



OFFICE OF THE PRESIDENT
BOROUGH OF MANHATTAN
THE CITY OF NEW YORK

1 Centre Street, 19th floor, New York, NY 10007
(212) 669-8300 p (212) 669-4306 f
431 West 125th Street, New York, NY 10027
(212) 531-1609 p (212) 531-4615 f
www.manhattanbp.nyc.gov

Gale A. Brewer, Borough President

**Testimony of Manhattan Borough President Gale A. Brewer
New York City Council Committee on Small Business
Jointly with the Subcommittee on Zoning and Franchises
September 30, 2016**

Thank you Chairs Cornegy and Richards for having this important hearing on zoning and incentives for promoting zoning and retail diversity and preserving neighborhood character. I am Manhattan Borough President Gale A. Brewer.

As many of you know, I am an advocate for small businesses in the Borough of Manhattan and citywide. The entrepreneurs who create a business from a dream are some of the hardest workers in the city. A successful business owner is someone who goes beyond the endless hours of managing the business by reading and learning about all of the rules and regulations that they must follow to avoid fines that cut into their bottom lines. Zoning is one of the most well-known and impactful regulations that govern how someone may do business by restricting commerce to commercial streets.

However, zoning does not need to be an impediment to doing business. There are ways that we have used zoning in the past to protect small business diversity. When I was a councilmember on the Upper West Side, big banks and drug stores were pushing to establish themselves in my district to the detriment of the mom and pop stores. When a building-owner wanted to land a rich tenant like a bank, they would warehouse their smaller ground floor commercial units until they could make a huge combined space for one large tenant. The bank didn't need the space to do business; they wanted the commercial frontage for advertising.

I asked the Department of City Planning to work with my office to build a zoning solution to fight back against the expulsion of neighborhood business and the warehousing of small commercial spaces. After completing a neighborhood study, they identified neighborhood standards for the amount of "frontage" that a business could have on the street. Within a new special commercial district, banks could only have 25 feet of storefront along the street. Along parts of Columbus and Amsterdam avenues, any building with at least 50 feet of frontage on the street needs to have at least two commercial units within that frontage. Supermarkets are exempt from these requirements.

There is a great deal of interest in other parts of the borough for these types of small business protection. Small businesses like small retail spaces and larger chain stores are not outlawed, but forced to operate the bulk of their square footage on a second floor unit, a cellar unit, or wedged

behind the commercial unit next door. I believe that this is the closest the city has come to enshrining the classic New York commercial street environment into zoning text.

After I took office as the Manhattan Borough President, I released a report that outlined a number of proposals to address common challenges that befall our small businesses. From a microeconomics standpoint the demand for ground floor commercial units far outstrip the supply. More entrepreneurs are competing for a limited number of potential locations, which may be a significant factor in driving up price per square foot. To alleviate this imbalance, the report identified two main points where zoning may be helpful. The first would be to expand commercial overlay districts where appropriate. This would allow more commercial activity to occur as-of-right.

The second option is a bit more complicated. Using what I call “Ultra-Low-Intensity Commercial Districts”, the city would map special commercial areas on side streets that would only allow low-traffic, low-impact businesses to operate. These would be businesses that serve neighborhood needs as opposed to destination retail. This zoning would be the New York City’s first performance-based zoning where a city agency like Small Business Services would look at a business plan and certify whether it would be permitted to establish itself in such a district. Through the use of a nimble, business-specific agency as a gatekeeper, performance-based zoning enables other retail diversity goals such as the exclusion of formula-based retail.

Creating more supply only helps if landlords choose to rent the spaces out. To walk around any commercial corridor in Manhattan is to see vacant storefront after vacant storefront, many of which have sat untenanted for years. Commercial vacancy on the street leads to diminished safety for the sidewalk and street. Business owners are also our neighbors and we rely on them to keep the sidewalk in front of their shops clean and shoveled and most importantly, well lit. For our collective safety and security, we as a city must act to disincentivize the holding of a storefront vacant for extended periods of time. I urge the City Council to call upon their State counterparts to give New York the ability to tax landlords for holding their ground floor commercial spaces vacant when there is no legal or structural reason for them to do so. In the meantime, we must create a program whereby a landlord must pay a fee and register their vacant storefronts. This will give us an essential new source of open data to be analyzed by city government, academia, and the civic hacker community.

While disincentives may deter landlords from holding space vacant to wait for a rich chain-store tenant, incentives are needed for small mom and pop “storefronters” to stay in Manhattan. That is why CM Johnson and I have drafted and are preparing for introduction a commercial rent tax exemption bill. This tax exemption, which can be enacted locally without state legislation, will exempt small owner operated street-level retail businesses and supermarkets from the commercial rent tax. This will serve to make these businesses a little more competitive in the battle to remain in their space.

This year the Department of Small Business Services launched their Cornerstone Business Initiative to support established small businesses that have served their communities for at least 20 years. The first years’ honorees received free one-on-one advising, a free .NYC domain for one year, and other services. This is an incredible step in the right direction and I urge SBS to

expand the program in future years to provide even more support such as employment-based grants to the business and some rental assistance grants to landlords that extend the lease for these businesses.

The New York City Zoning Resolution is 100 years old this year. Zoning by its nature has the tendency towards being more restrictive over time. As means to protect the citizens of New York, it has largely achieved its intended goals. Our challenge is to create more opportunity for business in our city without erasing the gains we have made in safety and quality of life. Our challenge for the next 100 years of zoning is to make it more responsive.