.8*** (91.15)	1614*** (236.8)
Change in Median Gross Rent 2000-08	5.254*** (1.771)	4.307 (10.67)	-128.8 (286.2)	1784 (2712)	20.26*** (5.505)	20.07*** (7.087)	-48.08 (79.31)	-1540** (317.8)
Change in Poverty Rate 2000–2008	1.789 (1.787)	4.045 (12.54)	1432*** (181.2)	1979* (1192)	-0.935 (1.336)	-1.382 (1.231)	-97.41** (39.38)	-400.0*** (117.6)
Prop. Housing Units Built 2000–2010	0.0220*** (0.00414)	-0.0121 (0.00951)	0.315*** (0.0523)	0.110 (0.0843)	0.0449*** (0.0105)	0.037*** (0.0118)	-0.00533 (0.0254)	-0.281*** (0.0389)
Change in Total Population 2000-08	-4.281* (2.319)	-31.27** (13.43)	-780.3* (471.7)	-15,645*** (2169)	-19.81*** (6.322)	-11.51 (8.871)	23.03 (82.36)	-2,561*** (909.2)
Estab. Stayed over Past 5 Yrs	0.247*** (0.0391)	0.285*** (0.0506)	0.113 (0.101)	1.141*** (0.246)	0.198*** (0.0504)	0.245*** (0.0347)	0.861*** (0.116)	1.338*** (0.147)
Estab. Moved In over Past 5 Yrs	-0.0444* (0.0228)	0.159*** (0.0483)	0.352*** (0.0771)	0.126 (0.212)	-0.125*** (0.0340)	-0.168*** (0.0323)	-0.638*** (0.100)	-0.843*** (0.120)
Estab. Closed/Exited during Past 5 Yrs	-0.0492 (0.0545)	-0.221*** (0.0841)	-0.746*** (0.159)	0.405 (0.323)	-0.0912* (0.0538)	-0.0364 (0.0508)	-0.0750 (0.176)	-0.227 (0.190)
Total Establishments in 2002	-0.00670 (0.0264)	-0.0876*** (0.0274)	0.358* (0.204)	-0.764 (0.751)	0.0732* (0.0375)	0.0360* (0.0204)	0.428*** (0.150)	-0.287 (0.246)
Constant	201.6*** (55.00)	69.50 (59.53)	12,407*** (1401)	11,883* (6808)	-403.1*** (91.68)	-22.74 (23.97)	734.3* (381.6)	-1702* (868.7)
Robust S.E.'s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3034	3779	4080	4081	2524	2792	2869	2869
First Stage F-Ratio	53.35***	45.05***	13.31***	13.73***	13.51***	13.44***	10.91***	12.04***

Robust standard errors in parentheses.

*** p < 0.01.

** p < 0.05.

* p < 0.1.

Appendix G

See Appendix Table G1.

Table G1
2SLS Regression Results, Interactions between Gentrification and Business Activity, NYC vs. Non-NYC.

Total Local Jobs	Gentrification & Business Activity; NYC				Gentrification & Business Activity; Non-NYC			
	Census Tract	0.3 m Ring	1 m Ring	2 m Ring	Census Tract	0.3 m Ring	1 m Ring	2 m Ring
Gentrify 2000–2008	-7.076 (123.1)	-76.16 (127.7)	-3136 (4533)	-19,143 (14,868)	-192.7 (127.3)	-244.6* (135.2)	-1283** (625.0)	1389* (715.7)
Stay	0.274*** (0.0647)	0.281*** (0.0689)	0.103 (0.211)	2.208*** (0.792)	0.0591 (0.0853)	0.0692 (0.101)	0.738*** (0.172)	1.382*** (0.144)
InMove	-0.0625 (0.0841)	0.152 (0.0972)	0.0639 (0.551)	-1.986 (1.553)	-0.441* (0.236)	-0.502** (0.207)	-0.897*** (0.123)	-0.675*** (0.0826)
OutMove	-0.0373 (0.0804)	-0.411*** (0.124)	-0.616* (0.364)	2.056 (1.486)	0.0454 (0.128)	0.0951 (0.101)	-0.310* (0.167)	-0.389** (0.166)
Gent * Stay	-0.127 (0.135)	-0.108 (0.331)	-1.710 (2.532)	-3.845 (2.887)	0.329** (0.143)	0.314** (0.137)	0.630 (0.411)	-0.607** (0.258)
Gent * InMove	0.127 (1.032)	0.127 (0.554)	2.737 (3.846)	6.231 (4.710)	0.659 (0.518)	0.822 (0.510)	0.444** (0.213)	0.0530 (0.102)
Gent * Exit	-0.0548 (0.193)	0.269 (0.318)	-1.084 (1.893)	-4.588 (3.589)	-0.762 (0.523)	-0.865* (0.504)	-0.213 (0.354)	0.257* (0.153)
Constant	201.5 (196.0)	105.5 (135.2)	13,656*** (2954)	25,654 (18,172)	-70.56 (299.0)	87.22 (86.86)	942.8** (396.5)	-1791** (842.2)
Tract/Ring Covariates?	Y	Y	Y	Y	Y	Y	Y	Y
Robust S.E.'s?	Y	Y	Y	Y	Y	Y	Y	Y
MSA and State-Yr Dummies?	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3034	3779	4080	4081	2524	2792	2869	2869
First Stage F-Ratio	0.2	7.12***	0.8	1.93	3.73*	4.41**	12.57***	44.73***

* p < .10; ** p < .05; *** p < .01.

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Bodegas or Bagel Shops? Neighborhood Differences in Retail and Household Services

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Rachel Meltzer¹ and Jenny Schuetz²

Abstract

Social scientists studying the disadvantages of poor urban neighborhoods have focused on the quality of publicly provided amenities. However, the quantity and quality of local private amenities, such as grocery stores and restaurants, can also have important quality-of-life implications for neighborhood residents. In the current article, the authors develop neighborhood-level metrics of “retail access” and analyze how retail services vary across New York City neighborhoods by income and by racial composition. The authors then examine how retail services change over time, particularly in neighborhoods undergoing rapid economic growth. Results indicate that lower income and minority neighborhoods have fewer retail establishments, smaller average establishments, a higher proportion of “unhealthy” restaurants, and in certain cases, less diversity across retail subsectors. In addition, the rate of retail growth between 1998 and 2007 has been particularly fast in neighborhoods that were initially lower valued and experienced relatively high housing price appreciation compared with the city overall.

Keywords

downtowns, economic development incentives/tools, location decisions, quality of life, state and local ED policy

Introduction

Social scientists studying the disadvantages of poor urban neighborhoods have tended to focus on the quality of publicly provided amenities, such as public schools and crime rates, or negative peer effects (Case & Katz, 1991; Cutler, Glaeser, & Vigdor, 1999; Jargowsky, 2003; Massey & Denton, 1993; Wilson, 1987). However, the quantity and quality of local private amenities, such as grocery stores, restaurants, banking facilities, and other retail services, can also have important quality-of-life implications for neighborhood residents. The “consumer city” literature suggests that attractive and abundant retail services affect a city’s ability to attract and retain high-skilled residents; by extension, the quality of neighborhood retail may affect the neighborhood’s growth prospects (Glaeser & Gottlieb, 2006; Glaeser, Kolko, & Saiz, 2001). A smaller empirical literature has shown that low-income and minority neighborhoods are typically less well served by certain types of retail and household services (Alwitt & Donley, 1997; Carr & Schuetz, 2001; Helling & Sawicki, 2003; Lewis et al., 2005; Pearce, Blakely, Witten, & Bartie, 2007; Powell, Slater, Mirtcheva, Bao, & Chaloupka, 2007; Zenk, 2005). In general, a smaller number of retail outlets implies a more limited choice, and an apparent lack of competition has led some researchers to argue that “the poor pay more” for many basic goods and services (Caplovitz, 1967; Hayes, 2000; Kaufman, MacDonald, Lutz, & Smallwood, 1997). Therefore, understanding the extent and reasons behind

differences in the amount and composition of neighborhood commercial activity is an important area for research.

To date, there has been little large-scale empirical work looking at disparities in retail services across neighborhoods of varying economic and demographic compositions. Moreover, there has been no work looking at the change in neighborhood retail services over time and how these changes correspond with economic and demographic changes in the local population. Therefore, before we can explain the causes behind differences in neighborhood retail services, we should begin by measuring and describing these differences. The current article moves the literature toward this end in two ways. First, we explore a number of approaches to measuring neighborhood “retail access” and compare various metrics over time and space. Second, whereas many previous studies focus on a single type of good or service, we consider access to a wide range of retail and household services. We combine publicly available data on business establishments at the ZIP code level with several New York City-specific data sources, including the location of all commercial and residential

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buildings, the location and corporate affiliation for several retail and food service chain establishments, residential population characteristics, and sales values of residential properties. Using this combined data set, we assess differences in retail access for approximately 208 neighborhoods, based on income and racial composition and differential growth rates in housing values.

Results confirm some findings from previous research, namely that lower income and minority neighborhoods have a lower density of commercial establishments and employment, smaller average establishments, a higher proportion of “unhealthy” restaurants, and, in some cases, less diversity across retail subsectors. However, the patterns vary by retail type and demographics: The disparities are smaller for grocery stores, pharmacies, and clothing than for food service or for retail as a whole. Perhaps surprisingly, predominantly Hispanic neighborhoods have more diverse retail and food services and greater access to retail corridors than predominantly White neighborhoods; the opposite is true for predominantly Black neighborhoods. Although most neighborhoods in New York City saw an increase in retail activity between 1998 and 2007, the rate of retail growth has been particularly fast in neighborhoods that were initially lower valued and experienced relatively high housing price appreciation compared with the city overall. However, initially higher valued and appreciating neighborhoods experienced relatively faster growth in the size of retail establishments.

This article proceeds in the following way. The next section provides a review of the relevant literature. The “Method and Data Description” section describes the data and methodology and the “Results” section summarizes the results from the current analysis. The “Conclusions and Policy Implications” section concludes and offers some implications for designing economic development policies.

Literature Review

Because the size of retail market areas will vary by product type, we begin by reviewing the types of retail that are likely to serve primarily neighborhood markets. We then outline several possible reasons why retail activity may differ by underlying neighborhood characteristics: variation in store operating or set-up costs, variation in purchasing power and preferences among local consumers (or residents), and institutional factors or public policies that influence commercial activity.

Market Area and Product Type

The urban economics literature provides several models of firm decision making and retail location that provide a theoretical framework for why the size of retail markets will vary by product type. Hotelling’s (1929) simple spatial model of firm location suggests that the density of stores depends on a variety of factors, including fixed costs of the

store, buyer density, and travel costs, all of which may vary by neighborhood economic conditions. One implication is that there will be different market sizes and, thus, different densities of store networks, for establishments selling various products, which will translate into a hierarchy of retail networks. Retail store networks will be denser (i.e., more locally based) for stores that have low fixed costs and sell goods that are highly standardized and frequently consumed, so that consumers will not be willing to travel long distances to purchase them (B. Berry, 1967).¹ Following DiPasquale and Wheaton (1996), we focus on the lowest geographical level of store networks: neighborhood stores whose customers are drawn primarily from within the immediate vicinity; these establishments will most likely reflect the composition of neighborhood residents. The goods most likely to be sold at neighborhood stores include groceries, health and beauty products, and general household items, such as cleaning and household supplies. These items are typically sold at grocery stores, supermarkets, convenience stores, pharmacies, and general merchandise stores. In addition to retail, some service establishments primarily serve the immediate neighborhood, namely laundry services, coffee shops, and limited service restaurants, gyms, and beauty salons.

Variation in Store Fixed or Operating Costs

Set-up and operating costs for retailers include a number of factors, some of which vary by neighborhood and others that are specific to the firm and therefore somewhat idiosyncratic.² For instance, rents are likely to be higher in high-income (or high-wage) neighborhoods, whereas insurance and security costs increase with neighborhood crime rates. Although wages for similar positions (sales clerk or shelf stocker) may be relatively similar across neighborhoods within the same metropolitan area, there is some anecdotal evidence that employee turnover or training needs are higher in low-income neighborhoods (International Council of Shopping Centers, 2004), increasing average labor costs in those areas. Two other fixed costs that are likely to vary across neighborhoods are local land use regimes (zoning of commercial uses) and characteristics of the local building stock. Specifically, restrictions against or incentives for retail occupancy can increase or reduce costs associated with initial setup. Similarly, the inherent nature of the building stock will determine the feasibility and costs associated with adapting the particular retail business to the existing commercial space. For example, grocery stores often require enough space and a robust enough infrastructure to support freezers, whereas restaurants require venting from stoves and ovens (Barragan, 2010; International Council of Shopping Centers, 2004). Availability of suitable land parcels for development may be particularly important for large chains that have a preferred (often low-density) model for their stores (i.e., Big Box).

Variation in Consumer Characteristics

For any given type of store/product, the Hotelling model implies that the density of store networks will be increasing in density of buyers. The stylized model assumes that buyers are uniformly distributed and have homogeneous preferences. In reality, it is unlikely that all residents of a single neighborhood have the same demand function, either based on income/ability to pay or preferences, so estimating the density of actual rather than potential buyers within a given geographic area becomes more complicated. Waldfogel (2008) demonstrates that there is considerable heterogeneity across consumer preferences for services such as restaurants and media, and that preferences are strongly correlated with observable population characteristics, such as educational attainment and race/ethnicity.

This conclusion mirrors the findings of a sizable body of literature in public health that explores the differences in the locational decisions of food establishments across neighborhoods. Powell et al. (2007), Zenk (2005), and Alwitt and Donley (1997) demonstrate that various retailers (namely banks and supermarkets) opt not to locate in poorer ZIP codes even after controlling for purchasing power—leading the authors to conclude that retail locational decisions may hinge on a host of factors in addition to an area's market potential. Interestingly, Alwitt and Donley found that fast food restaurants were least likely to discriminate across neighborhoods, whereas Block, Scribner, and DeSalvo (2004) and Lewis et al. (2005) found that fast-food restaurants were more likely to locate in poorer, predominately minority neighborhoods.

A few other empirical studies relate retail markets to local characteristics. S. T. Berry and Waldfogel (2003) find that as market size increases, the range of product variety and quality widens, and the number of high-quality products grows. A recent study by Chapple and Jacobus (2009) of retail change in the San Francisco Bay area finds that retail revitalization is most strongly associated with gains for middle-income neighborhoods. Zukin et al. (2009) conduct case studies of two gentrifying neighborhoods in New York City and find a large increase in the number of independently owned (or local chain) establishments in those neighborhoods, compared with a small increase in large chain stores.

Institutional Factors and Public Policies

The models described thus far assume only market factors in the determination of local retail markets, but a variety of federal, state, and local public interventions have been used to try to stimulate business development and job growth, particularly in lower income urban neighborhoods.

The largest federal policy aimed at business development, the Empowerment Zones and Enterprise Communities Initiative, provides federal tax incentives and other financial benefits to businesses that locate in more than 100 designated

neighborhoods in economically and socially depressed urban or rural communities (Hebert, Vidal, Mills, James, & Gruenstein, 2001). Empirical analysis of the Empowerment Zones/Enterprise Communities program provides very mixed evidence on the program's effectiveness, but most find little or no effect on job or firm creation (Bondonio, 2003; Busso & Kline, 2008; Coopers & Lybrand Economic Studies Group, 1982; Dowall, 1996; Glickman, 1981; Neumark & Kolko, 2008).

The Community Development Block Grant program provides federal funds that can be spent on a variety of activities designed to enhance neighborhood economic and social conditions broadly, including economic development programs. As with the Empowerment Zones evaluations, evidence on the effects of Community Development Block Grant on employment growth in targeted neighborhoods is somewhat mixed: Higher spending per poor resident on economic development does seem to increase the number of businesses, but the effects vary by initial city and neighborhood conditions (Galster, Walker, Hayes, Boxall, & Johnson, 2004; Walker, Hayes, Galster, Boxall, & Johnson, 2002).

Many local governments in large cities, including New York City, have additional policies designed to encourage business creation or retention in targeted areas, such as tax abatements. Local governments can also change the feasibility and costs of commercial activity indirectly through zoning codes by differentially allowing or restricting the uses and sizes of buildings.

Method and Data Description

In this article, we use data from the Census Bureau's ZIP Business Pattern series (an extension of the County Business Patterns data), as well as two New York City-specific data sets on commercial properties and chain establishments, to develop a set of metrics that describe neighborhood retail access. We then use those metrics to establish some stylized facts about the relationship between retail activity, income, and ethnic composition in New York City, and how retail activity changes over time in the context of neighborhood economic transition. The first part of the empirical analysis develops several different metrics, presenting summary statistics for each and examining the correlation between them, to determine whether the choice of metric is likely to affect the outcome of analysis. In the second part of the analysis, we present descriptive statistics around two research questions:

1. How do retail patterns in New York City vary by neighborhood income and racial/ethnic composition? Do these patterns differ by retail category?
2. How has retail activity in New York City changed over time? How do the changes vary by baseline neighborhood economic characteristics and economic growth?

Development of Retail Metrics

Our primary source of data on retail and commercial activity is the ZIP Business Patterns (ZBP) data set, collected annually by the Census Bureau. The ZBP data provide counts of the number of establishments in each industrial sector, broken out in several size categories based on the number of employees.³ We are using the data from 1998 through 2007, which uses the North American Industrial Classification System (NAICS) to indicate industrial sector up to a 6-digit level of detail.⁴ Because our research focuses on retail that primarily serves the residents of the immediate neighborhood, and because we are interested in quality-of-life implications, we have chosen to focus on four industry categories that meet these criteria: supermarkets (NAICS 6-digit code: 445110), pharmacies and personal care stores (NAICS 3-digit code: 446), clothing stores (NAICS 3-digit code: 448), and food service establishments (NAICS 3-digit code: 722). To provide some context, we also look at the total number of establishments in retail (NAICS 2-digit code: 44-45) and food service and hospitality (NAICS 2-digit code: 72).

For each of these industrial groupings, we construct four metrics at the ZIP-code level. We match each ZIP code to the land area of the ZIP-code tabulation area (ZCTA) from the 2000 census, which allows us to calculate the density of establishments per acre, by industry-ZIP-year (because land areas vary widely by ZCTA, comparing simple counts of establishments across ZCTAs may be misleading).⁵ Second, we estimate the total employment by industry-ZIP-year, using the counts of establishments in each size category, and again use the land area to calculate employment density.⁶ Third, we combine the employment and establishment counts to calculate the average size of establishments by number of employees. Fourth, to measure the diversity of establishments, we construct a set of Herfindahl indices for each grouping. The Herfindahl index is calculated according to the following equation:

$$H = \sum_{i=1}^n s_i^2,$$

where s_i is the share of establishments in category i for a given industrial grouping. The index values range from 0 to 1, with higher numbers indicating greater concentration or less diversity. For example, if all the establishments in a ZIP code were in the same industry, then the share for that industry would be equal to 1, as would the value of the index. For the retail Herfindahl index, we use the share of establishments in each of the 12 three-digit NAICS categories within the two-digit retail industry (NAICS code: 44-45). For the food service Herfindahl index, we use each of the 4 four-digit categories within the three-digit food service category (NAICS code: 722). The subcategories within each index are shown in Table 1. All ZBP-based metrics are constructed as

Table 1. Retail and Food Service Subsectors

NAICS code	Industry subsector
44	Retail
441	Motor vehicle and parts dealers
442	Furniture and home furnishings stores
443	Electronics and appliance stores
444	Building material, garden equipment
445	Food and beverage stores
446	Health and personal care stores
447	Gasoline stations
448	Clothing and clothing accessories stores
451	Sporting goods, hobby, book, and music stores
452	General merchandise stores
453	Miscellaneous store retailers
454	Nonstore retailers
722	Food service
7221	Full-service restaurants
7222	Limited-service eating places
7223	Special food services
7224	Drinking places (alcoholic beverages)

Source. North American Industrial Classification System (NAICS).

averages across all years in the sample (1998-2007) at the industry-ZIP level.⁷

Our fifth metric of retail access draws on a different data source and focuses on geographic distance between residential and commercial properties. Using 2006 property-level data from the NYC Department of Finance Real Property Assessment Database and the NYC Department of City Planning PLUTO Database, which identify the location and use type of all properties in the city, we calculate the share of all residential building areas within $\frac{1}{4}$ mile and $\frac{1}{2}$ mile of a commercial corridor. Using geographic information system (GIS) mapping techniques, commercial corridors are identified as clusters of retail building area and properties classified under commercial zoning overlays (that permit retail use in mixed-use areas). A map of the retail corridors is displayed in Figure A1 in the appendix.

The ZBP has two main advantages as a data source: Because it is collected annually, it can be used to examine changes over time, and it is available for all ZIP codes across the country, allowing consistent analysis for multiple cities. A notable drawback to the ZBP, however, is that it provides no information on the type or quality of goods and services within each industrial category. For instance, one of the categories of interest is supermarkets. The 6-digit NAICS code for this category (445110) captures a wide range of store sizes and types, from branches of large national chains such as Safeway and Kroger, to small, independently-owned neighborhood

stores or bodegas.⁸ Although these stores will overlap somewhat in goods offered, bodegas generally carry a much narrower range of products than traditional supermarkets, and may differ from supermarkets (and from one another) by quality and price. The same is true for our other categories of interest (notably food service).

To examine differences across neighborhoods in the quality of goods and services, we supplement the ZBP data with information on the location and corporate affiliation for a large number of regional and national chains in New York City, collected by the Center for an Urban Future (2009). From this database, we identify 98 chains that correspond to our categories of interest: all food services, some clothing and apparel (selected to cover a range of price points, adults of both genders and children, and with a large enough number of franchises to offer room for spatial variation), pharmacies, tax preparation services, gyms, and some home goods. The full list of chains selected is shown in Table A1 in the appendix. We then aggregate the data to the ZIP-code level, calculating the total number of chain establishments and, within that, the number of chain restaurants. Of the restaurants, we flag certain chains as “unhealthy” fast food (shown in Table A1 in the appendix), and calculate the share of chain restaurants that are “unhealthy” (Neal, 2006; Pillsbury, 2010; Warde, Martens, & Olsen, 1999). For illustration, we also identify four iconic chains—McDonalds, Subway, Dunkin Donuts, and Starbucks. McDonalds is the most prevalent fast-food chain (it is third out of all chains, after Dunkin Donuts and Subway) with predominately unhealthy food choices. Subway also has a large number of locations and advertises itself as a healthier alternative that is still low cost. Dunkin Donuts and Starbucks both offer coffee and baked goods (and we make no claims about their comparative health values), but at different price points, in quite different environments, and their marketing strategies target different clientele. To identify some quality differences within our category of greatest interest, supermarkets, we augment data from the Center for an Urban Future chain database with online searches to assemble a list of locations for a large number of multi-establishment grocery store firms present in New York City. The list of firm names is shown in Table A2 in the appendix. We use this to calculate the number of chain supermarkets in each ZIP code and identify several chains as “upscale”; these chains typically carry more organic or locally provided foods, have a large fresh-produce section, and offer hard-to-obtain or expensive specialty items.

One of the purposes of this article is to determine what types of metrics should be used to describe retail access and whether the choice of metric is likely to affect the patterns observed. Having created five separate metrics for several industry categories, we calculate pairwise correlations between all the retail metrics (shown in Table 4 later in the text).

Testing the Relationship Between Retail Activity and Neighborhood Characteristics

To identify patterns of retail activity across neighborhoods in New York City, we calculate summary statistics for each of the metrics described above and compare them in several ways. As described in the “Literature Review” section, we expect that the amount and type of retail activity will vary by purchasing power, consumer preferences, and store costs. Thus, we will compare retail metrics across neighborhoods with underlying differences in variables (Table 2) that proxy for purchasing power and preferences, specifically household income and racial/ethnic composition.⁹ We also briefly address one potential difference in store costs; this part of the analysis is discussed in the next section. All data on population characteristics for ZIP codes are taken from the 2000 census of population and housing. To account for variation in size across the ZIP codes, we weight the summary statistics by population. As shown in Table 3, ZIP-code areas in New York City exhibit significant differences from one another in underlying population characteristics, such as population density, income, and ethnic composition. The measures of retail activity and access also vary substantially across neighborhoods. In addition, the average population of a ZIP code in New York City is approximately 43,000, large enough to be a market area for neighborhood stores.

To understand how differences in two key characteristics, income and racial/ethnic composition, affect patterns or retail activity, we compare retail metrics by these characteristics. Specifically, we compare the average value for each of our retail metrics (density of establishments and employment, average size, Herfindahl index, residential access, and the counts of various chains) for ZIPs in which average household income is less than 80% of the average income for New York City with ZIPs with average household income above 80% of the city average income (\$58,505 in constant 2,000 dollars). To assess the correlation with ethnic composition, we compare retail metrics for ZIPs that are supermajority non-Hispanic White ($\geq 60\%$) with ZIPs that have a super majority of Black or Hispanic residents.

Changes in Retail Activity Over Time

In addition to comparing level differences in retail metrics, we are interested in how retail presence has changed over time and whether those changes reflect underlying changes in neighborhood characteristics. Thus, we calculate the growth rate for each of our retail metrics from 1998 to 2007 (annual changes tend to be quite small and somewhat noisy). The growth rate is calculated using a standard measure:

$$g_{i,98-07} = \frac{(\text{Retail}_{i,07} - \text{Retail}_{i,98})}{0.5 \times (\text{Retail}_{i,07} + \text{Retail}_{i,98})}$$

Table 2. Variable Definitions and Sources

Variable	Definition	Source
Primary retail metrics		
Est/land	Number of establishments in ZIP divided by land area (acres)	ZBP (1998-2007), Census 2000
Emp/land	Number of establishments in ZIP divided by land area (acres)	ZBP (1998-2007), Census 2000
Emp/est	Total employment in ZIP divided by total establishments	ZBP (1998-2007)
Herfindahl	Herfindahl index of diversity for retail, food service	ZBP (1998-2007)
Share res within ¼ mile commercial	Percentage of residential sq. ft. within ¼, ½ mile of commercial corridor	GIS calculations using RPAD
Chain retail metrics		
Chain stores	Number of retail establishments in selected chains	CUF (2009)
Chain restaurants	Number of restaurant establishments in selected chains	CUF (2009)
Percentage unhealthy Gyms	Number of fast-food chains/total chain restaurants	CUF (2009)
Chain groceries	Number of establishments in selected grocery chains	CUF (2009)
Percentage upscale	Number of upscale groceries/number of chain groceries	Authors' search online
Population characteristics		
Medium-upper income	ZIP income ≥80% of NYC average household income	Census (2000)
Low income	ZIP income <80% of NYC average household income	Census (2000)
Non-Hispanic White	>60% ZIP population non-Hispanic White	Census (2000)
Black	>60% ZIP population Black	Census (2000)
Hispanic	>60% ZIP population Hispanic (all races)	Census (2000)
Low value	ZIP average (residential) sales price < 80% NYC average price	DoF residential sales data (1998), Furman Center
Upgrading	ZIP percentage change in average housing value > NYC percentage change in average housing value (1998-2007)	DoF residential sales data (1998-2007), Furman Center
Stable/lagging	ZIP percentage change in average housing value ≤ NYC percentage change in average housing value (1998-2007)	DoF residential sales data (1998-2007), Furman Center

Note. ZBP = ZIP business patterns; CUF, Center for an Urban Future; DoF = Department of Finance; GIS = geographic information system; RPAD = Real Property Assessment Database.

in which $Retail_{i,1998}$ is the retail metric in industry i in 1998 and $Retail_{i,2007}$ is the retail metric in industry i in 2007. As discussed in several previous articles that have used this measure, this growth rate provides a symmetric growth rate. By using an average of retail metrics in the beginning and ending years rather than just the beginning year in the denominator, we reduce potential measurement error associated with large deviations from average retail activity (see Davis, Haltiwanger, & Schuh, 1996; Haltiwanger, Jarmin, & Krizan, 2010, for more discussion). To analyze these changes in retail, we stratify the sample of ZIPs in two ways: by initial economic status as of 1998 and by transition in economic

status between 1998 and 2007. Since we do not have any measures of income at the ZIP-code level after 2000, we use instead residential housing sales data to identify the initial and change in economic status for each neighborhood in New York City.¹⁰ We obtain NYC Department of Finance residential sales data for all New York City ZIP codes from the Furman Center for Real Estate and Urban Policy at New York University. The data provide us with the average price per unit for all residential sales transactions in New York City between 1998 and 2007. From these data, we construct relative measures of neighborhood housing values for every neighborhood i in year t :

Table 3. Summary Statistics of All Variables

Variable	Mean	SD	Minimum	Maximum	<i>n</i>
Population	42,762	26,956	16	106,415	208
Pop/acre	62.35	44.70	0.13	277.81	208
Average household income	\$81,315	\$41,431	\$0	\$227,494	208
BA plus	36.6	26.9	0.0	100.0	208
Poverty rate	18.3	12.7	2.5	100.0	208
Percentage White	43.9	29.9	0.4	100.0	208
Percentage Black	21.8	26.6	0.0	93.9	208
Percentage Hispanic	22.0	19.2	0.0	79.9	208
Sales price per unit, 1998	\$252,010	\$231,578	\$24,931	\$2,130,190	171
Percentage change in sales prices, 1998-2007	138.2	160.5	-26.6	1354.2	170
Est/land (retail)	0.26	0.46	0.00	2.79	208
Emp/land (retail)	2.69	5.94	0.00	48.36	208
Emp/est (retail)	9.78	8.28	2.50	95.25	208
Herfindahl (retail)	0.24	0.19	0.10	1.00	208
Share of residence within ¼ mile	0.85	0.22	0.02	1.00	163
Share of residence within ½ mile	0.93	0.17	0.10	1.00	124
Chain stores (per acre)	0.04	0.06	0.00	0.36	208
Chain restaurants (per acre)	0.02	0.05	0.00	0.29	208
Percentage unhealthy	0.23	0.16	0.00	0.75	208
Gyms (per acre)	0.00	0.00	0.00	0.04	208
Chain groceries (per acre)	0.00	0.01	0.00	0.04	208
Percentage upscale	0.03	0.11	0.00	0.80	208

Note. Population statistics are from 2000; business statistics are ZIP-industry averages across 10 years of ZIP business patterns (ZBP) data (1998-2007); chain statistics are calculated as of 2009.

$$\text{RelativeZIP_AvgPricePU}_{i,t} = \frac{\text{ZIP_AvgPricePU}_{i,t}}{\text{NYC_AvgPricePU}_t}$$

To differentiate neighborhoods based on their initial economic status, we calculate this ratio for all ZIP codes in 1998 and classify neighborhoods with relative average housing values less than 0.8 as “Low Value.” Neighborhoods with relative average housing values greater than or equal to 0.8 are classified as “Moderate/High Value.”

We then classify the neighborhoods based on their relative change in housing values between 1998 and 2007. We classify neighborhoods as “Upgrading” if they experience a percentage gain in average housing values (absolute, not relative) that is greater than the percentage change in average housing values for the city overall (housing values for New York City on average increased by 120% between 1998 and 2007). Neighborhoods with percentage changes in average housing values less than those experienced for the city overall are classified as “Stable/Lagging.”

Since we are interested in observing how changes in retail manifest themselves in low-income neighborhoods, we first compare changes in the retail metrics across low-value neighborhoods that are upgrading and stable/declining. In addition,

we want to compare changes in retail activity with those experienced by relatively higher income neighborhoods. Therefore, we also calculate the difference in change between low-value upgrading and stable/declining neighborhoods and compare this with the same difference across moderate-/high-value neighborhoods. The initial retail landscapes are quite different across low- and moderate-/high-value neighborhoods (retail activity is significantly lower in low-value neighborhoods), and therefore we conduct this simplified “difference-in-difference” to avoid any upward bias in our estimates of retail change in low-value neighborhoods.

Additional Data Issues

A possible concern with the ZBP data is the consistency of the industrial classification system. According to the census, in the surveys used to construct the ZBP database, establishments are self-classified by employee or contact at the company, based on revenues. This raises the possibility that similar types of establishments may be classified differently, particularly for establishments engaged in multiple activities. For instance, as described above, bodegas could be classified as grocery stores because they sell food items. Many, but not all of these stores, also prepare and sell some fresh food, such

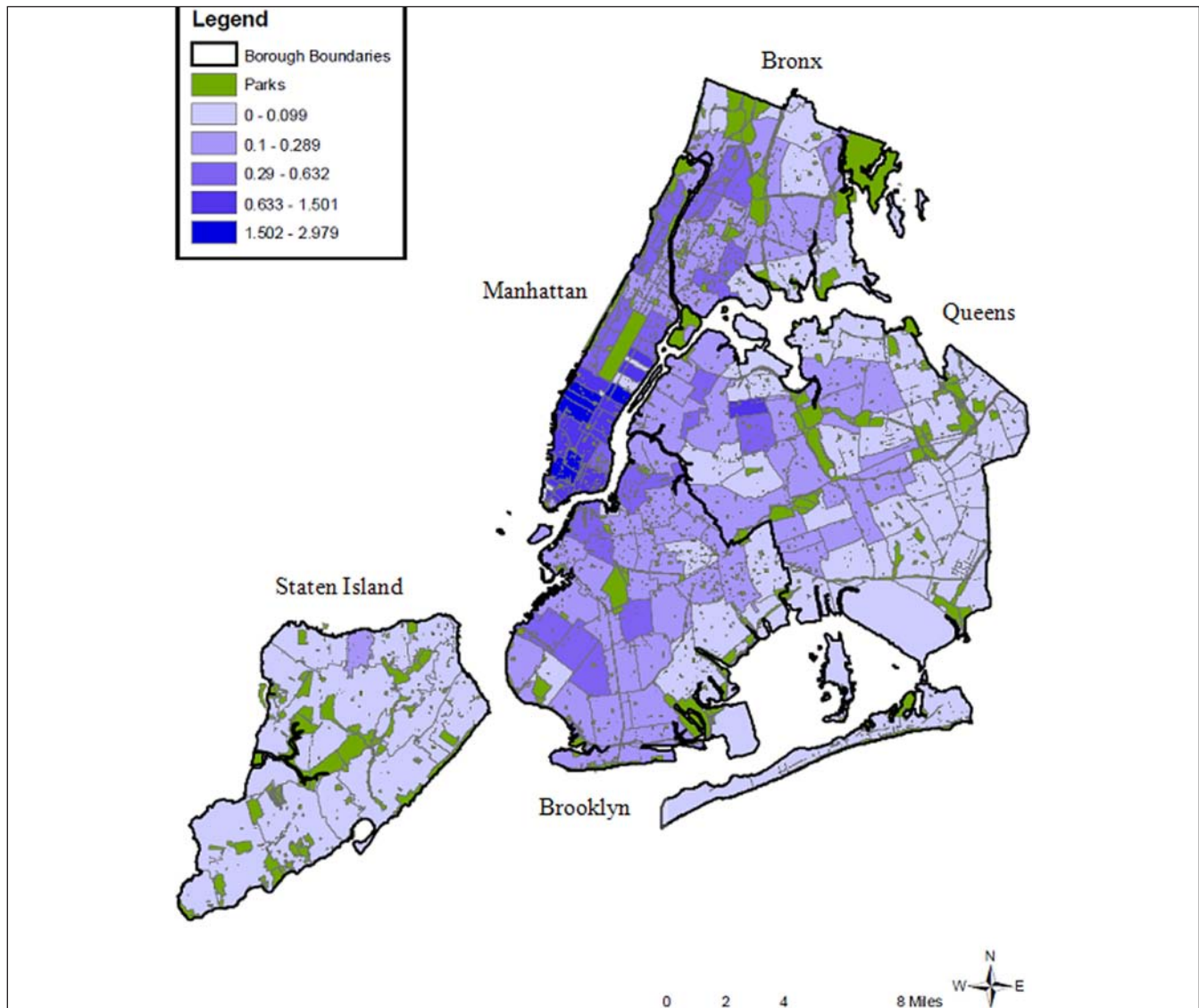


Figure 1. Density of retail establishments by ZIP code (2007)

as made-to-order deli sandwiches, coffee, and bagels. Depending on the share of revenues received from these activities (or the knowledge of the employee filling out the survey), a bodega may be counted in the ZBP as either a grocery store (NAICS code: 4451) or a limited service restaurant (NAICS code: 7222), while performing largely similar functions. Similar ambiguity in the NAICS codes may be present for other types of establishments as well. Classification of the same establishment may also change over time, even if the establishment does not change functions.¹¹

Results

In this section, we provide summary statistics of the various retail metrics to describe the amount, type, and mix of retail

access and activity in New York City. We describe variation in retail metrics across neighborhoods by income and ethnic composition, and changes over time, stratified by economic growth.¹²

How Can We Characterize Retail Activity in New York City?

All neighborhoods in New York City have at least some amount of retail activity; there are no entirely residential neighborhoods in the city. However, there is considerable variation in the quantity of retail activity, measured by the density of establishments and shown in Figure 1. Table 3 also displays a selection of the retail metrics and demonstrates that neighborhoods across the city are diverse in terms of retail density, the size of retail establishments, and

the diversity of stores and services. Although residents, on average, have great access to retail (nearly 90% of all residential space is within ¼ mile of a retail corridor), there are neighborhoods where this is the case for less than 10% of residentially occupied space.

Because one of the purposes of this analysis is to determine what metric or combination of metrics should be used to characterize retail, it is worth asking to what degree the various metrics are correlated with one another, both within and across industry categories. If the retail metrics are not strongly correlated, that implies that the choice of metric (in our analysis, intended to serve as the dependent variable) may affect the results of the analysis. In Table 4, we show simple pairwise correlation coefficients between each metric for groceries, all retail establishments, all food service establishments, and chains. In general, the measures of establishment density across the categories are highly correlated (ranging from 0.70 to 0.90), which suggests that there is colocation among different types of retail. However, the other metrics, such as size, are not as consistently or strongly associated. Moreover, neither retail diversity (as measured by the Herfindahl index) nor retail access (as measured by distance to a retail corridor) is highly correlated with the other metrics. This suggests the need for a multi-dimensional approach to characterizing neighborhood retail activity.

How Does Retail Activity in New York City Vary by Income?

To develop a better understanding of the relationships between household income and retail activity, we compare all the retail metrics for neighborhoods with average household income above and below 80% of the city average income in 2000 (\$58,505).¹³ In Table 5, we display the results for the primary retail and food service metrics, which summarize overall retail access by neighborhood type. Consistent with theory and previous case studies, relatively higher income neighborhoods have higher densities of both establishments and employment and larger establishments on average (for retail and food service). These disparities are generally larger for food services. In addition, the Herfindahl index for food services is significantly lower, on average, in higher income neighborhoods, suggesting that they have access to a more diverse pool of food services (the Herfindahl index for retail services is also lower in higher income neighborhoods, but this difference is statistically insignificant). Although both low- and moderate-/high-income neighborhoods have considerable access to retail corridors, low-income neighborhoods have significantly more access. Together, these results suggest that residents in relatively low-income neighborhoods have retail activity nearby, but that it is less dense and composed of smaller and less diverse options (both of which could have implications for the quality and cost of the goods and services).

In the “Literature Review” section, we discussed how neighborhood characteristics other than income, such as access to transit and the amount of retail space in the local building stock, may affect variation in retail density. To test the importance of these factors, we calculate the average proximity between subway and rail transit and commercial properties and the average retail space per building for each ZIP.¹⁴ Although Table 5 does not display these statistics, we find that relatively low-income neighborhoods have greater access to transit and more retail space per building. Therefore, in spite of possessing some characteristics that would, theoretically, make these neighborhoods more appealing to retail businesses, they still face less retail access overall.

Next we drill down to finer industry categories to better understand variations in access to specific quality-of-life retail. Again, we compare retail activity across low- and middle-/high-income neighborhoods. These results are displayed in Table 6. Overall, the pattern echoes that for retail access more generally. The density (in terms of establishments and employment) is significantly higher in relatively high-income neighborhoods, and the magnitude is the largest for food services; none of the other differences compare, in terms of magnitude, with the differences found among retail establishments more broadly (which are consistently much larger). The retail establishments are also larger in higher income neighborhoods, a pattern that is particularly stark for grocery stores. The grocery stores, however, are slightly denser in lower income neighborhoods, and there is no statistically significant difference in the density of large grocery stores across the two types of neighborhoods (this result, however, is not replicated using the employment density measure). Therefore, it appears that lower income neighborhoods are not as severely disadvantaged when it comes to “necessity” services and goods, such as groceries and drugstores; restaurants and food establishments, however, disproportionately locate in higher income neighborhoods.

Finally, we compare the prevalence of chain stores and restaurants across low- and middle-/high-income neighborhoods. The results in Table 7 indicate that higher income neighborhoods have more chain stores and restaurants. In addition, chains in poorer neighborhoods tend to be more unhealthy (35% compared with 21% of chain restaurants in higher income neighborhoods). Note that the difference in McDonalds’ locations is about two times that for Subway locations. Dunkin Donuts are more prevalent than Starbucks in both types of neighborhoods, but the Starbucks–Dunkin Donuts ratio is the highest in middle-/high-income neighborhoods (0.54 compared with 0.03 in low-income neighborhoods and 0.41 citywide). Although we cannot make a clear-cut comparison on the health aspects of Starbucks versus Dunkin Donuts, the latter certainly offers a lower cost option and markets itself to a different clientele. The difference in the number of gyms is also stark: Middle-/high-income neighborhoods have, on

Table 4. Correlation of Selected Retail Metrics

Variable	Grocery			All retail			Food service			Chain store density		Starbucks–Dunkin Donuts	
	Est/land	Emp/land	Emp/est	Est/land	Emp/land	Emp/est	Est/land	Emp/land	Emp/est	Herfindahl retail	Herfindahl retail	Percentage unhealthy	Percentage unhealthy
Grocery													
Emp/land	0.592												
Emp/est	-0.150	0.461											
All retail													
Est/land	0.729	0.576	0.015										
Emp/land	0.615	0.643	0.133	0.935									
Emp/est	-0.079	0.333	0.540	-0.007	0.082								
Food service													
Est/land	0.698	0.663	0.087	0.901	0.870	0.033							
Emp/land	0.569	0.630	0.142	0.822	0.864	0.079	0.917						
Emp/est	0.191	0.437	0.284	0.174	0.250	0.667	0.214	0.326					
Herfindahl retail	0.259	0.261	0.100	-0.064	-0.023	0.097	0.000	0.032	0.232				
Chain store density	0.660	0.582	0.044	0.824	0.841	0.028	0.905	0.854	0.223	-0.058			
Percentage unhealthy	-0.136	-0.275	-0.188	-0.203	-0.236	-0.188	-0.256	-0.247	-0.218	-0.347	-0.227		
Starbucks–Dunkin Donuts	0.484	0.654	0.263	0.666	0.702	0.246	0.747	0.822	0.483	0.516	0.717	-0.370	
Percentage residence units within ¼ mile of retail corridor	0.477	0.253	-0.269	0.312	0.244	-0.218	0.282	0.219	-0.042	0.064	0.274	-0.078	0.158

Note. Correlation coefficients for ZIP Business Patterns (ZBP) metrics are from 2007.

Table 5. Retail Access: Primary Retail Metrics by Income

	NYC	Middle-upper income	Low income	Difference
Est/land				
Retail	0.256	0.269	0.216	0.053***
Food service	0.136	0.153	0.082	0.070***
Emp/land				
Retail	2.488	2.821	1.421	1.400***
Food service	2.166	2.641	0.650	1.991***
Emp/est				
Retail	9.208	9.897	7.032	2.865***
Food service	11.582	12.574	8.509	4.066***
Herfindahl				
Retail	0.232	0.231	0.237	-0.006
Food service	0.448	0.444	0.460	-0.016***
Share of residence within				
¼ mile	0.824	0.854	0.933	-0.079***
½ mile	0.948	0.944	0.967	-0.024***
<i>n</i>	208	169	39	

Note. "Middle-upper income" defined as greater than 80% of NYC average household income. Statistics are population-weighted ZIP-industry averages across 10 years of ZBPA data (1998-2007).

* $p < .10$. ** $p < .05$. *** $p < .01$.

Table 6. Quality-of-Life Retail Metrics by Income

	NYC	Middle-upper income	Low income	Difference
Est/land				
Groceries	0.040	0.036	0.051	-0.015***
Large groceries	0.004	0.004	0.002	0.002***
Drugstores	0.021	0.022	0.018	0.004***
Clothing	0.039	0.043	0.027	0.016***
Food service	0.136	0.153	0.082	0.070***
Emp/land				
Groceries	0.441	0.475	0.343	0.132***
Large groceries	0.291	0.339	0.153	0.186***
Drugstores	0.272	0.313	0.153	0.161***
Clothing	0.531	0.629	0.238	0.390***
Food service	2.166	2.641	0.650	1.991***
Emp/est				
Groceries	12.76	14.59	7.53	7.07***
Drugstores	76.61	80.69	63.91	16.78***
Clothing	12.99	14.57	8.47	6.10***
Food service	10.77	11.50	8.60	2.90***
<i>n</i>	208	169	39	

Note. "Middle-upper income" defined as greater than 80% of NYC average household income. Statistics are population-weighted ZIP-industry averages across 10 years of ZBPA data (1998-2007).

* $p < .10$. ** $p < .05$. *** $p < .01$. (Based on *t* test for difference in means.)

average, one gym, whereas low-income neighborhoods have just 0.29. This result, together with the statistics on chain food stores, conveys a rather unhealthy environment for residents in low-income neighborhoods. Finally, we see that lower income neighborhoods actually have

significantly more chain supermarkets, but they have no "upscale" markets. Although poorer neighborhoods likely do not suffer from lack of access to a Whole Foods or Zabar's, this may point to disparities in access to fresh produce or other healthy foods.

Table 7. Chain Stores and Restaurants by Income

	NYC	Middle-upper income	Low income	Difference
Chain stores (<i>n</i>)	22.87	24.11	18.90	5.21***
Chain restaurants (<i>n</i>)	15.27	16.01	12.90	3.11***
“Unhealthy” (%)	24.7	21.1	35.2	-14.2***
Notable chains (percentage of total)				
McDonalds	6.8	5.8	9.7	-0.04***
Subway	8.4	8.0	9.8	-0.02***
Starbucks	3.8	5.0	0.4	0.05***
Dunkin Donuts	11.8	12.2	10.7	0.01***
Starbucks–Dunkin Donuts ratio	0.41	0.54	0.03	0.50***
Gyms (<i>n</i>)	0.86	1.04	0.29	0.75***
Chain groceries (<i>n</i>)	3.34	2.92	4.67	-1.75***
“Upscale” (%)	3.2	4.4	0.0	4.4***
<i>n</i>	208	169	39	

Note. “Middle-upper income” defined as greater than 80% of NYC average household income. Statistics are population-weighted ZIP-industry averages across 10 years of ZBPA data (1998-2007).

* $p < .10$. ** $p < .05$. *** $p < .01$. (Based on *t* test for difference in means.)

Table 8. Retail Access: Primary Retail Metrics by Predominant Racial/Ethnic Group

	White non-Hispanic	Black	Hispanic	Difference, White–Black	Difference, White–Hispanic
Est/land					
Retail	0.336	0.129	0.263	0.207***	0.073***
Food service	0.210	0.037	0.076	0.173***	0.134***
Emp/land					
Retail	4.084	0.874	1.653	3.209***	2.431***
Food service	4.479	0.366	0.676	4.113***	3.804***
Emp/est					
Retail	10.570	7.195	6.478	3.375***	4.092***
Food service	14.963	11.423	9.111	3.540***	5.852***
Herfindahl					
Retail	0.265	0.245	0.219	0.020	0.046***
Food service	0.470	0.519	0.430	-0.049***	0.040***
Share of residence within					
¼ mile	0.873	0.851	0.960	0.023***	-0.086***
½ mile	0.947	0.942	1.000	0.005***	-0.053***
<i>n</i>	78	26	16		

Note. Predominant racial/ethnic group defined as greater than 60% of population. Statistics are population-weighted ZIP-industry averages across 10 years of ZBPA data (1998-2007).

* $p < .10$. ** $p < .05$. *** $p < .01$. (Based on *t* test for difference in means.)

How Does Retail Activity in New York City Vary by Race/Ethnic Composition?

We replicate the same analyses across neighborhoods stratified by supermajority race/ethnicity. Table 8 displays the results for the primary retail access metrics. Consistent with the income results, neighborhoods with predominantly Black and Latino residents have lower establishment and employment densities and smaller establishments than those with predominantly White residents. Predominantly White

neighborhoods also have significantly more diverse food service activity than predominantly Black neighborhoods (as indicated by the lower Herfindahl index); retail diversity in Latino neighborhoods, however, is greater than that in predominantly White neighborhoods. In addition, residents in predominantly Hispanic neighborhoods on average live closer to retail corridors (the opposite is true for predominantly Black neighborhoods, compared with predominantly White neighborhoods). In sum, neighborhoods with predominantly minority populations (which also tend to be

Table 9. Quality-of-Life Retail Metrics by Predominant Racial/Ethnic Group

	White non-Hispanic	Black	Hispanic	Difference, White–Black	Difference, White–Hispanic
Est/land					
Groceries	0.040	0.029	0.064	0.012***	-0.023***
Large groceries	0.007	0.002	0.003	0.005***	0.004***
Drugstores	0.030	0.012	0.022	0.018***	0.007***
Clothing	0.064	0.017	0.036	0.047***	0.029***
Food service	0.210	0.037	0.076	0.173***	0.134***
Emp/land					
Groceries	0.724	0.220	0.377	0.504***	0.347***
Large groceries	0.569	0.107	0.162	0.462***	0.407***
Drugstores	0.469	0.118	0.199	0.351***	0.270***
Clothing	1.067	0.134	0.298	0.933***	0.770***
Food service	4.479	0.366	0.676	4.113***	3.804***
Emp/est					
Groceries	19.19	8.86	6.25	10.330***	12.94***
Drugstores	91.58	72.99	61.20	18.586***	30.38***
Clothing	15.88	11.66	8.86	4.215***	7.01***
Food service	13.24	8.37	7.82	4.864***	5.42***
<i>n</i>	78	26	16		

Note. Predominant racial/ethnic group defined as greater than 60% of population. Statistics are population-weighted ZIP-industry averages across 10 years of ZBPA data (1998-2007).

* $p < .10$. ** $p < .05$. *** $p < .01$. (Based on *t* test for difference in means.)

poorer) have access to fewer and smaller stores and services. Retail diversity and physical access to retail services, however, vary by race/ethnicity. Residents in predominantly Latino neighborhoods on average live closer to retail and have more diverse retail options; residents in predominantly Black neighborhoods, however, have less physical access to retail services and somewhat less diverse options.

As for access to transit and prevalence of retail space, predominantly Black neighborhoods generally have more rail access than and about the same amount of retail space per building as predominantly White neighborhoods. Predominantly Hispanic neighborhoods, however, have significantly less access to transit and more retail space per building. Again, it appears that any disadvantage (or advantage in the case of predominantly Hispanic neighborhoods) in retail access is not solely driven by these cost-related factors.

Table 9 shows the results for finer, quality-of-life retail categories and indicates that overall minority neighborhoods have relatively lower densities (for establishments and employment) and smaller establishments for local basic services such as groceries, drugstores, clothing, and food services. One exception is groceries, which are more densely located in Latino neighborhoods relative to predominantly White neighborhoods; they do tend to be smaller, which could represent mostly bodega or deli-type outfits rather than general supermarkets (on average 6 employees compared with about 19 in predominantly White neighborhoods). As

with the income results, these differences tend to be the largest for food service establishments.

The last set of results for chain stores and restaurants are displayed in Table 10. Predominantly Black and Hispanic neighborhoods have significantly fewer chains and considerably more “unhealthy” chain restaurants (41% and 30% for Black and Latino neighborhoods, respectively, compared with 13% for predominantly White neighborhoods). Consistent with the income results, predominantly minority neighborhoods have fewer Starbucks relative to Dunkin Donuts, fewer gyms, and no “upscale” supermarkets. Predominantly Hispanic neighborhoods, however, have more chain groceries overall, although the previous set of results suggests that they are, on average, smaller.

How Does Retail Activity in New York City Vary Over Time?

In this section, we review the results from the dynamic analysis, which looks at changes in retail activity between 1998 and 2007 for low- and moderate-/high-valued neighborhoods undergoing economic transitions.¹⁵ The first column of Table 11 shows the changes in four retail metrics for the city as a whole, and columns 2 and 3 show the metrics for low-valued neighborhoods that are either upgrading or stable/lagging. The fourth and fifth columns display the difference in retail change across upgrading and stable/lagging neighborhoods, for both low-valued and high-valued

Table 10. Chain Stores and Restaurants by Race/Ethnicity

	White non-Hispanic	Black	Hispanic	Difference, White-Black	Difference, White-Hispanic
Chain stores (<i>n</i>)	23.98	19.67	19.27	4.31***	4.72***
Chain restaurants (<i>n</i>)	15.71	13.11	12.44	2.60***	3.27***
“Unhealthy” (%)	12.8	40.6	29.6	-27.8***	-16.8***
Notable chains (%)					
McDonalds	4.2	7.7	9.4	-3.4***	-5.1***
Subway	7.8	7.1	11.3	0.7	-3.6***
Starbucks	8.9	0.4	0.7	8.5***	8.2***
Dunkin Donuts	11.5	10.1	12.1	1.4***	-0.6
Starbucks-Dunkin Donuts ratio	0.94	0.03	0.06	0.92***	0.88***
Gyms (<i>n</i>)	1.41	0.52	0.44	0.90***	0.98***
Chain groceries (<i>n</i>)	2.26	4.25	3.90	-1.99***	-1.64***
“Upscale” (%)	8.8	0.0	0.0	8.8***	8.8***
<i>n</i>	78	26	16		

Note. Predominant racial/ethnic group defined as greater than 60% of population. Statistics are population-weighted ZIP-industry averages across 10 years of ZBPA data (1998-2007).

p* < .10. *p* < .05. ****p* < .01. (Based on *t* test for difference in means.)

Table 11. Does Retail Access Improve in Low-Value Neighborhoods That Upgrade?

	NYC	Percentage change in housing values (1998-2007)		Difference, upgrading-stable/lagging	
		Upgrading	Stable/lagging	Low-value ZIPs	Moderate-/High-Value ZIPs
Percentage change est/acre					
Retail (44)	10.2	20.03	15.01	5.02	1.10
Food service (72)	29.3	44.31	32.53	11.78*	12.34**
Groceries	16.4	23.23	24.18	-0.94	-3.54**
Clothing	7.5	31.49	7.34	24.15**	22.36*
Percentage change emp/acre					
Retail (44)	19.4	31.95	18.08	13.87*	25.92***
Food service (72)	32.9	49.31	30.98	18.34*	16.20**
Groceries	15.9	30.09	6.01	24.08**	31.25**
Clothing	20.4	37.25	8.86	28.39	32.80*
Percentage change emp/est					
Retail (44)	9.8	12.95	4.05	8.90	25.27***
Food service (72)	5.3	7.62	1.14	6.48	4.24
Groceries	0.3	9.16	-17.40	26.56**	34.73***
Clothing	14.5	12.30	2.03	10.27	13.44
Percentage change Herfindahl					
Retail (44)	65.8	47.61	61.77	-14.16**	-6.83
Food service (72)	0.5	0.14	-0.39	0.53	-7.99**
<i>n</i>	171	31	64	95	76

Note. ZIPs in columns 1 and 2 had initial housing values (1998) <80% NYC average. “Upgrading” defined as ZIP percentage change in average housing value >NYC percentage change in average housing value (1998-2007). “Stable/lagging” defined as ZIP percent change in average housing value ≤NYC percentage change in average housing value (1998-2007).

p* < .10. *p* < .05. ****p* < .01. (Based on *t* test for difference in means.)

neighborhoods. We present the statistics for four retail categories to pick up any variation among types of service.¹⁶

Both upgrading and stable/lagging low-valued neighborhoods are growing in terms of retail activity. This is consistent with most of New York City, and the outer boroughs in

particular, where most of the low-valued neighborhoods are located (see Figure 2). Moreover, upgrading neighborhoods are generally outpacing the stable/lagging neighborhoods and about half of these differences are statistically significantly different from zero. Upgrading neighborhoods are

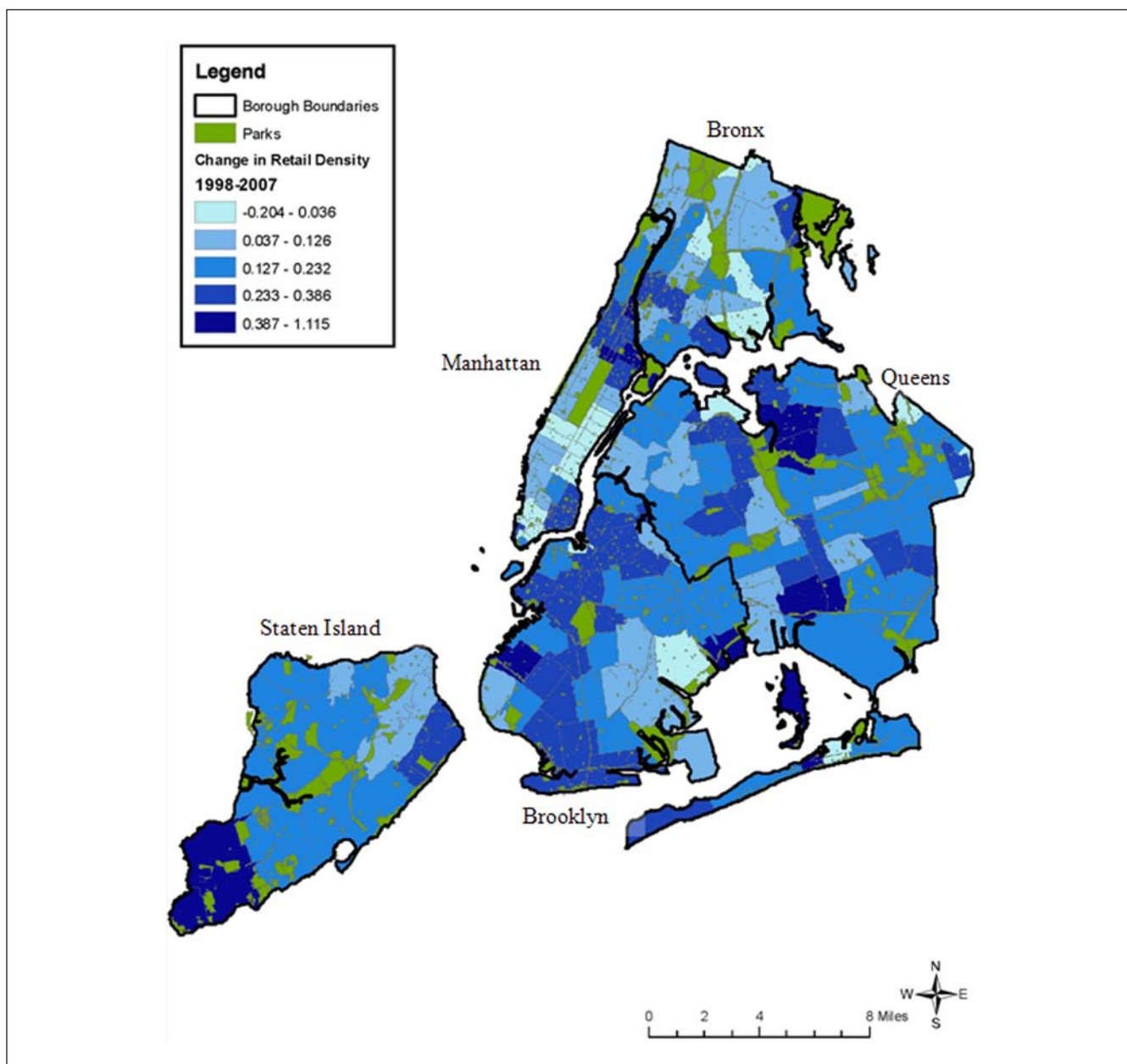


Figure 2. Percentage change in retail establishment density (1998-2007)

receiving significantly more food service and clothing establishments (per acre) compared with stable/lagging neighborhoods, but the change in density and size of retail establishments more generally is indistinguishable across the two types of neighborhoods (with the exception of employee density, which is marginally statistically significant). In addition, all low-valued neighborhoods are becoming more homogeneous in terms of retail services (the Herfindahl index is increasing), but the upgrading neighborhoods are doing so at a slower rate (there is no discernible difference in food service diversity). This reflects the general

trend toward larger chains (that might actually offer a wider range of product options within each store location). That said, the more substantial changes in retail activity for economically upgrading neighborhoods are consistent with increasing buying power and, perhaps, shifts in consumer preferences, that is, toward larger chain stores.

As a second comparison, we calculate the same statistics for moderate-/high-valued neighborhoods and derive the difference in retail change between the neighborhoods that were upgrading and stable/lagging (displayed in the last column of Table 11). We then compare this difference with

the difference in retail change calculated for the low-valued neighborhoods (i.e., compare the two right-hand columns of Table 11). Overall, both low- and high-/moderate-valued neighborhoods exhibit the same change patterns across upgrading and stable/declining neighborhoods. However, in terms of establishment densities, low-valued and upgrading neighborhoods are generally outpacing their stable/lagging comparison neighborhoods more so than high-valued and upgrading neighborhoods (except for food services, which is growing at a relatively slower pace for low-valued and upgrading neighborhoods). The results for employee densities show the reverse: High-valued and upgrading neighborhoods are generally outpacing their stable/lagging comparison neighborhoods more so than low-valued and upgrading neighborhoods (again, with the exception of food services). Similarly, except for food service establishments, higher valued and upgrading neighborhoods are outpacing comparable stable/lagging neighborhoods in establishment size more so than low-valued neighborhoods. These results suggest that although lower valued neighborhoods are growing relatively faster in terms of retail establishment density, they are not attracting as many larger businesses (again, this might be due to differential location choices of larger chains). Last, although retail activity in high-valued and upgrading neighborhoods is becoming more homogeneous, it is doing so at a relatively faster pace than low-valued and upgrading neighborhoods (compared with similar stable/lagging neighborhoods). The opposite is true for diversity of food services.

In sum, low-valued neighborhoods appear to fare better (in terms of retail activity) if they are economically upgrading, compared with similar, economically stable/lagging neighborhoods. However, initially higher valued and appreciating neighborhoods experienced relatively faster growth in the size of retail establishments.

Conclusions and Policy Implications

Scholars have dedicated a great deal of rigor and thought to understanding the nature of and mechanisms behind residential neighborhood change. Although we expect commercial amenities to change along with the residential population, and anecdotal evidence generally supports this, essentially no quantitative research has focused on neighborhood commercial change. In the current article, we aim to fill this gap by providing a much needed assessment of local retail establishments and the neighborhoods they serve. First, we construct and compare various metrics of "retail presence," and find that a single measure is not sufficient for capturing the multidimensional nature of retail presence. Whereas the densities of establishments and employment are strongly and positively correlated, measures of size, access, and diversity are generally negatively and weakly correlated with density measures.

Second, we analyze how retail services vary across neighborhoods with different economic and demographic characteristics. Results show that low-income neighborhoods have lower densities of both establishments and employment, smaller average establishment size, and less diverse retail composition. However, the size of disparities varies by retail category: Poor neighborhoods are more disadvantaged in food service than in retail, and within retail, the differences are smallest for basic necessities, such as grocery stores and pharmacies. Low-income neighborhoods have fewer chain stores and restaurants, somewhat contrary to conventional wisdom. Supporting prior findings, a much higher proportion of chain restaurants in poor neighborhoods are unhealthy fast food establishments, and there are many fewer gyms available. Low-income neighborhoods actually have a higher number of chain supermarket branches, but are less likely to have upscale supermarkets, possibly a proxy for food quality. Similar disparities exist when comparing predominantly White neighborhoods with predominantly Black and Latino ones. Predominantly Latino neighborhoods, however, do have more diverse retail and food services and greater physical access to retail corridors than predominantly White neighborhoods.

Third, we examine changes in retail activity over time. We find that by almost all measures, retail access has improved in New York City between 1998 and 2007, and that it improved particularly rapidly in low-value neighborhoods that experienced upgrading or gentrification. However, initially higher valued and appreciating neighborhoods experienced relatively faster growth in larger retail establishments over this same time period. Together, these results suggest that retail is quite sensitive to changes in neighborhood economic or demographic characteristics.

A number of areas remain for future research. This article focuses exclusively on New York City, which differs from many other U.S. cities in its size, density, and integration of residential and commercial activities throughout many neighborhoods. Thus, an important next step is to conduct similar analyses and verify whether the relationships between income, race, and retail access hold true in other cities.¹⁷ Second, as new neighborhood-level data become available from the 2010 census (and the 2005-2009 average of the American Community Survey), it will become possible to examine more directly how retail patterns have changed in neighborhoods undergoing economic and demographic change. This may help illuminate some of the causes behind the disparities: If low incomes are the main source of limited retail access, then retail should increase in neighborhoods experiencing rising incomes. Additional research in this area should help policy makers better construct programs to help residents in low-income and minority neighborhoods gain access to a broader range of goods and services, and healthier food options, and to generally improve neighborhood quality of life.

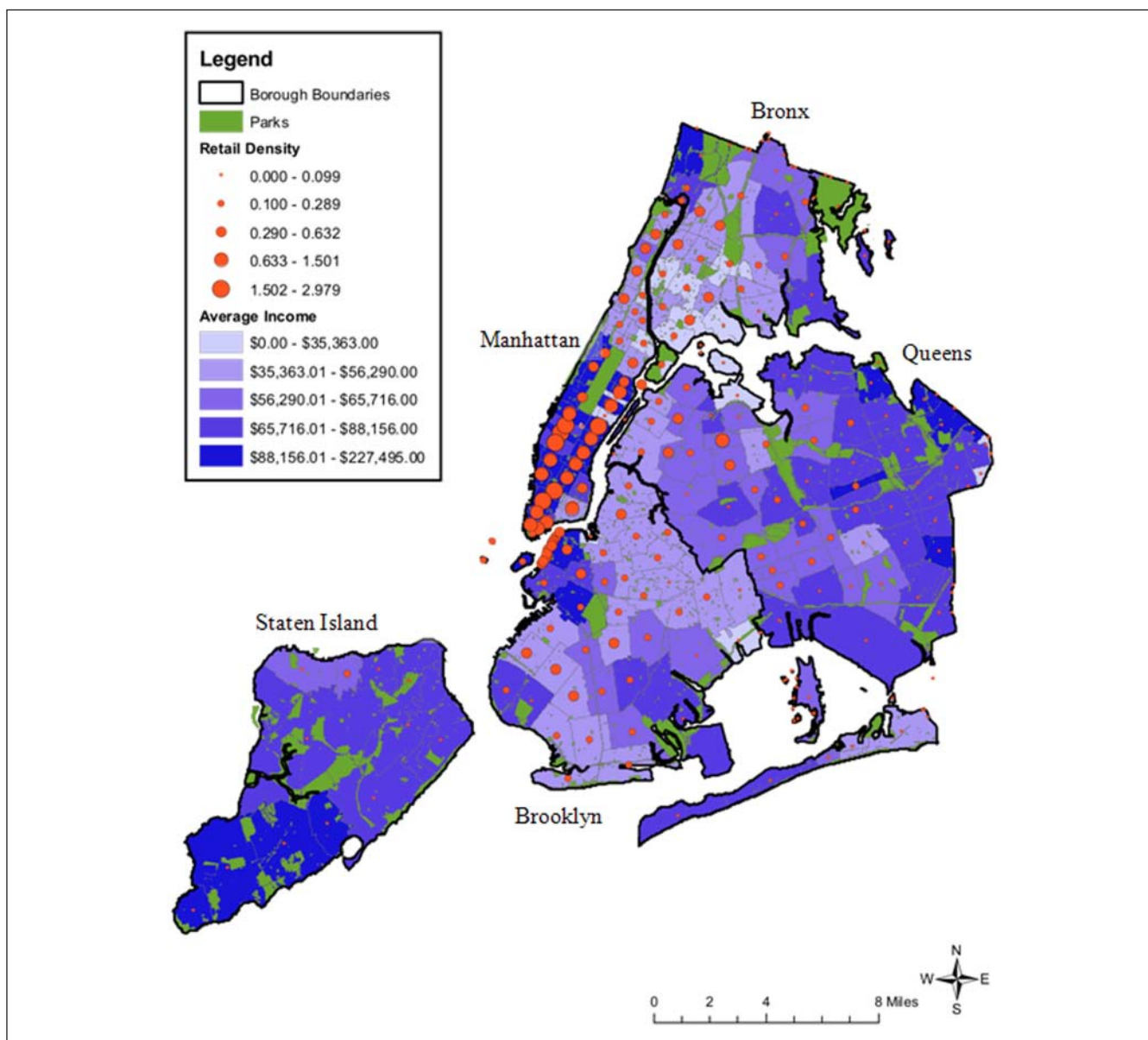


Figure 3. Density of retail establishments (2007) and average household income (2000)

The purpose of this article is not to evaluate the success of existing economic development policies, but based on our results, we pose several questions about how future programs might be designed. First, should eligibility be defined through constant geographic boundaries, as is the case for programs such as federal empowerment zones? As shown in Figure 3, although there is some geographic clustering of poor and minority neighborhoods, rigid geographic boundaries are somewhat of a blunt instrument if the intent is to target investment toward these neighborhoods. In addition, retail markets may span broader or more distinct areas than those defined by racial or economic clusters.

A second question is whether policies should target or favor businesses based on size. Many traditional economic development policies are intended to help small, locally owned “mom and pop” businesses. Such assistance is thought to improve opportunities for entrepreneurs and assist wealth building within the community. However, our research finds that poor and minority neighborhoods currently have much smaller average stores for nearly all the retail categories examined. This implies a smaller range of product choices within each store, and, to the extent that economies of scale exist, may result in higher prices than in larger establishments. Moreover, larger stores by definition

offer more opportunities for employment. Thus, although small business–friendly policies may be popular among business owners, it is not clear if they are advantageous for either consumers or potential workers in low-income neighborhoods. Alternatively, perhaps the public programs could subsidize certain types of products (e.g., healthier ones) for smaller businesses that cannot offer those goods at competitive prices.

Third, should economic development policies treat all types of commercial activity as equally desirable? Policies

that encourage manufacturing or business incubation may provide employment opportunities but will not directly address the discrepancies in access to grocery stores, clothing, or healthy food service options. Targeted policies around health-related retail may be more effective at alleviating consumption disparities than more broadly framed tax abatements. Policy makers should consider whether the primary purpose of each program is to encourage jobs or benefit consumers, and whether these goals are mutually exclusive.

Appendix

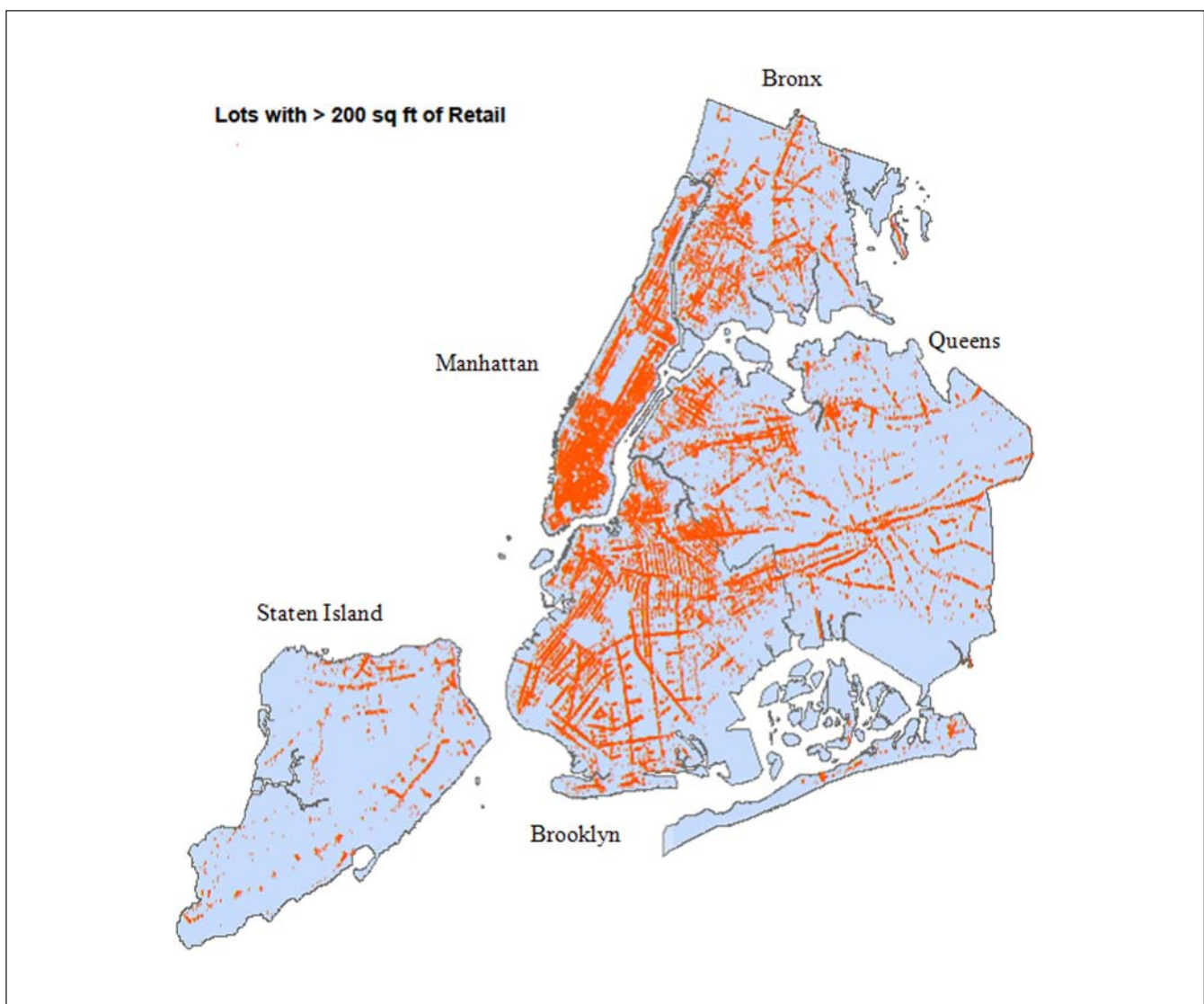


Figure A1. Retail corridors, New York City

Table A1. Chain Stores and Restaurants in Database

Category	Chain name
Clothes and shoes	American Apparel, Ann Taylor, Banana Republic, Brooklyn Industries, Foot Locker, Gap, H&M, Marshalls, Old Navy, Payless, The Childrens Place, Urban Outfitters
Drugstore	CVS, Duane Reade, Rite Aid, Walgreens
Financial services	H&R Block, Jackson Hewitt, Liberty Tax
Food/beverage: Fast food	Auntie Annies, ^a Burger King, ^a Crown Fried Chicken, ^a Dominos, ^a Five Guys, ^a Golden Krust, ^a KFC, ^a Master Wok, ^a Mcdonalds, ^a Nathans, ^a Papa Johns, ^a Pizza Hut, ^a Popeyes, ^a Pretzel Time, ^a Ranch I, Sbarro, ^a Taco Bell, ^a Wendys, ^a White Castle ^a
Food/beverage: Other	7-Eleven, Applebee's, Arthur Treacher, Au Bon Pain, Baskin Robbins, Ben and Jerrys, Blimpie, Boston Market, Carvel, Chevy's, Chipotle, Chuck E. Cheese, Cold Stone Creamery, Cosi, Crumbs, Dallas BBQ, Dunkin Donuts, Famiglia, Fridays, Gloria Jeans Coffee, Godiva, Haagen-Dazs, Hale and Hearty, Hard Rock Café, Ihop, Jamba Juice, Johnny Rockets, Juan Valdez, Le Pain Quotidien, Mrs Fields, Olive Garden, Outback, Panera Bread, Pax Wholesome, Pinkberry, Pret a Manger, Quiznos, Red Lobster, Starbucks, Subway, Tasti D-Lite, Tim Horton, Two Boots, UNO'S
Gyms	Bally's Total Fitness, Crunch, Curves, David Barton, Equinox, Gold's Gym, Lucille Roberts, NY Sports Club
Home goods	Home Depot, Rent-a-Center

Source. Adapted from Center for an Urban Future (2009).

a. "Unhealthy" fast-food restaurant.

Table A2. Supermarket Chains in Database

Supermarket name
Associated Supermarkets
Bravo
Citarella ^a
Costco
C-Town
D'Agostino ^a
Fairway
Fine Fare
Food Emporium
Garden of Eden ^a
Gourmet Garage ^a
Gristedes
Key Food
Morton Williams
Pathmark
Trader Joe's
West Side Market
Western Beef
Western Beef/Junior's
Whole Foods ^a

Source. Adapted from Center for an Urban Future (2009), additional online research by authors.

a. "Upscale" supermarket.

Table A3. Does Retail Access Improve in High-Value Neighborhoods That Upgrade?

	Percentage Change in Housing Values (1998-2007)		
	Upgrading	Stable/Lagging	Difference
Percentage change est/acre			
Retail (44)	2.96	1.86	1.10
Food service (72)	29.70	17.35	12.34**
Groceries	4.57	8.11	-3.54**
Clothing	14.98	-7.38	22.36*
Percentage change emp/acre			
Retail (44)	35.07	9.15	25.92***
Food service (72)	40.06	23.86	16.20**
Groceries	41.94	10.69	31.25**
Clothing	47.75	14.95	32.80*
Percentage change emp/est			
Retail (44)	32.66	7.39	25.27***
Food service (72)	11.16	6.92	4.24
Groceries	37.84	3.11	34.73***
Clothing	35.62	22.18	13.44
Percentage change Herfindahl			
Retail (44)	71.65	78.48	-6.83
Food service (72)	-4.68	3.32	-7.99**
n	18	58	

Note. All ZIPs had initial housing values (1998) ≥ 80% NYC average "Upgrading" defined as ZIP percentage change in average housing value > NYC percentage change in average housing value (1998-2007). Stable/lagging defined as ZIP percentage change in average housing value ≤ NYC percentage change in average housing value (1998-2007).

*p < .10. **p < .05. ***p < .01.

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Notes

1. In the classic example, the market area for ice cream vendors will be very small, due to the highly perishable nature of the good, so in equilibrium there will be a large number of vendors each with a small market area. On the other end of the spectrum, consumers should be willing to travel long distances to purchase goods that are expensive, infrequently purchased, or highly differentiated by quality, such as cars, furniture, or high-end restaurants; these retail categories will have a smaller number of establishments, each serving quite large geographic markets.
2. Many retail firm costs are not only not "fixed" in the traditional sense but are also not exactly marginal. For instance, building rents are often fixed over lease terms, which may be 5 or 10 years long but may offer some flexibility between leases, depending on negotiations between tenant and landlord. Likewise contracts with suppliers, insurance, utilities, and so on, may be fixed over a short period of time (1-2 years), and so cannot be directly reduced with marginal productivity.
3. An establishment is defined as a "single physical location at which business is conducted or services or industrial operations are performed." A firm may have multiple establishments, each of which are counted separately.
4. Prior to 1997, the ZBP use the Standard Industrial Classification system, which differs from the NAICS in several ways. In general, the NAICS offers a more fine-grained level of detail that is helpful for our analysis, but makes it infeasible to match counts by industry category precisely between the two coding systems.
5. We were unable to match 96 ZIP codes to 2000 ZCTAs. These nonmatched ZIP codes are composed of single buildings and P.O. boxes, constituting at most 200 retail establishments in total (less than 1% of all retail establishments in NYC). Therefore, we do not miss a great deal of retail activity in these nonmatched ZIP codes. In addition, most of these ZIP codes are located in midtown Manhattan, and all our analyses are robust to analyses without midtown neighborhoods.
6. The size measure is a weighted average, using the midpoint of each size category multiplied by the number of establishments in the category. For the largest category, 1,000 or more employees, we use 1,000 as the average number. Very few establishments in New York City fall into this category, so any noise introduced by this approximation is likely to be small.
7. We average across the 10 years, because individual ZIP-industry-year statistics can be noisy and actually change slowly on a year-to-year basis.
8. In this article, we use the term *bodegas* to refer to small stores that carry a limited selection of groceries, such as canned and frozen goods, prepackaged basic dry goods, milk, sodas and beer, and household or personal items, such as cleaning supplies and toiletries. Some also offer limited selections of fresh produce, fresh baked goods, coffee, and deli sandwiches made to order.
9. We ran similar analyses based on educational attainment and got results substantially similar to the income analysis. Results are available on request from authors.
10. The 2010 decennial census has not yet been released and the American Community Survey will not report income at the ZIP-code level until releasing 5-year averages in late 2010.
11. Our related research using a longitudinal establishment database, the NETS data set, confirms that establishments do change their NAICS classification over time, although overall numbers of these changes are fairly small.
12. All the results described in this section are robust to analyses that (a) exclude predominantly office- and retail-occupied midtown Manhattan ZIP codes, (b) exclude all Manhattan ZIP codes, and (c) exclude ZIP codes with low populations (less than 200) and low retail activity (less than 50 establishments).
13. All the results comparing low- and moderate-/high-income neighborhoods, as defined above, are robust to analyses comparing retail metrics across neighborhoods with (a) income below and above the citywide median income and (b) share of college-educated residents above and below the share of college-educated residents for the entire city.
14. Both variables are constructed using NYC Department of City Planning PLUTO Database for 2006. Proximity to rail and subway transit is created using GIS maps of rail and subway entrances and calculating the average distance between the entrances and retail properties for each ZIP code. The amount of retail space per building is calculated by dividing the aggregate amount of retail space for the ZIP code by the total number of commercial and mixed-use buildings in the ZIP code.
15. All the results for the dynamic analysis are robust to analyses that (a) exclude predominantly office- and retail-occupied midtown Manhattan ZIP codes, (b) exclude ZIP codes with low populations (<200) and low retail activity (<50 establishments), and (c) other thresholds for low- and moderate-/high-valued neighborhoods (specifically 60%, 10%, and 120% of the average price per unit for New York City overall).
16. We cannot use the chains or supermarket data in the dynamic analysis, because we have those data for only one point in time (2009).

17. Schuetz, Kolko, and Meltzer (2010) conducted a large-scale analysis of retail and neighborhood income for 58 large U.S. metro areas. They found that retail density varies with income for certain retail types, such as food service and chain supermarkets and drugstores. In addition, average establishment size increases with income for all retail types. Retail density increases with population density, as expected, and decreases with distance to CBD and with share of owner-occupied housing.

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Are poor neighborhoods “retail deserts”?

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ABSTRACT

Poor urban neighborhoods are often referred to as “food deserts”, lacking in grocery stores and healthy food vendors. However, most empirical studies of food deserts have been small scale, focusing on limited geographies and a narrow range of products. Standard retail location models, which often assume that consumers have identical preferences and are uniformly distributed through space, provide little insight into the relationship between local income and retail patterns. In this paper, we examine the relationship between neighborhood income and retail density for several types of goods and services in 58 large U.S. metropolitan areas. We combine detailed data from the National Establishment Time-Series database on retail establishments and employment, by industry category and firm type, with Census data on ZCTA income, poverty and demographics. Results indicate that retail patterns do vary by neighborhood income, along many dimensions. High poverty neighborhoods have lower employment density for retail overall, supermarkets, drugstores, food service and laundry facilities, driven largely by reduced employment in chain establishments. Average establishment size increases with median income for all retail types. Neither income levels nor poverty rates consistently predict retail employment growth, but neighborhoods that experience income upgrading do see larger gains in retail employment.

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1. Introduction

Poor urban neighborhoods are often referred to as “food deserts” with few grocery stores and only fast food restaurants (see, for instance, Moore, 2010; Osen, 2010; Powell et al., 2007; Shaffer and Gottlieb, 2007; Sloane et al., 2005). According to popular media accounts and a few academic studies, the arrival of upscale eateries and “boutique” shopping venues is one of the most visible signs of a shift in a neighborhood's income or demographics (Bruni, 2010; Zukin et al., 2009). Certainly some formerly low-income neighborhoods that have gentrified, such as New York's Lower East Side, DC's Adams Morgan and San Francisco's Mission District, are now known for their trendy shops, restaurants and bars. Collectively, these anecdotes suggest that retail establishments are more prevalent in affluent neighborhoods than poor ones.¹ However, high-income households may not view all types of retail as amenities; Big Box stores, for example, have occasionally incurred local opposition (see, for instance, Beaumont, 1997; Mitchell, 2006; Scroop, 2008). To date there has been little empirical research on how neighborhood income (and

related characteristics) affects the location of retail establishments within urban areas. In this paper, we take a first step beyond anecdotes to look systematically at the relationship between income and local retail markets. Specifically, we examine whether low-income neighborhoods have less access to a variety of retail goods and services, as implied by the term “retail deserts”.

An extensive theoretical literature exists on retail location decisions, beginning with Hotelling's (1929) simple spatial model of firm location in a linear city and its later modifications (see, for instance, Salop, 1979 and Stern, 1972). More recent research focuses on spatial and price competition between firms, often within a game-theoretic framework (for instance, Chamorro-Rivas, 2000; Karamychev and van Reeven, 2009; Pal, 1998). De Palma et al. (1994) develop a more flexible model that allows for consumer heterogeneity, non-price competition in the form of retail “variety” and less constrained market boundaries. However, most formal models of retail location assume that consumers have identical income and homogeneous preferences, and yield few predictions about how spatial variations in income may affect retail patterns. A notable exception is Porter (1995), who argues that although low-income households individually have limited purchasing power, because they tend to live in denser neighborhoods, collectively poor areas should be profitable for retailers.

For our analysis, we combine ZCTA (ZIP Code Tabulation Area) level employment data on retail establishments, by industry category, firm structure and size, from the National Establishment Time-Series (NETS) database, with Census data on household incomes and other

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¹ According to industry classifications, food service is a separate industry from retail (NAICS codes 72 and 44–45, respectively). However, in this paper we include food and beverage services in our general discussion of retail.

characteristics for 58 large metropolitan areas across the United States. We regress retail employment measures on residential income measures in three models: levels on levels, changes on levels, and changes on changes. Most theoretical models of retail location – and conventional wisdom in the real estate industry – assume that retail establishments take as given the distribution of consumers when deciding where to open new establishments (that is, firm location follows consumers). However we recognize that, at least at the margin, households may sort across neighborhoods based on the presence of retail and services, setting up the possibility of reverse causation. Our data and empirical strategy do not allow us to determine the direction of causality, nor can we identify the mechanisms through which income affects retail patterns. Rather, we document the ways in which retail patterns vary by neighborhood characteristics.

Results suggest that high-poverty neighborhoods have lower retail employment density for retail overall and several types of retail, including supermarkets, drugstores, food service and laundry. For most of these categories, the lower retail employment density is driven by reduced employment in chain establishments. Median household income is associated with increased retail employment for retail as a whole, primarily in chain establishments, but income is not a significant predictor of employment density for most retail categories. Income is positively associated with establishment size across retail types, while high-poverty status is associated with smaller establishments for several types, including supermarkets, drugstores, food service and laundry. The results on supermarkets indicate that whether poor neighborhoods are considered “food deserts” depends in part on the choice of retail metric: high-poverty neighborhoods have a higher density of supermarket establishments, but lower employment density, smaller establishments and fewer chain supermarkets. There is some evidence that income levels are positively associated with retail employment growth, although these results are less robust. Neighborhoods that experience income upgrading, relative to the metropolitan area, see larger gains in retail employment, while high poverty neighborhoods in which poverty increases experience smaller employment gains (or larger losses).

The paper proceeds in the following way. The following section summarizes the relevant theoretical and empirical literature. Section 3 describes the data and our empirical strategy, Section 4 discusses the results, and Section 5 concludes and discusses policy implications.

2. Previous literature

In this section we consider what predictions may be drawn from theoretical models of retail location about the relationship between the spatial distribution of retail and underlying neighborhood characteristics. We first consider how the characteristics of the local neighborhood, in particular income, are related to the density and composition of local retail markets. We then review the relatively limited empirical literature on the topic.

2.1. Neighborhood-level determinants of retail density

The Hotelling model and its variants suggest that the density of stores depends on customer density, store fixed costs, and transportation costs. For local (i.e. neighborhood) retail services, potential customers will primarily be local residents or employees at local firms.² Therefore, retail store networks will be denser in neighborhoods with higher residential and employment densities. Spatially, these are likely to be closer to the central business district (CBD), where

² Customers are also comprised of non-resident and non-employee commuter or tourist populations. In order to keep the framework simple, we assume that these customers are shopping at a select and limited number of retail centers, many of which correspond with the central business district(s).

employment density (and often residential density as well) is high.³ Retail density will also vary by product type: store density should be higher for establishments that sell goods that are highly standardized, frequently consumed or involve high transport costs due to perishability or other reasons, so that consumers will not be willing to travel long distances to purchase them (Berry, 1967; Huff, 1964; Reilly, 1931). Based on this logic, some categories of retail that are most likely to serve the immediate neighborhood include grocery and convenience stores, pharmacies, laundry services, coffee shops and limited service restaurants, gyms, video rental outlets, and beauty salons/barber shops (West et al., 1985; Ryan et al., 1990).

Market areas for stores will be smaller for retailers with low fixed costs, so neighborhood characteristics that affect fixed costs will affect retail density.⁴ For instance, rents are likely to be higher in high-income neighborhoods, while insurance and security costs increase with neighborhood crime rates. If we assume that labor markets correspond to metropolitan areas (MSAs), then wages for similar positions (sales clerk or shelf stocker) may be relatively similar across neighborhoods. However, there is some anecdotal evidence that employee turnover or training needs are higher in low-income neighborhoods (International Council of Shopping Centers, 2004), increasing average labor costs in those areas. Land use regulations and characteristics of the local building stock also vary across neighborhoods, contributing to neighborhood differences in fixed costs. Specifically, restrictions against or incentives for retail occupancy can increase or reduce costs associated with initial set-up. Similarly, the inherent nature of the building stock will determine the feasibility and costs associated with adapting the particular retail business to the existing commercial space. For example, grocery stores often require enough space and a robust enough infrastructure to support freezers, while restaurants require venting from stoves and ovens (International Council of Shopping Centers, 2004; Barragan, 2010). Availability of suitable land parcels for development may be particularly important for large chains that have a preferred model for their stores (i.e. Big Box), often a model derived in a suburban or low-density context.

Nearly all theoretical models of retail location discuss density in terms of the number of establishments, with the implicit assumption that size of establishments within retail categories is constant. In reality, there is considerable variation in the size of establishments even within narrowly defined NAICS industry classifications, which raises concerns about using establishment counts or densities as reliable metrics of retail access: a neighborhood with 10 small bodegas presumably has “less” grocery store retail than a neighborhood with 10 large, full-service supermarkets, a distinction that would be lost using establishment counts. Therefore in our empirical analysis, our primary measure of retail density will be the density of retail employment, which takes into account variation in establishment counts and size (number of employees per establishment). In Section 4 we will discuss some of the implications of using these different metrics. In addition to examining the relationship between neighborhood income and retail employment density, we also explicitly look at how establishment size varies by income, to assess whether retail markets in low income neighborhoods exhibit a different industry structure.

2.2. Should neighborhood income affect quantity, size or type of retail?

The primary focus of our current analysis is the relationship between local income and the *quantity* of retail, as measured by employment

³ This formulation assumes a monocentric model of urban development; in the case of a polycentric metropolitan area, the single CBD might be replaced by several employment subcenters. The same relative density predictions hold however.

⁴ Many retail firm costs are not “fixed” in the traditional sense, but are also not exactly marginal. For instance, building rents are often fixed over lease terms, which may be five or ten years long but may offer some flexibility between leases, depending on negotiations between tenant and landlord. Likewise contracts with suppliers, insurance, utilities, etc., may be fixed over a short period of time (1–2 years), and so cannot be directly reduced with marginal productivity.

density. Most directly, higher household income implies greater purchasing power among local residents.⁵ If we assume that retailers are motivated in their location decisions by profit maximization, retail employment density should be increasing in the potential for local consumption, or income. Even if higher incomes do not translate into a greater number of purchases, but rather better quality products and services consumed, this still implies rising consumption expenditures and thus should induce higher retail employment density. On the other hand, if higher income residents associate retail with nuisances like noise and traffic, and are able to exclude undesirable land uses from their immediate vicinity, then retail employment density may be decreasing with respect to household income.⁶ These contrasting hypotheses raise the possibility that the relationship between local income and retail employment density is non-linear, and potentially non-monotonic, exhibiting a positive correlation for low and middle parts of the income distribution and weakening or becoming negative at the high end. Due to the attention on poor neighborhoods as “food deserts”, an area of particular interest is whether neighborhoods at the low end of the income distribution are relatively deprived of retail. For instance, there could be a minimum income below which retail is not profitable, or retailers may be deterred from entering high-poverty neighborhoods because of perceived crime, inability to obtain credit or other unfavorable market conditions. Our empirical analysis will examine the direction and strength of the relationship between income and retail employment density at various points along the income distribution, testing for such non-linearities.

We further propose that income and retail density will have a differential relationship depending on the *type* of retail (e.g. grocery versus drug store versus restaurant) and the *size* of the retail establishment. Here, we use size to represent two defining features of local retail stores: the physical space the business occupies and the scope of the business, i.e. the range (and diversity) of goods sold. If proximity to retail in general is a normal or luxury good, then retail employment density overall should be increasing in income, but density may be decreasing in income for specific types of retail that are less desirable. The reverse would hold if proximity to retail in general is an inferior good but some products or services are normal or luxury goods. Specifically, establishments such as specialized grocery stores or upscale restaurants are more likely to locate in high-income neighborhoods, while establishments selling inferior goods (convenience stores and fast food restaurants) will locate in lower-income areas. Teh (2007) provides an example with liquor stores: she finds that alcohol outlets located in low-socio-economic-status (SES) neighborhoods are seen as disamenities, whereas alcohol outlets located in high-SES neighborhoods – which were more likely to be large grocery stores or upscale wine and liquor stores – were valued by homeowners.⁷

Income may also be correlated with preferences over the physical size and architectural design of retail establishments, as illustrated in the debate over Big Box Retailers. Anecdotal evidence demonstrates that more affluent communities often protest larger chain retailers, citing loss of neighborhood character (Li, 2009). If high-income communities have a preference for smaller, locally owned business, retail establishment size should decrease with household income (Zukin et al., 2009). Hausman and Leibtag (2005) show that consumer surplus

from increased superstore access is greater for low-income households compared to high-income households. In addition, if higher income households prefer to live in less dense communities (and therefore have more access to car transportation) then retail establishment size will decrease in household income. On the other hand, larger retail establishments may be of value to households, because they can potentially carry a greater variety of goods and offer lower prices (Basker et al., 2007 provide evidence for this). Furthermore, the relationship between income and retail employment density could vary by establishment size: if larger retailers tend to serve larger markets, retail patterns might be less sensitive to neighborhood income for larger establishments than for smaller establishments whose customer base is more localized.

2.3. Empirical literature

The empirical literature on the relationship between retail presence and local market characteristics is limited. Much of the existing work on retail focuses on a single sector and/or a single geographic area. In addition, the research questions typically center on labor market outcomes rather than linkages between retail presence and consumption markets. Here we summarize the existing research that informs the latter relationship.

A handful of studies consider the role of population size, income and related characteristics in retail location at the city or MSA level. Berry and Waldfogel's (2003) research on product quality and market fragmentation suggests that as market size (defined as city population) increases, the range of product variety and quality widens. They also find that the number of high-quality products grows with market size. Dinlersoz (2004) uses an establishment-level dataset on alcoholic beverage retailers in California to test the difference in the organization of chain versus stand-alone stores. He does find variation across the two types of stores: chain stores expand their scale as city population increases, whereas stand-alone stores tend to grow the number of establishments as city population increases.

Glaeser et al. (2001) explore the role of urban density, and in particular commercial density, in facilitating the growth of consumption centers. Generally they find that high-amenity cities have grown faster than low-amenity cities and that, between 1970 and 1990, neighborhoods in Manhattan that are closer to the CBD or a major consumption center have become richer than neighborhoods relatively farther away. These results suggest that households value access to commercial services and that this preference has strengthened over time. Frankel and Gould (2001) examine whether the income distribution within a city affects retail prices, and conclude that greater income inequality – defined as the relative absence of lower-middle income households – leads to higher prices.

A few studies examine similar relationships between population size and retail markets at the neighborhood level. Davis (2006) looks at the relationship between the distribution of consumers and movie theaters. He finds that demand for the theater (and ticket sales) increases with the number of people living within five miles of the cinema; this increase is less pronounced at further distances. Waldfogel (2008) exploits the variation in consumer characteristics and empirically tests the relationship between the mix of commercial services and heterogeneity in consumer preferences. He demonstrates that there is considerable heterogeneity across consumer preferences for such services as restaurants and media, and that preferences are strongly correlated with observable population characteristics, such as educational attainment and race/ethnicity. Using 5-digit ZIP-code level data on food and drinking establishments and population characteristics and proprietary data on consumer patronage behavior, he finds that there is an association between the mix of locally available chain restaurants and demographic mix by race and education.

⁵ Cash income is not a perfect proxy for purchasing power, especially among lower-income households, who may receive non-cash benefits such as food stamps or housing assistance, and may engage in reciprocal exchange of services in lieu of cash payments. And purchasing power depends not only on current income but also on lifetime income if people smooth consumption over time relative to income fluctuations. Still, income is the most practical empirical indicator of purchasing power.

⁶ Besides income, customer preferences are likely driven by characteristics such as race, ethnicity, age and socioeconomic status, which may be correlated with income (Waldfogel, 2008).

⁷ We do not address zoning in the current analysis, but we acknowledge that sorting of retail establishments by product quality may be reinforced by zoning if certain types of food establishments (like bars or fast food places) might attract undesirable crowds or other disamenities.

Table 1
Variable definitions and sources.

Variable	Definition	Source(s)	
<i>Retail metrics</i>			
Emp/sq mi	Employees per sq mi (by retail category)	NETS (1992–2006), census (2000)	
Ind emp/sq mi	Employees in independent retail estabs per sq mi		
Chain emp/sq mi	Employees in multi-establishment (chain) retail estabs per sq mi		
<i>Chain metrics</i>			
Est/sq mi	Establishments per sq mi (by retail category)	Census (1990, 2000)	
Ind est/sq mi	Independent establishments per sq mi		
Chain est/sq mi	Chain establishments per sq mi		
Emp/estab	Avg employees per establishment (by retail category)		
Ind emp/estab	Avg employees per independent establishment		
Chain emp/estab	Avg employees per chain establishment		
Emp growth	Average annual employment growth		
<i>Demographic & economic characteristics</i>			
Income	Median household income		OMB (2000)
Δ ZCTAinc/MSAinc	Change, 1990–2000, (ZCTA median household inc/MSA median HH inc)		
Poor	= 1 if poverty rate >20%		
Pop dens	Population/sq mi		
Dist CBD	Distance from ZCTA centroid to CBD		
BA plus	% population with BA or graduate degree		
Owner occ	% housing units that are owner-occupied		
Central city	= 1 if ZCTA in designated central city, 0 otherwise		
Black	% non-Hispanic black population		
Hispanic	% Hispanic population (any race)		
Kids	% population under 18 years		
Old	% population 65+ years		
Foreign born	% population foreign born		
Hsg < 1940	% housing built prior to 1940		

A sizable literature in public health and economic development explores the differences in the locational decisions of establishments across neighborhoods within a city. Powell et al. (2007), Zenk et al. (2005) and Alwitt and Donley (1997) demonstrate that various retailers (namely banks and supermarkets) opt not to locate in poorer ZIP codes even after controlling for purchasing power – leading the authors to conclude that retail locational decisions may hinge on a host of factors in addition to an area's market potential. Interestingly, Alwitt and Donley found that fast food restaurants were least likely to discriminate across neighborhoods, whereas Block et al. (2004) and Sloane et al. (2005) found that fast food restaurants were more likely to locate in poorer, predominately minority neighborhoods. Meltzer and Schuetz (2012) find that although high-income neighborhoods in New York City have a higher density of retail employment and more chain restaurants, low-income and predominantly black or Latino neighborhoods have a much higher share of unhealthy fast food restaurants.

Chapple and Jacobus (2009) and Kolko (2009) offer the most relevant evidence, both using data from the National Establishment Time-Series (NETS) dataset and the Neighborhood Change Database (NCDB). Chapple and Jacobus use ZIP-code level data on retail businesses and Census tract-level data on neighborhood economic and demographic characteristics for the San Francisco Bay area to examine the link between retail revitalization and neighborhood change. They classify neighborhoods into five categories of relative income change and show with descriptive crosstabs that retail revitalization is most strongly associated with gains for middle-income neighborhoods. They hypothesize that this is, in part, due to their greater ability to attract start-up businesses. While they construct a nuanced definition of neighborhood change, their methods are primarily bivariate and leave out controls for neighborhood characteristics that might influence both retail and residential revitalization.

Kolko (2009) looks at the relationship between employment and gentrification at the neighborhood level. He uses the NETS and NCDB data to measure the impact of employment location on neighborhood gentrification during the 1990s for metropolitan areas across the U.S. He finds that, at the tract level, average household income change is positively correlated both with the

change in average pay for nearby jobs and with the start-year average pay for nearby jobs. While Kolko focuses on the impact of overall employment on neighborhood change, we focus on retail presence exclusively and explore the reverse relationship: how well changes in neighborhood income explain changes in local retail presence (as measured by employment density). This reverse relationship is particularly appropriate for analyzing retail employment since retail product markets have smaller geographic scope than the markets for many other goods and services. Retail establishments are more likely to follow population than industries that serve other businesses; industries in which output is intangible and can be delivered electronically; industries in which transport costs are low relative to agglomeration economies; and industries that must locate near natural resources.

3. Data and methodology

We analyze the relationship between neighborhood income and retail presence with three basic estimation strategies, regressing retail measures on household income measures: levels on levels, changes on levels, and changes on changes.⁸ All retail metrics are constructed using the NETS database, described below, while all right-hand side variables are taken from GeoLytics' normalized Census data, which presents decennial Census data for geographically consistent boundaries. Specific variable definitions and sources are shown in Table 1; summary statistics for all variables are shown in Table 2. Our sample includes the 58 largest MSAs in the U.S., all those with population over 700,000 as of 1990. The sample was chosen to include urban areas that had sufficiently large and dense populations that they could plausibly support neighborhood-level retail for multiple geographic submarkets within the cities. We define "neighborhood" as ZIP Code Tabulation Area (ZCTA), an approximation of U.S.

⁸ Another typical approach to measure the amenity value of a specific attribute is to include that amenity as a right-hand variable in hedonic regressions of housing prices. We do not use that approach because we lack neighborhood measures of several key variables, namely school quality and crime rates, which would lead to omitted variable bias in such estimations.

Table 2
Summary statistics.

Variable	Obs	Mean	Std. dev.	Min	Max
Emp/sq mi	13,542	294.56	1,526.62	0.00	56,792.75
Emp/estab	13,542	8.24	20.43	0.00	1,759.25
Emp growth	13,542	1.27	7.52	−33.33	33.33
Income	13,542	51,940	21,351	2,583	206,724
Δ ZCTAinc/MSAinc	6,766	−0.01	0.29	−3.85	5.32
Poor	13,542	0.14	0.35	0.00	1.00
Pop dens	13,542	4,049	14,027	0	808,000
Dist CBD	13,542	19.33	15.38	0.00	238.66
Owner occ	13,542	67.48	20.95	0.00	100.00
Central city	13,542	0.25	0.43	0.00	1.00
BA plus	13,542	24.52	16.70	0.00	100.00
Black	13,542	10.67	19.26	0.00	100.00
Hispanic	13,542	9.83	16.35	0.00	100.00
Kids	13,542	25.30	6.52	0.00	86.45
Old	13,542	11.83	6.56	0.00	100.00
Foreign born	13,542	9.51	11.87	0.00	100.00
Hsg<1940	13,542	17.11	17.82	0.00	100.00

Note: Retail metrics for all retail (44–45). Comparison of retail categories in Table 3.

Postal Service ZIP codes created by the Census Bureau.⁹ We chose ZCTAs rather than Census tracts for neighborhood level analysis for two main reasons. First, in urban areas ZCTAs are generally larger than Census tracts and therefore are a more appropriate size for estimating locally oriented retail markets: the median population of a ZCTA in our sample is 13,700, while tracts are designed to have populations of roughly 4000 inhabitants. Second, ZCTAs (or ZIP codes, depending on the data source) have been frequently used to define neighborhood market areas in the existing literature on retail activity, so our choice of geography makes our results more directly comparable to prior analyses. Because ZCTAs are not entirely contiguous with place or MSA boundaries, we assigned ZCTAs entirely to the place and MSA that includes more than half of the ZCTA's population.¹⁰ Therefore our place and MSA boundaries are not exactly consistent with official definitions but are internally consistent, and avoid the quandary of apportioning retail metrics or demographics across ZCTAs that straddle multiple places or MSAs. Because we only have ZCTA-level data on income for two years – 1990 and 2000 – we cannot take full advantage of the annual reporting of retail metrics from the NETS dataset, described below, and simply estimate pooled regressions using retail metrics from the year closest to each Census year (1992 and 2000). Similar pooled regressions using the average of retail metrics over each time period (1992–2000 and 2001–06) produced largely similar results.

The general form of the regression for the pooled cross-sectional analysis is shown below:

$$Empland_{ijt} = \alpha Income_{it} + \beta X_{it} + MSA + Yr2000 + \varepsilon_{ijt}$$

where i, j and t index the ZCTA, retail category and year, respectively. $Empland$ is the retail employment density, $Income$ represents one or more variables describing ZCTA income, X is a vector containing population density and a variety of economic, demographic and locational characteristics of the ZCTA (described in more detail below), MSA is a set of fixed effects for MSAs, $Yr2000$ is a dummy variable for year (1990 is the base year).

All retail metrics are created from the National Establishment Time Series (NETS) database. The NETS is a longitudinal, establishment-level database covering nearly all businesses in the U.S. It is

⁹ ZCTAs were defined by the Census in 2000 only, not 1990. The 1990 Census data are from Geolytics' "1990 Long Form in 2000 Boundaries" product. Our ZCTA-level measures therefore reflect consistent boundaries over time, both for Census- and NETS-derived measures.

¹⁰ Some ZCTAs in our sample were split among three places, but in these cases all had greater than 50% in one place and so were assigned to that place. Assignments were based on the MABLE/Geocorr engine, available at <http://mcdc2.missouri.edu/websas/geocorr2k.html>.

constructed by Walls and Associates from the Dun & Bradstreet business register. Unlike publicly available government data on employment, the NETS includes no suppression of employment in small industry or geographic cells and provides full street address information for each establishment, which we geocoded in order to generate ZCTA-level counts. In addition, industry is reported at the 6-digit NAICS level, and a headquarters identifier permits classification of establishments according to firm size and structure. Finally, because the NETS are longitudinal, we can measure gross employment changes at the establishment level, not just net employment changes.

The primary retail metric is density of employment, calculated by dividing the number of employees in the ZCTA-industry category by total land area of the ZCTA. As described in Section 2, we believe that employment density most fully captures differences in access to retail, because it reflects both the number of establishments and the number of employees per establishment. To examine whether income also affects establishment size and density, we also calculate establishment density, using the count of establishments per ZCTA-category and total land area of the ZCTA, and the average establishment size, measured as total employment divided by total establishments. These metrics are calculated separately for all establishments, for those in single-establishment ("independent") firms and those belonging to multi-establishment ("chain") firms.¹¹ Because our main research focus is on retail that primarily serves the residents of the immediate neighborhood (rather than the type of retail that might attract customers from across the city), and because we are interested in quality of life implications, we have chosen to focus on several industry categories that meet these criteria: supermarkets (NAICS 6-digit code 445110), pharmacies and personal care stores (NAICS 3-digit code 446), clothing stores (NAICS 3-digit code 448), food service establishments (NAICS 3-digit code 722), and laundry facilities (NAICS code 812). To provide some context we also look at the total number of establishments in retail (NAICS 2-digit 44–45). Note that our "all retail" measure includes many retail industries that we do not look at separately; it also excludes the food service establishments and laundry facilities industries.

An important concern is how best to model the shape of the relationship between neighborhood income and retail density. If retail purchases are normal goods, then we would expect to see a positive correlation between household income and retail employment density, conditional on other factors. Although we expect a positive slope, we do not have strong priors about the shape of the relationship, so use a number of techniques to explore empirically what functional form best fits the data. The literature on food deserts, financial services and other neighborhood retail activity suggests very low-income neighborhoods are deprived of certain retail and service establishments, relative to middle- and upper-income neighborhoods, which may suggest that there is some minimum income threshold below which retail is unsustainable. It is also possible that very affluent neighborhoods are more sensitive to potential disamenities of commercial activity or better able to block unwanted development, which would result in lower levels of retail at the top of the income distribution. Both of these hypotheses suggest there may be non-

¹¹ From NETS data we can identify firm ownership in three ways: single-establishment firms (which we call "independent" for brevity), headquarters of multi-establishment firms (briefly called "chains") and non-headquarters establishments of multi-establishment firms. Ideally we would like to exclude any establishments that do not carry out direct retail (interaction with consumers), or perform little retail relative to other corporate functions, such as personnel or marketing. However, it is likely that some headquarters establishments carry out direct consumer activity while many non-headquarters establishments also carry out general corporate functions, so the headquarters distinction may not be that useful. We estimate our equations both for non-headquarters establishments only and for all establishments belonging to chains. The results are not significantly different, so we present results grouping headquarters and non-headquarters collectively as "chain" establishments.

linear or non-monotonic relationships between median household income and retail density. To test for non-linear and potentially non-monotonic relationships between income and retail density, we explored a number of different functional forms, including log-linear models (natural logarithm of median household income as the explanatory variable), quadratic income terms, piecewise linear splines and cubic splines. A comparison of these functional forms provides some evidence of non-linearity: the relationship between income and retail employment density is strongest at low values of median household income and declines as income increases, but is consistently positive. However, the magnitude of the change in slope as income increases is very small, so we do not sacrifice much in terms of substance by using a simple log-linear model, which is presented throughout our results.¹²

Median household income is a good proxy for average purchasing power but is of limited use in examining the very low end of the income distribution, where we would most expect to see a threshold effect. In our sample, the fifth percentile of median ZCTA income is approximately \$24,000. (Of course the distribution of median ZCTA income has a much smaller variance than the distribution of median household income.) While this is well below the national median, it is roughly 140% of the federal poverty line, and so will not allow us to identify a threshold at very low incomes. Therefore we cannot rely solely on median income to test the “retail deserts” hypothesis. To explore the low end of the distribution more accurately, we include a dummy variable for high poverty neighborhoods (poverty rate greater than or equal to 20%) in addition to the log of median income. The poverty dummy may also help indicate whether retailers are sensitive not just to the level of neighborhood income but to the distribution of income within a neighborhood. Controlling for median income, a large share of poor households in a neighborhood may act as a deterrent to retailers, perhaps serving as an indicator of neighborhood crime or social problems that we cannot directly observe. The choice of a dummy variable for poverty and the selection of 20% as a threshold follow extensive testing of functional form, similar to testing of income (linear poverty rate, dummy variables with differing cutoffs, linear and cubic splines). There appears to be no relationship between ZCTA poverty rate and retail employment density below 20% poverty, nor does there appear to be much variation in the size of the impact above this threshold, therefore a simple dummy variable is sufficient to model the relationship.¹³

Besides income and poverty, our models include a variety of controls for other factors expected to influence retail density. As described in Section 2, we would expect retail density to increase with residential density, representing larger potential consumer base, therefore we include a measure of population density. We control for distance from the CBD, as a proxy for employment density.¹⁴ In a sense, the analysis tests hypotheses that retail density is determined by the *quantity* of potential consumers (population and employment density) versus the *quality* or type of potential consumers (income and other characteristics). Distance from CBD should also be correlated with travel costs and accessibility, important cost factors. To control for differences in consumer preferences, we control for a variety of demographic characteristics, namely percent of population with

college or graduate degrees, share non-Hispanic black, share Hispanic, share under 18, share over 65, and share foreign born. As noted earlier, if retail activity brings some disamenities, such as noise or congestion, then residents may try to block retailers from entering a neighborhood. On the assumption that homeowners wield disproportionate power relative to renters in local land use decisions (see Fischel, 2001), we include the share of owner-occupied housing in the ZCTA. Finally, we include the share of housing stock built before 1940; prior research has suggested the age of housing is an indicator of residential gentrification (Rosenthal, 2008; Brueckner and Rosenthal, 2009), which may be accompanied by commercial growth or upgrading.

It is possible that households who choose to live in urban and suburban areas have different preferences over the mix of uses in their environment, with suburban households preferring greater separation of residential and commercial uses. Therefore, in some models, we interact income with other measures, including a dummy variable indicating whether the ZCTA is located in one of the central cities within the MSA, the distance from CBD, the share of the MSA that is mixed residential and commercial use, the overall employment density gradient in the MSA, and the MSA population size.¹⁵ As shown in Appendix A, few of these interactions produced results that are statistically different from zero, and even those with statistical significance were of very small magnitude.

As discussed previously, the income elasticity of demand will differ for various retail goods and services. Similarly, some categories of retail or establishment types may be viewed by neighborhood residents as amenities while others are disamenities. By estimating separate regressions for several different retail categories, we can begin to tease out these distinctions. We might expect that density of establishments selling “necessity” goods and services, such as grocery stores, drugstores, and laundry facilities, will be less sensitive to income: the income elasticity of demand for these goods is presumably less than one, so expenditures would increase with income but at a declining rate. Conversely, goods such as clothing and restaurants may represent “luxury” goods, with high income elasticity of demand. Even within these categories, some establishments such as fast food restaurants or convenience stores may represent “inferior goods” with negative income elasticities. Similarly, the income elasticity for firm type may vary, although it is not immediately obvious in what direction. Some large national (or international) chains are clearly in the luxury market (Barney’s clothing or Wolfgang Puck’s restaurant chains) while others are more mass-market (Payless Shoes or McDonald’s). Therefore we separate establishments based on firm type – chain versus independent – for all retail categories examined.

Although we use employment density as the primary measure of retail access, we also calculate average establishment size to test for differences in market structure by neighborhood income. That is, a network of a few large stores or many small stores could yield the same overall employment density, but provide differential access to consumers. A priori it is unclear whether households with different incomes would prefer different retail networks. Anecdotal evidence suggests that higher-income households may have preferences for small, locally owned stores with more distinctive “character” than large, corporate stores (Zukin et al., 2009). Smaller stores may also offer a higher level of customer service, which high income households might prefer. And many discount stores targeting lower-income consumers tend to use a large store format, or may

¹² Results of functional form tests are available from the authors upon request.

¹³ The correlation coefficient between the high poverty dummy and log median income is 0.61, so inclusion of both variables does not raise concerns about excess collinearity.

¹⁴ To identify the CBD, we calculate total employment density in each ZCTA using the NETS data and land area from the Census. The ZCTA within the MSA’s primary central city with the highest employment density is designated as the CBD. We then calculate the pairwise distance between each ZCTA and the CBD using latitude and longitude coordinates from the Census for the centroid of each ZCTA. Even if our MSAs are not perfectly monocentric, they all have declining employment density gradients with distance from CBD, so as a first approximation of employment density, this seems reasonable. We run robustness checks stratifying the sample by MSA density gradient, with largely similar results, as shown in Appendix A.

¹⁵ We obtain overall employment density gradients for each MSA by estimating regressions of total employment density (in all industries) against distance from CBD. The coefficient on distance from CBD is then used in the interaction with ZCTA income. For the mixed-use share of the MSA, we calculate the ratio of total employment to population for each ZCTA. ZCTAs with job-population ratios between 0.25 and 0.8 (approximately the 25th and 75th percentiles of the whole sample) as designated as mixed use, and the share of land area within the MSA that is contained by mixed-use ZCTAs is our MSA-level indicator.

prefer lower-rent locations because of their need for large spaces. Alternatively, if low-income households have less access to cars, they may be more dependent on stores within closer proximity, suggesting a higher density of small establishments in low income neighborhoods. The theoretical predictions are ambiguous, but can be tested empirically with our data, by estimating the same basic model for employment density but using average establishment size (employees per establishment) as the dependent variable. We also include results on establishment density in Appendix Table B (in some cases but not all, the relationship between income and establishment density can be directly inferred from coefficients on employment density and establishment size).

Besides examining the cross-sectional relationship between income and retail, we regress retail employment changes on neighborhood income levels and changes in order to understand how the retail landscape might change as neighborhoods upgrade economically. We estimate models of the change in retail density first as a function of initial income level and then as a function of simultaneous change in income. The reasons to estimate both two types of models is that is unclear to what extent retail growth is forward-looking – firms make location, hiring and investment decisions for the future based on current observable neighborhood characteristics – and to what extent firms can make simultaneous adjustments to changing neighborhood conditions. Particularly for fine levels of geography, retail firms (like researchers) have limited access to reliable data on income and other consumer attributes in between census years; and even with perfect data, retail firms may not make investment decisions until neighborhood change proves to be persistent rather than a temporary fluctuation. The length of time required for new construction or decisions about long-term leases for commercial space also suggest that retail markets may be “sticky”, so future growth may rely on lagged neighborhood characteristics. However, if retailers have access to more recent data on neighborhood change and are able to make quick assessments and adjustments, then the contemporaneous relationship between retail employment changes and neighborhood changes may be more appropriate. For the changes-on-levels models, we again pool both time periods, looking at retail changes during the 1990s and 2000s as a function of prior income. For the changes-on-changes models, we can only use the first time period, because ZCTA income is not available after 2000. The general form of the two-period pooled regression for the changes-on-levels analysis is shown below:

$$\Delta Employment_{ijt,t-1} = \alpha Inc_{it-1} + \beta X'_{it-1} + MSA + Yr2000 + \epsilon_{ijt}$$

where i, j and t index ZCTAs, retail categories and years, respectively. $\Delta Employment$ is the average annual employment growth rate, Inc is the log of median household income in the baseline year, X is a vector of demographic and economic characteristics the baseline year, MSA is a set of fixed effects for MSAs and $Yr2000$ is a dummy variable for the second period. The first period of retail change is calculated between 1992 (the first year data are available) and 2000, the second period of retail change is 2000–2006 (the latest year available). Baseline years for income and other neighborhood characteristics are 1990 and 2000, respectively.

Employment growth rate is calculated using a standard measure:

$$g_{ijt} = \frac{(Emp_{ijt} - Emp_{ijt-1})}{0.5 * (Emp_{ijt} + Emp_{ijt-1})} \cdot \frac{1}{t - (t-1)}$$

in which Emp_{ijt} is the number of employees in ZCTA i in industry j in time t . As discussed in several previous papers that have used this measure, this growth rate provides a symmetric growth rate that is useful for estimation and, by using a two-year average employment level rather than a single year of employment in the denominator,

reduces potential measurement error associated with large single-year deviations from average employment (see Davis et al., 1996; Haltiwanger et al., 2010 for more discussion). Because the number of years for which we have data on employment varies by period (1992–2000, 2000–2006), we annualize the measure by dividing by the number of years. Calculations were also made of the compound annual growth rate using beginning and ending year employment; regressions using both growth rates are very similar, so we followed standard practice by using the measure described above. Note that the growth rate uses net change in employment.

In addition to the changes-on-levels models, we estimate a changes-on-changes model: change in retail employment as a function of changes in neighborhood income (and other characteristics). Conceptually the changes-on-changes model is similar to the levels-on-levels model with the addition of ZCTA fixed effects. The dependent variable is the annual employment growth rate described above, while the key independent variable is a measure of relative change in income between 1990 and 2000. The relative change measure is calculated as follows:

$$\Delta ZCTA Inc = \frac{Inc_{ikt} - Inc_{ikt-1}}{Inc_{kt} - Inc_{kt-1}}$$

where Inc_{ikt} is the median household income in ZCTA i in MSA k in year t , Inc_{kt} is median household income in MSA k in year t . Essentially this measure indicates the change in ratio of ZCTA household income to MSA household income between 1990 and 2000. We use a relative income change measure to indicate upgrading of the neighborhood, relative to the surrounding MSA; this should capture whether a ZCTA is becoming more affluent (thus a more desirable location for retailers), compared to other ZCTAs within the MSA. Intuitively, if a neighborhood's absolute income rises but at a similar or slower pace than surrounding neighborhoods, it is less likely to attract additional retailers than if a neighborhood which experiences smaller absolute gains (or even losses) but whose income growth outpaces other neighborhoods within the MSA. Several recent papers on gentrification or neighborhood change have used relative income gain (or loss) measures (see Ellen and O'Regan, 2008; Bostic and Martin, 2003; McKinnish et al., 2010). The base regression models were also estimated using several other income change measures, including a simple log of change in median household income, percentage change in income, and difference between percentage change of ZCTA income and MSA income. All regressions also include MSA fixed effects, so results are nearly identical in sign and significance regardless of income measure. Besides the change in income, right hand side variables include prior level of income and changes in the same demographic variables described in the cross sectional model (except distance to CBD and central city status, which do not change over time).

All regressions include metropolitan area fixed effects and robust standard errors clustered by Census place, to account for any spatial autocorrelation by political jurisdiction (such as city-wide zoning rules or business start-up fees). All regressions are weighted by ZCTA population, due to large variation in ZCTA size (this reduces distortion of results by sparsely populated ZCTAs on the urban fringe).

4. Results

4.1. Descriptive statistics

Fig. 1 shows the relationship between neighborhood retail employment density and distance from the CBD, estimated with kernel-weighted local polynomial smoothing to allow for variation in the shape of the relationship at different distance bands. As predicted by the monocentric city model, all retail employment categories have negative density gradients moving away from the CBD, but the rates

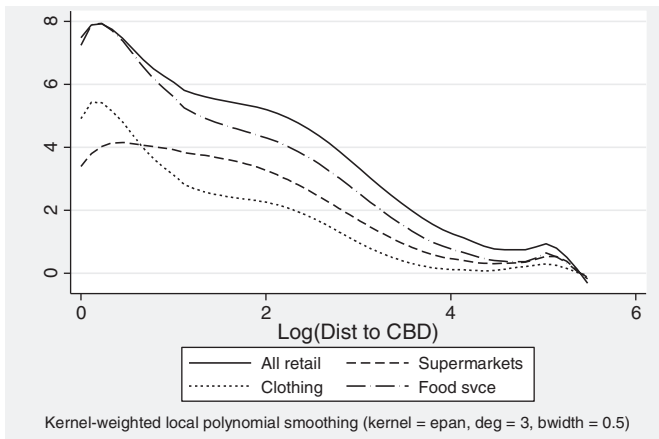


Fig. 1. Retail employment density gradient.

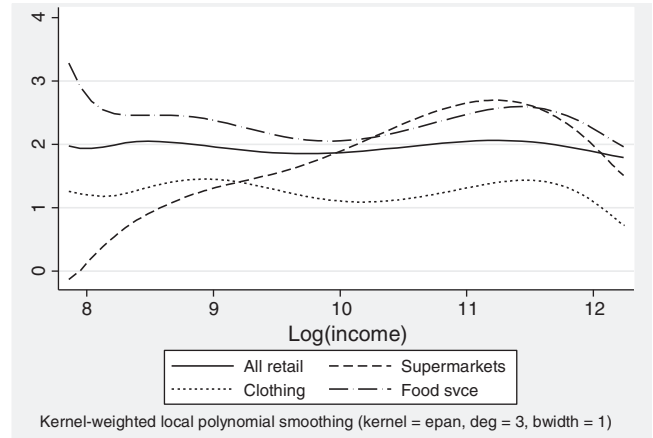


Fig. 3. Retail establishment size and income.

of decline differ by category. Food service and retail overall have the steepest slopes, consistent with food service being oriented towards high levels of general employment in the CBD or possibly “destination” restaurants that draw consumers from across the metro area. It is also plausible that residents near the CBD live in smaller housing units and therefore are more likely to eat out. In contrast, supermarkets have the flattest density gradients, consistent with similar demand in all residential neighborhoods for necessity items.

Plotting the relationship between retail employment density and neighborhood income (Fig. 2) shows a less obvious pattern. All categories except supermarkets show an initially declining relationship between income and employment density, then a gradual flattening out, while supermarket employment density initially increases with income, then declines gradually. The steepness of the slopes varies by retail category. However the raw correlations may be misleading because they do not control for confounding factors, such as underlying population density or intra-metropolitan location. Additionally, very few ZCTAs fall into the lowest income range (median income up to \$24,000 or logged values below 10), so it is unclear how robust the estimates are for low income ranges. Fig. 3 shows the average establishment size increasing with income for supermarkets, with indeterminate slopes for other categories.

Table 3 shows the mean for all retail metrics across categories and by firm type (chain versus independent). For comparison purposes, we also include the mean for all industries. Of our retail categories, food service has by far the highest density of employment and establishments, with an average of 174 employees and 10 establishments per square mile. Looking at the categories broken out by firm type,

independents dominate in establishment density for all categories, but chains dominate in employment density for most (laundry and food service are the only categories with higher employment density in independent establishments) – because chain establishments have more employees, on average, than independent establishments. The ratio of independent to chain employment varies considerably across categories, however. Looking at the average size of establishments, we find that overall retail establishments are quite small, around 8.25 employees, smaller than average size for all industries, and size varies widely by category. Notably, the average size for supermarkets is just under 25 employees, although independents are much smaller (7.65) while chains are much larger (45.87). This suggests that the NAICS category for supermarkets captures many small stores, such as corner bodegas, as well as full service supermarkets. The average size of clothing stores is perhaps surprising; these appear smaller than would be expected of stores in typical suburban malls.¹⁶ The last column of Table 3 compares employment growth by category. Employment in the retail sector overall grew somewhat more slowly than employment in all industries. Supermarkets had much less employment growth than the retail sector overall, laundry slightly less growth, drugstores and clothing slightly more and restaurants approximately 2.5 times the growth.

4.2. Results of cross-sectional analysis: retail overall

The results in Table 4 show that there is a positive relationship between neighborhood income and employment density in the retail sector overall, controlling for neighborhood characteristics, while high poverty neighborhoods have significantly lower retail employment density. A simple bivariate regression, including only year and MSA fixed effects, indicates a significant negative relationship between median household income and employment density, similar to the one shown in Fig. 2. This likely reflects the spatial distribution of income across MSAs: higher income households tend to live farther from the CBD in lower-density neighborhoods, both of which should be associated with lower retail density. Once we control for population density and distance to CBD in column 2, the coefficient on income becomes positive and significant. In order to compare magnitudes of coefficients for the three variables, we estimate standardized betas (with variables normalized to mean zero and standard deviation of one), the coefficient on population density has largest magnitude, 0.72 compared to 0.09 for income and 0.19 for distance

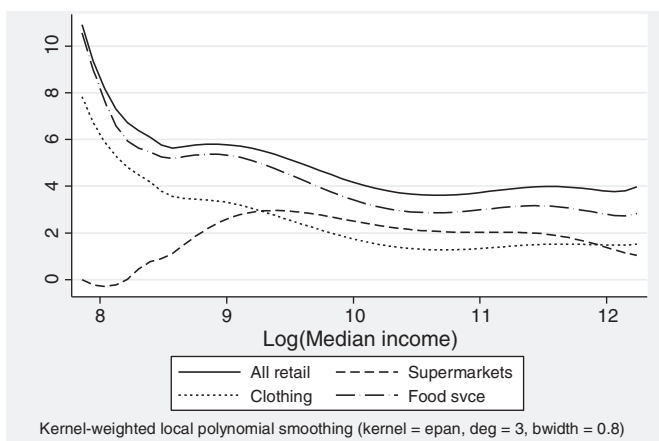


Fig. 2. Retail employment density and income.

¹⁶ The data on establishment size does not distinguish between full-time and part-time employees, so should be read as total employees on the payroll, not FTEs.

Table 3
Comparison of retail metrics by category.

	Emp/sq mi	Emp share by firm type	Emp/sq mi	Emp share by firm type	Emp/estab	Emp growth
All industries	5660.44		304.13		13.15	1.52
Independent	2150.32	38.0%	248.94	81.9%	6.96	
Chain	3510.13	62.0%	55.19	18.1%	43.85	
All retail	299.89		34.47		8.25	1.27
Independent	133.79	44.6%	27.90	81.0%	4.79	
Chain	166.10	55.4%	6.56	19.0%	20.84	
Supermarkets	33.79		2.15		24.70	0.56
Independent	12.01	35.5%	1.83	85.3%	7.65	
Chain	21.78	64.5%	0.32	14.7%	45.87	
Drugstores	14.59		1.43		7.88	1.80
Independent	5.81	39.8%	0.93	65.2%	4.27	
Chain	8.79	60.2%	0.50	34.8%	10.99	
Clothing	37.00		4.45		4.56	1.78
Independent	14.00	37.8%	3.21	72.1%	2.59	
Chain	23.00	62.2%	1.24	27.9%	6.93	
Food svce	174.04		10.14		13.48	3.07
Independent	110.09	63.3%	8.45	83.3%	10.40	
Chain	63.95	36.7%	1.69	16.7%	21.91	
Laundry	7.50		1.60		3.53	1.06
Independent	6.05	80.7%	1.47	91.5%	3.16	
Chain	1.45	19.3%	0.14	8.5%	2.96	

Notes: All retail includes NAICS 44–45, does not include food service or laundry. Table shows mean values for all ZCTA-year observations (n = 13,542). Employment density, establishment density, and establishment size are shown for 1992 and 2000. Employment growth is calculated as the annualized average employment change in each period, 1992–2000 and 2000–2006.

to CBD (standardized betas not shown but available upon request). The coefficient on population density also has the strongest statistical significance and in bivariate regressions yields the highest R-squared. The coefficient on distance from CBD is negative and significant, as expected. Overall these results are consistent with predictions that retail density is quite sensitive to density of employment and population, as well as to income.

In Column 3 we add a set of standard demographic and economic characteristics, which reduces the magnitude of the income coefficient slightly relative to Column 2, but still yields a positive and strongly significant result. Most controls perform as expected. The negative coefficient on share of owner-occupied housing is consistent with an interpretation that homeowners tend to resist commercial development. Retail density declines with share of black and Hispanic

Table 4
How does retail density vary by neighborhood income?

Dep var	Ln(Emp/sq mi)				Ln(Emp/estab)
	(1)	(2)	(3)	(4)	(5)
Log(income)	−0.957*** (0.102)	0.468*** (0.059)	0.385*** (0.092)	0.299*** (0.099)	0.217*** (0.042)
Poor				−0.093** (0.042)	−0.070*** (0.019)
Log(Pop dens)		0.829*** (0.034)	0.773*** (0.034)	0.770*** (0.035)	0.036*** (0.011)
Log(Dist CBD)		−0.395*** (0.061)	−0.418*** (0.053)	−0.424*** (0.054)	−0.092*** (0.017)
Owner occ			−0.014*** (0.002)	−0.014*** (0.002)	−0.006*** (0.001)
Central city			−0.092** (0.040)	−0.090** (0.040)	−0.027 (0.018)
BA plus			0.000 (0.001)	0.001 (0.002)	−0.002* (0.001)
Black			−0.006*** (0.001)	−0.006*** (0.001)	−0.002*** (0.000)
Hispanic			−0.003** (0.001)	−0.002** (0.001)	0.000 (0.001)
Kids			−0.022*** (0.003)	−0.020*** (0.004)	−0.005** (0.002)
Old			0.016*** (0.001)	0.016*** (0.001)	0.002 (0.001)
Foreign born			0.001 (0.001)	0.001 (0.001)	−0.001 (0.001)
Hsg < 1940			−0.011*** (0.002)	−0.011*** (0.002)	−0.010*** (0.001)
Fixed effects	Year & MSA	Year & MSA	Year & MSA	Year & MSA	Year & MSA
Observations	13,542	13,542	13,542	13,542	13,542
R-squared	0.249	0.736	0.773	0.774	0.248

Robust standard errors, clustered by place, in parentheses.
*** p < 0.01, ** p < 0.05, * p < 0.1.

Table 5
Does relationship between income and retail employment vary by retail industry?

Dep var	Ln(Emp/sq mi)					
	All retail	Supermarkets	Drugstores	Clothing	Food svce	Laundry
Industry	(1)	(2)	(3)	(4)	(5)	(6)
Log(income)	0.299*** (0.099)	-0.124 (0.107)	-0.096 (0.104)	0.162 (0.145)	0.158 (0.129)	0.076 (0.084)
Poor	-0.093** (0.042)	-0.142*** (0.044)	-0.156*** (0.045)	-0.021 (0.058)	-0.079* (0.042)	-0.068** (0.034)
Log(Pop dens)	0.770*** (0.035)	0.640*** (0.031)	0.490*** (0.023)	0.409*** (0.026)	0.681*** (0.032)	0.382*** (0.020)
Log(Dist CBD)	-0.424*** (0.054)	-0.267*** (0.045)	-0.289*** (0.036)	-0.359*** (0.052)	-0.484*** (0.055)	-0.195*** (0.037)
Owner occ	-0.014*** (0.002)	-0.007*** (0.002)	-0.008*** (0.002)	-0.015*** (0.003)	-0.014*** (0.002)	-0.009*** (0.001)
Central city	-0.090** (0.040)	0.022 (0.040)	-0.024 (0.035)	-0.068 (0.061)	-0.022 (0.039)	-0.059* (0.035)
BA plus	0.001 (0.002)	0.004** (0.001)	0.002* (0.001)	0.010*** (0.002)	0.005*** (0.002)	0.006*** (0.001)
Black	-0.006*** (0.001)	-0.004*** (0.001)	-0.006*** (0.001)	-0.002 (0.002)	-0.008*** (0.001)	0.003*** (0.001)
Hispanic	-0.002** (0.001)	0.001 (0.001)	-0.005*** (0.001)	-0.001 (0.002)	-0.001 (0.001)	-0.002* (0.001)
Kids	-0.020*** (0.004)	-0.005 (0.003)	-0.017*** (0.003)	-0.026*** (0.004)	-0.048*** (0.006)	-0.018*** (0.003)
Old	0.016*** (0.004)	0.017*** (0.003)	0.019*** (0.003)	0.020*** (0.004)	0.007 (0.004)	0.007*** (0.002)
Foreign born	0.001 (0.001)	0.003 (0.002)	0.005*** (0.002)	0.008*** (0.003)	-0.004** (0.002)	0.005*** (0.002)
Hsg < 1940	-0.011*** (0.002)	-0.003** (0.001)	0.002* (0.001)	-0.004* (0.002)	-0.008*** (0.002)	0.007*** (0.001)
Fixed effects	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA
Observations	13,542	13,542	13,542	13,542	13,542	13,542
R-squared	0.774	0.665	0.703	0.613	0.766	0.752

Robust standard errors, clustered by place, in parentheses.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

population, consistent with some prior research that shows that minority populations generally have less access to retail. To frame the magnitude of the income coefficient, we use the coefficients from Column 4 to calculate the predicted employment density for neighborhoods with household incomes of \$25,000 and \$75,000 (assuming mean values for all other variables, 1992 for year and using Akron, Ohio, as the reference MSA). The lower-income neighborhood is predicted to have 80 employees per square mile, compared to 122 employees per square mile in the higher income neighborhood.

Because we are particularly interested in ZCTAs at the bottom of the income distribution, in Column 4 we add a dummy variable for high-poverty neighborhoods. The coefficient is negative and significant, indicating that even controlling for median household income, high poverty neighborhoods have less retail employment, consistent with a hypothesis of “retail deserts”. Inclusion of the poverty dummy decreases the magnitude of the coefficient on median income somewhat, but it is still strongly significant. Robustness checks on the functional form of both income and poverty, including different cutoff points for the poverty dummy, are generally consistent with the results that high rates of neighborhood poverty are associated with lower retail density.

Besides examining retail employment density, a general measure of retail quantity, we test whether the size of retail establishments differs by neighborhood income or poverty. The last column in Table 4 suggests that establishment size is increasing in median income and is significantly lower in high poverty neighborhoods, even controlling for income. The positive relationship between income and establishment size would be consistent with higher income neighborhoods offering greater demand for a wide range of products and services within a single store, or with higher fixed costs (such as

rent or obstacles to development) causing retailers to operate larger stores. The negative coefficient on poverty is consistent with anecdotal evidence that low-income neighborhoods are dominated by small, primarily mom-and-pop stores.

4.3. Cross-sectional results by retail category

Next we examine the relationships between income, poverty and employment density for a variety of retail categories (Table 5). The results suggest that high poverty neighborhoods have lower employment density for retail overall and four of five categories examined, but that there is not a statistically significant association between median income and employment for several types of basic retail. As discussed earlier, the retail sector as a whole includes several sub-categories not examined separately in our analysis, and excludes food service and laundry. The coefficient on “All retail” (Column 1) reflects relatively large, statistically significant positive correlations between income and employment density on several of these other sub-categories, notably department stores (NAICS 4521), automobile dealers (4411) and automotive parts (4413), building materials (4441) and home furnishings (4422).¹⁷ Establishments in these categories are likely to serve a larger market area than the immediate neighborhood, and so are less relevant for the current analysis. We hypothesize that although these categories do not depend primarily on neighborhood residents, when choosing locations within a city or MSA, they prefer to locate in higher-income areas. That is, high income neighborhoods will contain

¹⁷ To check which retail sub-categories were driving the “All retail” coefficient, we estimated the model from Table 5 on employment density for all 4-digit NAICS groups within the retail sector. Results available from authors upon request.

Table 6
Relationship between income and employment density, by firm type.

Dependent var	Ln(Emp/sq mi)			Ln(Emp/estab)
	All firms	Independents	Chains	All firms
All retail				
Log(income)	0.299*** (0.099)	0.080 (0.074)	0.422*** (0.158)	0.217*** (0.042)
Poor	-0.093** (0.042)	-0.002 (0.035)	-0.212*** (0.059)	-0.070*** (0.019)
Supermarkets				
Log(income)	-0.124 (0.107)	-0.431*** (0.096)	0.179 (0.165)	0.459*** (0.097)
Poor	-0.142*** (0.044)	0.130*** (0.039)	-0.383*** (0.080)	-0.211*** (0.040)
Drugstores				
Log(income)	-0.096 (0.104)	-0.330*** (0.091)	0.135 (0.150)	0.358*** (0.069)
Poor	-0.156*** (0.045)	-0.032 (0.047)	-0.194*** (0.054)	-0.119*** (0.035)
Clothing				
Log(income)	0.162 (0.145)	0.074 (0.112)	0.052 (0.187)	0.219*** (0.071)
Poor	-0.021 (0.058)	0.033 (0.049)	-0.107 (0.071)	-0.023 (0.031)
Food svce				
Log(income)	0.158 (0.129)	0.000 (0.116)	0.006 (0.150)	0.288*** (0.056)
Poor	-0.079* (0.042)	-0.041 (0.037)	-0.139** (0.058)	-0.041* (0.021)
Laundry				
Log(income)	0.076 (0.084)	0.035 (0.078)	0.093 (0.086)	0.324*** (0.056)
Poor	-0.068** (0.034)	-0.076** (0.031)	-0.023 (0.041)	0.009 (0.028)

All regressions include controls for population density, distance to CBD, owner-occupied housing share, central city dummy, share with BA or graduate degree, share non-Hispanic black, share Hispanic, share under 18, share 65 and older, share foreign-born, share housing pre 1940, year and MSA fixed effects. N = 13,542. Robust standard errors, clustered by place, in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

a larger share of city- or regional-serving retail. In contrast to the generally insignificant coefficients on median income, the coefficients on the high poverty indicator are negative and significant for retail overall and for four categories: supermarkets, drugstores, food service (significant at 10% level) and laundry (Columns 1–3, 5 and 6). Only clothing shows no statistically significant difference in employment density between high and low-moderate poverty neighborhoods. It is notable that the coefficients on other controls, particularly population density, distance from CBD and share of owner-occupancy, are all consistent in sign and significance, although magnitude varies by category. That suggests that retail employment for all categories reflects size of potential market and possible NIMBYism of homeowners, but that income elasticity of demand for (or amenity value of) products and services varies.

Table 6 explores whether the relationship between our two income metrics and employment density varies by retail category and firm structure, and whether income is related to establishment size. The first three columns present the coefficients on median income and poverty for employment density by firm status (all firms, independents and chains). The last column shows the coefficients on income and poverty for establishment size. For the retail sector as a whole, income is positively associated with total employment and chain employment, but has no relationship with employment in independent establishments. Similarly, high poverty ZCTAs have lower overall retail employment, a result driven by decreased employment in chain establishments, but no difference in independent employment. As shown in Column 4, higher income is associated with increased establishment size, while high poverty is associated with

smaller establishments. For the retail sector overall, higher employment density does not represent a larger number of establishments: rather, the additional employment is absorbed into larger establishments of all firm types (results on establishment density shown in Appendix Table B). Similarly, while poor ZCTAs have lower overall retail employment, because establishments are smaller, there is no significant reduction in the density of total establishments. High poverty is associated with fewer chain establishments, though.

The literature on “food deserts” has focused particularly on income disparities in two retail categories, namely that poor neighborhoods lack access to supermarkets and have relatively more fast food restaurants. The results on these two categories provide some confirmation of these hypotheses, but also illustrate how the choice of metrics may affect the conclusion. There is no statistically significant association between median income and supermarket employment for all firms and chain stores, while employment in independent supermarkets decreases with rising income. However, high poverty ZCTAs have lower employment in supermarkets for all firms and chains, consistent with the “food desert” hypothesis, but higher employment in independent supermarkets. As shown in Table 3, independent supermarkets are a relatively small share of the retail category, so the increase in independent employment is not enough to offset the decrease in chains. The coefficients on employees per establishment (Column 4) match the pattern of retail overall: establishment size rises with median income and is lower for high poverty ZCTAs. Combining the results on employment density and size

produces somewhat unexpected results if we look at establishment density: increased income is associated with lower establishment density (both types of firms and aggregate) and high poverty is associated with increased establishment density for all firm types and independent supermarkets (Appendix Table B, Columns 1 and 2). High poverty ZCTAs do have lower establishment density of chain supermarkets, but with this exception, the results on establishment density are contrary to the “food deserts” hypothesis. Collectively, the results on employment density, establishment density and size suggest there are notable differences between poor and non-poor neighborhoods in supermarket size and firm structure, but these differences may not be well captured by comparing counts of establishments, as several previous studies have done. Employment density, because it accounts for size differences, may be a better metric of supermarket access.

Turning to the other retail category discussed in the food deserts literature, we find no significant relationship between median income and food service employment, either in the aggregate or broken out by firm type (Columns 1–3). Income is positively associated with size of food service establishments (Column 4), implying a negative relationship between income and establishment density, as confirmed in Appendix Table B. Because eating in restaurants is generally a more expensive substitute to eating at home, it is somewhat surprising that higher neighborhood income does not translate into greater density of food service, although perhaps restaurants are perceived as undesirable neighbors because of their potential to attract noise, traffic or odors. High poverty ZCTAs have a lower density of food service employment, in the aggregate and for chains, and smaller establishments. Poor ZCTAs also have a significantly lower density of food service establishments belonging to chains (Appendix Table B), again somewhat unexpected given the claims that poor neighborhoods are dominated by fast food restaurants.

Results on the remaining three categories confirm that the dynamics between income and retail employment vary by type of firm, as well as product and service. For drugstores, income is negatively associated with employment at independent establishments and positively associated with establishment size. High poverty ZCTAs have significantly less drugstore employment, due to reduced chain employment, and smaller average establishments. Neither income nor poverty are significant predictors of employment in clothing stores for any firm type, although income is positively associated with larger stores. Similarly, income is not significantly associated with employment at laundry facilities, but is associated with larger establishments. High poverty ZCTAs have lower employment density in laundry facilities, primarily in independent establishments (Columns 1–2), which according to Table 3 make up the majority of the category.

Across all retail categories, income is a more robust predictor of establishment size than of employment density (positive and significant in all categories). It is not possible to assess whether the larger size associated with high income neighborhoods indicates a higher prevalence of big-box retailers, but the results are not consistent with a stated preference by high-income households for small, locally owned stores. The results on the relationship between poverty and overall employment density are also quite robust across categories, although the association between poverty and employment by firm type varies. For three categories – supermarkets, drugstores and food service – there is evidence that employment in chain establishments (and the number of establishments) is lower in high-poverty neighborhoods.

4.4. Dynamic regressions

Table 7 provides some evidence that initial neighborhood income is positively correlated with growth in retail employment, although

Table 7
Relationship between retail employment growth and initial neighborhood income.

Dep var	Avg annual retail employment change			
	(1)	(2)	(3)	(4)
Log(income)	2.099*** (0.328)	1.750*** (0.343)	−0.570 (0.712)	−1.395 (2.042)
Poverty rate	0.006 (0.016)	0.025 (0.018)	−0.030* (0.017)	0.022 (0.050)
Log(Pop dens)		−0.576*** (0.089)	−0.594*** (0.099)	−1.552*** (0.407)
Log(Dist CBD)		0.038 (0.172)	−0.307* (0.168)	
Owner occ			0.010 (0.007)	−0.002 (0.026)
Central city			0.117 (0.178)	
BA plus			0.017* (0.010)	−0.050* (0.027)
Black			−0.013*** (0.004)	−0.074** (0.036)
Hispanic			−0.005 (0.007)	−0.029 (0.037)
Kids			0.057*** (0.019)	0.027 (0.052)
Old			−0.096*** (0.014)	−0.078 (0.059)
Foreign born			0.003 (0.008)	0.005 (0.048)
Hsg < 1940			−0.006 (0.004)	−0.062** (0.031)
Year = 2000	−1.346*** (0.260)	−1.347*** (0.256)	−1.489*** (0.234)	−1.180*** (0.392)
Fixed effects	MSA	MSA	MSA	ZCTA
Observations	13,541	13,541	13,541	13,541
R-squared	0.078	0.096	0.109	0.573

Employment growth is calculated as the annualized average employment change during each period, 1992–2000 and 2000–2006. Robust standard errors, clustered by place, in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 8
Relationship between retail employment change and income change.

Dependent var	Avg annual emp change		
	(1)	(2)	(3)
Δ ZCTA inc/MSA inc	2.308*** (0.730)	1.668 (1.062)	3.578*** (1.297)
Δ poverty	−0.015 (0.039)	−0.048 (0.044)	−0.112** (0.047)
Log(income)			2.345*** (0.643)
Poverty			−0.054** (0.024)
Δ Pop		0.069*** (0.013)	0.052*** (0.012)
Δ Owner occ		0.012 (0.021)	−0.006 (0.021)
Δ BA plus		0.046* (0.025)	−0.016 (0.027)
Δ Black		0.008 (0.014)	−0.009 (0.013)
Δ Hispanic		0.012 (0.020)	0.014 (0.019)
Δ Kids		0.044 (0.048)	−0.019 (0.050)
Δ Old		0.027 (0.035)	−0.040 (0.035)
Δ Foreign born		0.011 (0.021)	0.020 (0.020)
Δ Hsg < 1940		0.045* (0.024)	0.018 (0.021)
Fixed effects	MSA	MSA	MSA
Observations	6748	6744	6744
R-squared	0.11	0.135	0.183

Employment growth is calculated as the annualized average employment change. Robust standard errors, clustered by place, in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

results are not as robust as the cross-sectional regressions. The simplest regression, pooling both time periods, indicates that initial income is positively correlated with subsequent retail employment change, but there is no significant relationship between initial poverty rate and employment growth (Column 1). Both of these results hold when we add controls for initial population density and distance to CBD (Column 2). However, when we add the full set of demographic and economic controls the coefficient on income becomes negative and statistically insignificant, while the coefficient on poverty is negative and marginally significant (Column 3). In Column 4, we add ZCTA fixed effects as an additional robustness check; coefficients on neither income nor poverty rate are significantly different from zero. In general, the results on retail employment change suggest that employment growth in relatively small geographic areas may be somewhat idiosyncratic and is not easily predicted by initial neighborhood characteristics.¹⁸

Results from the final set of dynamic models, shown in Table 8, provide some evidence that neighborhoods that experience income gains relative to the MSA see larger net growth in retail employment. The first column estimates the relationship between retail employment growth and changes in relative income (the ratio of ZCTA to MSA income) and poverty rates, controlling only for MSA fixed effects. The coefficient on relative income change is positive and significant, the coefficient on poverty is negative but statistically not different from zero. Once we add controls for changes in population and demographics, coefficients on changes in both income and poverty become insignificant, although still with the expected signs (Column 2). The final column adds controls for initial levels of income and poverty: coefficients on both level and change in income are positive and statistically significant, while coefficients on level and change in poverty are negative in significant. This suggests that

ZCTAs that were initially higher income and gained income, relative to the MSA, attracted larger gains in retail employment. ZCTAs with high initial poverty rates which became still poorer lost retail employment rapidly. Not surprisingly, neighborhoods that experience population growth also have larger gains in retail employment, but changes in most demographic variables are not statistically significant and the overall explanatory power of the models is quite low (R-squared values under 0.20 for all models).

5. Conclusions and policy implications

The urban economics literature on neighborhood amenities has focused mainly on public goods, such as schools, parks and safety. Private goods, such as retail and basic household services, can also have important quality of life implications. Except for limited and largely anecdotal evidence on the dearth of some types of retail (grocery stores, banks, non-fast food restaurants) in poor neighborhoods, we have relatively little evidence on whether retail presence within urban areas varies by neighborhood income. In this paper, we have offered a first analysis of the relationship between income and retail density for a variety of retail categories, firm types and sizes.

Our results suggest that retail patterns do vary by neighborhood income. High-poverty neighborhoods have lower retail employment density for retail overall and several types of retail, including supermarkets, drugstores, food service and laundry. For most of these categories, the lower employment density is driven by reduced employment in chain establishments. Median household income is associated with increased retail employment for retail as a whole, primarily in chain establishments, but income is not a significant predictor of employment density for most retail categories. Income is positively associated with establishment size across retail types, while high-poverty status is associated with smaller establishments for several types. The results on supermarkets indicate that whether poor neighborhoods are considered “food deserts” depends in part

¹⁸ Similar regressions were estimated for changes in employment as a function of baseline neighborhood income for all retail categories; results are summarized in Appendix Table C (control variables are included but not shown). The results for most categories are similar to those for the retail sector overall.

employment density, smaller establishments and fewer chain supermarkets. Results also suggest that retail density increases with population density and decreases with distance to the CBD, consistent with theoretical models, but decreases with share of owner-occupied housing. The latter result may indicate a NIMBY response of homeowners to commercial uses they perceive as undesirable.

Most of the categories we examined are basic necessities – food, drugstores, and laundry – which might be expected to have a relatively low income elasticity of demand. But it is perhaps somewhat surprising that employment density in two of the categories that might represent more discretionary spending, clothing and restaurants, are also relatively uncorrelated with neighborhood differences in income. One problem with categorizing establishments based solely on NAICS code is that these codes obscure wide variation in the quality and range of goods and services. For instance, we would expect employment in upscale restaurants to be quite sensitive to income, and employment in coffee shops and delis less so.

We have limited information on some components of store costs that could be correlated with income, and may introduce bias into our results. Examples include crime rates, which affect security and insurance costs; labor costs, including employee training and turnover; transportation access and costs; and suitability of existing structures for commercial uses or availability of land for new development. Local policies such as zoning or tax incentives for businesses may also affect the incentive or ability to operate retail in neighborhoods of differing income. The direction of potential bias from omitting these variables is not immediately obvious, however. For instance, direct labor costs (wages) may be positively correlated with income and negatively correlated with employment density, introducing a negative bias on the income coefficient. By contrast, crime rates should be negatively correlated with both income and employment density, introducing a positive bias on income. Obtaining accurate data on such costs or policies at the neighborhood level is infeasible for a large national study, but might be possible for a single MSA.

Finally, our results cannot directly address a key welfare concern: is there an optimal level of retail, and do low-income neighborhoods

fall below that level? However, the findings do raise a number of related questions that invite further research. First, why is there such a consistently strong relationship between income and establishment size? Is this due to differences in operations costs of serving lower income neighborhoods, or reluctance by large firms (especially regional or national chains) to enter markets perceived as more risky or less profitable? Low-income households presumably have the most to gain from lower prices made possible by economies of scale, yet are less likely to benefit from them. Are there differences in household buying patterns that could explain this? For instance, perhaps low income households have less access to cars and are more dependent on smaller local stores, or have less storage space and so make more frequent trips. Our current data do not allow us to tease out alternative explanations, and would likely need to be supplemented by more micro-level data on household buying patterns to answer the question. If local governments wish to encourage more retail (at least for certain categories) in low-income neighborhoods, understanding the reasons behind the existing discrepancies is necessary to design effective economic development policies. Policymakers should also consider whether retail is associated with negative externalities, such as increased noise, pollution or crime, which might counteract the benefits to low-income neighborhoods.

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Appendix A

Appendix Table A

Interactions between income and ZCTA, MSA characteristics.

Dependent var	Ln(Emp/sq mi)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Log(income)	0.385*** (0.092)	0.460*** (0.099)	0.404*** (0.137)	0.271*** (0.087)	0.385*** (0.095)	0.359*** (0.095)	0.296*** (0.098)
Log(income)*Cent city		-0.110 (0.077)					
Log(income)*Dist CBD			-0.010 (0.044)				
linc*MSA % mixed use				0.00176*** (0.0004)			
linc*MSA emp density					9.99E-08 (0.00001)		
linc*MSA pop						9.24E-09* -5.1E-09	
Log(Pop dens)	0.773*** (0.034)	0.774*** (0.034)	0.772*** (0.035)	0.773*** (0.034)	0.773*** (0.034)	0.772*** (0.034)	0.772*** (0.037)
Log(Dist CBD)	-0.418*** (0.053)	-0.410*** (0.054)	(0.317) (0.458)	-0.417*** (0.052)	-0.418*** (0.054)	-0.418*** (0.053)	-0.420*** (0.056)
Owner occ	-0.014*** (0.002)	-0.014*** (0.002)	-0.014*** (0.002)	-0.0138*** (0.002)	-0.014*** (0.002)	-0.0143*** (0.002)	-0.0152*** (0.002)
Central city	-0.092** (0.040)	1.087 (0.834)	-0.0922** (0.040)	-0.0917** (0.039)	-0.0922** (0.040)	-0.0913** (0.040)	(0.063) (0.042)
BA plus	0.000 (0.001)	-0.001 (0.002)	0.000 (0.002)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.001 (0.002)

Appendix Table A (continued)

Dependent var	Ln(Emp/sq mi)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Black	−0.006*** (0.001)	−0.006*** (0.001)	−0.006*** (0.001)	−0.006*** (0.001)	−0.006*** (0.001)	−0.006*** (0.001)	−0.00728*** (0.001)
Hispanic	−0.003** (0.001)	−0.003** (0.001)	−0.003** (0.001)	−0.003** (0.001)	−0.003** (0.001)	−0.003** (0.001)	−0.00278* (0.001)
Kids	−0.022*** (0.003)	−0.024*** (0.004)	−0.022*** (0.004)	−0.0222*** (0.003)	−0.0221*** (0.003)	−0.0216*** (0.003)	−0.0169*** (0.004)
Old	0.016*** (0.004)	0.0155*** (0.004)	0.0155*** (0.004)	0.0151*** (0.004)	0.0156*** (0.004)	0.0158*** (0.004)	0.0189*** (0.004)
Foreign born	0.001 (0.001)	0.001 (0.002)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.000 (0.001)	0.001 (0.002)
Hsg<1940	−0.011*** (0.002)	−0.011*** (0.002)	−0.011*** (0.002)	−0.011*** (0.002)	−0.011*** (0.002)	−0.011*** (0.002)	−0.0132*** (0.001)
Fixed effects	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA	Yr & MSA
Other notes							Excludes NYC & LA
Observations	13,542	13,542	13,542	13,542	13,542	13,542	12,441
R-squared	0.773	0.773	0.773	0.775	0.773	0.773	0.747

Robust standard errors, clustered by place, in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Appendix Table B

Relationship between income and establishment density, by firm type.

Dependent var	Ln(Estab/sq mi)		
	All firms	Independents	Chains
Firm type			
All retail			
Log(income)	−0.030 (0.071)	−0.077 (0.064)	−0.089 (0.100)
Poor	−0.023 (0.030)	−0.006 (0.028)	−0.082** (0.034)
Supermarkets			
Log(income)	−0.373*** (0.062)	−0.383*** (0.067)	−0.074* (0.042)
Poor	0.076*** (0.023)	0.116*** (0.025)	−0.062*** (0.018)
Drugstores			
Log(income)	−0.235*** (0.064)	−0.225*** (0.058)	−0.124** (0.051)
Poor	−0.018 (0.028)	0.010 (0.029)	−0.043*** (0.016)
Clothing			
Log(income)	0.020 (0.094)	0.007 (0.081)	−0.085 (0.081)
Poor	0.018 (0.048)	0.030 (0.047)	−0.004 (0.032)
Food svce			
Log(income)	−0.215** (0.083)	−0.256*** (0.079)	−0.253*** (0.068)
Poor	−0.042 (0.026)	−0.022 (0.025)	−0.0547** (0.023)
Laundry			
Log(income)	−0.089 (0.057)	−0.100* (0.057)	−0.001 (0.028)
Poor	−0.060*** (0.018)	−0.052*** (0.018)	−0.011 (0.015)

All regressions include controls for population density, distance to CBD, owner-occupied housing share, central city dummy, share with BA or graduate degree, share non-Hispanic black, share Hispanic, share under 18, share 65 and older, share foreign-born, share housing pre 1940, year and MSA fixed effects. N = 13,542. Robust standard errors, clustered by place, in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Appendix Table C

Employment change and neighborhood income, by retail category.

Dependent var	Avg annual employment change, 1992–2006			
	Baseline Income/Poverty			ΔIncome/Poverty
Category	(1)	(2)	(3)	(4)
All retail				
Income	2.301*** (0.290)	1.647*** (0.289)	0.483 (0.625)	1.668 (1.062)
Poverty	0.491** (0.215)	0.671*** (0.220)	0.240 (0.223)	−0.048 (0.044)

(continued on next page)

Appendix Table C (continued)

Dependent var	Avg annual employment change, 1992–2006			
	Baseline Income/Poverty			ΔIncome/Poverty
Category	(1)	(2)	(3)	(4)
Supermarkets				
Income	2.760*** (0.363)	2.506*** (0.367)	1.187 (0.913)	0.859 (0.906)
Poverty	1.182*** (0.343)	1.174*** (0.360)	0.802** (0.393)	−0.029 (0.041)
Drugstores				
Income	3.058*** (0.484)	2.630*** (0.494)	0.255 (1.165)	2.951*** (0.914)
Poverty	0.649* (0.385)	0.794** (0.389)	0.138 (0.417)	0.046 (0.049)
Clothing				
Income	2.435*** (0.377)	2.049*** (0.379)	1.633* (0.848)	1.934** (0.930)
Poverty	2.087*** (0.352)	2.100*** (0.353)	1.081*** (0.405)	−0.001 (0.034)
Food svce				
Income	2.581*** (0.359)	1.832*** (0.363)	−0.472 (0.791)	1.535** (0.769)
Poverty	1.474*** (0.395)	1.776*** (0.402)	0.868** (0.348)	−0.026 (0.040)
Laundry				
Income	2.656*** (0.346)	1.930*** (0.350)	−0.597 (0.658)	3.033*** (0.932)
Poverty	0.701** (0.352)	0.927*** (0.339)	−0.027 (0.357)	0.036 (0.037)
Controls	Year dummy	Log(Pop), Log(Dist to CBD), year	Full controls	Full controls

Columns 1–3 show coefficients on log(income) high poverty dummy. Column 4 shows coefficients on changes in ZCTA income/MSA income and poverty rate. Controls noted for columns 1–2. Column 3 includes controls for: log(population density), log(distance to CBD), owner-occupied housing share, central city dummy, share with BA or graduate degree, share non-Hispanic black, share Hispanic, share under 18, share 65 and older, share foreign-born, share housing pre 1940. Column 4 includes controls for changes in all variables. All regressions include MSA fixed effects. Columns 1–3: N = 13,542. Column 4: n = 6745. Robust standard errors, clustered by place, in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.1.

Appendix Table D

Retail employment share and neighborhood income.

Dep var	Retail share of total emp		
	(1)	(2)	(3)
Log(income)	0.259 (0.332)	0.195 (0.307)	1.989*** (0.740)
Poor	−3.030*** (0.379)	−2.441*** (0.361)	−1.374*** (0.341)
Log(Pop dens)		1.529*** (0.132)	1.742*** (0.149)
Log(Dist CBD)		2.754*** (0.260)	1.714*** (0.283)
Owner occ			0.010 (0.012)
Central city			0.127 (0.284)
BA plus			−0.089*** (0.012)
Black			−0.035*** (0.007)
Hispanic			−0.037*** (0.010)
Kids			0.043* (0.024)
Old			0.029 (0.019)
Foreign born			−0.010 (0.016)
Hsg < 1940			−0.037*** (0.012)
Fixed effects	Yr & MSA	Yr & MSA	Yr & MSA
Observations	13,542	13,542	13,542
R-squared	0.058	0.100	0.128

Robust standard errors, clustered by place, in parentheses.

*** p < 0.01, ** p < 0.05, * p < 0.1.

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Neighbourhood differences in retail turnover: Evidence from New York City

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Abstract

Urban neighbourhoods are defined as much by their commercial character as their residential; retail services not only provide material needs for those living nearby, but less-tangible social and cultural capital as well. It is reasonable to expect, then, that excessive churn in these businesses can threaten the stability of a neighbourhood. Using a longitudinal data set on mixed-use neighbourhoods in New York City, we test whether or not neighbourhoods of varying circumstances and characteristics experience different degrees and types of retail turnover. Results suggest that there are meaningful differences in retail turnover across neighbourhoods. Retail turnover is directly associated with the type of business activity, commercial infrastructure and the neighbourhood's consumer profile. However, when all three sets of factors are considered simultaneously in a regression analysis, consumer-related characteristics explain turnover more than those related to the local commercial environment. Specifically, businesses that provide necessity and more frequently consumed goods/services are more stable and chain establishments are more likely to venture into markets with some housing price discounts, growth potential and possibly less organised opposition. Neighbourhoods with less (and more heterogeneous) general retail (as opposed to food service) concentration, as well as bigger businesses, are more stable. More importantly, bigger households and higher shares of white residents are most strongly associated with less retail churn, and population growth is the strongest predictor of more turnover.

Keywords

commercial markets, neighbourhood change, quality of life, retail, urban services

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Introduction

Urban neighbourhoods are defined as much by their commercial character as their residential. Indeed, neighbourhoods are a

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function not just of the people who inhabit them, but also the commercial transactions and investments that sustain local economies and activate street life. Retail services, particularly in mixed-use settings, not only provide material needs for those living nearby, but less-tangible social and cultural capital as well (Deener, 2007; Hyra, 2008; Zukin et al., 2009). Jane Jacobs (1961) famously argued that local small businesses are not only good for services and access to jobs, but are critical to the vitality of community life.¹ It is reasonable to expect, then, that excessive churn in these businesses can threaten the stability of a neighbourhood. Furthermore, this interruption could be even more severe under conditions of rapid neighbourhood change or gentrification. While neighbourhood change can bring in new amenities, filling much-needed gaps in local services, it can also introduce unpredictability in what and how these new businesses will serve the community (Ehrenhalt, 1999). Neighbourhood change research has focused extensively on the implications for residential stability (Ellen and O'Regan, 2008; Freeman, 2005; Freeman and Braconi, 2004; McKinnish et al., 2010); much less attention has been paid towards similar implications for local retail services. Patch (2008) suggests that retail change, or 'street gentrification', is a telling manifestation of broader neighbourhood transitions, and yet it has been less thoroughly documented. We aim to fill this gap here. Do neighbourhoods of varying circumstances and characteristics experience different degrees and types of retail turnover? Is this turnover exacerbated under conditions of gentrification?

The literature includes a host of case studies on retail change in particular neighbourhoods, across the globe (see, for example, Zukin et al., 2015), but there are many fewer studies looking systematically at how neighbourhood conditions relate to retail turnover. We present here a longitudinal

analysis of microdata on over 1700 neighbourhoods in New York City in order to establish a more comprehensive baseline understanding of which factors explain retail turnover in urban neighbourhoods. New York City is a useful context for studying these issues, as it is comprised of many different types of neighbourhoods and submarkets, all of which have experienced different degrees of socioeconomic change over our study period. Our findings not only identify broad-based correlates of retail vulnerability and opportunity, but also serve as an important foundation for conducting future analyses on the mechanisms and effects of retail turnover. Furthermore, armed with more detailed information on neighbourhood retail markets (and the extent to which they manifest stability), local governments and civic organisations can better target neighbourhood economic development strategies towards both business owners and consumers.

Results suggest that there are meaningful differences in retail turnover across neighbourhoods. Retail turnover is directly associated with the nature of business activity, commercial infrastructure and the neighbourhood's consumer profile. However, when all three sets of factors are considered simultaneously, consumer-related characteristics explain turnover more than those related to the local commercial environment. Food establishments (i.e. restaurants) tend to be a more stabilising presence in neighbourhoods over time – they exhibit less churn compared with general retailers. Businesses that provide frequently consumed and necessity goods and services are more likely to stay in place (compared with those providing less frequently consumed or discretionary goods and services), suggesting that they are less vulnerable to local shocks in business-related costs and/or consumer demand. Chain establishments, compared with independent ones, are less likely to

open up new establishments in New York City, but are more likely to relocate across the city once they have penetrated the market. In addition, chains are more likely to enter neighbourhoods with more commercial space, lower residential vacancy rates, lower housing prices and higher-income households, and less likely to go into neighbourhoods with more owner-occupied homes and more college-educated residents. Neighbourhoods with a greater proportion of food establishments and a wider mix of retail types, as well as bigger businesses, are more stable. These factors, however, are not as important as consumer characteristics, which produce the largest standardised coefficients: bigger households and higher shares of white residents are most strongly associated with less retail churn while population growth is the strongest predictor of more turnover.

Background and literature review

In this paper we specifically focus on the circumstances around retail *turnover*; that is, the frequency and nature of how businesses move in and out of neighbourhood markets, and what those neighbourhoods look like. The literature on neighbourhood change sets up a dichotomy of production- and consumption-based processes, and we build off of this framework. Smith (1979), for example, prioritises the production-based aspect of neighbourhood change, where uneven development and the allocation of capital drive localised economic upgrading. Brueckner and Rosenthal (2009) empirically test for the role of physical reinvestment in neighbourhood change, and find significant (albeit partial) explanatory power. This is in contrast to the consumption-based perspective, where consumer preferences drive neighbourhood redevelopment (Bridge and Dowling, 2001; Ley, 1986; Zukin, 2008); this framework is particularly compelling in the

context of retail services and amenities. Retail services, and the nature of their change, very much reflect both the consumption tendencies and cultural identities of local residents. Like Lees (1994) and Hamnett (1991), we hypothesise that retail turnover is both a production- and consumption-based phenomenon. In this section we set up this dichotomy theoretically, and then test it in the remainder of the paper.

We preface the following discussion on two reasonable assumptions. First, we consider neighbourhood retail services as a local amenity for primarily nearby residents; while these services can certainly service local workers as well, we focus on mixed-use communities rather than predominantly commercial ones. Second, we assume that retail generally follows households (or employees) and not vice versa; at the very least the two are correlational.

Why and when does neighbourhood retail change?

We rely on Hotelling's (1929) model of firm location decisions to motivate the implementation of our analysis; it reflects the production- and consumption-based framework established above. In its simplest form, his model conditions retail density on consumer density, store fixed costs and transportation costs. This suggests that in order to witness any *change* in retail density, one or all of these factors must undergo some shift.² In addition to the density of the consumer base, we consider a richer characterisation of the customer market, which accounts for consumption heterogeneity. In this scenario, the demographics of the local market can change; in turn, assuming business location decisions follow local demographic change (and not vice versa), the local business can adapt to these changing conditions and maintain its location, relocate to another

market that better supports its product, or permanently shut down. We expect that the neighbourhood demographics reflect not only consumption preferences, but also less-tangible cultural identities and biases (Ross, 1998).

Fixed costs can also change; here we walk through three ways in which they shift. First, the physical infrastructure or space constraints/opportunities can change over time. New investments in the neighbourhood can make space more appealing, affordable and functional for local retail establishments (in particular those that were not willing to occupy the spaces before), and this can draw particular businesses to a neighbourhood and drive others away. Second, information about the risks associated with operating in a particular neighbourhood can become more accessible over time.³ For example, increases in activity from other establishments can signal a more hospitable business environment (especially in markets that are otherwise hard to read without very localised knowledge), lowering the entry risk for new businesses. And third, incentives (typically government-induced) can make particular locations more appealing or beneficial. These mediators can influence the behaviour of both producers and consumers. For example, tax incentives or zoning allowances may make it cheaper for the businesses to set up shop and/or compete in a market that they could not have otherwise entered or sustained. Food subsidies (attached to either the establishment or the consumer) can help to make local goods and services more accessible to a broader set of local consumers.

What is the nature of the change?

We also consider the nature of retail change. While overall turnover captures retail stability broadly, it obscures the nature of that turnover. A business can choose to stay, enter or exit a neighbourhood at any point

in time. Those that stay can do so for short or extended periods of time. Those that enter can either relocate from another neighbourhood within the same municipality or open up a new establishment entirely. Likewise, those that exit a neighbourhood can relocate to another community within the same municipality or they can close down permanently. The different location decisions not only matter for a particular neighbourhood, but the citywide economy (since it is either a matter of reallocating businesses within the locality or losing/gaining businesses absolutely).

We also recognise that change can manifest itself differently for certain types of retail establishments, which in turn could have different implications for the neighbourhood. First, we distinguish between chain (i.e. multi-store businesses) and independent establishments. Since chain stores are typically more capitalised than independent operators, we anticipate that their turnover will be less pronounced (they can perhaps better withstand local shocks to avoid untimely shutdown or exit).⁴ On the other hand, owing to this higher threshold for relocation (or shutdown), we might find their entry into neighbourhoods more selective (and perhaps less frequent) than independent entities. The chains will also be less vulnerable to threats of competition, since they likely capture the market share (because of pricing and/or breadth of service); this will also manifest itself in more stability. Second, we distinguish between necessity and discretionary goods and services. We predict that necessity services (such as groceries, drug stores and banks) will be less vulnerable to shocks to consumer demand than discretionary (or 'luxury') goods and services, which will be less patronised under conditions of economic duress or transition. Not only do discretionary services require more disposable income, but they also may be more particular to the idiosyncrasies of the local consumer base;

both can change in meaningful (and perhaps unpredictable ways) as the neighbourhood undergoes social and economic transitions.

Empirical literature review

Retail differences and location decisions. There is a small body of work that documents the retail differences across neighbourhoods (or markets) of varying consumer characteristics. These studies are presented separately from those that directly address retail change, as they tend to observe retail patterns at one point in time rather than shifts in local retail markets (and their correlates over time). Consistent with expectations, the findings generally demonstrate a correlation between the size and nature of local consumption markets and the size and composition of the local retail market (Berry and Waldfogel, 2003; Davis, 2006; Dinlersoz, 2004). One of these studies, by Waldfogel (2008), exploits the variation in consumer characteristics and empirically tests the relationship between the mix of commercial services and heterogeneity in consumer preferences. He demonstrates that there is considerable heterogeneity across consumer preferences for such services as restaurants and media, and that preferences are strongly correlated with observable population characteristics, such as educational attainment and race/ethnicity. Using 5-digit ZIP-code level data on food and drinking establishments and population characteristics and proprietary data on consumer patronage behaviour, he finds that there is an association between the mix of locally available chain restaurants and demographic mix by race and education.⁵

To date, much of the research on neighbourhood disparities in commercial services comes from the public health literature. These studies focus on the differences in the locational decisions of establishments across neighbourhoods within a city. Kwate

et al. (2013), Powell (2007), Zenk (2005), Bingham and Zhang (1997) and Alwitt and Donley (1997) demonstrate that various retailers, namely banks and supermarkets, opt not to locate in predominantly non-white and poorer ZIP codes even after controlling for purchasing power. Interestingly, Alwitt and Donley find that fast food restaurants are least likely to discriminate across neighbourhoods, whereas Block et al. (2004) and Sloane et al. (2005) find that fast food restaurants are more likely to locate in poorer, predominately black neighbourhoods.

Retail change. Another set of papers focuses specifically on retail *change*. Meltzer and Schuetz (2012) primarily conduct a cross-sectional analysis of retail access across New York City neighbourhoods, using publicly available ZIP code establishment and employment aggregates. They find that although high-income neighbourhoods in New York City have a higher density of retail employment and more chain restaurants, low-income and predominantly black or Latino neighbourhoods have a much higher share of unhealthy fast food restaurants. They also examine the change in retail presence over nearly one decade and correlate it with changes in residential property values. They find that between 1998 and 2008 the rate of retail growth was particularly rapid in neighbourhoods that were initially lower valued and experienced relatively high housing price appreciation compared with the city overall. This is confirmed by another study by Schuetz et al. (2012) that finds lower retail employment density (and smaller establishment size) among higher poverty (and lower income) neighbourhoods, driven largely by reduced employment in chain establishments. While neither income levels nor poverty rates consistently predict retail employment growth, neighbourhoods that experience income

upgrading do see larger gains in retail employment. Immergluck (1999) finds that neighbourhoods that are relatively more minority and less affluent experience declines in commercial investment, as measured by changes in permit activity.

Chapple and Jacobus (2009) use ZIP-code level data on retail businesses (from the National Establishment Time Series dataset) and Census tract-level data (from the Neighborhood Change Database) on neighbourhood economic and demographic characteristics for the San Francisco Bay area to examine the link between retail revitalisation and neighbourhood change. They classify neighbourhoods into five categories of relative income change and show with descriptive crosstabs that retail revitalisation is most strongly associated with gains for middle-income neighbourhoods. They hypothesise that this is, in part, due to their greater ability to attract start-up businesses. Zukin et al. (2009) conduct case studies of two gentrifying neighbourhoods in New York City and find a large increase in the number of independently owned (or local chain) establishments in those neighbourhoods, compared with a small increase in large chain stores. Bates and Robb (2008; 2014) test whether retail establishments are more or less likely to survive in urban, predominantly non-white neighbourhoods and they find that businesses serving predominantly people of colour are less profitable and more likely to close than those serving white customers. Carree and Thurik (1996) find evidence to support both demographic and infrastructure determinants of retail entry/exit. Specifically, retail businesses are more incentivised to enter markets with growing consumer spending and growing unemployment and new firm entry is inhibited by larger floor space requirements.

These studies are largely limited in the scope, detail and variation in retail change; those that do use fine-grained data do so in

more limited case settings. Our analysis captures detailed retail turnover activity across a larger geographic area and a longer period of time.

Data

Our study takes place in New York City, a very useful context for studying these issues. It is a dense and diverse city comprised of many different types of neighbourhoods and retail markets. Furthermore, these neighbourhoods experienced varying degrees of socioeconomic changes over our study period, and this is variation that we can exploit in the analysis. Pressures from gentrification are not unique to New York City; local commercial districts from Toronto to Shanghai have been dealing with the challenges of rising rents and shifting demographics (Zukin et al., 2015). We also note that many New York City neighbourhoods are comparable to those in other large US cities. For example, while the median resident lives in a much denser neighbourhood than someone in an otherwise comparable city, the range of densities reflects those experienced in other large cities (Capperis et al., 2015). Typical education levels, unemployment rates, workforce participation rates and racial/ethnic make-ups are comparable with those in other large cities; incomes are also generally comparable, with the exception of slightly higher median household incomes and lower poverty rates (Been et al., 2013; Capperis et al., 2014). In addition, while New York City's overall homeownership rate is lower than that in other large US cities, homeownership rates are higher and closer to the norm in neighbourhoods in the boroughs of Queens and Staten Island (Been et al., 2013).

Our sample of businesses covers close to the universe of retail and food service establishments in New York City. The core data set for this analysis is the National

Establishment Time Series (NETS) database, a longitudinal, establishment-level data set that is constructed by Walls and Associates (2012) from the Dun & Bradstreet business register. Unlike publicly available government data on employment, the NETS data set includes no suppression of employment in small industry or geographic cells and provides full street address information for each establishment. In addition, NETS is more likely to capture non-employer businesses than other public records, such as those issued by the Bureau of Labor Statistics (Neumark et al., 2005).⁶ We geocode these businesses' addresses to tax parcels so that we can accurately attach census tracts and then aggregate establishment and employment counts to obtain census tract totals. In addition, industry is reported at the 6-digit North American Industry Classification System (NAICS) level to allow for a fine-grained distinction across retail and food services, and information on whether or not the establishment is a headquarter, branch or standalone outlet to permit classifications according to firm structure. Finally, because the NETS data are longitudinal and establishment-specific, we can measure gross changes in the number of establishments and their employment (versus just net employment changes, which is what the publicly available ZIP code aggregates provide). We recognise the limitations with using NETS to identify very short-term changes in firm characteristics, and therefore process any changes over periods of five or more years (Neumark et al., 2005). This will also mitigate against any lags in the NETS data in observing new firm births (Yang and Aldrich, 2012). Furthermore, we note that the NETS data are less adept at capturing within-city moves (Kaufman et al., 2015); for the small part of our analysis that relies on this metric, we recognise that it captures a subset of the relevant neighbourhoods and likely under-represents the actual within-city activity.

We collapse the business-level records into census tract aggregates and shares in order to capture turnover for the neighbourhood. Since we are concerned with the neighbourhood's exposure to turnover (rather than the business's), this aggregation makes sense. In order to ensure that we are looking at mixed-use neighbourhoods containing both businesses and resident consumers, we restrict the sample to include tracts with non-zero values for population, housing units and establishments.

We supplement the NETS data with a number of data sets, again, collapsed to the tract-level. We use New York City Department of Finance's tax assessment roll files and the New York City Department of City Planning's Primary Land Use Tax Lot Output (PLUTO) data set to observe changes in the amount of built commercial and residential space. We include building permits filed with the New York City Department of Buildings to measure the number of new buildings and residential units that developers intend to build (i.e. the degree of property investment). To measure changes in housing prices, we obtain residential property sales data from the New York City Department of Finance. Prices (as well as incomes and rents, which are obtained from Census and American Community Survey data described below) are adjusted for inflation using the Consumer Price Index for the New York metropolitan area and expressed in 2012 dollars.

In addition, we merge in tract-level economic and demographic variables from various sources. Geolytics' Neighborhood Change Database (Geolytics, 2003) provides data every 10 years from 1980 through 2000, normalised to consistent census tracts as defined in the 2000 Census. We supplement these data with indicators from the 2010 Census and the American Community Survey's five-year estimates from 2007 to 2011 where Census data are unavailable, which we assume represent

2010 conditions. We also normalise data from these sources to tract definitions set in 2000 to be geographically compatible with measures from the Neighborhood Change Database. Ultimately, we have 2137 census tracts in our sample, spanning 20 years.⁷

Throughout the analysis, we are constrained by the fact that Census-based data are available only every decade, and we adjust the data merging accordingly. In analyses where we observe neighbourhoods every ten years, such as in the cross-tab analyses, we rely on the decennial values from the Census. In analyses where we observe neighbourhoods every five (or more) years, such as in the regression analyses, we compute values for intercensal years (i.e. 1995 and 2005) by assigning the average value from the previous and subsequent year. When a year falls in between the five-year increment (i.e. is not a multiple of five), we then assign Census variables based on the increment of five that mostly closely precedes the year in which the neighbourhood is observed (for example, if we observe a neighbourhood in 1999 we assign Census variables as of 1995; that is, the average of values in 1990 and 2000). In all cases, Census variables are assigned contemporaneously or lagged, in order to mitigate against endogeneity.

Analytical strategy

Since our analysis is focused on *neighbourhood retail* services, we rely on two important analytical features. First, the unit of analysis is the neighbourhood-year. We operationalise neighbourhoods as census tracts as defined in the 2000 Census, which is an area optimally populated by 4000 people (US Census Bureau, 2012). Previous studies have used the census tract to capture neighbourhood communities and markets (Ellen and O'Regan, 2008; McKinnish et al., 2010); it also allows for more fine-grained analysis than the ZIP code (the finest level

at which business data are made publicly available) and at a level at which socio-demographic information is readily available over time. The census tract also captures a walkable market area, which, on average, can be traversed in five to ten minutes.⁸ While residents could certainly walk farther to access local retail, we aim here to primarily capture the commercial environment in their immediate vicinity and therefore return to the usefulness of the tract operationalisation. We limit our sample to include sectors that include businesses that serve neighbourhoods (versus central business district businesses or manufacturing enterprises). Specifically, we include businesses classified as retail trade (NAICS 44-45) or food services (NAICS 722), except retailers without a store-based point of sale (NAICS 454) and food service contractors and caterers (NAICS 7223). We also include various retail services outside of these sectors, including banking, fitness, barber/beauty shops, laundry and pet care; see Appendix A for a full listing of included sectors. Most of the sample (about 84%) is categorised as general retail trade or services.

Variable construction

We construct a number of variables in order to test the hypotheses set forth in the section 'Background and literature review'. First, we create six measures to assess the movement of businesses into and out of neighbourhoods over time: *stay*, *entry*, *exit*, *birth*, *death* and *churn*. We define *stay* as the number of businesses that stay in neighbourhood j for the entirety of the change interval, $(t-k, t)$. We define *entry* as the number of businesses that (i) enter neighbourhood j from another neighbourhood i , still within the city's border, any time during the change interval, $(t-k, t)$, and (ii) are still in operation in neighbourhood j at time t . *Exit* is the opposite: the number of businesses that (i)

are in operation in neighbourhood j at time $t-k$, and (ii) exit neighbourhood j to another neighbourhood i , still within the city's border, any time during the change interval, $(t-k, t)$. *Birth* is the number of businesses that (i) enter neighbourhood j as brand new entities in the city (i.e. not previously located in another neighbourhood) any time during the change interval, $(t-k, t)$, and (ii) are still in operation in neighbourhood j at time t . *Death* is the opposite: the number of businesses that (i) are in operation in neighbourhood j at time $t-k$, and (ii) exit neighbourhood j to permanently close down any time during the change interval, $(t-k, t)$.

Since neighbourhoods can contain a wide range of retail densities, and comparing counts can be misleading, we also calculate the share for each of these measures. They are calculated relative to the total number of establishments in the tract at the beginning of the change interval, $(t-k, t)$. Since there are neighbourhoods with small counts at the beginning of the intervals, we calculate the share using the midpoint method (as an example, we display the calculation for the *entry* variable):

$$Entry_share_{t-k,t} = \frac{Entry_{t-k,t}}{(Estab_{t-k} + Estab_t)/2} \quad (1)$$

This approach mitigates against inflated shares, due simply to low baselines at the start of the interval.⁹ We also create a measure of *churn*, which, for neighbourhood j , is the sum of all possible moves (either into or out of neighbourhood j) divided by the average of the total number of businesses at time $t-k$ and the total number of businesses at time t , consistent with the midpoint method:

$$Churn_{t-k,t} = \frac{(Entry_{t-k,t} + Exit_{t-k,t} + Birth_{t-k,t} + Death_{t-k,t})}{((Estab_total_t + Estab_total_{t-k})/2)} \quad (2)$$

We prioritise churn as our summary measure of retail change, as it captures the overall volatility of retail for a particular neighbourhood over time. However, the other five measures will help to disentangle the nature of the churn and provide a more nuanced sense of how businesses flow into and out of the neighbourhood.

We also classify businesses in several ways that relate to local consumer density and the business' fixed costs. First, we categorise each business as either *necessity* or *discretionary*. *Necessity* establishments are those that fulfill more 'everyday' needs (and therefore are likely less vulnerable to shocks in consumer willingness, such as income-induced ones) or are providing for the 'immediate needs of people' (Bingham and Zhang, 1997; Stanback et al., 1981). Stanback et al. (1981) described these as 'residential services'. Like Bingham and Zang (1997) we also include a few 'producer services', such as banks, in our definition of retail, since they also provide essential services to local residents. Other examples of subsectors in this category are groceries, drug stores and household goods stores. *Discretionary* establishments, on the other hand, provide more luxury or recreational services or goods that are not considered basic, but certainly enhance quality of life. Examples of subsectors in this category are liquor stores, most restaurants and beauty salons. About half of the businesses in our sample are classified as discretionary, one-third as necessity and, the small remainder, as establishments that provide durable goods (such as car dealers or furniture stores).¹⁰

We further disaggregate by classifying businesses as providing goods/services that are either *frequently* or *infrequently* consumed. For this distinction, we draw heavily from Helling and Sawicki (2003) who consider a subset of 'residential services' as those businesses that serve local 'consumer

demand directly' and provide goods or services that are frequently consumed and/or perishable, whereby short travel times are essential to their appeal. This is a meaningful distinction, also, because it further identifies the types of businesses that contribute to the daily quality of life in the neighbourhood. Examples of subsectors offering frequently consumed goods/services are food (both grocery stores and restaurants), pharmacies, service stations, discount and department stores, banks and laundry; some subsectors with less frequently consumed goods/services include stores offering furniture, housewares, clothing, sporting goods and media (these are the kinds of businesses that also might have market share outside the local neighbourhood). Appendix A demonstrates how NAICS codes align within this typology. There is quite a bit of overlap between necessity and frequency, but discretionary businesses exhibit substantial variation. Together, these classifications allow us to set up a hierarchy of local services, such that *frequently consumed necessity* goods/services are perceived as fundamental to neighbourhood wellbeing, and *infrequently consumed discretionary* goods/services would represent local 'luxuries'.¹¹

Finally, we distinguish among businesses based on their organisational structure. We classify a business as *chain* if it is linked to a separate headquarters establishment, if it is itself identified as a branch or headquarters, or if at least one other establishment reports to the same headquarters. There is no minimum for the number of establishments that constitute a chain. We classify a business as *independent* if it does not meet any of the criteria for classification as a chain.

Results

In this section we test whether or not retail turnover varies with dimensions of consumer density and business structure and/or costs.¹²

We do this through a series of descriptive cross-tabulations and then multivariate regression analyses to assess which factors are most important in explaining retail turnover. We present here results for changes in retail activity over five-year intervals; therefore, for each year t in the sample, turnover variables are calculated for the interval $(t-5, t)$. We thought this a reasonable interval, since the median neighbourhood tenure of a business in the city is five years. For businesses that eventually relocate to another neighbourhood, the average length of stay is just over five years; for those that ultimately close their doors permanently, the average length of stay is about 4.5 years.¹³

As a first cut, we look at broad citywide and borough-wide patterns of retail turnover (see Table 1). The upper panel displays counts and the lower panel displays the corresponding shares. Overall, we see that businesses are more likely than not to stay in place in the same neighbourhood over a five-year interval (as indicated by the stay rate of 0.57). Birth rates (and entry rates) are higher than death rates (and exit rates) and, in general, neighbourhoods experience similar retail churn rates, with the exception of those in Manhattan and Staten Island, which have slightly lower rates. The shares of establishments that stay in place are consistent across the boroughs, as are the shares of deaths. The inter-neighbourhood movement, however, varies. For example, the Bronx experiences the lowest entry rate and Staten Island the highest. Manhattan exhibits the lowest churn and the Bronx the highest. Therefore, there is spatial variation to exploit. These results, however, do not tell us where businesses are relocating (or from where they are relocating), and so we cannot assign any correspondence between the borough rates of entry or exit.

We also see that looking at counts alone can be misleading. For example, while Manhattan has the highest *number* of

Table 1. Retail turnover variables by borough.

	NYC	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Sig. Diff.
<i>Mean number of est.</i>							
Stay	23.7	15.95	17.13	65.74	16.44	18.91	***
Birth	16.65	11.72	12.35	43.29	12.42	12.42	***
Enter	0.6	0.19	0.34	2.228	0.349	0.651	***
Death	15.4	11.87	11.28	40.15	11.12	10.91	***
Exit	0.618	0.209	0.328	2.517	0.292	0.543	***
<i>Mean share of est., t-5 (midpoints)</i>							
Stay	0.574	0.563	0.572	0.601	0.567	0.595	***
Birth	0.428	0.427	0.431	0.403	0.440	0.409	***
Enter	0.015	0.009	0.015	0.018	0.015	0.024	***
Death	0.397	0.430	0.399	0.359	0.401	0.357	***
Exit	0.012	0.008	0.011	0.019	0.011	0.020	***
Churn	0.852	0.875	0.856	0.799	0.866	0.810	***
N	3852	627	1378	545	1116	186	***

Notes: As an example, we interpret the results for NYC: in the average tract, 24 (57.4%) establishments stayed in place between time $t-5$ and t ; nearly 17 new establishments were born (42.8% as a share of establishments in $t-5$), 15 existing establishments died (39.7%), one moved into the tract from elsewhere in the city (1.5%), and another moved to another tract in the city (1.2%); between time $t-5$ and t , 85.2% of the establishments (open at time $t-5$) turned over in some form (some combination of births, deaths, or moves in or out). All differences in means are statistically significant at $p < 0.01$.

births during the 5-year interval, it has the smallest share. For this reason, we will display and discuss only the share variables from now on.

Business type and structure

Next, we look at whether retail turnover varies by business type and structure. These are displayed in Tables 2 through 4. We first stratify by super-sector (food versus general retail establishments) and find some consistent differences (see Table 2). Food establishments tend to exhibit less churn, which is driven by smaller rates of birth, death, entry and exit (most dramatically, births). This is also exhibited by the meaningful difference in the share of establishments that stay in place over the 5-year intervals (it is 0.64 for food establishments compared with 0.55 for general retail). The next table (Table 3) displays turnover variables for necessity and discretionary establishments. Necessity retailers exhibit slightly less turnover (i.e. a lower

churn rate), and this appears to be driven by fewer births and slightly more businesses that stay in place. While the death rate for necessity services exceeds that for discretionary ones, any losses seem counteracted by the businesses that stay on and by fewer exits due to relocation.

To more precisely capture the type of retail demand, we further disaggregate the necessary and discretionary goods by frequency of use (these results are displayed in Table 3, as well). These analyses show that the necessity services that are more frequented are more likely to stay and contribute to less overall churn (more infrequently consumed necessity services, on the other hand, demonstrate a lot of flux, especially from both birth and exit activities). The same patterns hold for frequently consumed discretionary services compared with those less frequently consumed. Overall, it is consistent with expectations that necessity goods and services would be less vulnerable to local shocks in demand because of their broader

Table 2. Retail turnover variables by business type (food-retail).

	N	Food establishments	Retail establishments	Sig. diff
<i>Share of est., t-5 (midpoints)</i>				
Stay	3847	0.635	0.554	***
Birth	3847	0.318	0.454	***
Enter	3847	0.012	0.015	**
Death	3847	0.391	0.409	**
Exit	3847	0.010	0.013	**
Churn	3852	0.731	0.892	***

Notes: As an example, we interpret some of the cells: in the average tract, 63.5% of food-based establishments and 55.4% of retail-based establishments stayed in place between time $t-5$ and t . The difference is largely due to a higher birth rate among retail establishments (45.5% for retail; 31.8% for food).

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

Table 3. Retail turnover variables by business type (necessity-discretionary; frequent-infrequent).

	Overall			Necessity			Discretionary		
	Necessity	Discretionary	Sig. diff.	Frequent	Infrequent	Sig. diff.	Frequent	Infrequent	Sig. diff.
<i>Mean share of est., t-5 (midpoints)</i>									
Stay	0.567	0.564	**	0.590	0.415	***	0.583	0.462	***
Birth	0.427	0.449	***	0.402	0.606	***	0.406	0.598	***
Enter	0.015	0.016		0.011	0.030	***	0.016	0.020	**
Death	0.413	0.394	**	0.397	0.510	***	0.401	0.440	***
Exit	0.011	0.013	*	0.009	0.024	***	0.011	0.018	***
Churn	0.866	0.872	**	0.818	1.170	***	0.834	1.077	***
N	3800	3785		3752	3291		3775	3639	

Notes: As an example, we interpret some of the cells: in the average tract, 86.6% of retail necessities and 87.2% of discretionary establishments operating in time $t-5$ experience some sort of churn between $t-5$ and t . The higher churn among discretionary businesses occurs because of higher average birth, move-induced entry, and move-induced exit rates and appears in spite of a lower average death rate.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

appeal and relatively more frequent consumption; discretionary services should be consumed less under conditions of economic duress or demographic change.

Third, we distinguish independent retailers from chain establishments and replicate the turnover variables (see Table 4). Overall, independent businesses turn over more than the chain establishments. While their probabilities of staying in the same neighbourhood over the 5-year intervals are marginally

different, the birth rate of independent businesses is about one-third higher than that for chain establishments. That said, movement across neighbourhoods is more likely for chain establishments, as evinced by the higher entry and exit rates. These findings are consistent with the notion that chains have higher start-up costs (they need bigger spaces) and perhaps a higher threshold for entering a market. However, once they have a presence in the local market, they are more

Table 4. Retail turnover variables by business structure (independent-chain).

	Independent	Chain	Sig. diff.
<i>Mean share of est., t-5 (midpoints)</i>			
Stay	0.568	0.597	***
Birth	0.435	0.359	***
Enter	0.014	0.029	***
Death	0.402	0.389	
Exit	0.012	0.028	***
Churn	0.863	0.805	***
N	3850	2499	

Notes: As an example, we interpret some of the cells: in the average tract, 86.3% of independent establishments and 80.5% of chain establishments operating in time $t-5$ experience some sort of churn between $t-5$ and t . The higher churn among independent businesses occurs because of higher average birth and death rates and appears in spite of lower average move-induced entry and exit rates.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

footloose and move more frequently across neighbourhoods. This suggests then that the bigger fixed costs are attached to the initial market penetration; subsequent moves may be less costly because of newly obtained, on-the-ground information and local political and institutional connections.

To try to understand the types of neighbourhoods that attract chains, we conduct a subanalysis on the neighbourhoods at the point in time at which they receive their first chain. To do this, we conduct a survival analysis of the neighbourhoods that get their first chain during the study period, and compare their characteristics with the neighbourhoods that receive any non-chain new establishments (either from a move or a birth). The neighbourhoods without any chains by the end of the study period, 2010, will be considered ‘censored’ observations. We use a Cox model with non-proportional hazards to estimate the likelihood of a neighbourhood i getting its first chain between t and Δt , given that it does not yet have a chain establishment by time t (this is also known as the hazard rate, $h_i(t)$).¹⁴ The equation to be estimated is:

$$h_i(t) = \lambda_0(t) \exp(\text{Commercial}_{i,t-5}, \text{Consumer}_{i,t-5}) \tag{3}$$

In this regression, $\lambda_0(t)$ is the baseline hazard function, i.e. the hazard function for a neighbourhood with all covariates set to 0.

Commercial $_{i,t-5}$ is a vector of commercial environment characteristics, including overall establishment density, the share classified as retail and as necessity, the average establishment size, an index of retail diversity and the amount of dedicated commercial space. **Consumer** $_{i,t-5}$ is a vector of household and housing market characteristics, including race/ethnicity, income, education, poverty status, unemployment, household type and size, homeownership status, foreign born status, vacancy rates, housing prices/rents. Note that we lag these covariates by five years, to mitigate against threats of endogeneity.¹⁵

The results from this analysis are displayed in Table 5; the first column displays only commercial environment characteristics, the second column only demographics and housing market characteristics, and the final column the full specification with both sets of covariates. We see that there are characteristics of the commercial environment that predict an earlier chain entry. Chain establishments are more likely (i.e. exhibit a hazard rate greater than one) to first enter into neighbourhoods with more businesses

Table 5. First-chain neighbourhoods.

	(1) Commercial	(2) Demographic/ economic	(3) All
Lag estab. density	1.002*** (0.000721)		1.002*** (0.000500)
Lag avg. employees/estab.	1.065*** (0.00888)		1.046*** (0.0123)
Lag retail (%)	0.669 (0.298)		0.721 (0.301)
Lag necessity (%)	2.988*** (0.848)		2.247** (0.778)
Lag herfindahl index	0.503* (0.198)		1.058 (0.335)
Lag estab. density*herfindahl	0.982*** (0.00468)		0.987*** (0.00355)
Lag log commercial area (2005)	1.388*** (0.0533)		1.388*** (0.0694)
Lag pop. density		1.000*** (2.86e-06)	1.000 (2.45e-06)
Lag population change (%)		1.441 (0.608)	1.338 (0.522)
Lag vacancy (%)		0.000560*** (0.00121)	0.00104*** (0.00239)
Lag homeownership (%)		0.0360*** (0.0272)	0.0712*** (0.0532)
Lag non-family hhlds. (%)		1.216 (1.790)	0.347 (0.487)
Lag average persons/hhld.		1.329 (0.331)	1.140 (0.268)
Lag. black pop. (%)		0.660 (0.439)	0.779 (0.475)
Lag. Hispanic pop. (%)		0.171** (0.136)	0.238** (0.174)
Lag white pop. (%)		2.741 (2.259)	3.710* (2.897)
Lag foreign born (%)		0.298* (0.194)	0.350* (0.218)
Lag poverty (%)		0.177 (0.203)	0.0912** (0.103)
Lag real med. hhld. inc.		1.000*** (8.39e-06)	1.000*** (7.42e-06)
Lag ratio avg./med. hhld. inc.		2.350*** (0.777)	2.767*** (0.821)
Lag unemployment (%)		0.825 (1.115)	4.164 (6.213)
Lag 4-year degree (%)		0.0130*** (0.0133)	0.0163*** (0.0164)
Lag real gross rent		0.999** (0.000387)	0.999*** (0.000352)
Lag log median price/unit		0.252*** (0.0308)	0.290*** (0.0300)
Observations	1015	1015	1015

Notes: Hazard ratios (robust exponentiated standard errors) shown.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

and commercial space overall and with bigger retail establishments on average. Both of these findings suggest that the nature of the local infrastructure matters: chains often need larger spaces and are more likely to enter into areas that already have some degree of commercial activity (both in terms of the transactions and the permitted use of the land). However, chains are slightly less likely (i.e. exhibit a hazard rate less than one) to first enter into denser neighbourhoods that are also more homogeneous in their retail activity. Chain establishments are also more likely to open up for the first time in neighbourhoods with a higher share of necessity services.¹⁶

As for residential characteristics, the strongest predictor of first-chain entry is the neighbourhood's ratio of average to median household income (a measure of the neighbourhood's income distribution). Specifically, more positively skewed income distributions are associated with a higher likelihood of chain entry; in other words, the presence of very affluent households invites chain openings. This is consistent with the lower hazard rate associated with higher poverty rates in the fully specified model. Other covariates are also associated with lower probabilities of first-chain entry: higher residential vacancy rates, higher homeownership rates and higher shares of Hispanics, residents with a college degree and, marginally, foreign born. Higher rents and prices are also associated with lower probabilities of chain entry (though the former is very marginal at 0.999). We note that, controlling for other residential and commercial characteristics, neither population density nor population change is associated with first-chain entry. The results imply both structural and socio-political reasons for chain entry. First, neighbourhoods with more commercial space, lower residential vacancy rates and lower prices are more likely to see chains enter – this suggests

economic barriers (or incentives) to entry, whereby chains venture into markets with some price discounts and growth potential. Second, the fact that chains are less likely to first enter into neighbourhoods with more owner-occupied and educated households could be a product of organised efforts from those groups against chain establishments (Healy, 2012; Pristin, 2009; Schuetz, 2015).¹⁷

Commercial environment

In order to understand the influence of the local commercial infrastructure (i.e. supply-side factors) in guiding retailers' location decisions, we stratify the sample by the share of commercial building space dedicated to retail use. We identify commercial and retail space by the actual (and intended) floor area used for these purposes, both vacant and occupied (commercial includes but is not exclusive to retail). In reality, actual use could deviate from the commercial uses permitted by zoning (although the two are very closely related and discrepancies between actual commercial use and zoning classification take place in about only 20% of buildings in our sample). Specifically, the retail share of commercial space is designated as 'high' if the share is more than the 75th percentile, and 'low' otherwise. These results are displayed in Table 6 and they show that neighbourhoods with relatively less retail space experience more churn. These patterns are driven by more entries and births in those areas. While these neighbourhoods might have less infrastructure to support commercial activity, it might be also the case that the lower concentration of retail use means lower rents and untapped markets.

Neighbourhood demographics

Finally, we consider neighbourhood demographics. As discussed earlier, the socioeconomic characteristics of the neighbourhood

Table 6. Retail turnover variables by neighbourhood commercial space.

	Retail share of commercial area		Sig. diff.
	≤ 75th percentile	> 75th percentile	
Mean share of est., $t-5$ (midpoints)			***
Stay	0.552	0.580	***
Birth	0.474	0.438	***
Enter	0.015	0.010	
Death	0.396	0.382	
Exit	0.011	0.010	***
Churn	0.896	0.839	***
N	1433	505	

Notes: As an example, we interpret some of the cells: establishments in tracts with less retail space as a share of commercial building area (as well as total building area, not shown here) tend to experience more churn. In tracts where the retail share of commercial building area is less than the 75th percentile of all tracts, an average of 89.6% of establishments operating in time $t-5$ experience some sort of churn between times $t-5$ and t . This is in contrast to 83.9% of establishments operating in neighbourhoods with more retail area in time $t-5$.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

Table 7. Retail turnover variables by neighbourhood income/poverty.

	Tract median household income			Poverty rate		Sig. diff.
	≤ City median	> City median	Sig. diff.	≤ 75th percentile of tracts	> 75th percentile of tracts	
<i>Mean share of est., $t-5$ (midpoints)</i>						
Stay	0.556	0.582	***	0.581	0.553	***
Birth	0.444	0.421	***	0.420	0.450	***
Enter	0.011	0.017	***	0.016	0.010	***
Death	0.424	0.385	***	0.388	0.424	***
Exit	0.010	0.013	***	0.013	0.009	***
Churn	0.888	0.835	***	0.838	0.894	***
N	1208	2644		2883	969	

Notes: As an example, we interpret some of the cells: on average, 88.8% of establishments in tracts with a median household income below the city median and 83.5% of establishments in higher-income tracts operating in time $t-5$ experience some sort of churn between $t-5$ and t .

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

can reflect actual consumer demand and can also signal to potential retailers about local consumer activity. We recognise that our data cannot entirely capture the consumer activity on the ground, as much of it (especially in lower income communities) is not recorded in the data. However, we rely on data that are publicly and systematically available, and therefore likely available to

businesses making their location decisions. The results for this part of the analysis are displayed in Tables 7 through 9. First, we consider income-related measures. We compare neighbourhoods with median household incomes below the citywide median to those with median household incomes above the citywide median (see Table 7). Relatively higher-income neighbourhoods have a

higher share of businesses that stay in place during the five-year interval and lower churn overall. While they lose a higher share of businesses to relocations, they have a lower death rate. This same table also displays retail turnover variables for relatively high and low poverty neighbourhoods.¹⁸ These results are consistent with those for the income-stratified neighbourhoods – movement patterns for lower poverty tracts echo those for higher-income tracts.

We supplement this income analysis by also stratifying the turnover variables by housing prices and rents. These are good measures of what people are willing to pay to reside in a particular neighbourhood (which should be a function of the local retail services). We use the citywide mean as a benchmark for rents and housing prices. First we look at the turnover variables in neighbourhoods with rents that are typically lower than the citywide median and compare them with the outcomes for neighbourhoods with rents that are above the citywide median. The statistics (displayed in Table 8)

show that churn is significantly higher in the relatively lower rent areas. This is primarily driven by the higher shares of business deaths and, somewhat less, births. Next, as a way to operationalise gentrification, we classify neighbourhoods by housing price appreciation over the change interval and, again, peg the neighbourhood's prices changes to the average change for the city overall.¹⁹ In neighbourhoods that experienced price changes that exceeded those of the city overall, i.e. gentrification, we see significantly higher churn, driven primarily by births, compared with neighbourhoods with price changes lower than the citywide mean. The higher share of births in the context of appreciating prices could either mean that the commercial space was not fully saturated or that new space has been built in those areas.²⁰ This is consistent with subanalyses that look at business turnover across neighbourhoods with relatively more or less retail growth: neighbourhoods with faster retail growth experience more churn, because of higher entry/birth rates.²¹

Table 8. Retail turnover variables by neighbourhood housing prices and rents.

	Tract median gross rent relative to city median		Sig. diff.	Tract change in housing prices relative to city change		Sig. diff.
	≤ City median	> City median		Stable or declining	Increasing	
<i>Mean share of est., t-5 (midpoints)</i>						
Stay	0.558	0.586	***	0.582	0.571	***
Birth	0.442	0.418	***	0.409	0.436	***
Enter	0.012	0.017	***	0.014	0.015	
Death	0.419	0.381	***	0.401	0.395	
Exit	0.011	0.013	***	0.013	0.012	*
Churn	0.883	0.829	***	0.837	0.858	***
N	1615	2232		1234	2274	

Notes: As an example, we interpret some of the cells: on average, 88.3% of establishments in tracts with a median gross rent below the city median and 82.9% of establishments in higher rent tracts operating in time $t-5$ experience some sort of churn between $t-5$ and t . Additionally, establishments in tracts with median housing prices increasing faster than the city's overall rate experience more churn than tracts with stable or declining housing prices.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

Table 9. Retail turnover variables by neighbourhood race/ethnicity.

	Predominantly black	Predominantly Hispanic	Predominantly white
<i>Mean share of est., t-5 (midpoints)</i>			
Stay	0.547	0.546	0.609
Birth	0.442	0.460	0.388
Enter	0.010	0.010	0.021
Death	0.445	0.427	0.355
Exit	0.009	0.010	0.017
Churn	0.905	0.907	0.782
N	711	527	1142

Notes: As an example, we interpret some of the cells: of establishments operating in time $t-5$, on average, 90.5% in predominantly black tracts, 90.7% in predominantly Hispanic tracts, and only 78.2% in predominantly white tracts experience some sort of churn between $t-5$ and t .

All differences in means, relative to predominantly white, are statistically significant at $p < 0.01$.

Finally, we consider different racial/ethnic compositions (see Table 9); here we compare neighbourhoods designated as predominantly non-Hispanic white to those designated as predominantly non-Hispanic black or Hispanic. We define a race/ethnicity category as predominant if it comprises more than 60% of the tract's total population. Predominantly white neighbourhoods experience lower retail churn (more stability) overall compared with predominantly black and predominantly Hispanic neighbourhoods. This is primarily due to lower deaths and births, and more businesses that stay in place. However, predominantly white neighbourhoods receive and lose more businesses because of inter-neighbourhood relocation.

Multivariate analysis

In an attempt to discern which set of factors (commercial environment or consumer-related) is most influential in explaining retail turnover, we run multivariate regressions. Following the assumption made above that residential/consumer shifts will precede, and therefore help to explain, retail turnover, we specify the OLS model in the following way:

$$\begin{aligned}
 Estab_Turnover_{i,p,t} = & \beta_0 + \beta_1(\mathbf{Commercial}_{i,t-5}) \\
 & + \beta_2(\mathbf{Gentrify}_{i,t,t-5}) + \beta_3(\mathbf{Residential}_{i,t-5}) \\
 & + d_t + d_p + \varepsilon_{it}
 \end{aligned}
 \tag{4}$$

Here, *Estab_Turnover* is a turnover variable, including *Stay_share*, *Birth_share*, *Enter_share*, *Exit_share*, *Death_share*, and *Churn*. The vectors, **Commercial** and **Residential**, include the variables capturing the commercial environment and household characteristics (those same ones itemised previously for the hazard analysis). And **Gentrify** controls for whether or not the neighbourhood had lower housing prices than the citywide median in time $t-5$ and whether or not it experienced price/rent appreciation over the period ($t-5$, t), relative to the city as a whole.²² We also include year dummies, public use microdata area (PUMA)²³ fixed effects and clustered standard errors. So that we can better compare the relative impacts of each covariate, we display standardised coefficients.²⁴ These results are displayed in Tables 10–13.

We start with models that include only characteristics of the commercial environment, displayed in column 1 of Table 10. First, we consider the churn outcomes, and

Table 10. OLS regression of turnover variables on commercial characteristics.

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag estab. density	-0.0284 (0.0190)	0.0142 (0.00952)	-0.0297** (0.0141)	-0.00362* (0.00207)	0.00474 (0.00766)	0.000146 (0.00169)
Std. lag rel. estab. % change	0.00408 (0.00657)	-0.00204 (0.00328)	-0.0201*** (0.00537)	0.00172 (0.00153)	0.0223*** (0.00313)	0.000206 (0.000596)
Std. lag avg. employees/estab.	-0.0386** (0.0160)	0.0193** (0.00799)	-0.0411*** (0.0116)	0.00505** (0.00232)	-0.00239 (0.00604)	-0.000151 (0.00156)
Std. lag retail (%)	0.0325*** (0.00905)	-0.0162*** (0.00452)	0.0178*** (0.00559)	0.00432*** (0.00127)	0.0103** (0.00402)	7.56e-05 (0.00176)
Std. lag necessity (%)	-0.0124 (0.00793)	0.00618 (0.00397)	-0.00260 (0.00597)	-0.00343*** (0.00128)	-0.00383 (0.00402)	-0.00252** (0.00111)
Std. lag independent (%)	-0.00233 (0.00631)	0.00116 (0.00316)	-0.00591 (0.00524)	0.00113 (0.00129)	0.00380 (0.00398)	-0.00135 (0.000936)
Std. lag herfindahl index	0.0514*** (0.0123)	-0.0257*** (0.00616)	0.0742*** (0.00879)	0.00568*** (0.00185)	-0.0287*** (0.00519)	0.000200 (0.00222)
Std. lag estab. density*herfindahl	-0.0320 (0.0205)	0.0160 (0.0102)	-0.0407* (0.0234)	-0.00154 (0.00206)	0.00812 (0.0109)	0.00215 (0.00252)
Std. lag log commercial area (2005)	-0.00303 (0.00903)	0.00151 (0.00452)	0.0128* (0.00645)	-0.00334** (0.00138)	-0.0128*** (0.00423)	0.000221 (0.000654)
Std. 2005	-0.00116 (0.00283)	0.000579 (0.00141)	0.0568*** (0.00307)	0.00412*** (0.000652)	-0.0635*** (0.00279)	0.00137*** (0.000418)
Std. 2010	0.0216*** (0.00292)	-0.0108*** (0.00146)	0.0321*** (0.00342)	0.000116 (0.000529)	-0.00901*** (0.00269)	-0.00153*** (0.000430)
Constant	0.867*** (0.00341)	0.567*** (0.00171)	0.457*** (0.00351)	0.0188*** (0.000541)	0.376*** (0.00290)	0.0144*** (0.000470)
Observations	5596	5596	5596	5596	5596	5596
R-squared	0.061	0.061	0.192	0.047	0.231	0.015
Number of PUMAs	55	55	55	55	55	55

Notes: All outcome variables measure changes between t and $t-5$ and are expressed as shares of establishments over the average of t and $t-5$. All specifications include PUMA fixed effects. 'Rel. estab. % change' refers to percent change in number of establishments in a tract between time t and $t-5$ relative to the change citywide. Establishment density is calculated per square mile of land. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 11a. OLS regression of turnover variables on gentrification variables (prices).

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag low price/unit	0.00565 (0.00532)	-0.00283 (0.00266)	0.0106** (0.00401)	-0.00308*** (0.00102)	-0.00150 (0.00313)	-0.000393 (0.000620)
Std. lag low price/unit* rising price/unit	0.00147 (0.00413)	-0.000736 (0.00207)	-0.00215 (0.00329)	-0.000421 (0.000517)	0.00413 (0.00276)	-9.05e-05 (0.000500)
Std. 2000	-0.0402*** (0.00359)	0.0201*** (0.00180)	-0.0784*** (0.00477)	0.00199*** (0.000444)	0.0347*** (0.00355)	0.00148*** (0.000407)
Std. 2005	-0.0429*** (0.00399)	0.0214*** (0.00199)	-0.0235*** (0.00376)	0.00583*** (0.000759)	-0.0281*** (0.00194)	0.00293*** (0.000380)
Std. 2010	-0.0241*** (0.00394)	0.0121*** (0.00197)	-0.0542*** (0.00404)	0.00120** (0.000508)	0.0289*** (0.00273)	-3.37e-05 (0.000277)
Constant	0.929*** (0.00334)	0.536*** (0.00167)	0.580*** (0.00361)	0.0148*** (0.000483)	0.322*** (0.00224)	0.0118*** (0.000263)
Observations	7168	7168	7168	7168	7168	7168
R-squared	0.032	0.032	0.136	0.025	0.158	0.012
Number of PUMAs	55	55	55	55	55	55

Notes: All outcome variables measure changes between t and $t-5$ and are expressed as shares of establishments over the average of t and $t-5$. All specifications include PUMA fixed effects. Robust standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 11b. OLS regression of turnover variables on gentrification variables (rents).

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag low rent	0.0112 (0.00720)	-0.00560 (0.00360)	0.00739 (0.00513)	-0.000852 (0.000673)	0.00488 (0.00335)	-0.000209 (0.000519)
Std. lag low rent* rising rent	-0.00487 (0.00462)	0.00243 (0.00231)	-0.00373 (0.00343)	0.000145 (0.000582)	-0.000794 (0.00258)	-0.000483 (0.000481)
Std. 2000	-0.0399*** (0.00329)	0.0200*** (0.00165)	-0.0781*** (0.00471)	0.00179*** (0.000445)	0.0349*** (0.00371)	0.00147*** (0.000388)
Std. 2005	-0.0427*** (0.00376)	0.0213*** (0.00188)	-0.0233*** (0.00367)	0.00574*** (0.000759)	-0.0280*** (0.00200)	0.00295*** (0.000363)
Std. 2010	-0.0243*** (0.00379)	0.0121*** (0.00189)	-0.0546*** (0.00399)	0.00123** (0.000511)	0.0291*** (0.00282)	3.71e-05 (0.000272)
Constant	0.930*** (0.00319)	0.535*** (0.00159)	0.582*** (0.00344)	0.0147*** (0.000469)	0.322*** (0.00248)	0.0116*** (0.000235)
Observations	7388	7388	7388	7388	7388	7388
R-squared	0.032	0.032	0.135	0.021	0.157	0.012
Number of PUMAs	55	55	55	55	55	55

Notes: All outcome variables measure changes between t and $t-5$ and are expressed as shares of establishments over the average of t and $t-5$. All specifications include PUMA fixed effects. Robust standard errors in parentheses.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

then use the results for the specific types of turnover to broaden our understanding of overall churn. Neighbourhoods experience

more churn when the local commercial activity is more homogeneous, and when there are higher shares of retail. This

Table 12. OLS regression of turnover variables on consumer characteristics and gentrification variables.

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag pop. density	-0.0240*** (0.00774)	0.0120*** (0.00387)	-0.0146*** (0.00532)	-0.00339*** (0.00106)	-0.00376 (0.00342)	-0.00228*** (0.000520)
Std. lag population change (%)	0.0314 (0.0302)	-0.0157 (0.0151)	-0.0177 (0.0319)	0.00249 (0.00325)	0.0468** (0.0194)	-0.000222 (0.00323)
Std. lag vacancy (%)	0.00621 (0.00564)	-0.00311 (0.00282)	0.000216 (0.00453)	-0.000541 (0.000905)	0.00658** (0.00316)	-4.22e-05 (0.000575)
Std. lag homeownership (%)	0.00398 (0.00990)	-0.00199 (0.00495)	0.0128 (0.00873)	0.00383** (0.00146)	0.0145** (0.00573)	-0.00156 (0.00113)
Std. lag non-family hhlds. (%)	-0.0480*** (0.0120)	0.0240*** (0.00598)	-0.0305*** (0.0102)	-0.00191 (0.00155)	-0.0151** (0.00612)	-0.000551 (0.00154)
Std. lag average persons/hhld.	-0.384*** (0.125)	0.192*** (0.0623)	-0.170* (0.0927)	-0.00779 (0.0148)	-0.202*** (0.0618)	-0.00330 (0.0118)
Std. lag black pop. (%)	0.00931 (0.0171)	-0.00465 (0.00853)	0.00622 (0.0142)	-0.00409 (0.00286)	0.00591 (0.00751)	0.00127 (0.00129)
Std. lag Hispanic pop. (%)	0.00343 (0.0127)	-0.00172 (0.00637)	-0.00364 (0.0106)	-0.00145 (0.00207)	0.00739 (0.00677)	0.00113 (0.00105)
Std. lag white pop. (%)	-0.0679*** (0.0226)	0.0339*** (0.0113)	-0.0473** (0.0184)	-0.00427 (0.00387)	-0.0182* (0.00956)	0.00184 (0.00423)
Std. lag foreign born (%)	-0.0123 (0.00960)	0.00617 (0.00480)	-0.0155* (0.00814)	-0.00175 (0.00109)	0.00452 (0.00427)	0.000423 (0.000639)
Std. lag poverty (%)	-0.00386 (0.0116)	0.00193 (0.00581)	-0.0123 (0.0101)	0.00175 (0.00135)	0.00501 (0.00555)	0.00169 (0.00125)
Std. lag real med. hhld. inc.	-0.0181* (0.0108)	0.00904* (0.00539)	0.000958 (0.0101)	0.000244 (0.00129)	-0.0172*** (0.00603)	-0.000205 (0.00141)
Std. lag ratio avg./med. hhld. inc.	-0.0351* (0.0197)	0.0175* (0.00985)	-0.0358** (0.0175)	0.00197 (0.00327)	-0.00413 (0.0114)	0.00289 (0.00248)
Std. lag unemployment (%)	0.00299 (0.00752)	-0.00149 (0.00376)	0.00473 (0.00637)	0.000196 (0.000894)	-0.000456 (0.00432)	-0.00148** (0.000613)
Std. lag 4-year degree (%)	0.00236 (0.00999)	-0.00118 (0.00500)	-0.0165* (0.00875)	0.00365** (0.00167)	0.0147*** (0.00544)	0.000496 (0.00145)
Std. lag real gross rent	0.00748 (0.00877)	-0.00374 (0.00439)	-0.000679 (0.00606)	0.000372 (0.00116)	0.00668 (0.00566)	0.00111 (0.000783)

(continued)

Table 12. (Continued)

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag low price/unit	-0.00195 (0.00526)	0.000976 (0.00263)	0.00852* (0.00456)	-0.00172* (0.000926)	-0.00821** (0.00359)	-0.000540 (0.000680)
Std. lag low price/unit* rising price/unit	-0.00633*	0.00317*	-0.0173***	-1.11e-06	0.0108***	0.000195
Std. 2005	(0.00371)	(0.00185)	(0.00281)	(0.000515)	(0.00335)	(0.000497)
	-0.0237***	0.0118***	0.0191***	0.00461***	-0.0495***	0.00208***
	(0.00290)	(0.00145)	(0.00254)	(0.000699)	(0.00220)	(0.000358)
Std. 2010	-0.00605*	0.00303*	-0.0111***	-0.000185	0.00617**	-0.000925**
	(0.00359)	(0.00179)	(0.00274)	(0.000607)	(0.00238)	(0.000355)
Constant	0.891***	0.555***	0.528***	0.0155***	0.334***	0.0128***
	(0.00577)	(0.00288)	(0.00431)	(0.000698)	(0.00226)	(0.000522)
Observations	7168	7168	7168	7168	7168	7168
R-squared	0.035	0.035	0.044	0.034	0.131	0.013
Number of PUMAs	55	55	55	55	55	55

Notes: All outcome variables measure changes between t and $t-5$ and are expressed as shares of establishments over the average of t and $t-5$. All specifications include PUMA fixed effects. Population density is calculated per square mile of land. Vacancy refers to vacancy of housing units. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

turnover is primarily driven by (i) an increase in births and move-induced entries in neighbourhoods with relatively homogeneous commercial mixes and (ii) both openings and permanent closings in neighbourhoods with a higher share of retail more generally. On the other hand, churn goes down in neighbourhoods with bigger establishments; this is driven by a relatively larger drop in births and an increase in the share of businesses that stay (compared with a smaller increase in move-induced entries). In terms of magnitude, all of these coefficients are similar. Altogether, neighbourhoods with less (and more heterogeneous) retail concentration, as well as bigger businesses, are more stable.

Next, we turn to housing market metrics and specifically measures of baseline housing prices/rents and appreciation on the right-hand side. Controlling only for year and PUMA in Table 11, neither the baseline housing price/rent nor its appreciation affect retail churn. Births are more likely, and move-induced entries marginally less likely, in lower-price areas, but these effects are small and not meaningful enough to drive overall churn.

Next in Table 12, we add other household characteristics to the model, all of which could be correlated with the neighbourhood's economic and retail changes. In these augmented models, the coefficient on price appreciation becomes significant and now has a negative sign, suggesting the churn goes down in initially low-price neighbourhoods that experience price appreciation. Even though these appreciating neighbourhoods also experience more deaths (which is consistent with expectations of business displacement), the reduction in overall churn is driven by the simultaneous reduction in births (so there are not necessarily new businesses coming in to replace those lost services).²⁵ The other dimensions of consumer demand that seem to influence churn

include, population density, household size and composition (the latter of which displays the largest standardised coefficient) and share of the population that identifies as white. All of these factors reduce churn, mostly owing to the fact that businesses are more likely to stay in place (with fewer instances of retail entry/birth or exit/death).²⁶

In Table 13, we combine all of these variables into a single model and observe that the coefficients are generally unchanged, especially those capturing commercial factors. We note a few meaningful differences in the consumer-related coefficients. Controlling now for commercial factors, higher rates of population change and housing vacancies significantly increase churn, mostly because of elevated birth rates. In addition, the coefficients on household income, average-median income ratio and price appreciation are no longer significant for any turnover variables.

The multivariate analyses add to our understanding of neighbourhood-based retail turnover, in that most of the patterns that appeared significant from the cross-tab analysis do not persist once we simultaneously control for other commercial and consumer characteristics. The two notable exceptions are (i) the persistently significant coefficients on the share of white households in the neighbourhood and (ii) the reversed, i.e. now positive, sign on the coefficient for the neighbourhood's share retail. More telling, perhaps, is the fact that retail turnover is more strongly associated (both in terms of the standardised coefficients' magnitudes and collective significance) with the neighbourhood's consumer characteristics than the commercial ones. Specifically, the largest standardised coefficient comes from household size (where larger averages are associated with less churn); this suggests that bigger households, controlling for population overall, consume in such a way as to

Table 13. OLS regression of turnover variables on commercial, consumer and gentrification variables.

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag estab. density	-0.0232 (0.0199)	0.0116 (0.00997)	-0.0320* (0.0162)	-0.00228 (0.00207)	0.0107 (0.00764)	0.000367 (0.00189)
Std. lag rel. estab. % change	0.00200 (0.00647)	-0.00100 (0.00323)	-0.0221*** (0.00518)	0.00171 (0.00154)	0.0221*** (0.00322)	0.000232 (0.000600)
Std. lag avg. employees/estab.	-0.0435*** (0.0153)	0.0218*** (0.00763)	-0.0431*** (0.0109)	0.00387 (0.00244)	-0.00402 (0.00626)	-0.000270 (0.00170)
Std. lag retail (%)	0.0275*** (0.00910)	-0.0138*** (0.00455)	0.0150*** (0.00535)	0.00432*** (0.00127)	0.00835* (0.00424)	-0.000103 (0.00186)
Std. lag necessity (%)	-0.0127 (0.00854)	0.00637 (0.00427)	-0.00560 (0.00638)	-0.00211 (0.00127)	-0.00273 (0.00428)	-0.00230* (0.00121)
Std. lag independent (%)	-0.00380 (0.00667)	0.00190 (0.00334)	-0.00768 (0.00527)	0.00167 (0.00122)	0.00348 (0.00430)	-0.00126 (0.000919)
Std. lag herfindahl index	0.0507*** (0.0117)	-0.0254*** (0.00586)	0.0776*** (0.00846)	0.00545*** (0.00186)	-0.0325*** (0.00482)	0.000184 (0.00230)
Std. lag estab. density*herfindahl	-0.0328 (0.0200)	0.0164 (0.00998)	-0.0425* (0.0248)	-0.00285 (0.00227)	0.00989 (0.0130)	0.00263 (0.00262)
Std. lag log commercial area (2005)	-0.0126 (0.00885)	0.00629 (0.00443)	0.00549 (0.00676)	-0.00261* (0.00149)	-0.0156*** (0.00361)	0.000108 (0.000739)
Std. lag pop. density	-0.0238** (0.00921)	0.0119** (0.00460)	-0.00554 (0.00671)	0.00336** (0.00134)	-0.0127*** (0.00428)	-0.00221*** (0.000738)
Std. lag population change (%)	0.0801*** (0.0263)	-0.0401*** (0.0132)	0.0706*** (0.0252)	-0.00212 (0.00350)	0.0123 (0.0200)	-0.000691 (0.00313)
Std. lag vacancy (%)	0.0151** (0.00672)	-0.00753** (0.00336)	0.0152*** (0.00536)	-0.000427 (0.00116)	0.00106 (0.00400)	-0.000822 (0.000589)
Std. lag homeownership (%)	0.00720 (0.0108)	-0.00360 (0.00538)	-0.00448 (0.00941)	0.00111 (0.00158)	0.0115* (0.00649)	-0.000978 (0.00155)
Std. lag non-family hhlds. (%)	-0.0289** (0.0143)	0.0145** (0.00715)	-0.0132 (0.0103)	-0.000291 (0.00212)	-0.0137 (0.00957)	-0.00174 (0.00200)
Std. lag average persons/hhld.	-0.404*** (0.127)	0.202*** (0.0634)	-0.230*** (0.0816)	0.00333 (0.0183)	-0.166** (0.0768)	-0.0108 (0.0159)
Std. lag black pop. (%)	-0.0213 (0.0172)	0.0107 (0.00862)	-0.0223 (0.0140)	-0.00785** (0.00318)	0.00605 (0.00910)	0.00278* (0.00150)
Std. lag Hispanic pop. (%)	-0.00469 (0.0135)	0.00234 (0.00673)	-0.00608 (0.0107)	-0.00422* (0.00223)	0.00401 (0.00763)	0.00159 (0.00122)

(continued)

Table 13. (Continued)

	(1) Churn	(2) Stay	(3) Birth	(4) Enter	(5) Death	(6) Exit
Std. lag white pop. (%)	-0.0867*** (0.0241)	0.0433*** (0.0120)	-0.0611*** (0.0187)	-0.00514 (0.00416)	-0.0236* (0.0120)	0.00314 (0.00188)
Std. lag foreign born (%)	0.000187 (0.00972)	-9.36e-05 (0.00486)	0.0118 (0.00770)	-0.00257* (0.00135)	-0.00908** (0.00418)	-1.34e-05 (0.000875)
Std. lag poverty (%)	0.00497 (0.0128)	-0.00248 (0.00639)	-0.00100 (0.00901)	-0.000207 (0.00164)	0.00435 (0.00686)	0.00183 (0.00166)
Std. lag real med. hhd. inc.	-0.0207 (0.0141)	0.0103 (0.00706)	-0.00764 (0.0111)	0.00149 (0.00169)	-0.0134 (0.0101)	-0.00114 (0.00135)
Std. lag ratio avg./med. hhd. inc.	-0.0117 (0.0206)	0.00587 (0.0103)	0.000407 (0.0159)	0.00573 (0.00388)	-0.0187 (0.0141)	0.000779 (0.00287)
Std. lag unemployment (%)	0.00197 (0.00816)	-0.000986 (0.00408)	0.00170 (0.00746)	0.00105 (0.00110)	0.00141 (0.00497)	-0.00219*** (0.000688)
Std. lag 4-year degree (%)	0.00973 (0.0120)	-0.00486 (0.00602)	0.00183 (0.00942)	0.00158 (0.00202)	0.00618 (0.00875)	0.000145 (0.00171)
Std. lag real gross rent	0.0170* (0.00891)	-0.00848* (0.00445)	0.00723 (0.00555)	0.000854 (0.00168)	0.00775 (0.00584)	0.00114 (0.00104)
Std. lag low price/unit	-0.00402 (0.00541)	0.00201 (0.00270)	-0.00263 (0.00441)	-0.00125 (0.00112)	0.000335 (0.00355)	-0.000482 (0.000844)
Std. lag low price/unit* ^a rising price/unit	0.000637 (0.00397)	-0.000318 (0.00199)	-0.000670 (0.00319)	-0.000297 (0.000660)	0.00168 (0.00289)	-7.07e-05 (0.000577)
Std. 2005	-0.00466 (0.00374)	0.00233 (0.00162)	0.0537*** (0.00323)	0.00419*** (0.000668)	-0.0640*** (0.00288)	0.00140*** (0.000423)
Std. 2010	0.0136*** (0.00418)	-0.00682*** (0.00209)	0.0267*** (0.00405)	-0.000244 (0.000702)	-0.0113*** (0.00316)	-0.00149*** (0.000469)
Constant	0.843*** (0.00620)	0.578*** (0.00310)	0.442*** (0.00569)	0.0189*** (0.00102)	0.368*** (0.00409)	0.0144*** (0.000799)
Observations	5463	5463	5463	5463	5463	5463
R-squared	0.083	0.083	0.214	0.060	0.243	0.019
Number of PUMAs	55	55	55	55	55	55

Notes: All outcome variables measure changes between t and $t-5$ and are expressed as shares of establishments over the average of t and $t-5$. All specifications include PUMA fixed effects. 'Rel. estab. % change' refers to percent change in number of establishments in a tract between time t and $t-5$ relative to the change citywide. Establishment and population density are calculated per square mile of land. Vacancy refers to vacancy of housing units. Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

mitigate against turnover (or certain, more stable establishments locate closer to larger households). The two covariates with the second-largest standardised coefficients (albeit by about one-quarter the magnitude) are the percentage change in population (which increases churn) and the share of white households (which consistently decreases churn). The persistent significance of race (specifically the concentration of white households), even while controlling for a host of other commercial and consumer characteristics, is particularly stark. Again, this pattern could indicate something either about the consumption behaviour of white households that tends to stabilise local businesses or the fact that more stable establishments tend to locate in neighbourhoods with a higher share of white households.²⁷

Origin-destination neighbourhoods

Finally, we pull out the businesses that relocate within New York City, since we can document both their origin and destination neighbourhoods. This analysis gives us a sense of the businesses' neighbourhood trajectories and what factors might influence their decisions to relocate. For every business that exits a neighbourhood, we document the social and economic characteristics of its origin neighbourhood and compare them with the same characteristics of its destination neighbourhood. The results of this analysis are displayed in Table 14. There are significant differences between the origin and destination neighbourhoods. Most noticeably, businesses tend to relocate to neighbourhoods that have experienced new housing investment and recent growth in retail. Overall, the differences in socioeconomic characteristics do not differ significantly across the entry and exit neighbourhoods. Together these patterns suggest that businesses are perhaps more motivated to move by different

infrastructure opportunities (or possibly lower rents in the emerging retail areas – the entry neighbourhoods do tend to be less commercially dense at the time of the move as well). The data, however, do not support the claim that businesses are moving under the allure of a different consumer base (in fact, they are perhaps making sure to keep that factor constant in their decisions). This is consistent with the consumer-driven turnover results from the multivariate analysis, which are most pronounced for new births (versus relocations).

Conclusion and policy implications

Urban neighbourhoods thrive on their mixed-use character – their vitality is dependent on the coexistence of residential and commercial activity. Indeed, this interaction generates both economic and cultural value for the neighbourhood, a phenomenon that has been documented in local shopping districts in cities across the globe (Zukin et al., 2015). We understand less, however, about the prevalence and conditions of retail turnover across multiple neighbourhoods in a single municipality, a process that could both threaten and invigorate communities. In this paper, we document retail turnover in a large, dense municipality, New York, and test, at a scale not done before, whether or not it varies depending on neighbourhood characteristics and circumstances.

We find that there are meaningful differences in retail turnover across neighbourhoods, related to business activity, commercial infrastructure and the neighbourhood's consumer profile. However, when all three sets of factors are considered simultaneously, consumer-related characteristics seem to explain turnover more than those related to the local commercial environment. Food establishments (i.e. restaurants) tend to be a more stabilising presence

Table 14. Origin compared with destination neighbourhoods.

	Tract entered		Tract exited		Difference	Sig. diff.
	N	Mean	N	Mean		
Estab. density	8563	2118	8563	2327	-210	***
Emp. density	8563	25,485	8563	27,168	-1683	**
Rel. estab. % change	6992	1.302	6998	1.058	0.244	***
Herfindahl index	8563	0.159	8563	0.158	0.001	***
Commercial building area	4298	0.579	4298	0.633	-0.054	***
> 75th percentile of tracts						
Commercial building area (sq. ft.)	4298	3,655,000	4298	3,844,000	-188,869	***
Homeownership (%)	8563	0.282	8515	0.254	0.028	**
Rental housing units built before 1970 (%)	8558	0.839	8513	0.851	-0.014	**
Black pop. (%)	8563	0.123	8563	0.123	0.000	
Hispanic pop. (%)	8563	0.171	8563	0.173	-0.002	
White pop. (%)	8563	0.589	8563	0.584	0.004	
Foreign born (%)	8563	0.299	8563	0.299	-0.001	
Poverty (%)	8563	0.160	8563	0.163	-0.003	
Median household income	8563	\$70,314	8563	\$70,330	-\$17	
Unemployment (%)	8563	0.081	8563	0.080	0.001	
Receiving public assistance (%)	8563	0.096	8563	0.096	0.000	
Less than high school diploma (%)	8563	0.206	8563	0.208	-0.001	
High school diploma (%)	8563	0.196	8563	0.187	0.009	***
Some college (%)	8563	0.189	8563	0.182	0.007	***
4-year degree or more (%)	8563	0.409	8563	0.420	-0.011	***
Tract median rent > median of all tracts	8563	0.774	8562	0.766	0.008	
Median price per residential unit	7876	\$1,524,000	7916	\$1,204,000	\$326,339	
Median price per unit relative to borough median	7876	2.941	7916	2.392	0.554	
Median price per unit relative to city median	7876	4.904	7916	4.066	0.857	
Units authorised by new residential bldg. permits	8225	15,210	8225	15,660	-0.446	
Units authorised in last 5 years > median of tracts	8225	0.150	8225	0.114	0.036	***

Notes: As an example, we interpret some of the cells: of establishments that moved, the average establishment's destination tract had 210 fewer establishments per mile and a homeownership rate 2.8 percentage-points higher than its origin tract. 'Rel. estab. % change' refers to percent change in number of establishments in a tract between time *t* and *t*-5 relative to the change citywide. Establishment density is calculated per square mile of land.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

in neighbourhoods over time, and businesses that provide more frequently consumed necessity goods and services are more likely to stay in place. Chain establishments are less likely to open up brand new establishments in New York City, and, when they do open, are more likely to enter neighbourhoods with more commercial space, lower vacancy rates, lower housing prices, more affluent households, and fewer owner-occupied and college-educated households. Overall, neighbourhoods with less (and more heterogeneous) general retail (as opposed to food service) concentration, as well as bigger businesses, are more stable. Most significantly, bigger households and higher shares of white residents are most strongly associated with less retail churn and population growth is the strongest predictor of more turnover.

Our results generally support the expectation that retail turnover should be a function of both production-related (for example, commercial space and robust existing markets) and consumer-related (for example, race and household size) factors. However, the consumer characteristics are more pronounced and tend to particularly influence the first-time entry of chains into the market; relocations of businesses are driven more by characteristics of the commercial environment, i.e. moving towards more/better space. These findings are consistent with previous studies of firm locations (i.e. Waldfogel, 2008) and with qualitative case studies of shopping districts in cities across the world that reveal the business' dependence on local consumers (both affluent and poor) in sustaining their small stores (Zukin et al., 2015). We also see that the nature of retail turnover matters – it is an incomplete metric to solely look at net changes in retail (which is what most public data make available). Our findings show that instances of increased retail churn are more often than not driven by more births or entries from other

neighbourhoods in the city (rather than deaths or exits). This potentially sheds a more positive light on retail turnover, if it indeed brings in new services that were previously underprovided.²⁸ While we do not observe here the exact services and goods provided by those new businesses, they are not overwhelmingly emerging at the expense of other incumbent businesses.²⁹

This raises an important qualification about retail stability and whether or not it is universally beneficial for the neighbourhood. There could be circumstances where the introduction of new services improves residents' quality of life, and that any shock to local comfort levels could be mitigated by such gains. This is a challenging, yet critical, balance to achieve: one that maintains a retail environment with some familiarity, as to not alienate incumbent residents and at the same time capitalises on increased local investment. It is also an opportunity for government to get involved, and to help the neighbourhoods to think holistically about their assets, deficits and risks. If commercial infrastructure matters, not only in terms of physically appropriate spaces, but also economically developed retail markets, then local governments can, through local zoning ordinances, allow, incentivise or even mandate the build-out of commercial spaces. They can go further and think about what kinds of businesses they hope to attract to those spaces. Independently owned establishments might be more likely to have ties with (and redistribute benefits to) the community; chain retailers could bring more selection and possibly lower prices and, according to our analysis, pose no significant threat of increased turnover; businesses that provide necessity services exhibit more stability and also meet more immediate needs; but a diversity of services also helps with stability.

Again, local government can mandate or nudge in order to motivate landlords to rent

to certain kinds of businesses (especially those that are typically viewed as more risky tenants). And the scale of intervention can vary as well, depending on the local government's stake in and vision for redevelopment. For example, in Shanghai, the local government has encouraged large-scale development at the expense of small shop owners; Amsterdam's government has played a less active role and market forces have taken hold; Toronto has relied heavily on public-private institutions in the form of business improvement districts to stimulate and integrate local retail development (Zukin et al., 2015). Therefore, the local government can play a role in not only diversifying or augmenting existing retail corridors, but also encouraging the growth of nascent ones. We also find that lower churn is typically accompanied by higher shares of businesses that stay in place – it is therefore important to think about policies that help these establishments stay open, especially in areas that otherwise demonstrate high turnover.

Finally, our findings suggest that accurate and accessible information is critical in achieving any of these policy goals. First, understanding the nuances of retail instability requires tracking and monitoring the flow of businesses into and out of neighbourhoods. This would ideally entail not only accessing microdata on business activity (which several government agencies should already possess), but also interacting with local community organisations and business improvement districts on the ground who can better speak to the quality and patronage of the services that come and go. Second, the persistent effect of race (that whiter neighbourhoods tend to experience less churn, even controlling for income) is consistent with prior research that finds race-based bias in business' location decisions (Helling and Sawicki, 2003). If businesses are using race, an observable feature of a neighbourhood, as a proxy for other,

less accessible indicators of economic viability (i.e. safety, purchasing power), then local government could assist in the dissemination of accurate data on local consumer dynamics. Indeed, providing businesses with more complete information and refined tools to read local markets could better inform start-up business decisions, support in-place business sustainability, and ultimately better satisfy local service needs.

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Notes

1. See also Sutton (2010) for a broader summary of this argument.
2. Note that the transportation costs are less of a concern in this framing, since we are dealing with local neighbourhood services that do not tend to vary much with respect to transportation costs (they are all located within walking distance of nearby residents and employees). Furthermore, transportation infrastructure is generally fixed in New York City over the course of the study period and so changes in proximate transportation options will not play a large role in retail changes over time.
3. Here we treat information collection about the localised market as an up-front cost for setting up a business.
4. In the case of large 'big box' chains, the fixed costs associated with larger spaces might also be higher than smaller

independent establishments; this kind of investment will also trigger a higher threshold for closure or relocation (since the costs of moving will reflect a new set of sizable fixed costs).

5. ZIP codes are geographies in the USA that relate to postal service and were created to expedite the delivery of mail and packages. Their boundaries can change over time and do not necessarily have any contextual meanings other than what is a convenient route for postal delivery. Important for the current analysis, they are typically more than ten times bigger than the census tract, so likely obscure a good amount of business turnover.
6. Ege (2009) critiques NETS' coverage of small science and technology sector firms, saying it is thin; this discrepancy, if it exists, should not affect our analysis as we focus on neighbourhood services that are largely outside these sectors. Other critiques of NETS (see Davis and Haltiwanger, 1998; Davis et al., 1996) focus largely on discrepancies in employment counts and issues with reporting in the earlier iterations of Dunn & Bradstreet (from which NETS is derived); most of the concerns have been addressed with newer, more robust collection efforts by Dunn & Bradstreet (Neumark et al., 2005). In addition, since we focus primarily on firm counts rather than employment numbers, concerns over the latter are less threatening in the current analysis.
7. We make a number of cuts, including removing outliers and, in some cases, limiting tract-years to those corresponding with decennial Census years. In addition, since we rely on the number of establishments from the previous decade as the denominator in our primary calculation of business moves (detailed below), we also need to drop tract-years from 1990. We also note that there are four important variations in the sample, depending on the type of analyses. First, the final sample used in our core descriptive analyses contains 3852 tract-year records observed in 2000 and 2010. Second, in analyses of neighbourhoods where chains appear for the first time, we do not drop observations occurring in non-decennial Census years but drop tracts that have their first-chain appearance/entry/birth before 1996; after removing outliers, we are left with a sample size of 1015 tract-years. Third, in our analysis of inter-neighbourhood moves, there are 8563 tract-years that experience an inter-neighbourhood move during the study period. Finally, in multivariate analyses, we retain tracts observed in 1995 and 2005, which yields a sample size of 7393 tract-years.
8. The median New York City tract covers 0.0693 square miles of land (roughly 44 acres). A perfectly square tract of this size would have sides a little longer than a quarter of a mile, which would take five minutes to walk along at an average speed of three miles per hour. If the tract were rectangular, measuring about 0.5 by 0.14 miles, it would take about 10 minutes to walk along the longer side.
9. We replicate all of the analyses using a standard change calculation (where the denominator is the total number of establishments at time $t-k$). The results are generally the same; if anything, the midpoint method tends to produce lower share estimates.
10. These, along with other basic descriptives, are displayed in Table 1.
11. The discrepancies across typologies also allow for flexibility in how specific businesses are assigned. For example, many of the subsectors that could be considered discretionary, but are also frequently consumed (and therefore more necessary for some), would be captured in the discretionary-frequent classification. We do not display the results for all of the typology iterations, but these are available from the authors upon request. We note that the reported results are overwhelmingly representative of the universe of typology crosstabs.
12. We recognise that there could be a number of factors that mediate the effect of these broadly characterised dimensions, such as government interventions, social norms or place identity. The current analysis exploits a large- N sample to observe broader patterns (versus a case-study approach, which

- might be able to delve more deeply into these myriad factors). We focus on documenting the magnitude of turnover disparities and identifying where we would expect to find more or less commercially stable communities; questions of why or how these disparities emerge or exacerbate are crucial, but outside the scope of the current analysis. We argue, however, that the systematic assessment (and a documentation of how turnover actually manifests itself) in our current analysis is critical to accurately testing the impact of other interventions or mediators in future research.
13. We also replicate all of these descriptives for three- and ten-year intervals; these are not displayed as they generally reinforce the results for the five-year intervals.
 14. The hazard rate at time t is understood as the unobserved rate at which an event occurs, in this case, the entry of the first chain and is the expected duration of time (using the origin of the study period, 1990, as a starting point) until the event occurs. The partial likelihood of the Cox model is a flexible estimation option, because it allows for an unspecified form for the underlying survivor function. See Allison (1984, 1995) for a detailed description of using Cox regressions models in survival analysis. We extend the Cox proportional hazards model to include time-varying covariates; other than additional computational complexity, the partial likelihood estimation is robust to this specification (see Allison, 1995; Grambsch and Therneu, 1994). The presence (and significance) of time-varying covariates by definition violates the proportionality assumption of the proportional Cox model, but is also the choice method to address variation in the hazard over time (see Allison, 1995). Time-weighted scaled Schoenfeld residuals plotted against time indicate that proportionality is upheld in most cases (see Grambsch and Therneu, 1994) and supports linear non-proportionality in the cases where time-varying covariates are used.
 15. We also replicate the model stratifying by PUMAs, which are Census-defined geographic boundaries that cover many tracts; the results are largely consistent, with the exception of the % necessity variable, which is no longer significant. We prefer the unstratified model, because the coefficient on % white population blows up tenfold in the stratified model (and becomes more significant). Therefore, the results displayed show a more conservative estimate of the effect of % white population on chain entry.
 16. This effect, however, goes away if we stratify by PUMA.
 17. The results from the hazard analysis are consistent with simple comparative statistics across the same subset of neighbourhoods. The main findings are also robust to more parsimonious models that eliminate moderately correlated covariates.
 18. 'High' poverty is defined as those neighbourhoods with a poverty rate in the top 25th percentile of the distribution of all neighbourhood-year poverty rates. In 2000, this amount was set at approximately 28.3%.
 19. We replicate the crosstabs separating out the 'stable' from the 'declining' neighbourhoods and we note one distinct pattern: (i) declining neighbourhoods exhibit more churn than stable neighbourhoods, close to levels of appreciating neighbourhoods, and this is largely because of a lower rate of businesses that stay in place. For purposes of brevity, and the fact that our analysis focuses on outcomes for gentrifying neighbourhoods, we focus on the dichotomous classification of increasing against non-increasing.
 20. This is supported by a bivariate analysis of commercial space and permit activity; there is relatively more permit activity in areas with less commercial space, compared with areas with more commercial space. This permit activity also tends to take place in price-appreciating neighbourhoods.
 21. These results are not displayed here, but are available from the authors upon request.
 22. See Ellen and O'Regan (2008), McKinnish et al. (2010) and Meltzer and Schuetz (2012) for other examples of using prices/rents to identify neighbourhoods upgrading or 'gentrification'.
 23. Used primarily in Census microdata products, PUMAs are geographic boundaries

that cover many tracts and allow us to control for unobservable neighbourhood characteristics. The boundaries of New York City's 55 PUMAs roughly approximate community districts, the areas served by an advisory governmental entity known as a community board.

24. The unadjusted coefficients are available from the authors upon request. We include a table of the variable means and standard deviations in Appendix B.
25. This is consistent with Meltzer (forthcoming), who finds increased displacement without replacement in gentrifying neighbourhoods in New York City during the 2000s.
26. The results for the augmented model including rent-based appreciation variables is not shown, but the results for the household covariates are substantively the same as those reported for the price-based models. The coefficients on the rent-based variables, however, are not significant.
27. In order to test for the sensitivity of our results to our definition of retail (and specifically to test it against a much more conservative definition), we replicate the full specification for frequently consumed necessity turnover metrics only (as the dependent variables). The consumer-related characteristics are all unchanged, with the exception of average household size, which goes down in magnitude and loses significance across the board. While the commercial variables are all consistent in terms of sign and magnitude, there are some differences with respect to significance levels. The establishment size variable loses significance for the churn model (which coincides with a now insignificant coefficient in the stay model). And, whereas the retail share was an important correlate with turnover in the model using the broader retail definition, the necessity share variable is now instead significantly associated with lower churn (driven by higher stay rates and lower birth/entry rates).
28. It does, however, suggest some re-sorting of existing businesses across neighbourhoods, rather than the formation of new businesses.
29. Meltzer (forthcoming) finds that the trade-off between commercial displacement and

the entry of new services varies depending on the intensity and nature of the neighbourhood's gentrification. New services can emerge in the context of both high and low displacement rates.

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Appendix A. NAICS codes.

NAICS 2007	Description	Infrequent	Frequent	Necessity	Discretionary
441	Motor Vehicle and Parts Dealers	X			X
4421	Furniture Stores	X		X	
4422	Home Furnishings Stores	X			X
44311	Appliance, Television, and Other Electronics Stores	X		X	
44312	Computer and Software Stores	X			X
44313	Camera and Photographic Supplies Stores	X			X

(continued)

Appendix A. (Continued)

NAICS 2007	Description	Infrequent	Frequent	Necessity	Discretionary
444	Building Material and Garden Equipment and Supplies Dealers	X			X
44413	Hardware Stores ^a		X	X	
4451	Grocery Stores		X	X	
44521	Meat Markets		X	X	
44522	Fish and Seafood Markets		X	X	
44523	Fruit and Vegetable Markets		X	X	
44529	Other Specialty Food Stores		X		X
4453	Beer, Wine, and Liquor Stores		X		X
44611	Pharmacies and Drug Stores		X	X	
44612	Cosmetics, Beauty Supplies, and Perfume Stores		X		X
44613	Optical Goods Stores		X	X	
446191	Food (Health) Supplement Stores		X		X
446199	All Other Health and Personal Care Stores	X		X	
44711	Gasoline Stations with Convenience Stores		X	X	
44719	Other Gasoline Stations	X			X
4481	Clothing Stores	X		X	
4482	Shoe Stores	X		X	
4483	Jewelry, Luggage, and Leather Goods Stores	X			X
4511	Sporting Goods, Hobby, and Musical Instrument Stores	X			X
4512	Book, Periodical, and Music Stores		X		X
4521	Department Stores		X		X
4529	Other General Merchandise Stores		X	X	
4531	Florists		X		X
45321	Office Supplies and Stationery Stores		X		X
45322	Gift, Novelty, and Souvenir Stores		X		X
4533	Used Merchandise Stores	X			X
45391	Pet and Pet Supplies Stores		X		X
45392	Art Dealers	X			X
45393	Manufactured (Mobile) Home Dealers	X			X
45399	All Other Miscellaneous Store Retailers	X			X
52211	Commercial Banking		X	X	
52213	Credit Unions		X	X	
53223	Video Tape and Disc Rental		X		X
54194	Veterinary Services	X			X
71312	Amusement Arcades	X			X
71394	Fitness and Recreational Sports Centers		X		X
71395	Bowling Centers	X			X
7221	Full-Service Restaurants		X		X
7222	Limited-Service Eating Places		X		X
7224	Drinking Places (Alcoholic Beverages)		X		X

(continued)

Appendix A. (Continued)

NAICS 2007	Description	Infrequent	Frequent	Necessity	Discretionary
812111	Barber Shops		X	X	
812112	Beauty Salons		X	X	
812113	Nail Salons		X		X
812199	Other Personal Care Services		X		X
81231	Coin-Operated Laundries and Drycleaners		X	X	
81232	Drycleaning and Laundry Services (except Coin-Operated)		X	X	
81291	Pet Care (except Veterinary) Services	X			X

Notes: ^aHardware stores are an exception within NAICS 44413. By searching for 'hardware' within the establishment name, we code these establishments as 'frequent' and 'necessities'. Otherwise, like the rest of NAICS 444, we code other establishments within 44413 (primarily tool retailers) as 'infrequent' and 'discretionary'.

Appendix B. Descriptive statistics of explanatory variables in regression sample.

Variable	N	Mean	SD
Estab. density (per sq. mi.)	7393	448.4	710.2
Rel. estab. % change	5603	1.2	6.7
Avg. employees/estab.	7393	5.1	4.5
Retail	7393	83.8%	13.0%
Necessity	7393	49.5%	18.6%
Independent	7393	93.8%	8.6%
Herfindahl index	7393	0.208	0.155
Estab. density*herfindahl	7393	71.07	116
Log commercial area (2005)	7385	12.5	1.3
Pop. density (per sq. mi.)	7393	47,657	34,582
Population change	7393	4.5%	15.2%
Vacancy	7393	5.9%	4.2%
Homeownership	7393	36.1%	23.5%
Non-family hhlds.	7393	32.8%	14.3%
Average persons/hhld.	7393	2.81	0.55
Black pop.	7393	25.4%	31.8%
Hispanic pop.	7393	23.6%	22.0%
White pop.	7393	40.4%	33.8%
Foreign born	7393	33.5%	15.8%
Poverty	7393	18.3%	12.9%
Real med. hhld. inc. (\$)	7393	55,078	24,346
Ratio avg./med. hhld. inc.	7393	1.319	0.234
Unemployment	7393	9.5%	5.7%
4-year degree	7393	23.5%	17.4%
Real gross rent	7393	1012	285
Log median price/unit	7393	12.4	0.7

Notes: All changes are between time t and $t-5$. 'Rel. estab. % change' refers to percent change in number of establishments in a tract between time t and $t-5$ relative to the change citywide. Establishment and population densities are calculated per square mile of land. Vacancy refers to vacancy of housing units.

**Statement of Ric Clark
Chairman, Brookfield Property Group
Chairman, Alliance for Downtown New York**

**Submitted to the Committee on Small Businesses, Hon. Mark Gjonaj, Chair
Re Int. 737-A “The Small Business Job Protection Act”**

October 22nd, 2018

“As a major owner and operator of commercial space in New York City with job-creating investments in neighborhoods in Manhattan, Brooklyn and the Bronx, Brookfield cares a great deal about the strength of the local economy, the health of New York’s retail sector, and the quality of life in communities in all five boroughs. Small businesses are critical to the City’s success, and we share the view that support for them is important and warranted.

“Brookfield owns more than 800,000 square feet of retail space in New York City, more than 95% of which is leased to a range of businesses, from small shops with single locations to global brands. The success of retail businesses in New York City is important to – and aligned with – our business.

“Int. 737 would have serious, negative consequences on the commercial real estate market in New York City, *reducing* the amount of space available for small, local businesses and limiting community input on ground floor uses. Even if the bill was re-written to apply to retail space only, it would have a devastating impact and hurt the very businesses it was drafted to support.

“By eliminating property owners’ ability to negotiate fair market rents, the bill would seriously disincentivize the creation of new retail space. Brookfield is building a major, mixed use development on Manhattan’s Far West Side, and we are excited about its major 250,000-square-foot retail component, which will include a mix of shops and restaurants. Without our ability to negotiate fair market rents, it would not have made as much sense to create such a substantial retail corridor and we likely would have had to explore other uses for much of that space. The loss of new retail space would only add price pressure to existing retail space.

“Further, if property owners are bound to tenants for such periods without regard to the condition of the business or use, the bill would incentivize owners to lease space only to the largest, most credit-worthy retail tenants. Leasing space to a less-experienced tenant with an untested concept and limited financial resources would only become riskier.

“The reduction of property owner and community input in the use of retail space would also be problematic. When Brookfield leases space to a retail tenant, we try hard to find uses that align with the surrounding area and would have a positive impact on the quality of life of the local community. We take feedback from community boards and local authorities very seriously. Sometimes we don’t get it right on the first attempt and a change of use is warranted. The bill would severely eliminate any opportunity to revisit a use once in place.

“To support and protect small businesses, the City should undertake a comprehensive survey of vacant space to understand the state of the market and what policy measures would make sense. The City should explore financing assistance for small retailers as well as measures to reduce the burden of starting and operating a business in New York. Instead of eliminating fair market forces and creating disincentives for property owners to create retail space or lease to small businesses, the City should *incentivize* owners to lease to and retain these small businesses.

“These and other measures are worthy of the Committee and Council’s exploration. In the meantime, Int. 737 should be withdrawn.”

Ms. Fern Cunningham
Community Board 1 Member
Downtown Alliance Board Member

Testimony on Int. 737-A: Small Business Jobs Survival Act
October 22, 2018

I've lived in Lower Manhattan since the 1980's and know firsthand the impact on so many beloved small businesses by constant development and increasing rents. So I completely understand the impetus to help them. That said, however well intentioned this bill is, it is **very** ill conceived. It assumes that ever increasing real estate prices in many neighborhoods always benefit the commercial landlord at the expense of the small business owner. The flaw in that assumption is that it makes absolutely **no** distinction between *mom and pop shops* (*i.e.* small businesses) and enterprises like banks, pharmacies chains or urgent care centers (large businesses).

A bill that simply assumes the commercial tenant is **always** at a disadvantage and does not consider scenarios where the landlords are the minnows and the commercial tenants are the whales is bad for our community. A residential co-op or the owner of a commercial space in a small building would be at a considerable disadvantage when the commercial tenant is a bank or CityMD. There really ought to be other options for saving "mom and pop" stores besides penalizing "mom & pop" landlords. Surely our elected officials can come up with something more equitable than placing further financial burdens on the middle class. That's my perspective as a lifelong New Yorker and downtown resident for over 30 years.



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**Testimony of Jessica Lappin
President, Alliance for Downtown New York**

**Committee on Small Businesses
Hon. Mark Gjonaj, Chair
Int. 737-A “The Small Business Job Protection Act”
October 22nd, 2018**

Good afternoon Chair Gjonaj and members of the committee. I am Jessica Lappin, President of the Alliance for Downtown New York.

Small locally owned businesses are the backbone of New York City and what make it different from other places around the globe. They employ New Yorkers and give our neighborhoods character. Their importance is hard to overstate. And today, they face a myriad of challenges. The pressure of e-commerce alone is enormous. But beyond that, while rent is a factor, what we hear most from struggling business owners are complaints about bureaucracy and unresponsive city agencies, crippling property tax assessment increases, over regulation, scaffolding that obscures storefronts, traffic, and aggressive enforcement. Unfortunately, Int. 737 doesn't address these problems and may even have unintended consequences that will make them worse.

The onerous lease renewal process mandated by Int. 737, which applies to unnecessarily to ALL commercial leases in NYC regardless of size and to shopping malls, would severely restrict the flexibility that successful retail needs in this day and age. It would disincentivize new, exciting and creative uses for ground floor space at a time when experimentation is key to evolving in a rapidly changing retail landscape.

It also would lock in existing uses for decades and ignores the changing winds of consumer demand. And takes away any leverage that communities, elected officials or owners have in dealing with problem businesses, like a noisy bar, since they are guaranteed the right to stay.

Int. 737 would also disincentivize investment in developing new retail space. Lower Manhattan, has added over 2.9M square feet of new retail since 2014. Small businesses ranging from Num Pang to Beer Table and Nunu Chocolates have flocked to these newly built spaces. Landlords in many instances have actively sought out local small entrepreneurs. The new restrictions imposed by Int. 737 would discourage the development of new space, prevent this type of future job growth and over the long term, reduce supply and actually increase pricing pressure.

Lastly, since an owner has to expect they will have the same tenant for decades, it will likely give property owners the incentive to seek out banks and national chains with large footprints and deep capital reserves - exactly the opposite of what the bill's proponents hope to achieve.

Promoting healthy retail corridors should be a top priority for the City Council. There are alternative ways to do that. A good first step would be directing the Dept. of Small Business Services to develop a citywide survey of vacant spaces so we can better understand the scope of the problem. A second one would be to change our property tax system and slow down the runaway assessment increases that get passed on to tenants. Third, well crafted incentives could do more to encourage property owners to lease vacant space to local small businesses at reduced rents. And lastly, several years ago I had the honor of co-chairing a Red Tape commission organized by Comptroller Stringer. We held hearings in all five boroughs and heard loud and clear that owners would like less regulation and quicker and more responsive help from city agencies in opening their doors and operating.

We all care deeply about our neighborhood businesses that are the heart and soul of the city. I hope that the Council will table this bill and continue to work with small business owners, landlords, and community leaders to develop better a set of solutions that would better address the 21st century problems facing our small entrepreneurs.

**Testimony before the Committee on Small Business
NYC City Council
October 22nd, 2018
Submitted by Rachel Meltzer, Ph.D.**

Good afternoon. Thank you for the opportunity to testify today. I am an Associate Professor of Urban Policy at the Milano School at The New School and I have conducted extensive research on neighborhood commercial economies, and especially what happens to them under policy and economic shocks. Today I am going to discuss two key take-aways from my years of work on the topic: (i) the drivers of neighborhood commercial markets are many and complex and (ii) neighborhood commercial markets are quite localized.

I am going to focus my comments today on neighborhood-based businesses, or those entities that are outward-facing, relying predominantly on a proximate, often residential, consumer base. Research shows that “retail” markets are highly responsive to the socioeconomic characteristics of the nearby area. Therefore, when the local population changes, as it does under conditions like gentrification, the local businesses are greatly affected. Most immediately, the demand for services shifts—this is both economic and cultural. Then, rents can rise—due to both local shifts and more global investment trajectories that have affected NYC real estate more broadly. In addition, most commercial leases are set for very long periods, like 10 years, so some degree of increase in rent is expected even under reasonable circumstances. These are distinct threats that require different remedies. For example, it’s unclear that restricting rents, at least in the long-run, will help a business thrive if the demand for its services is waning—a better strategy might be to give the business information and resources to adapt to these changing conditions. Many of the global factors are beyond the city’s control and require more coordinated efforts in tax reform—again, imposing constraints on how long or at what price the commercial rent is set will not alleviate these challenges. In fact, such restrictions could encourage landlords to prefer bigger, i.e. chain, businesses that can secure long-term, high-rent leases.

I also want to make a distinction between the challenges I just described and commercial storefront vacancies more broadly. It can be misleading to equate the two. Yes, spaces are left vacant when local businesses close—this has profound effects on the business owner and the neighborhood. These spaces have been known to sit vacant for extended periods of time. While there is no systematic evidence, it’s commonly understood to be driven by high asking rents. However, prolonged vacancies can also be a product of, again, incomplete information: when a neighborhood is changing commercial operators may not be able to accurately gauge the market for entry. Retail vacancies, especially for certain services, are persistent in lower-income, communities of color and this too can be a product of incomplete information—in these cases, however, the market is stable but perceived to be an unattractive place for investment. Research has shown that this is a gross misunderstanding of potent consumer demand at best and discrimination at worst. Retail vacancies are also exacerbated by the proliferation of online competitors. While there is not empirical evidence to prove this across the board, I anticipate that the

“Amazon effect” varies depending, again, on the neighborhood’s economic and cultural reliance on local commercial services. Again, these are different mechanisms that require different interventions. For example, encouraging commercial investment in underserved communities requires incentives and information corrections while regulating excessive vacancies in affluent areas like SoHo may require being creative about repurposing or restructuring the existing commercial space to accommodate flexible and smaller footprint operations. These scenarios might also require a tax-related solution.

These different mechanisms are challenging to document as the data is sparse. Since the phenomenon is so localized, the ideal data need to be similarly fine-grained. Therefore, before implementing a policy to address the issues I’ve discussed, (i) the problem needs to be clearly articulated in light of the many mechanisms at play and (ii) the solution needs to be sensitive to neighborhood idiosyncrasies. Imposing a one-size-fits-all approach can at best result in no improvement and at worst harm the stakeholders the policy intends to help.

Attachments:

Meltzer, R. (2016). Gentrification and small business: Threat or opportunity?. *Cityscape*, 18(3), 57-86.

Meltzer, R., & Capperis, S. (2017). Neighbourhood differences in retail turnover: Evidence from New York City. *Urban Studies*, 54(13), 3022-3057.

Meltzer, R., & Ghorbani, P. (2017). Does gentrification increase employment opportunities in low-income neighborhoods?. *Regional Science and Urban Economics*, 66, 52-73.

Meltzer, R. (2015, December 3). Why Support Small Businesses? It’s More Than the Economy! *City Limits*.

Meltzer, R., & Schuetz, J. (2012). Bodegas or bagel shops? Neighborhood differences in retail and household services. *Economic Development Quarterly*, 26(1), 73-94.

Schuetz, J., Kolko, J., & Meltzer, R. (2012). Are poor neighborhoods “retail deserts”?. *Regional Science and Urban Economics*, 42(1-2), 269-285.

Testimony of Sullivan & Cromwell LLP
125 Broad Street New York, New York 10004
Committee on Small Businesses
Int. 737-A
October 22, 2018

Sullivan & Cromwell LLP (“S&C”) is an international law firm headquartered in New York City for nearly 140 years with an extensive commercial real estate practice. We share in many of the numerous negative views that have been expressed regarding Int. 737-A and would like to raise several points that we hope the City Council will consider in the course of its deliberations.

- Int. 737-A would constrain a landlord’s ability to change the quality and the nature of the services and goods provided in the leased commercial space. For example, S&C owns the building in Lower Manhattan that is home to our global headquarters, occupying about half of it and leasing out the balance. Our retail tenants on the ground floor are selected in large part for the convenience and benefit of the building’s occupants. Int. 737-A would force us to renew for ten years the lease of a tenant that provides unwanted or inferior products or services. This would be the case even if we had deliberately granted that tenant a short-term lease on a trial or interim basis and/or a short-term extension right.
- Despite its title, the scope of the proposed law is not restricted to small businesses. It covers all commercial tenants – in other words, all office, retail, industrial and other non-residential tenants, regardless of the size of the tenant and regardless of the amount of space leased.
- Int. 737-A gives tenants significant, undue leverage. By declining to pay the arbitrated rent, a tenant can elect to remain in its premises indefinitely post-lease expiration with a one-time 10% rent increase. In that event, the proposed law would chill the landlord’s ability to re-let by giving the tenant a right of first refusal on any proposed replacement tenant. Further, it will be difficult if not impossible for a landlord to prove to a replacement tenant that the landlord has complied with its many obligations to the prior tenant under the proposed law such that the leased premises are free and clear of claims by the prior tenant, which will further adversely affect leasing, as well as tenant investment in new premises.
- By specifying considerations (other than fair market rental value) that the arbitrators are to consider in determining rent, Int. 737-A inequitable provides for the determination of rent at a rate less than fair market rental value.
- Challenges to the various arbitration rulings called for by the proposed law will result in ongoing litigation in state court that will further impair landlords’ attempts to re-let space.
- Int. 737-A is being considered without any studies showing the efficacy of this approach in remedying the loss of jobs in the small-business sector.

**Testimony of Francis Greenburger
Chairman, Time Equities, Inc
Committee on Small Businesses
Int. 737-A
October 22, 2018**

An arbitration process will create a bureaucratic nightmare that will devalue New York City properties and create obstacles to lease renewals, redevelopment, and the natural growth and contraction of the city's retail establishments.

Instead of focusing on creating more bureaucracies that do not work in this city, the City Council should pass or enforce laws to help retailers stay in business. For example, one of the most difficult situations for retailers occur when long term scaffolding blocks the visibility of stores. Scaffolding should be kept up to the absolute minimum amount of time that is needed to repair facades. Currently there are cases where scaffolding is allowed to remain up for months and months and even years. Ask any retailer and they will tell you this is the kiss of death for them.

The next bureaucracy that does not work is the New York City Landmarks Commission. It often imposes unnecessarily expensive design specifications and lengthy time frames for approvals on retailers. The commission should partner with retailers to find cost effective ways to protect the historical details of facades without causing unnecessary delays and expenses.

A similar problem exists with other agencies that have jurisdiction over the streetscape that do not take retailers needs into consideration. Street construction storage and shed facilities should be located in areas that do not obscure retailers frontage.

Next the city should look at the excessive taxes that city policies have imposed on retailers. Increases of 10% and more per year in assessments have placed an intolerable and exorbitant burden on retailers. Retailers can plan for rent increases when they sign a lease, but that cannot plan for a city that imposes double digit tax increases on them at will, often exceeding inflation rates by 2 and 300 percent per year.

Retail vacancies are in abundance right now and the power of negotiation has shifted to the retailers. It is misleading to pretend that excessive demands by landlords are the issue leading to store vacancies. Most landlords are happy if a tenant renews at existing rent levels. They know tenants will quickly relocate to another landlord down the street who is desperate for tenants and will give them a market deal with generous concessions, if they do not offer them a fair deal.

Founded in 1966, Time Equities, Inc. (TEI) has been in the real estate investment, development and asset & property management business for more than 50 years. TEI currently holds in its own portfolio approximately 31.1 million square feet of residential, industrial, office and retail property – including over 4,000 multi-family apartment units.

Small business jobs survival act

Please help Pass The Small Business Jobs Survival Act

I've been a small brick and mortar in Manhattan for over 20 years selling vintage clothing . My last and 3rd shop I was forced out of was on the lower east side .

Investors purchased the building Sept 2012. All the store owners were notified with a 30 day vacate document. Needless to say after trying to fight it in court I could not compete with big real estate and lost my store.

Since this time I sell online and work at flea markets. I simply cannot afford to rent another storefront with no protection on my investment.

My old shop at 101 delancey st remains empty .The owners were in such a rush to get the shop owners out only for the stores to sit empty.

I renovated the shop, spent time and energy building a business only to walk away with nothing!

This bill needs to be passed. It is awful to see so many wonderful small businesses forced shut. I know all too well what it feels like to hustle and build a business only to get kicked to the curb! It's not right!

Businesses should have some protection from this predatory practice. Transparent and fair negotiation options should be available to shop owners when leases are up for renewals or for newly signed leases.

The Small Business Jobs Survival Act will help protect what's left of the small brick and mortar.

Lisa Fiorentino

NY NY

Dear Council Members,

I write as a life long New Yorker, as an Environmental Psychologist, and as a scholar of urban life and young people growing up in cities.

I am certain you have received countless messages from New Yorkers of all stripes and concerns, who are voicing their sense of profound loss of our city, the heart/break of losing the people we know in our community and indeed the very sense of community in New York as neighborhood small businesses are replaced with chain stores that have nothing to do with us or our neighborhood. I add my voice to this chorus, and specifically would like to address the issue of cultural displacement.

What we lose when we lose small businesses is a sense of place and community that is intricately tied to our multicultural city. What does it mean when the elder residents and small businesses of Chinatown can no longer afford to be there ? will all neighborhoods become like Little Italy - a book mark on a city that once was, catering to tourist, with no sense of history. As you know, as we all know, small businesses in our city are under tremendous pressure, and we are losing them on a daily basis.

The Small Business Jobs Survival Act is an intervention to attempt to even the playing field a bit. While these massive corporations and chain stores receive tax abatements, come and go as they please, they have no connection to us and no commitment to our neighborhoods. The City has, for too long, favored the developers, big box stores, and chain stores, this would be a tip to the little guy. A sense that the city hasn't totally sold out to the highest bidder. It would offer a neighborhoods a sense of stability in the midst of the massive rezonings.

The Small Business Jobs Survival Act will help even the playing field and give small businesses a greater opportunity to remain in place and secure reasonable rents they can afford. The bill is fair, and allows the market to determine rents while protecting tenants from gouging and discourages the warehousing of commercial space.

This Bill is an attempt to stem the rate of loss of small businesses in our neighborhoods accelerate beyond the already disturbing pace. One only need to walk in my neighborhood, Chelsea to witness the empty spaces that used to be sites of commerce, of community, and "the sidewalk ballet" that characterized the lively urbanism of New York City.

I urge you to support this very necessary bill.

Respectfully,

Dr. Caitlin Cahill

--

Caitlin Cahill, PhD
Associate Professor, Urban Geography & Politics
Department of Social Science & Cultural Studies
Pratt Institute, New York
ccahill@pratt.edu

[Bushwick Action Research Collective](#)

[Public Science Project](#)

[Mestizo Arts & Activism Collective](#)

Small Business Survival Jobs Act

Hello, Council Members

I am urging you to support the Small Business Survival Jobs Act. As a small business owner it is critical that our City maintain what's left of its unique character to encourage people to continue to visit and spend money in the City. Big Box retail and chains are creating an environment where NYC is becoming a non-descript landscape of businesses that do not add to the cultural richness that keeps this city a vibrant place.

Thank You

Ari Silverstein
68-09 Booth ST
Forest Hills NY
11375

Support the Small Businesses Jobs Survival Act

I have lived in NYC for 8 years and it makes me very sad to see small businesses getting pushed out for the luxury and tourism industries. I live in Washington Heights and work in Chinatown.

Support SBJSA to protect what makes New York home to the people who live here.

These are our local businesses - we love NYC because it's not a giant strip mall.

By protecting small businesses you protect the every day community that they serve - not the big business, luxury, and tourist markets. Small businesses make NYC home.

Please support SBJSA!

Small Business Jobs Survival Act

Dear City Council,

Please pass the Small Business Jobs Survival Act intact. I am a resident of Astoria and work in the Village. Over the years that I have lived in New York, I have seen many small businesses close and nothing replace them in return. I want more protections for small business owners from landlords from unfairly raising rents. The small businesses are what makes New York City unique and great. Please pass the Act.

Best,

Nicole Greenhouse

Dear City Council,

I am writing to encourage you to pass the SBJSA. While not perfect, it is a necessary first step to preserve the city that we all love.

A quick walk through our city will reveal that we have a problem. We are one of the wealthiest places on earth, yet some of our main thoroughways are littered with more empty storefronts than cities with 1/100th of our population and half of our prosperity. The excuses need to stop - we are not the only city where residents have access to Amazon, nor can Amazon explain why a beloved and frequent diner is suddenly shuttered and sitting empty for years, presumably waiting for a national chain to replace the former Greek-operated, local business.

If we do not do something now then we will eventually wake up in a city we no longer recognize - a city once populated by businesses that represent the wealth of our diversity now representing the worst of our greed as a few hundred property owners hold millions ransom...all for what? A few extra dollars? When will we say enough is enough?

Some will say that this bill isn't perfect. It's not. Some will say it *also* benefits big business. Maybe it does - but do we want to throw out the baby with the bathwater? We are in the midst of a crisis - we can't sit around and wait for Albany to save us. They won't. Be the City Council who puts **our city** first rather than the interests of those with the deepest pockets. Do what you thought you'd do when you first decided to run for office.

I love this city with every fiber in my body and I can no longer stand to watch it die. I am encouraging all of you to do the right thing and pass SBJSA.

Our city is watching and its destiny rests in your hands.

Sincerely,

Kyle Champion

Brooklyn, NY

917-623-5579

Small Business Survival Act

Hello,

My name is Luisa Solley and I am a student at the Pratt Institute in Brooklyn. I am writing to express my support for the Small Business Survival Act. In a sense the small businesses of New York are what motivated me to study in this city in the first place. I have never experienced a place that has stores of all sorts from seemingly everywhere on Earth. Studying here has made it possible to explore multiple cultures without even leaving the city. You name it and New York City has a store or small business that provides it! This is what makes this the greatest city in the world. Lately, I have noticed that many of the unique family owned businesses have died off most likely due to outrageous rent spikes and the desire for larger corporations to rent space instead. It would be heartbreaking to see the once most diverse city on the planet become the most corporate and boring. Please do what you can to protect the authentic essence of our beautiful city.

Luisa Solley

Small Business Jobs Survival Act

Dear Council members,

I understand the desire to increase corporate business presence in the city, however there are far more detriments than benefits I believe. Corporations are an animal. They exist solely to profit and generate revenue for their shareholders, and we as consumers should expect nothing more, just as we should expect an animal to act on it's base instincts, we should expect a corporation to act in spite of the customers and in favor of profit. So instead of creating a city where there is a local and hospitable array of services, we will be left with a city where the closest thing to a personal connection will be a robo-call answering machine with which to field our complaints. We must protect the small businesses in this city, they are what truly makes it unique. I can walk into any mall in America and find an H&M or Zara, but I can't find my local deli in Minnesota. Small business are an Integral part of this city's history, it's DNA, and its future. do not let apathy and corporate greed uproot culture even further.

Sincerely, David Savastano.

SMALL BUSINESS SURVIVAL ACT

Dear City Council,

As a citizen of this fine city, I love seeing small businesses thrive and supporting them with my hard earned money. The diversity and convenience they bring enhances life for us all. Rent increases are out of control and leading to unsustainable situations for small enterprise. Please pass the Small Business Jobs Survival Act intact!

Thanks,

Nadia Gomez

174 Norman Ave

Brooklyn, NY 11222

Small Business Jobs Survival Act

Hi I am celebrating my 20th anniversary for my business www.leftfieldnyc.com in Ridgewood, Queens. I started this business on a credit card 20 years ago in Brooklyn out of my apartment. I came to NYC because this was where everything happens and on any given day anything can happen. With the over development of this city, artist and entrepreneurs and being pushed further and further out of Manhattan to the out skirts of Brooklyn and Queens or NYC completely. I have had to move all the way out to Ridgewood, Queens 9 years ago because of ridiculously high rents, when there was nothing in Ridgewood. Now Ridgewood is starting to buzz and I will probably have to move to another cheaper neighborhood next year when my lease is up so I can afford my rent. Constantly moving is incredibly difficult for a small businesses, you can never properly invest in a space and have to be able to take everything with you, you end up in neighborhoods with little or no shopping traffic and have to spend years cultivating customers only to have to start over again. We are not a bunch of whiners, starting a small business in NYC is one of the hardest things I have ever done and especially in one of the most expensive city's in the world, we are just asking for support from the city to help us survive in an incredibly aggressive real estate market. Without small businesses this city is losing the character that drove so many of us entrepreneurs here in the first place. We are the heart and soul of this city and if you replace us with big box chains and banks you will kill it. There is very few places left that anyone can afford to work out of and without this bill passing many of us will be forced to leave the city. When considering voting yes on this bill think about how many wonderful businesses in your neighborhood that have had to close because of overpriced rent and how it has changed your neighborhood negatively as well as your daily life. Please vote yes and help save the people that give the city the character we all loved so much.

Sincerely,

Christian McCann

Left Field NYC Founder

SMALL BUSINESS SURVIVAL ACT

Members of the City Council,

I am writing in support of the Small Business Survival Act.

Small businesses are what make New York what it is. If the city loses its small businesses, it will become just as any other city in the country. The fact that even successful small businesses find it extremely difficult to survive is, quite frankly, unfair and is destroying what drew people into this city in the first place.

The Small Business Survival Act could potentially revive the opportunity that comes with coming to New York.

Thank you,

-Leah Gribko

SBJSA, PUBLIC COMMENT

Dear City Council Members,

As any New Yorker who walks through the streets knows, our city is being ravaged by high rents that drive out the kinds of family businesses which have created economic health, culture and character in our ongoing civic history. Greed has been rampant, shuttering many storefront businesses.

It is important to immediately curtail and challenge this laissez-faire tactic by administering a policy and a model for fair rents to stores, light manufacturers, and small entrepreneurs- like artists. Commercial rentals should return to the model that businesses need stability capital sustaining prices that enable to build, and that commercial leases are second rents for entrepreneurs. Voting for the SBJSA should take our city forward while returning to the standard convention of writing five-ten year leases with small incremental rent raises. Reject the convenient notion that scarcity and ‘what the market can bear.’ is a basis for Rent.

Artists are a vibrant aspect of small businesses. but In my personal experience, I have seen and been used as publicity by real estate interests, who have de-stabilized me and other artists by raising rents exorbitantly and cutting lease renewals. A well known case is Industry City

The Committee on Small Business has jurisdiction over New York City matters relating to retail business and emerging commercial industries. It has the power. It needs the political backbone to curtail the greed of developers in order to healthier, more vibrant, and economically feasible city.

Thank you,

Rachel Youens

SMALL BUSINESS JOBS SURVIVAL ACT

I am writing in support of the Small Business Jobs Survival Act, which can somewhat level the playing field for small businesses. Small businesses have been folding at an alarming rate in our city, and at the same time residents and neighbors (like me) profess our love for local, salt-of-the-earth stores where the shopkeeper and staff know your name.

It's vital to pass this piece of legislation, in an effort to keep from losing still more small businesses in our neighborhood; many business owners I've known that have closed their shops or restaurants have cited the sheer pressure of running a business in Manhattan; the rent, while steep, is often the least of their worries.

So I ask that you give consideration to the hard-working men and women that are trying to make it as small business—often single-proprietor—owners.

Without such action, we will likely only see the rate of loss of small businesses in our neighborhoods accelerate beyond the already disturbing pace. I urge you to sponsor the bill if you have not already, and support a vote on the bill right away.

Beth Sopko

Manhattan

SMALL BUSINESS JOBS SURVIVAL ACT

I grew up in Jackson Heights, Queens. My family and I moved here in the 70s with dreams of building a life. We became part of a community of people from all over the world who shared the same hopes and dreams. Some of them were able to open their own businesses. It made all of us feel independent and strong - like we were real contributors of something extraordinary - a city that lived by its promise that anything was possible. Our own neighbors providing a service gave a sense of pride and belonging.

It's heartbreaking to see memories created and bonds formed being destroyed because of greed. In recent years, the rate of small businesses closures have skyrocketed mostly due to unreasonable and unfair rent increases, no ability to negotiate leases, and predatory lease requirements. Because of this we have lost some of the most treasured and quite successful places in NYC. Places that people travel from all over the world just to experience. Places to eat like Cafe Edison, Coffee Shop, or Glasier's Bake Shop. Places to experience the arts like CBGBs or Lincoln Plaza Cinemas. To just sit at a real NY pizza shop, a bagel store or a bodega. What about the supermarkets, diners, laundromats, shoe repairs, etc... for our actual residents? To list all the businesses that have become victims of greed... You already know that list is long. Corporate run businesses do what not planting trees do to a neighborhood. They create a cold, depressed state where there is no sense of belonging whether it's because of employee treatment or managers and CEOs aren't vested in the community. Empty store fronts do even more damage. Perhaps the analogy would be dead trees.

To the Council Members: ask yourself what is fair and who do you represent? How you want to be remembered or why did you even take this position? How many empty store fronts or unscrupulous landlords does it take to destroy the very fabric of a city - the neighborhoods that exist with people who actually want to live there? How much money does a Council Member funded by REBNY need to be happy?

History already tells us that Mayor de Blasio once sponsored the Small Business Jobs Survival Act even though he has completely flip flopped as mayor and Christine Quinn killed the bill in backdoor deals. We've been betrayed countless times already. Please don't be part of this history. Do the right thing and help the people of our city feel like they have real representation; like they matter. **Please pass the S.B.J.S.A. Intro 737 intact and make real progress.**

Thank you for your time.

Sincerely,

Beatriz Rodriguez

Queens Resident

Pass the SBJSA

Hi,

Small businesses are hurting in the midst of NYC's huge rent raises. They are closing down on a daily basis. Restaurants and local establishments which have been an integral part of the success of our neighborhoods are disappearing. They are unable to compete with the big chain stores which have money to bleed for multiple years. We do not need another Duane Reade's or another CVS. What we need are our vital and necessary institutions which represent the city and its people.

The SBJSA is flawed but is a step in the right direction. It will help even the playing field and give small businesses a greater opportunity to remain in place and secure reasonable rents that they can afford. The bill is fair and allows the market to determine rents while protecting tenants from increasing rent prices. Without this bill, we will likely only see more and more businesses closing down. I urge you to sponsor the bill if you have not already and support a vote on the bill right away.

Thanks,

Sarah

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: JUSTIN LEVINSON

Address: 67 E 118 ST #518

I represent: VACANT NEW YORK

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: MANNY GOMEZ

Address: 50-05 43RD AVE APT 27 WOODSIDE, NY 11377

I represent: SUNNYSIDE CHAMBER OF COMMERCE

Address: SUNNYSIDE, NY 11104

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

737

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: LUCIANO J. JAGUEZ

Address: 671W 193 ST NY 10040

I represent: ARKA LOUNGE - ACTUS CAFE

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

737

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/27/18

(PLEASE PRINT)

Name: Leo Ramirez

Address: 5523 Broadway

I represent: Parilla Latina

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Urbano Estevez

Address: _____

I represent: Barcelona, Yokomo

Address: 220W 242nd St Bronx NY

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

737

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Kennedy Jones

Address: _____

I represent: Restaurant Small

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

737

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 20/23/2018

(PLEASE PRINT)

Name: Carlos A De la Santa

Address: 100 Jamaica Ave Brooklyn

I represent: HOC Restaurants

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

737

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Samuel Toribio

Address: 1386 Morris Ave

I represent: Small Rest Owners

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/20/18

(PLEASE PRINT)

Name: Heidi Rogue

Address: 167-23 Roddells Cove Blvd

I represent: NY Restaurant Association

Address: _____



Please complete this card and return to the Sergeant-at-Arms



**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Fabio FERMIN

Address: 2850 Oglin Ave Apt 105- Bronx NY

I represent: Small Rest Business Owners

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Julian Morobel

Address: 240 Locust ave. Freeport NY

I represent: Marlitas Bar and Grill

Address: 1183 Broadway ave. Brooklyn NY

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: LOURDES CAMACHO

Address: 70 AMSTERDAM AVE APT 7A

I represent: _____

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. SBJSA Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Erica Ruben

Address: 215 E 68th St. #19C, NY, NY 10065

I represent: NYC Artist Coalition

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Judy RICHHEIMER

Address: _____

I represent: Guides Association of

Address: NYC

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10 22 18

(PLEASE PRINT)

Name: LAURE TRAUERS

Address: 35 CANAL

I represent: NY BUSINESS AND ALL RETAIL BUSINESS

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: 10/22/10

(PLEASE PRINT)

Name: SALLY GREENSPAN

Address: 129 W. 45th NYC

I represent: SWE CHLSEA CCBA

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Luis Tejada

Address: 157 40 Riverside Dr. W

I represent: Mirabal Sisters Community Center

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: JAMES BURKART

Address: 196 CLINTON AVE #D43 Brooklyn

I represent: NYC Artist Coalition

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Tal'ia M Hill

Address: 173 William St, 16th Floor, NY NY 10038

I represent: Community Development Project (e VSC)

Address: See above

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Michael Brady

Address: 2825 Third Ave 15X

I represent: Third Avenue BID

Address: - " "

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Manhattan Borough President Gale Brewer

Address: 1 Center Street, 15th Floor

I represent: _____

Address: _____

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: Oct. 22, 2018

(PLEASE PRINT)

Name: Karla Fisk
Address: 101 Cooper St., Inwood 10034

I represent: Inwood Small Business Coalition
Address: P.O. Box 157, NYC 10150

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: LARISA DORTZ
Address: 78-10 34th Ave

I represent: myself
Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Brad Haylman
Address: 322 8th Avenue Suite 1700

I represent: The 27th Senate District
Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 777A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Adam Friedman

Address: _____

I represent: Pratt center for Community Dev.

Address: (invited to testify)

Brooklyn Law School
Community Development Clinic
**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

2/3 in favor in opposition

Date: 6/22/19

(PLEASE PRINT)

Name: Areeb Been Khan

Address: 750 Jerusalem St. Brooklyn

I represent: BLS Community Development Clinic

Address: _____

Brooklyn Law School
Community Development Clinic
**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

113 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Robert Levy

Address: 250 Jerusalem St Brooklyn

I represent: BLS Community Development Clinic

Address: _____

Brooklyn Law
School
Community
Development
3/3
Clinic

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Juliana Malandro

Address: 250 Joralemon St, Brooklyn NY 11201

I represent: Brooklyn Law School: Community Development

Address: Clinic

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Robin Morris

Address: 477 FDR Drive NYC

I represent: Local residents

Address: _____

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Stewart Kirkpatrick

Address: 270 Madison Ave, NY, NY 10016

I represent: New York City Bar Assn.

Address: 42 West 44th Street

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/20/18

Name: Christian Emanuel (PLEASE PRINT)

Address: 493 Pth Steer, BK

I represent: Myself

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

Name: DR. JULIE NAPOLIN (PLEASE PRINT)

Address: 535 Conlton Ave # 905 11238

I represent: myself

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

Name: Aura Rodriguez (PLEASE PRINT)

Address: 1731 Wallace Avenue Bronx NY

I represent: Bronx, NY

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: REGINA SHANKLE

Address: 51-01 39 AVE - HU, SUNNYSIDE

I represent: SUNNYSIDE CHAMBER OF COMMERCE

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: WILLIAM POWHIDA

Address: 77 IRVING AVE #3R BROOKLYN, NY 11237

I represent: Artist Studio Affordability Project

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. SBTSA Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Julie Klausner

Address: 301 Elizabeth St.

I represent: myself

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: James Wacht

Address: 21 East 97th St, NY, NY

I represent: myself

Address: _____

BID

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: ROBERT BERFATTO

Address: _____

I represent: BID ASSOCIATION OF NYC

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/16

(PLEASE PRINT)

Name: DONNA GOULD

Address: 61 JANE ST

I represent: myself

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Mandy Zhu

Address: 5411 7th Ave Brooklyn NY 11220

I represent: Bao Bao Tea

Address: 5411 7th Ave Brooklyn NY 11220

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Helaine Sargen

Address: 323 E 9th St

I represent: small business, Clayworks

Address: 332 E 9th St

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: RICHARD BARR

Address: 203 W 86th St MANHATTAN

I represent: NY GCF

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Peter Feld

Address: 319 E 9 St. NYC 10003

I represent: [Signature]

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Jessica Lapping

Address: _____

I represent: Downtown Alliance, President

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Rob Byrnes

Address: _____

I represent: East Midtown Partnership

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: Oct 22/2018

(PLEASE PRINT)

Name: Nelson Eusebio - NSA

Address: 30-50 Whitestone Express way

I represent: National Supermarket ASSC

Address: _____

BIBID

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Regina Myles

Address: _____

I represent: Downtown Brooklyn Partnership

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Bill Brock

Address: 165 West 20th St.

I represent: SNE CHELSEA

Address: Cp 165 West 20th St

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: BRENDAN JAY SULLIVAN

Address: 120 SAINT FELIX ST BK

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: PATRICIA DORKMAN

Address: 39-46 96 11104

I represent: QUEENS JTS FOR ALL

Address: SAME

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: AYISHA OGLINIE

Address: 720 W 170 ST 1D

I represent: MYSELF / PRX NYC / ~~60~~

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Bill LYNCH
Address: 47 Barrow St, NY 10014

I represent: self
Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: James Stein
Address: 411 E 9th St, Apt

I represent: myself
Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Reva
Charmelle B. Singleton
Address: 507 West 140th St

I represent: Small Business Jobs Summit Act
Address: American Baptist Church
475 Riverside Drive #432 NY NY
10115

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: Oct 22, 2018

(PLEASE PRINT)

Name: Pat Bapp
Address: Brooklyn, NY
I represent: my neighborhood
Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: Oct 22, 2018

(PLEASE PRINT)

Name: David Mulkins
Address: 239 East 5th St, #2B
I represent: East 5th St Black Assoc & Bowery Alliance of Vegans
Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____
 in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Marshall Wise
Address: 132 E 35th St NY NY 10016
I represent: SELF
Address: _____

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

SBJ SA

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/20/18

(PLEASE PRINT)

Name: ALISON GREENBERG

Address: 57 W 9th St 2C NYC

10011

I represent: _____

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

737

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: CAROL PUTTRE

Address: 306 E 5th ST NY

I represent: E 5th ST BLK ASSOC

Address: SAME

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

737

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: SBS Commissioner Gregg Bishop

Address: _____

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10-22-10

Name: Howard Yourow
(PLEASE PRINT)

Address: 7th Ave

I represent: Self

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

Name: SRS DC Randal Van Tesh
(PLEASE PRINT)

Address: _____

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10-22-2010

Name: Philip De Paolo
(PLEASE PRINT)

Address: 23 N Bayes Ave NY 11050

I represent: TNYCC

Address: 23 N Bayes Ave NY 11050

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 731 Res. No. _____

in favor in opposition

Date: 10

(PLEASE PRINT)

Name: KIRSTEN THEODOS

Address: 333 E. 14th St.

I represent: TAKE BACK NYC

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: Steven Soutendijk

Address: _____

I represent: Cushman & Wakefield

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: Robin Abrams

Address: _____

I represent: Compass

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10/22

(PLEASE PRINT)

Name: Lena Afridi Lena Afridi

Address: 50 Broc. St NY NY

I represent: ANHD

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: Joanne Podell

Address: _____

I represent: Cushman & Wakefield

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 787A Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: JAMES NELSON

Address: _____

I represent: AMISON & YOUNG

Address: _____

Please complete this card and return to the Sergeant-at-Arms

④

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

[]

I intend to appear and speak on Int. No. 737A Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: John Banks

Address: _____

I represent: Real Estate Board of New York

Address: _____

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. 737
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Heidy Hernandez

Address: P.O. Box 392 Audubon Station
New York

I represent: Chamber of Commerce of Washington Heights

Address: 177 West 183rd St
Inwood

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

[]

I intend to appear and speak on Int. No. _____ Res. No. 737
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Queenia Abron

Address: 177 West 183rd St

I represent: NY Women's Chamber of Commerce

Address: 1504 Amsterdam Avenue

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. 737
 in favor in opposition

Date: 10/22

(PLEASE PRINT)

Name: Frank S. F. I. R.

Address: 201 E 15

I represent: NY CAN NASLCC

Address: _____

(11)

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____
 in favor in opposition

Date: 10/21/18

(PLEASE PRINT)

Name: THE REV. DR. CLYDE KUEMMERLE

Address: 440 RIVERSIDE DRIVE NYC 10029

I represent: ECCLESIA MINISTRIES OF NEW YORK

Address: 490 RIVERSIDE DRIVE NYC 10029

(7)

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____
 in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: LAURA SEWELL

Address: 441 E 12TH ST #3C NYC 10009

I represent: EAST VILLAGE COMMUNITY

Address: 143 AVE B NYC 10009 COALITION

BID

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Mark Caserta

Address: _____

I represent: Park Slope BID

Address: _____

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. SB55A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Andrew Berman

Address: 232 E. 114th Street

I represent: Greenwich Village Society for

Address: Historic Preservation

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Mary Ann Rothman

Address: _____

I represent: Executive Director, Council of NY Coops

Address: Condominiums

Please complete this card and return to the Sergeant-at-Arms

5

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. SR354 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Andrew Berman

Address: 232 E. 11th St.

I represent: Greenwich Village Society for Historic

Address: Preservation

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Kim MING LAM

Address: 13702 Northern Blvd. 5J

I represent: Garment Factory

Address: 254 West 35th St. NYC

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: David Eisenbach

Address: 201 E 12th St NYC

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Giovanni Taverna

Address: 201-A 34 ST BK

I represent: Veteran Chamber

Address: 171 Madison Ave N.Y.C.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: LOUISA CHAFEE

Address: _____

I represent: UJA

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: _____

Address: _____

I represent: _____

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: Oct 22, 2018

(PLEASE PRINT)

Name: NICK VELKOV

Address: 33-02 FORD AVENUE ASTORIA, NY 11066

I represent: FRIENDS OF THE SBTSA

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/21/18

(PLEASE PRINT)

Name: Sarah Obraitis

Address: 4-74 48th Ave

I represent: M. Wells

Address: sarahobraitis@gmail.com

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Pamela Dougherty Dayton

Address: 175 Pinehurst Ave #4A NYC, NY 10033

I represent: #SaveNYC Small Business Jobs Survival Act

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Delissa Reynolds

Address: 211 Eastern Pkwy

I represent: N/A

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10-22-2015

(PLEASE PRINT)

Name: Lauren Gardner

Address: 145 W 14th St + 155 Bank Street

I represent: Baby castles + School for Betic Computation

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10-22-18

(PLEASE PRINT)

Name: Christopher Ryan

Address: 790 RIVERSIDE DR NY NY 10032

I represent: Disappearing NYC

Address: 790 RSD DR

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Brent O'Leary

Address: 4-74 45th Ave LIC NY 11119

I represent: _____

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Jenny Dubnan

Address: 7810 34 Ave #1B Jackson Hts

I represent: Artist studio NY 11372

Address: Affordability Project

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Santos Rodriguez

Address: _____

I represent: Building & Construction Trades

Address: _____

(C)

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Stuart Satt

Address: _____

I represent: Chairman, Council of NY Coops

Address: condominiums

(8)

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: DENIS JOHNSTON, VICE PRESIDENT

Address: _____

I represent: 32BT

Address: _____

(8)

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Laura Bolt Ponomarev

Address: _____

I represent: BOMANY

Address: One Penn Plaza Suite 2205

Please complete this card and return to the Sergeant-at-Arms

(B)

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 0737A Res. No. _____

in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Jessica Walker

Address: 575 5th Ave., 14th Floor

I represent: Manhattan Chamber of Commerce

Address: 575 5th Ave., 14th Floor

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

10/22/17

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: EM'S Silverio NYS Latino Association

Address: 131-15 11 Ave Queens NY 11356

I represent: NYS Latino Association

Address: _____

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: ED Figuera

Address: 110 E. 177 St

I represent: South Bx Community Congress

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

737

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/21/18

(PLEASE PRINT)

Name: Victor de Leon

Address: 4125 Broadway NY NY 10033

I represent: Victor's Bike Repair

Address: 4125 Broadway NY NY 10033

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Lena Melendez

Address: 565 W 162 St

I represent: Latinos in Defense of Bus. 1139

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. 737

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Ray Rogers

Address: 2170 First Ave NYC 10029

I represent: Corporate Campaign

Address: POB 1002 NYC 10276-1002

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22

(PLEASE PRINT)

Name: NIKKI LEGER

Address: 30 SICKLES

I represent: SELF

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: Jeremiah Moss

Address: 86 E. 7th ST NYC 10003

I represent: myself

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Darcey Gerstein

Address: _____

I represent: Seward Park Loop

Address: _____

9

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: JOE ROSENBERG

Address: _____

I represent: ARCHDIOCESE OF NEW YORK

Address: _____

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: ERIC GURAL

Address: _____

I represent: GFP REAL ESTATE

Address: _____

P

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____
 in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Bill Montana

Address: _____

I represent: Savills Studley

Address: _____

③

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: James Wacht

Address: _____

I represent: Lee Associates

Address: _____

④

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: BRIAN STEINWURTZEL | ~~ERIC GORAL~~

Address: _____

I represent: GFP Real Estate

Address: CEA

THE COUNCIL THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Jordan Barowitz

Address: _____

I represent: Durst Organization

Address: _____



THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

~~737~~

I intend to appear and speak on Int. No. 737 Res. No. 737

in favor in opposition

Date: 10/22/2018

(PLEASE PRINT)

Name: Ernie Brooks

Address: 9-01 44th Drive, L.T.C. N.Y. 11101

I represent: L.T.C. Coalition

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: FRANCISCO FERNANDEZ

Address: _____

I represent: HAIR MATIC SALON

Address: _____

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: FRANK RICCI

Address: _____

I represent: RSA

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Marlene Cintron

Address: 851 Grand Concourse

I represent: Bx Boro Pres. Ruden Diaz Jr.

Address: _____

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 737 Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: OLYMPIA VAZI

Address: _____

I represent: NYC ARTIST COALITION

Address: 616 E 9th St Apt 3W NYC 10009

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

ISBSA Date: 10/22/18

(PLEASE PRINT)

Name: Glenn Raucher

Address: 400 W. 43rd St, 364, New York, NY 10036

I represent: myself

Address: same as above

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 737A Res. No. _____

in favor in opposition

Date: 10/22/18

(PLEASE PRINT)

Name: JEAN STANDISH

Address: 308 E. 6th Ave, NY NY 10003

I represent: BOWERY ALLIANCE OF NEIGHBORS

Address: LOWER EAST PRESERVATION INITIATIVE

Please complete this card and return to the Sergeant-at-Arms