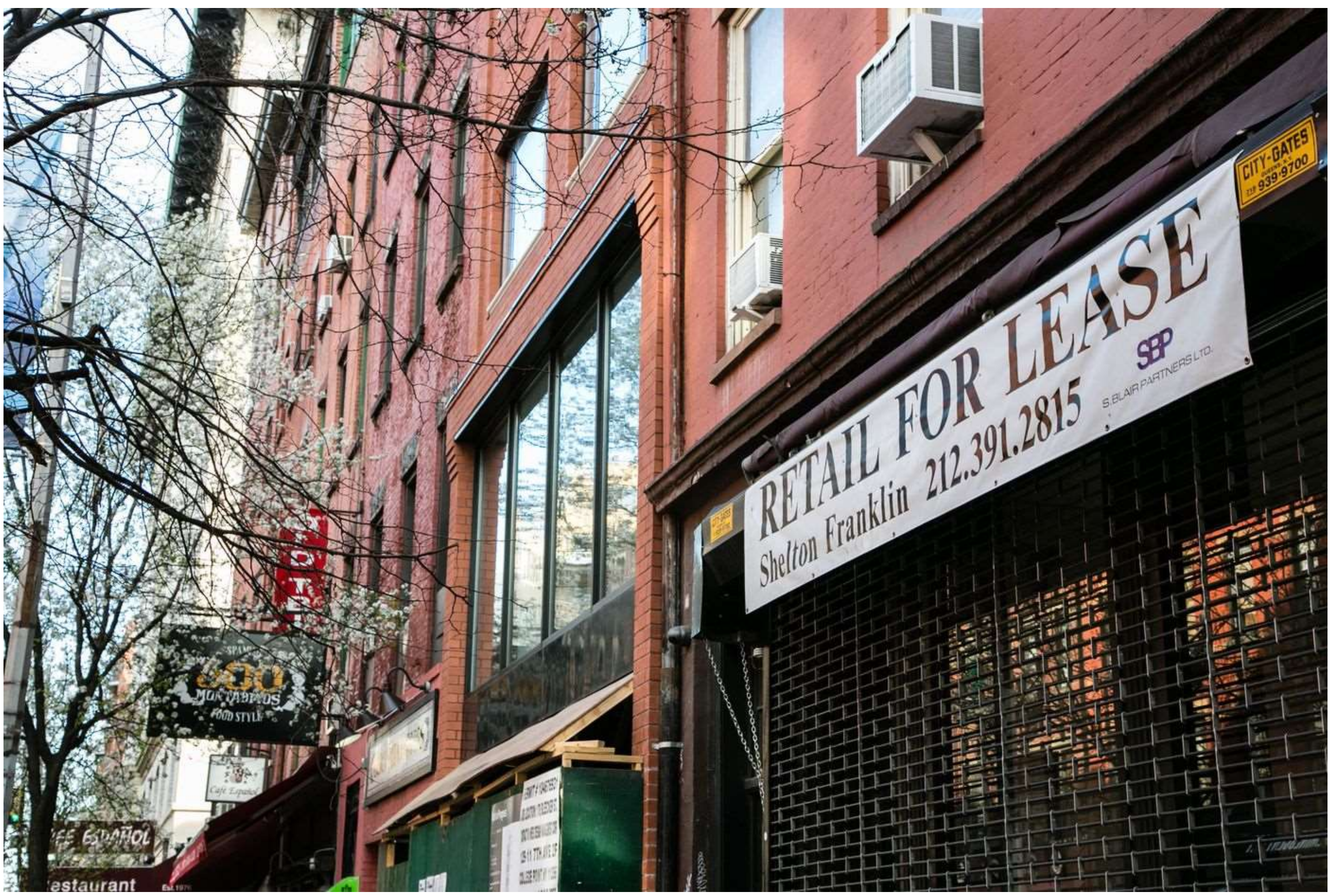
OPINION

How to bring back mom and pop: NYC commercial rents are out of control; here's how to restore sanity

By JEREMIAH MOSS
JUN 24, 2018 | 5:00 AM



Retail space available at 180 Bleecker Street, Manhattan, New York, Friday, April 1, 2016. (Shawn Inglima for New York Daily News)

We all know what it looks like. The blocks of empty storefronts, covered in graffiti, “FOR LEASE” signs in the windows for months and years on end. It’s called high-rent blight, and it’s the latest phase of a hyper-gentrification process that has been pushing small businesses out of the city as our streets are taken over by banks, corporations, and a new breed of mega-landlords.

New York is always changing, of course, and we wouldn’t have it any other way. But it has also been consistently itself, the untamed city, its streets alive with local shops full of unique wares, distinct cultures, and shopkeepers who were integral to their communities.

The roots were deep, often spanning generations. That organic and diverse ecosystem evolved over the decades but remained authentically New York — fiercely independent, cussedly individual, immune to the homogenization that sterilizes the suburbs with their controlled shopping malls. And now? The changes of the past 10 years especially have been profound and undeniably distressing.

More and more, in rapid succession, our streets are dulled by corporate chains, big banks, systematized “concept” shops and too many vacant chains, big banks, systematized "concept" shops and too many vacant storefronts. This is not New York.

It's a bleak picture, but there are solutions.

The one with the most traction is the Small Business Jobs Survival Act (SBJSA). Legally vetted and deemed fully constitutional, the SBJSA gives existing commercial tenants a few basic rights, including: 1. the right to renew the lease, 2. a minimum 10-year extension, and 3. equal rights to negotiate a fair rent, with third-party arbitration if an agreement between tenant and landlord cannot be reached. In that case, the arbitrator may determine a reasonable increase, a decision based on multiple factors, including current fair market rates for similar properties.

Recently, after years of struggle, the SBJSA has been reintroduced to the City Council by Councilmember Ydanis Rodriguez, with Speaker Corey

Johnson promising to hold a hearing on the bill. This action has triggered a wave of defense from the real estate industry and its supporters wave of defense from the real estate industry and its supporters.

As they pull out the stops to defend the status quo, we find the same distracting and misleading notions. Let’s address a few of them one at a time.

Myth one: It’s not the rent that’s killing retail, it’s the internet.

This is a big one and it sounds convincing. But while it’s true that online shopping is hurting brick-and-mortar retail, skyrocketing rents and non-renewal of leases are the greater evils.

Look at the western end of Bleecker St., since it gets a lot of attention as an example of how the process happens — hyper-gentrification followed by high-rent blight and total corporate takeover.

In 2002, Bleecker was filled with longstanding small businesses, and rents were going for $75 per square foot.

Then the luxury chains came: Marc Jacobs, Ralph Lauren, Intermix, and too many more. I walked that street every week for nearly a decade, talking to small businesspeople who told me they were pushed out by landlords who specifically wanted chain stores. (It’s not just the higher rent they want. As Bloomberg News reported in 2016, banks place a higher value on buildings with chain tenants, while devaluing those with small businesses.) To achieve this turnover, landlords refused to renew leases or they raised the rent, and they didn’t just double or triple — they went for broke. One shop that had sold Middle Eastern imports for 30 years had its rent hiked sixfold. Brooks Brothers took the space.

Brooks Brothers took the space.

After 25 years, Biography Bookshop's rent increased eightfold. Marc Jacobs replaced it with their own bookshop.

By 2005, rents on this stretch were up to $300 per square foot. By 2008, they jumped to $550. I heard of asking rents as high as $45,000 per month. By 2012, in the four blocks between Hudson and West Tenth St., 45 retail spaces were filled by upscale shopping mall chains.

The internet didn't do that.

Then the street collapsed. The "Gold Coast" of Bleecker became a ghost town as the chains pulled up stakes.

The reasons for this are complex and obscure. For one, large companies sometimes open multiple shops as "loss leaders," so while they lose money on high rent, they attract more customers to their brand.

And then some buy the storefronts outright. Such urban retail condos are a relatively new trend. Bought by mega-landlords, private-equity firms, foreign investors and others, they're often flipped for big profits. In 2014, The Wall Street Journal reported that "the number of retail-property sales

The Wall Street Journal reported that "the number of retail-property sales — most of them retail condos — more than tripled from 2010 to 2013," and the value grew into the billions.

Major retailers play this game, spending millions to buy storefronts that are unlikely to return to small businesspeople.

The internet isn't doing that, either.

By 2017, there were 19 vacancies in the five blocks of Bleecker between Bank and Christopher.

What comes after high-rent blight? Luxury mall developer Brookfield Properties has revealed the future. They've been buying storefronts on Bleecker to turn the corridor into a curated consumer experience, "with Brookfield orchestrating…rather than allowing each individual shop to pursue its own agenda," reported New York Magazine.

"Let's look at this as if it's a mall," said Brookfield's head of retail leasing, "even though it's not."

Online shopping is definitely a problem for local retail, but it's nothing compared to the machinations of the mega-landlords. They are creating a revolving-door city, streets full of pop-up shops and no stability, temporary consumer experiences for temporary tourists — because that's where the big money is.

More and more, in rapid succession, our streets are dulled by corporate chains, big banks, systematized “concept” shops and too many vacant storefronts. (Daily News Illustration)

Myth two: Commercial rents are correcting and in some cases declining.

In recent years, there is evidence that commercial rents have been declining somewhat, in some places, but they are not normalizing. They are not becoming affordable again for small businesses. In the Spring 2018 Manhattan Retail Report from the Real Estate Board of New York, the industry’s most powerful lobbying group, they note that retail rents are “correcting,” but correcting to what?

“SoHo’s Broadway corridor,” they write, “saw the biggest average asking rent drop this spring compared to last year; a 27% decline to $595 psf.”

Can the average small business conceivably pay $595?

A look at commercial listings on Bleecker today show asking rents as high as $53,000.

One corner spot — occupied for 30 years by the Middle Eastern imports dealer, then by Brooks Brothers for just six, and now by nothing — is going for $714 per square foot. Rents are not coming down to levels that are healthy for the city.

If you have a fever of 105 degrees and it goes down to 103, you're still sick.

Myth three: The SBJSA is commercial rent control

This is not true. New York City had commercial rent control from 1945 to 1963, and it was a very different animal. A state response to a crisis of excessive commercial rents and evictions, the law allowed the government to cap commercial rents, much like residential rent control.

The SBJSA will not do that. It will simply provide arbitration for fair negotiations of rent — and only on lease renewals.

That's a sane, focused solution.

Let's be clear. No single piece of legislation can completely reverse the trends that are endangering and extinguishing mom-and-pop brick-and-mortar stores across the city. The SBJSA is not a silver bullet, but it is local business' best line of defense. It is sponsored by several City Council

members, endorsed by Speaker Corey Johnson, and supported by thousands of New Yorkers. Let it come to a vote. Once passed, it should then be joined of New Yorkers. Let it come to a vote. Once passed, it should then be joined by a vacancy tax on high-rent blight and zoning to control the spread of chain stores.

For much of the twentieth century, our state and city government took steps to protect the vulnerable and restrain the powerful in order to mitigate income inequality and maintain a more open and diverse city. It worked. And it can work again.

We’ve got to start somewhere. If we don’t act now, we will lose all that remains of the city we love. New York deserves better.

Moss, the pen name of Griffin Hansbury, is the author of "Vanishing New York: How a Great City Lost Its Soul," and the founder of SaveNYC.