A Memorandum for District 4
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Vacant Storefronts

While the economy has begun to bounce back from the 2008 recession, the recovery effort is far from complete. Proof of this: the many empty storefronts still darkening the city. One of the hardest hit areas disproportionately experiencing this epidemic is the east side of Manhattan. A New York Times article from this past March noted that there are 37 vacant storefronts between 57th Street and 77th Street on Madison Avenue.[1] Senator Brad Hoylman's "Bleaker on Bleecker" study further found nearly 6 percent of storefronts on 1st Avenue between 10th Street and 23rd Street are vacant.[2] These numbers are striking and antithetical to the basic economic principle that as the supply of vacant storefronts increases, the price of those units should decrease. The fact that this has not been the case represents a market failure and signals that there is a place for local government intervention to reverse this trend. Vacant stores are detrimental to the economy because they decrease both job availability and consumer spending. What's more, they suck the life out of the

[1] "A Sign of the Times: More For-Rent Notices in Manhattan." The New York Times. 07 March 2017. Web. 04 Aug. 2017. https://www.nytimes.com/2017/03/07/realestate/commercial/for-lease-vacant-storefronts-manhattan.html.
[2] "IT'S BLEAKER ON BLEECKER STREET: NEW REPORT EXAMINES HIGH-RENT BLIGHT IN GREENWICH VILLAGE & CHELSEA." NY State Senate. 24 May 2017. Web. 04 Aug. 2017. https://www.nysenate.gov/newsroom/press-releases/brad-hoylman/its-bleaker-bleecker-street-new-report-examines-high-rent.

neighborhood. We must work to fix these issues to revitalize the local economy and make New York City the epicenter for small business commerce.

In order to begin to address this problem, it is important to understand the reasons underlying it. Many people like to point to the booming online retail market and overall decline in brick and mortar businesses. While this may explain a decrease in demand for storefront space, it does not explain why prices remain so high. Currently, the commercial real estate market rewards the patient landlord who can keep a space empty for up to two or three years holding out for a 10- to 20- year lease with an established national brand who can write off their Madison Avenue rent as a marketing cost for their other revenue-producing locations. Similarly, landlords with a large portfolio of properties worry that dropping prices will cause a ripple effect on the rest of their portfolio. There are a small number of tax breaks available when a commercial space is left vacant, so landlords can take a loss from the vacant property and shelter other income.

First and foremost, we need to ensure that there are no financial incentives to landlords who inflate their rents and keep their spaces vacant. While commercial real estate owners currently cannot deduct lost potential rental income from vacant properties (as is often falsely reported), they are able to currently receive deductions for depreciation of the property and operating expenses. Therefore, I will fight to remove any and all such tax breaks for landlords with persistent vacancies lasting over one year. An additional carrot to incentivize landlords to fill vacant spaces would be to explore possible tax deductions to those who take a risk on renting shorter-term leases to first-time small businesses and pop-up shops.

Second, I advocate for following in the footsteps of San Francisco, a similarly expensive city but one which boasts the lowest retail vacancy rates in the country, to implement two policies: the creation of Business Legacy Registry, which would track and maintain a public registry of small businesses that have been in New York City for at least 30 years[3], and the introduction of formula retail zoning restrictions to limit the number of chain stores lining our streets.[4]

Third, I agree with the numerous local elected officials and policy experts who advocate for the full elimination of the Commercial Rent Tax. The tax essentially subjects commercial tenants to double-taxation – a government levy on rent before the business has even made its first dollar. And because it only applies to tenants in buildings below 96th Street, this tax disproportionately puts businesses in District 4, and particularly small business, at a competitive disadvantage. In this case, New York State grants New York City its taxing authority, which means it can also eliminate that authority, and that will be an absolute priority when I am on the City Council.[5]

To prevent local mom and pops from becoming future vacant storefronts, I fully support the Small Business Jobs Survival Act (SBJSA), which proposes ending the rent

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[3] "Vote Yes on J - Preserve SF's Legacy Businesses." *Preserve Legacy Businesses in SF.* N.p., n.d. Web. 15 Aug. 2017. http://legacybusinesssf.com/

[4]ILSR Admin. "Formula Business Restriction - San Francisco, CA. *Institute for Local Self-Reliance.* Institute for Local Self-Reliance, 09 Dec. 2010. Web. 15 Aug 2017. https://ilsr.org/rule/formula-business-restrictions/2321-2/

[5] Holyman, Brad. "Bleaker on Bleecker A Snapshot of High-Rent Blight in Greenwich Village and Chelsea." New York State Senate, May 2017. Web. 15 Aug. 2017. https://www.nysenate.gov/sites/default/files/press-release/attachment/bleaker_on_bleecker_0.pdf

gouging of small business owners by guaranteeing them access to 10-year leases with the right to renew—terms that large corporations often receive as a matter of course. The SBJSA further states that if a fair lease cannot be reached, third-party arbitration can determine a fair price and contract. These changes are all designed to revitalize the economy and encourage small business expansion in the city.