

SAVING THE
MOM & POPS

TEN WAYS TO SUPPORT SMALL INDEPENDENT RETAIL STORES
AND KEEP MANHATTAN VIBRANT



Edward Hopper (1882-1967) *Early Sunday Morning*, 1930; oil on canvas.
Whitney Museum of American Art, New York.



Manhattan Borough President
SCOTT M. STRINGER

Recommendations

- Get the facts: Close the gap in our knowledge of Manhattan's independent retailers
- Encourage space for small, independent stores in new developments
- Use zoning to discourage storefront hogs
- Double the pool of micro-loans available to small independent retailers
- Make the day-to-day concerns of independent retailers the concerns of City Hall
- Encourage business assistance
- Help retailers reduce energy costs
- Consider tax relief for struggling retailers
- Connect our smaller businesses to federal, state and city economic recovery programs
- Pilot Districts: Implement tailored versions of these recommendations in distressed shopping corridors

Members of the Borough President's Small Business Task Force

Brad Hoylman, general counsel, Partnership for New York City, Task Force co-chair
Sheena Wright, president and CEO, Abyssinian Development Corp., Task Force co-chair
Leah Abraham, co-owner, Settepani Bakery Corp.
Curtis Archer, president, Harlem Community Development
Elizabeth Berger, president, The Downtown Alliance
Jonathan Bowles, director, Center for an Urban Future
Walter Edwards, chair, Harlem Business Alliance
Ingrid Gould Ellen, professor, Wagner School, New York University
Nelson Garcia, executive director, East Harlem Business Capital Corp
Fred Hochberg, former dean, Milano School, The New School
Tom Marks, Assistant State Comptroller for New York City, NYS Comptroller's Office
Marla Pettinato, director, Upper Manhattan Business Solutions Center, operated by Seedco
Nancy Ploeger, president, Manhattan Chamber of Commerce
Roberto Ragone, executive director, Lower East Side District Management Assoc.
Julia Vitullo-Martin, senior fellow, Manhattan Institute
Carl Weisbrod, president, Trinity Real Estate
Hon. David Yassky, New York City Councilmember

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Zito's Bakery, Bleecker Street, New York
1947 by Berenice Abbott,
photograph courtesy Commerce Graphics



Zito's Bakery, Bleecker Street, New York, 2008

“[N]o matter where you live in New York, you will find within a block or two a grocery store, a barbershop, a newsstand and shoeshine shack, an ice-coal-and-wood cellar (where you write your order on a pad outside as you walk by), a dry cleaner, a laundry, a delicatessen (beer and sandwiches delivered at any hour to your door), a flower shop, an undertaker’s parlor, a movie house, a radio-repair shop, a stationer, a haberdasher, a tailor, a drugstore, a garage, a tearoom, a saloon, a hardware store, a liquor store, a shoe-repair shop.”

-- “Here is New York” by E.B. White, 1949

The Need to Focus On Independent Retailers

Many New Yorkers love the city’s so-called Mom and Pop stores, which becomes most unclear when yet another one announces that it is shutting down. Reactions can include nostalgic odes in the press, angry blog posts, long petitions, loud rallies.

An episode of “Seinfeld” in 1995 entitled “The Mom and Pop Store,” included a few comic riffs about a shoe repair store on the Upper West Side going out of business after 48 years. But nobody was laughing at a rally last year for A. Fontana Shoe Repair, which was being forced to shut down after 45 years of doing business at its location in the East Village, because the landlord was raising the rent again. A month later, the store was gone; its customers gathered again to throw it a farewell block party.

“Soon,” owner Angelo Fontana told blogger Jeremiah Moss, “there will be no more barber-shop, no more shoe repair, no more tailor.” Moss’s blog is called Vanishing New York, subtitled “a bitterly nostalgic look at a city in the process of going extinct.”¹

When it comes to small independent retail stores, New Yorkers show their sentimental side. It is sad to see a favorite store fold forever. Bookstores in particular are remembered as if old friends killed in their prime — the Eighth Street Bookshop (1947-1979), Books & Company (1977-1997), the Madison Avenue Bookshop (1973-2003), Coliseum Books (1974-2003, brought back from the dead in a new location, 2004-2006), Libreria Macondo (1972-2007), the last of five Spanish-language bookstores on West 14th Street to shut down. Bread may have produced even more pangs than books, whether the closing of Zito’s Bakery on Bleecker (after 80 years) or of Zooky’s Bagels on Third, Wilson’s Bakery and Restaurant in Harlem or Gruenebaum’s in Washington Heights.

It can especially outrage neighbors if an old-time family-run store is replaced by a large “impersonal” chain store. But it can be dispiriting if the storefront just sits empty.

But, putting sentiment aside, some may ask whether these stores, individually and as a whole, really matter to Manhattan. In the middle of a financial crisis that is affecting even the city’s (and the nation’s) biggest employers, does it make sense to focus on businesses with no more than ten employees?

The answer is yes.

That is the conclusion of the Office of the Manhattan Borough President after we conducted a survey of small retailers in 12 shopping streets in the borough; organized a focus group of store owners; and convened a small business task force made up of 18 New Yorkers with expertise in the field.

Many did not expect to be in business in five years.

We learned why these stores are important, heard what problems they face, and determined how we can help increase their chances for survival. This will not be easy. It

was bracing to hear from almost half of the small retailers we surveyed during the summer that they did not expect to be in business in five years.

This was *before* the collapse of Lehman Brothers in September, and the crash of the financial and credit markets...before so many commentators were invoking comparisons to the Great Depression. The economic turmoil and uncertainty have only amplified the problems of the retail industry. Sales in even the largest-volume brand-name chain stores dipped even lower during the holiday shopping season than retailers expected, several (such as Circuit City) have declared bankruptcy, and few storeowners are optimistic, as summed up by a blunt headline in the Wall Street Journal: “Retailers Wallow and See Only More Gloom.”² Consumer confidence in New York is reportedly at the lowest point since it was first measured.³



The gloom is even worse for the small independent retailer in New York. As a Daily News reporter observed, “Once-thriving commercial districts in every borough are peppered with soaped-over windows, empty sidewalks and stressed-out shopkeepers.”⁴ In these trying times, the need for New York to pay attention to its independent retailers becomes all the more urgent.

The Retail Landscape

What may be most surprising about the retail industry in Manhattan — a borough that has some of the most famous stores, and shopping districts, in the world — is how little solid information there is about the small, independent stores that crisscross the borough. No government agency collects much data specifically about them.

We know there are more establishments in New York City’s retail trade than in any other industry.⁵ We know the number of certain types of retail stores. The New York State Department of State, for example, licenses 535 barber shops and 2,552 beauty parlors in New York County (i.e. Manhattan).⁶ The New York City Department of Health and Mental Hygiene,

responsible for inspecting restaurants, says there are 9,361 eateries in Manhattan (and about 26,000 in all five boroughs.) But there is disagreement even over the total number of retail stores in the borough — in part because of conflicting definitions of retail establishments⁷. And few statistics about retailers are broken down by number of employees.

Are there fewer shoe repair stores now than there were a decade ago? Is it easier in some neighborhoods to shop for a \$100 tie than a 10-cent piece of fruit? Are supermarkets being replaced by Starbucks, hardware stores by Dunkin' Donuts, bookstores and bakeries and specialty boutiques by Bank of America branches? It seems that way, but there is insufficient official data to confirm it.

To get a better glimpse of the retail landscape, our office conducted a survey of 12 neighborhood shopping streets⁸ in the borough, one in each of the 12 Community Districts, comprising a total of 122 blocks. These 12 shopping districts, called neighborhood business corridors, are zoned to serve the retail needs of the surrounding community:

- Tribeca (Community District 1): Greenwich St. between Barclay St. and Laight St.
- Greenwich Village (Community District 2): 8th St. between 6th Ave. and Broadway
- East Village (Community District 3): Ave. A between Houston St. and 14th St.
- Hell's Kitchen (Community District 4): 9th Ave. between 44th St. and 54th St.
- Kips Bay (Community District 5): 3rd Ave. between 23rd St. and 34th St.
- Gramercy (Community District 6): 1st Ave. between 14th St. and 23rd St.
- Upper West Side (Community District 7): Columbus Ave. between 72nd St. and 83rd St.
- Upper East Side (Community District 8): Lexington Ave. between 75th St. and 86th St.
- Hamilton Heights (Community District 9): Broadway between 135th St. and 145th St.
- Central Harlem (Community District 10): Lenox Ave. between 125th St. and 114th St.
- East Harlem (Community District 11): 116th St. between 2nd Ave. and 5th Ave.
- Washington Heights (Community District 12): St. Nicholas Ave., 176th St. to 186th St.

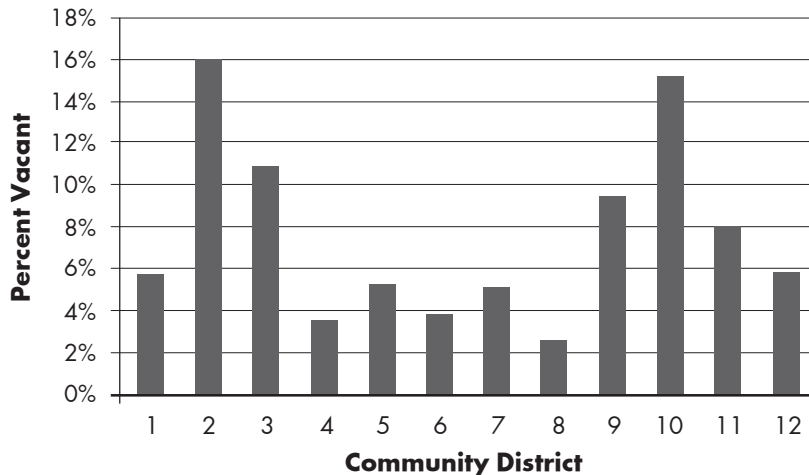
After visiting each store on these streets, we distributed surveys to 1,256 of them. Of these, 125 owners and managers replied; a ten percent response rate.

It is worth stating the obvious: Every neighborhood is different, diversity the only constant — and this makes for a diversity of stores, of customers, of circumstances, of owners. Even within neighborhoods, the diversity can be startling: Among the dozens of independently-owned stores along the few blocks of the Eighth Street shopping corridor are a wine bar, a hot dog joint, a pet groomer, an art gallery, a cleaners, a “psychic boutique”, a Korean restaurant, a hardware store, a tattoo and body-piercing parlor, and a store selling Indian clothing “and belly dancing accessories.” (To call all these “Mom and Pop stores” seems not just inaccurate, but absurd.)

There is also a diversity of threats. In some neighborhoods, there are not enough storefronts to meet demand, and chain businesses are aggressively expanding at the expense of the indepen-

dent businesses, who can no longer afford the rents. In other neighborhoods, there is not enough demand to fill the storefronts: Several of the districts reported commercial vacancy rates as high as 16 percent.

Commercial Vacancy Rates by Community District



Roy Bernard, owner of Harlem Locksmith & Hardware sees both problems simultaneously. The closing of a pharmacy, and a furniture store and other shops along Lenox Avenue have reduced foot traffic. At the same time, a Home Depot is going up nearby. “I’ve seen better days.”

Our most striking discovery was that independent retailers made up the vast majority of the businesses on these 12 shopping streets — more than 80 percent.

The store owners reported that they had been operating their business in its current neighborhood location for an average of nine years. Yet the longevity of the businesses in Manhattan’s neighborhood business corridors does not seem to stifle entrepreneurial activity. Fifteen percent of the surveyed businesses have been in operation for only two years or less.

Surveyed retailers reported that 65.5 percent of their sales are derived from customers who live or work in the immediate area.⁹

The surveyed establishments are open for an average of more than 11 hours per day.



“It’s a struggle. Sometimes I have to pay the rent late, but I still pay.”

– Roy Bernard, owner of Harlem Locksmith and Hardware

(Business owners who reported having no employees keep their places open for an average of under 10 hours each day.) This finding only hints at the enormous time commitment involved in maintaining a successful business, especially considering that the hardest work for entrepreneurs often falls before or after regular trading hours: balancing accounts, managing inventory, and planning for future challenges — of which there are many.

The Problems

Harris Levy Fine Linens has been selling hand-embroidered tablecloths, down pillows, and fancy Italian bed sheets on the Lower East Side since 1894 — Harris and Esther Levy, who had emigrated from Eastern Europe, began with a pushcart. Now, Bob and Meryl Levy are the fourth generation of the family to run the store.

“I’m not sure how much longer we’ll be able to do it,” says Bob Levy. “Our sales are down 30 percent from this time last year. We’ve lost money ever since 9/11. It’s a very challenging environment, to put it politely.”

The Levy’s were paying \$7,000 a month in rent, until they asked the landlord whether he would lower the rent in exchange for Levy doing the landlord’s bookkeeping. “Otherwise, we couldn’t have stayed in business.” Bob Levy has also taken a second full-time job, working in a hospital during the day, while his wife runs the store, and then he works a second shift at the store.

As commercial rents in Manhattan increased steadily over the past years, small independent retailers faced difficulty securing affordable leases. Yet, the lack of affordable commercial rental space is difficult to quantify since unlike residential mortgages, property-owners are not required to register retail leases with city authorities. There is thus no publicly available data with which to analyze market prices for rentable commercial space in New York. Various surveys of individual shopping districts show an extraordinary range of rents. But in many of the shopping districts surveyed for the Real Estate Board of New York, the average rent per square foot for ground-floor retail stores is consistently higher now than it was a couple of years ago.

Average Rent Per Square Foot for Retail Stores¹⁰

Shopping District	Sept., 2008	May, 2008	Sept., 2006
Madison Ave. 57 th St. - 72 nd St.	\$1,143	\$1,066	\$909
Third Ave. 60 th St. - 72 nd St.	\$287	\$329	\$250
Broadway 72 nd St. - 86 th St.	\$309	\$384	\$257
Fifth Ave. 49 th St. - 59 th St.	\$1,400	\$1,958	\$1,035

34 th St. 5 th Ave. - 7 th Ave.	\$643	\$656	\$296
Flatiron 5 th Ave., 14 th St. - 23 rd St.	\$276	\$401	\$252
Financial District (B'way, Battery - Chambers)	\$251	\$198	\$160
Soho (B'way, Houston - Broome)	\$432	\$424	\$288
Tribeca (Hudson, Chambers - Canal)	\$120	\$107	\$66
125 th Street (River to River)	\$125	\$107	\$100

Yes, the latest surveyed rents are from September, which might seem like a different era. But in New York, “rents stay high — even if they’re no longer skyrocketing,” Faith Hope Consolo, chairman of the retail leasing and sales division of Prudential Douglas Elliman Real Estate, told *The Real Deal* magazine in its December, 2008 issue.¹¹ “That’s what makes it tough for mom-and-pops.”

More than half of the retailers doubted they will be able to afford their next lease.

Our survey findings in the 12 neighborhood business corridors we selected¹² show that the median

monthly rent for the survey respondents earlier this year was \$8,250.80 — nearly double what it was under their previous leases. Retailers express fear of the future, more than half of those we surveyed doubting that they will be able to afford the cost of their next lease.

This is not just pessimism in the face of a bear market. The truth is, when times are good economically, the odds are also against the small independent retailer. The respected credit information firm Dun & Bradstreet has estimated that businesses with fewer than 20 employees have just a 37 percent chance of surviving four years and only a nine percent chance of surviving 10 years.¹³ The increasing cost of leases has been the most visible and consequential concern of small retailers. But it is far from the only one.

Another problem frequently cited is the cost of utilities. “Gas, electricity, water, everything has gone up,” says Leah Abraham, the owner since 2000 of Settepani Bakery on Lenox



“I’ve always been very optimistic, but things have gotten worse.”

— Leah Abraham, owner of Settepani Bakery

Avenue, and a member of the Borough President's small business task force, "Water is up 40 percent. We want to service the community so we're open very long hours, 6 a.m. to midnight. We're taking a big hit on utilities."

The small retailers who responded to our survey listed these other problems as well, in order of severity:

- Taxes
- Finding good employees
- Lack of space
- Cost of raw materials
- Competition on price from other stores
- Traffic
- Chain store moving in
- Other local businesses closing

Retailers feel squeezed both by a development boom that is jacking up rents on the one hand, and the economic crisis on the other, that has dried up credit and has started to keep customers away. Even if the financial crisis puts the brakes on the steep rise in the cost of commercial leases, and an end to a trend of the last half decade of bank branches renting up one endless expanse of storefront after another, this is reportedly unlikely to make room for independent retailers to return.

"My sense is that when they are gone, they are gone," a New York real estate lawyer recently told the Wall Street Journal.¹⁴

"I don't want to lay off anybody. How could I? They've been working here 40 years."

Levy tries to remain hopeful, for the business that's been in the family for 114 years, and for its employees. "I don't want to lay off anybody. How could I? They've been working here 40 years. We're staying open until 6, instead of 5, without anybody accepting more wages. Nobody's taking any vacation time. We keep a lot of the lights off until the customers come in.

"I'm sure there are people with very similar stories."

Why Independent Retail Stores Are Important

Independent retailers are worth bolstering for many reasons:

■ ***They generate jobs and help stimulate the economy.***

Retailers as a whole employ over 116,000 people in Manhattan alone, paying \$3.2 billion in wages.¹⁵ Indeed, the retail industry is one of the main pillars upon which Manhattan's economy rests. Independent retailers tend to keep more money within the local economy than do chain retailers, because they are far more likely than chains to hire local workers for their

back office operations, and procure goods from local or regional suppliers.¹⁶ And they are less likely to be able to — nor want to — pull up stakes completely in bad times.

Much of New York’s current economy depends on what economists call the FIRE sector — finance, insurance, and real estate. These are the sectors most affected by the recent economic turmoil. It is the uncertainty of the economic landscape that makes it vital to keep other sectors thriving.



“People will walk by ten times, we’ll wave, and eventually they’ll come in the store because we’ve established rapport.”

– Bertram Watson, owner of Millennium Computer Consultants

■ *They offer opportunity, especially to minority and immigrant entrepreneurs.*

Our look at 12 business corridors made that clear. Almost half of all the businesses that responded to the survey described themselves as minority-owned, and about 15 percent described their businesses as woman-owned. (Just over five percent described themselves as both women and minority.) More than a third of the business owners who responded to the survey identified themselves as immigrants. “The number of immigrant retailers is huge, nationally¹⁷ as well as in New York, but it’s hidden” says Joyce Moy, executive director of the Asian American/Asian Research Institute at the City University of New York. “If you go down to Canal Street, along Mott, you’ll see what you think is all one store. But it’s really five or six stores, each storeowner renting a kiosk.”

■ *They offer needed services and help humanize the city.*

If many of the stores E.B. White enumerated in 1949 are disappearing, or have become completely extinct — Ice-coal-and-wood cellars? Radio repair shops? A tearoom? — New Yorkers still frequent what is left with relish and relief. They drop into the deli and dart into the dry cleaner down the block, even occasionally finding time for a quick chat.

Probably the most famous passage of urban planning visionary Jane Jacobs’ seminal 1961 work “The Death and Life of Great American Cities,” describes the morning ritual on her block on Greenwich Village, much of it involving the neighborhood storeowners:

“The stretch of Hudson Street where I live is each day the scene of an intricate sidewalk ballet....I watch the other rituals of morning: Mr. Halpert unlocking the laundry’s handcart from its mooring to a cellar door, Joe Cornachia’s son-in-law stacking out the empty crates

from the delicatessen, the barber bringing out his sidewalk folding chair, Mr. Goldstein arranging the coils of wire which proclaim the hardware store is open...”

The personal relationships that develop between storeowners and their customers are often one of the things that make New Yorkers feel they live in a community.

■ ***They help define neighborhoods and imbue them with individual character.***

The artists moving into Soho starting in the 1960’s transformed it from a moribund industrial area into a lively center for the arts, but it was arguably the art galleries that helped define the neighborhood for the outside world. What would Chinatown be without Chinese restaurants? For more than half a century, Fourth Avenue was defined as the center of the antiquarian book trade, Booksellers Row. The expiration of almost all these second-hand bookstores one by one left the area struggling even to be considered a neighborhood.

■ ***They help make New York unique.***

Small, independent retail establishments are a large part of what makes New York New York, and keep it from becoming just another dot on the map of Mall America.

For almost two centuries, one of New York City’s major draws has been its shopping: The first restaurant in America was in New York City; New York City more or less invented the American department store. Ironically or not, many of the largest retail chains had their start in Manhattan, the first store becoming their flagship. Now, stores new and old continue to give street-level visibility to the city’s creativity and energy.

“They are a vital part of what makes our borough a destination for people worldwide as well as from the suburbs and surrounding boroughs,” says Fred Hochberg, dean of the Milano New School for Management and Urban Policy, former top official of the Small Business Administration in the Clinton Administration, and one of the members of our Small Business Task Force.

New York is the most walked, and the most walkable, city in America in part because of its stores. Its stores have helped give Manhattan a place in history, in folklore, in popular culture. “Sex and the City” could just as easily have been called “Shopping in the City.” The unique stores of the borough do not just attract tourists and Manhattan’s neighbors. They also encourage ambitious, energetic people from all over the world to move here.



“I’m independent, and broke.”

– Sury Mukherjee, owner of
Mondini clothing store

■ ***A closing caveat on the importance of independent retail stores: This is not a screed against chain stores.***

New Yorkers' attitudes towards chain stores are actually complicated. Many cringe to learn that the city has more than 340 Dunkin' Donuts, more than 200 Starbucks, and a total of more than 500 Duane Reade, Rite Aid and CVS pharmacies¹⁸, while they simultaneously patronize these stores because of their convenience, or low cost, or quality. The ambivalence was captured in the 1998 film, "You've Got Mail," in which chain store owner Tom Hanks expresses a different world view from independent retailer Meg Ryan.

Tom Hanks character: *"The minute they hear [we're opening another branch] they'll be lining up to picket the big bad chain store that destroys everything we hold dear. But we'll seduce them with our square footage and our deep armchairs and our amazingly swift check-out lines and our discounts and our...cappuccino. They hate us in the beginning, but we get them in the end."*

Meg Ryan character: *"[Chain stores are] big, impersonal, overstocked and full of ignorant sales people...they don't provide any service. We do."*

(A decade after the movie was made, the real store that had been used for Ryan's -- Maya Schaper Cheese and Antiques -- announced it is closing.)

The issue here is not chain stores versus independent emporiums.

From the point of view of the customers, for example, there are too many bank branches in some neighborhoods — but too few in others.¹⁹ The borough should be big enough for all kinds of retail, including the small independent store.

Recommendations

There are no one-size-fits-all solutions to small business challenges in Manhattan. But neighborhood by neighborhood, residents, retailers and property owners can work together to create enlightened arrangements that empower this generation of retailers while encouraging the next, and preserve the diversity and dynamism that make Manhattan the greatest place in the world to live, to visit, and, yes, to shop.

It should also be the best place on earth to grow a business, with city government treating retailers like partners in shared prosperity. The Small Business Task Force, which met regularly for several months, endorsed a set of recommendations that it thinks can help make this the Manhattan reality.

One general principle guiding the deliberations of the task force and embraced by the Borough President was a shared commitment not to return to the divisive and ultimately unproductive debate over commercial rent control.

Small independent retailers put the cost of rent at the top of their list of concerns; and legislation has surfaced proposing updated versions of rent control for business. Nonetheless, looking at the last full blown debate over commercial rent control in New York City, the task force concluded that its legacy was a polarized discussion over small business support, and a void lasting for many years regarding productive policy initiatives.

The recommendations that follow reflect an effort to reinvigorate this policy discussion, specifically with respect to small independent retail stores.

1. Get the facts: close the gap in our knowledge of Manhattan’s independent retailers.

Not enough is known about the independent neighborhood stores in New York City.

The task force recommends that all five Borough Presidents, working with their borough’s Community Boards, take a regular inventory of the retailers in our city, compiled by shopping district. The task force suggests that this survey should take place at



“You have to be an optimist to own a store in New York. So I’m trying to be optimistic.”

– Kevin Kelly, co-owner of
Untitled clothing store

least once in every Borough President’s term in office; in other words, at least once every four years. It should include the total number retail establishments that are independently owned, the number that are part of national chains, and, if possible, what the turn over has been -- how many retailers went out of business since the last survey, how many started up.

2. Encourage space for small, independent stores in new developments.

First, in selected commercial corridors, zoning could be used to require that a designated portion of street-facing ground floor space in any new development be set aside for small-format retailers.

There is an example of this kind of set-aside in the recent rezoning of a portion of 125th Street in Central Harlem to create a special district. New developments within that district that meet certain criteria²⁰ must lease a certain amount of store space²¹ to a tenant pursuing one of a selected list of uses²². Manhattan’s planners can adopt this concept to increase space for a variety of small retail businesses.

Second, the task force favors creating incentives for reserving space for small, independent retail tenants on the ground floor of new residential buildings by rewarding developers who do so with either exemptions or bonuses that allow them to increase the size of their building.

The special district on 125th Street offers “**density bonuses**” for eligible developers that give leases to establishments of a particular type²³. A similar goal could be accomplished through “**floor area exemptions**,” which allow a developer not to count the retail space towards the maximum permitted size of a building.

3. Use zoning to discourage storefront hogs.

The most commonly heard objection to the many bank branches and chain pharmacies that have sprung up throughout the city is not how many there are of them, but how much space they take up on the block. Some retail storefronts are so large that they significantly deaden street life as well as distort the rental market.

The culprits this time around are banks and pharmacies, but this business marketing strategy has happened before in the city, with other industries. And the effectiveness of the response to these previous space hogs yields the task force’s recommendation for creative leasing: **Allow communities²⁴ to cap the amount of ground-floor frontage permitted, and encourage large stores to operate on the second floor.**

Adopted in 1973, the Madison Avenue Special District was created “to preserve and enhance street life by promoting specialty shops at street level.” The zoning in this district, which runs along Madison Avenue between E. 61st and 96th Streets, restricts the frontage or the total size of certain kinds of stores. Banks and loan offices are limited to 40 linear feet of street frontage. Carpet, fabric and furniture stores are limited to 10,000 square feet of floor area, and dry cleaners to 2,000 square feet. The Fifth Avenue Sub-district also restricts the store frontage of banks and travel agencies to a maximum of fifteen feet. After the recent 125th Street rezoning, no bank may do business on the ground floor there, and is instead required to take their space on the second floor of the building.

Again, these kinds of land-use tools can be used in some neighborhoods, but not in others, depending on the needs and desires of the community.

4. Double the pool of micro-loans available to small independent retailers.

Credit is the life-blood of any business. Without reliable, affordable access to capital, no business can succeed. The global credit crunch has made it difficult for even large financial institutions to borrow in the credit markets. And what is merely painful for Wall Street can be devastating on any other Manhattan street. It is beyond doubt that adverse economic conditions, on average, affect small businesses worse than larger ones. Lending standards for neighborhood businesses are tightening so rapidly that it puts many small businesses at risk and leaves entrepreneurs in the cold.

An internal study by the Economic Development Corporation found that the micro-lending market in New York City currently provides about \$20 million in loans annually. As task force member Jonathan Bowles notes, that volume of lending is hardly greater than the amount of lending conducted by a single medium-sized bank branch in Queens. For every small business that is helped out, it is estimated that two others who could use the help lose out.

Included among Mayor Bloomberg's initiatives announced on October 30, 2008, to address the economic downturn was the addition of \$5 million to an existing program guaranteeing revolving loans; and a pledge by the mayor to allow small businesses and non-profits to qualify as borrowers.

The Borough President's task force recommends a doubling of the pool of micro-loans available to New York City's small businesses by adding \$20 million to the working capital of non-profit lenders such as Accion and Seedco, organizations that lend to businesses ignored or rejected by traditional banks but unable to meet the demand for credit in Manhattan's neighborhoods.

Only recessionary times hold us back from recommending a tripling of the pool, which would come closer to meeting the need. Government spending of this type makes sense at this moment of economic tightening and budget pressures not only because of the dire straits small businesses find themselves in, but also because micro-loans to small businesses work as a direct stimulus to the economy, creating a large, sustainable boost in employment. Accion claims that each of their loans creates or preserves 2.3 jobs. Moreover, a revolving micro-loan fund reaches new small business borrowers year after year, but requires only a one-time investment of taxpayer dollars; the money is lent, paid back with interest, and then lent again.

Today, Boston, Philadelphia, Baltimore, and Washington, D.C. all provide substantial support for government-backed micro-loan funds. New York City should be at the forefront of this policy innovation.

In 2006, Councilmember David Yassky, a member of the task force and a leading advocate for expanded use of micro-lending, joined with City Council colleagues to appropriate city funds to capitalize a micro-loan pool for New York City businesses. Legal objections from Corporation Counsel thwarted that effort. Since then, city lawyers appear to have dropped their opposition to using municipal funds for loans.

5. Make the day-to-day concerns of independent retailers the concerns of City Hall.

The Department of Small Business Services and other agencies of city government work harder for small businesses than at any time in recent memory. But still, too often, city government acts in ways that seem to disregard the real world struggles and burdens of New York City's small independent business owners. There are many opportunities for improvement. Here are two recommended by the task force:

First, city inspections should be scheduled in a manner that avoids doing damage to business revenue. Unannounced inspections are sometimes essential to get compliance with the law. But 'unannounced' does not mean 'at any time'. The task force recommends that city officials create a tool (perhaps online) allowing businesses to notify government that inspections at certain times in the day or week will damage their trade. Inspectors should stay away at those times.

The story of Eduardo and Mary Silva, owners of Maz Mezcal, a Mexican restaurant on the Upper East Side, is instructive. They still remember the Saturday evening when, dealing with a packed dinner service, the Fire Department decided to drop by for an unannounced inspection. It disrupted the service, drove away customers, and they feel has cost them some business in the long run.

“I’m all for inspections,” says Mary Silva. “But on a Saturday night at 8 p.m. — our busiest hour in the week? Instead of doing my job — making reservations, seating people, making sure the dinners are served, overseeing everything — I had to go look for blueprints.”

Second, city officials should make it as easy as possible for independent retailers to stay informed about changes to city rules and regulations. Princess Jenkins, owner of The Brownstone clothing boutique in Harlem, says she sometimes feels like a collection agency for the city because she receives so many tickets — often for violations she has never heard of.

The city’s Department of Small Business Services should partner with the Department of Information Technology and Telecommunications and other city agencies to create a straightforward way (probably online; perhaps through an ombudsman or expeditor) to keep retailers in the loop on regulation. City officials should allow a three-month ‘grace period’ between enacting rules and enforcing fines. And the City Council’s small business committee should hold regular hearings for businesses to seek the repeal of regulations.

6. Encourage business assistance.

There are many places for small retailers to get help and advice throughout the city, both from city agencies and from non-profit organizations. These can be enhanced — a mentor program, for example, especially for immigrant entrepreneurs. But, as good as some of the programs are, too many barriers make it more difficult for the small retailer to be assisted.

One example speaks volumes. The non-profit group Acción partnered with city officials on something called the Green Carts initiative. Green carts are run by vendors who sell fresh fruits and vegetables in areas under-served by grocery stores. The Tisch Illumination Fund provides capital to build these carts and lend start-up dollars, Acción administers these loans, and city agencies issue permits to successful applicants. It is a partnership that works.

But officials in the city’s Department of Small Business Services will not tell Acción who has contacted the city to express interest in green carts. City officials say to do so would violate the privacy of those who inquired. To change this policy would mean having to give these names to commercial establishments as well, such as banks, which are looking for new business clients.

Retailers who approach any city government department should be able to give permission to the department to share their information with a range of pre-approved non-

profit groups offering educational and assistance programs.

Similarly, various city agencies and non-profits funded by the city run business education classes and provide services year-round . **The task force recommends that these programs become mobile.** Classes could be held not just in the NYC Business Solutions Centers, but at the offices of business improvement districts and non-profit organizations. And some assistance could be provided retailers right in their stores.

7. Help retailers reduce energy costs.

A major complaint of storeowners is the cost of utilities, especially energy. Upon request, the New York State Energy Research and Development Authority (NYSERDA) will visit stores with energy bills below \$75,000 a year to find ways these retailers can reduce their energy costs. Typically, these energy audits can result in savings of as much as 20 percent.

Often, the audits will suggest money-saving investments, anything from low-power refrigerators to rooftop solar panels. The energy agency will even help to subsidize the loans that retailers take out for these investments. It does this through the Energy Smart Loan Fund, paid for through a small assessment on all electricity bills in the state.

The energy audits and the Smart Loans are both sensible programs. But few retailers take advantage of them. The Smart Loan program is so under-used that millions of dollars remain idle in the fund. The task force suggests four ways to reach more retailers.

First, the New York State Energy Research and Development Authority could restructure its current \$100 - \$400 fee for its energy audits so that the program acts like a “carrot” rather than a “stick”. The way to do this is to have the audit done with no charge, then if the store owner decides to invest capital and install any measures, NYSERDA would provide matching funds for additional measures. The idea of free energy audits could help provide the needed incentive to convince storeowners to give it a try; it could also help create more grassroots publicity for the service, with their customers becoming in effect unpaid audit marketers.

Second, increase the program’s marketing and outreach. The way the program is currently structured, program marketing is the sole responsibility of the firms contracted to implement the program for NYSERDA. EME Group, the contractor for region 4 which includes Manhattan, admits that they do not have the resources necessary to develop an extensive marketing campaign for their region. Through their use of local partnerships, they have started to develop local outreach strategies such as the Win-Win Campaign.

Third, a training program could be established where job seekers can learn energy audit skills and increase the capacity for results. The type of education and training required for a small business energy audit has low barriers to entry, meaning that anyone can learn these skills with a basic building science class and field training. Solar One has developed a Building Performance Institute Certified curriculum for high school students to perform energy audits, which can be used as a model. More trained energy auditors could effectively create their own market, since the one thing small business owners lack is the awareness that such a service exists.

Fourth, streamline the information for the incentive programs available to make the programs more accessible to small business owners. Currently, NYSERDA, National Grid, and Con Edison each provide energy efficiency incentive programs. There must be consolidation of information and a central location where this information can be housed, so that customers know their options and can choose the program that best suits their needs.

8. Consider tax relief for struggling retailers.

Severe pressures exerted on New York's city and state budgets by the economic downturn require that any proposal to alter tax policy be offered only after exceedingly careful consideration, particularly a proposal to cut taxes and reduce government revenue. That being said, while large projected budget deficits push fiscal policy in one direction; the need for economic stimulus pushes in another. Economists of widely contrasting views all seem to agree that the need now is primarily for economic stimulus. The task force suggests a look at two current taxes.

The purpose of the unincorporated business tax (UBT) is to prevent large firms from escaping all city taxes by adopting certain business structures. In its application, however, it also captures hundreds of small New York City businesses.

Similarly, the "S-Corporation" structure adopted by thousands of New York retailers is intended to allow small firms to pass through revenue. Unlike the federal and state governments, however, New York City does not recognize the S-Corporation treatment of pass-through revenue.

The task force recommends expanding and simplifying tax credits for qualifying small, independent retailers in the following way: For unincorporated business tax filers, the existing one hundred percent credit for taxes owed up to \$1,800 (gradually reduced to zero for taxes owed over \$3,200) should be doubled to a full credit for taxes owed up to \$3,600, and all unincorporated business tax filers with earnings under \$90,000 should be exempt from filing. (The tax is a 4 percent assessment.)

For S-Corporation filers with net income under \$250,000 (the threshold established by President-elect Obama for federal tax policy), make available the same \$3,600 credit.

The number of businesses benefiting from this change is limited, as is the resulting reduction in tax revenue produced by expanding the credit. Yet, for some small, independent retailers operating on razor-thin margins, this improved tax treatment could mean the difference between making a profit or sustaining a loss.

9. Connect our smallest businesses to federal, state and city economic recovery programs.

The financial crisis has resulted in promises of help from every level of government. While the banking industry has been the beneficiary of the \$700 billion federal rescue plan, government action on behalf of other sectors of our economy is still being developed. Virtually every proposal acknowledges the importance of small business to the nation's economic health.

As noted above, Mayor Michael Bloomberg's economic recovery program includes expanded micro-lending for small business. Governor David Paterson has provided a half million dollars to New York City's Department of Small Business Services for worker training at small business establishments. Brooklyn Congresswoman Nydia Velazquez, chair of the Small Business Committee, has pledged to involve the Federal Reserve in restarting bank lending to small business. Both New York Senators have entered the debate with thoughtful proposals.

Small business occupies a central place in the history of American business success and always claims center stage at times of economic despair. But in the past, political rhetoric has not always matched policy reality.

Two fundamental things must occur if we are to avoid disappointment. First, definitions matter, and just as we have struggled in this report to maintain the spotlight on small, independent retailers, **any government support for so-called "small business" must include the very smallest entrepreneurs, those businesses that are owner-operated or employ fewer than ten people.**

Second, **when we reach the implementation phase of new government programs aimed at helping small business owners, such programs must be coupled with sophisticated, targeted, and effective outreach efforts.** Failure to take this important step will ensure that precious government resources will fail to reach the intended recipients.

10. Pilot Districts: Implement tailored versions of these recommendations in distressed shopping corridors.

Recommendations have little value unless they are coupled with action.

The task force therefore favors aggressive implementation of a tailored set of recommendations in each of two designated “pilot districts.” The exact configuration of each of these pilot programs should emerge from deliberations of the relevant community board, business improvement district and individual shop owners working with the Office of the Borough President and interested members of the task force. The recommendations and analysis contained in this report should serve as a starting place (a useful one, we hope) for creating a program that fits the particular problems and needs of the small independent retailers in each of the two selected communities.

The task force cites two benefits of this pilot district approach: first, it allows for aggressive implementation; and second, it provides an opportunity to test the usefulness of policy innovation under real world circumstances, thereby allowing for a case to be made for citywide adoption of the initiatives that prove most effective.

Our office will be accepting applications from the business improvement districts or any groups of independent storeowners from a defined shopping corridor that make the case why it would make the most sense to choose their particular area as one of the two pilots.

The Borough President is committed to working with the Mayor and the City Council to achieve necessary waivers or statutory amendments required to implement the community-based plans adopted in conjunction with these pilot communities in Manhattan.

The independent, retail stores of Manhattan — which provide often-unique goods and services, investment opportunities and jobs; and in general make the borough more livable — need some immediate help. But they, like the rest of the borough, will benefit as well from sensible planning for the future — beefing up educational opportunities, maintaining the safety and security of our streets and our buildings, modernizing and expanding our infrastructure. We want a greener borough, a diverse borough, a vibrant borough...and the so-called Mom and Pops will both benefit from such a borough, and help us get there.

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- ⁴ Croghan, Lore. "Meltdown Scorches Small Biz," New York Daily News, November 9, 2008. pages 24-25.
- ⁵ The 2002 Economic Census puts the number of retail traders of any size in Manhattan at 11,620 (but doesn't break this down into separate categories based on number of employees, etc.). The U.S. Census Bureau's 2005 County Business Patterns indicates that there were 89,407 business establishments with fewer than 20 employees based in Manhattan in 2005 (but this number undoubtedly includes some firms that are not "neighborhood retailers"— smaller hedge funds, boutique law firms, and fast food franchises.) The bureau reports that Manhattan was home to 211,103 "non-employer businesses" in 2005. (But this figure includes, for example, freelancers and independent professionals). All of this conflicting data demonstrates how difficult it is to focus research on neighborhood retailers as a specific group.
- ⁶ From the New York State Department of State, as of October 31, 2008.
- ⁷ The New York State Department of Labor lists 11,925 retailers in Manhattan (of which 9,562 have fewer than 10 employees). But others, such as Nielsen Claritas, have cited the figure 34,940 as the number of retail establishments in Manhattan. Some definitions of retail may not include restaurants, but this doesn't entirely account for the discrepancy.
- ⁸ For the purpose of this survey, these shopping streets, known technically as neighborhood business corridors, were defined as having a C1 or C2 zoning, meaning the area is meant to "serve the local retail needs of the surrounding residential neighborhood," according to page 52 of the New York Department of City Planning Zoning Handbook.
- ⁹ In order to provide a broad estimate of how "local" the customer profile might be, the survey suggested that each business estimate (to the nearest 10%) the proportion of their customers' faces that they recognized as frequent patrons of the business.
- ¹⁰ The survey by the Real Estate Board of New York is conducted twice a year, and covers only a sample of shopping districts in the borough. Here we pick just the average *asking price* for rents for ground floor space from three sample periods for a selection (not all) of the shopping corridors that the board surveys.
- ¹¹ Thau, Barbara. "How many more stores will shutter?" The Real Deal New York Real Estate News, December, 2008. <http://ny.thealdeal.com/articles/how-many-more-stores-will-shutter>

¹² None of which were the same as those surveyed by the Real Estate Board of New York.

¹³ Bornstein, Samuel. D. "Fighting Failure: Community Banks Can Promote Financial Literacy for Small Businesses." *Community Banker Magazine*, May, 2007. This is small business of all kinds, not just retailers.

¹⁴ Cheema, Shushil. "Banking Crisis Means Changes for Commercial Real Estate," *Wall Street Journal*, October 1, 2008.
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¹⁵ These figures are from the 2002 U.S. Economic Census for New York County. They are the most recent estimates available. The U.S. Economic Census is conducted every five years. 2007 census data is expected for release in early 2009.

¹⁶ Cunningham, Matt & Houston, Dan. "The Andersonville Study of Retail Economics". *Civic Economics*. October, 2004. Chicago, IL.

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¹⁸ Center for an Urban Future. http://www.nycfuture.org/images_pdfs/pdfs/Attackofthechains.pdf

¹⁹ Many More Bank Branches (But Only For Some), a report by the Office of Congressman Anthony Weiner, September 9, 2007.
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²⁰ The new developments (and enlargements of existing developments) have to contain at least 60,000 square feet of floor area and be on lots with frontage on 125th Street.

²¹ The space must be equivalent to a minimum of five percent of the total floor area of the development.

²² In the case of the Special 125th Street district, the requirement is for entertainment-related uses such as clubs, restaurants, music stores and bookstores.

²³ In the case of 125th Street, the density bonus goes for visual or performing arts uses, such as art galleries, museums and theaters.

²⁴ A community (as represented by the local Community Board) is just one part of the Uniform Land Use Review Process, or ULURP. Other stakeholders who must weigh in include the Department of City Planning, the Borough President, the City Council and the Mayor.

SAVING THE MOM AND POPS

The recession has hit retailers in New York with particular severity. But even before the crash, the small independent retail stores in Manhattan were struggling, battered by a range of problems including high rents, high energy costs, chain store encroachment, a lack of space: About half in a survey conducted by the Office of Manhattan Borough President Stringer in the summer of 2008 said they did not expect to be in business in five years.

The borough president convened a small business task force made up of 18 experts ranging from shop owners to scholars to an elected official, who studied the issue and came up with ten recommendations to help bring the Mom-and-Pops through the tough times.

A particular focus was on 12 “neighborhood shopping corridors,” one in each community district in the borough. One of the recommendations is to designate two such shopping areas as pilot districts to test the usefulness of the ideas, and lead to citywide adoption of those that prove most effective.

The retail industry is one of the main pillars upon which Manhattan’s economy rests, and one of its largest employers. Small, independent retail stores also help define Manhattan neighborhoods and make the city unique. It is the very uncertainty of the economic landscape that makes it vital to keep them thriving.

SCOTT M. STRINGER
MANHATTAN BOROUGH PRESIDENT
Municipal Building, 1 Centre Street, 19th Floor, New York, NY 10007
Phone: (212) 669-8300 Fax: (212) 669-4305
Website: www.mbpo.org