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There Goes the Neighborhood Cafe

Danny Meyer's Union Square Cafe Is a Casualty of Rising Rents

By **DANNY MEYER** JULY 2, 2014

I OPENED my first restaurant, Union Square Cafe, nearly 30 years ago, at a time when Manhattan rents were low, crime rates were high and the future of the city seemed, even for an optimist like me, to be an open question.

Things have changed in New York, which is great news, except perhaps for our restaurant's lease. Union Square Cafe's second 15-year lease will expire at the end of December 2015, and unless we're able to complete a Hail Mary pass with our landlord before that point, we will have to move.

I'm confident that we will find a new home, but the very prospect of taking Union Square Cafe out of Union Square is a heartbreaking pill to swallow. Despite its tight-cornered, low-ceilinged, multilevel eccentricities, we've loved that space. But above all we love the neighborhood that has grown around us — and whose character now, thanks to soaring rents, is being altered.

Like many of the restaurants that opened during the first decades of the city's rebirth, we have built close relationships with those who came to define our surroundings: greenmarket farmers, publishers, agents, authors, architects, artists, advertising executives, actors, neighborhood activists, civic leaders and a legion of families who moved into the nearby lofts that once held men's garment manufacturers. Long before Starbucks popularized the phrase "the third place" — somewhere to interact outside of work and home — it was neighborhood restaurants that helped to define places like Union Square.

It's hard to come to grips with the notion that our success has, in part, contributed to our inability to remain in our neighborhood. There are neither victims nor villains in this story; no sympathy is being asked for, and no fingers are being pointed. But as a city, we've got a problem.

Because the market suggests they can, landlords are using this moment to demand the significantly higher rents they've been waiting for since first betting on their neighborhoods. In our case, the advertised rent is triple what we are now paying.

We aren't alone. In the past year, all kinds of pioneering restaurants that helped set the table for their respective neighborhoods — including Mesa Grill, in the Flatiron district, and WD-50 on the Lower East Side — have each lost out to untenable rent escalations. My hunch is that they won't be replaced by restaurants that will become similar pillars of their neighborhood.

For the condos and chain stores that may replace us, such costs can be absorbed or passed on to consumers. But that sort of economics doesn't work for neighborhood restaurants. Our food and wine isn't inexpensive, but it's not unreasonably priced. To change that value equation would be inhospitable to our guests and go against our reason for existing. Nor would it allow us to continue to provide an upward career path for our dedicated employees.

It is sad that the more "successful" a neighborhood becomes, the more it gradually takes on a recognizable, common look, as the same banks, drugstore chains and national brands move in. Be honest: Would you rather have one more bank branch in your neighborhood, or another independent restaurant?

Compare this with a place like London, where neighborhoods have, for generations, succeeded in retaining their distinctive identities and institutions. There are scores of restaurants and pubs that are far, far older than Union Square Cafe. Landlords permit classic establishments to endure even when their original operators sell them, for there is something in that culture that prizes continuity, even over maximized profit.

We may never be like London, but I wonder if we would find ourselves in this situation if New York had something like London's Rent Assessment Panel, a government committee that resolves rent disputes and is credited with helping prevent rapid erosion of the city's neighborhood fabric.

I opened Union Square Cafe when I was just 27 years old, and my first hope was simply that it would stay in business. My higher hope was that in its

lifetime, it might grow to play an essential role in the lives of its stakeholders. I wanted our employees, patrons, neighbors, suppliers and investors to feel that their lives were enriched in some measure because the restaurant existed in the first place.

I think we've done that, and I have nothing but gratitude for the opportunity. Anyone who has lived in this city for a while understands that the only constant is change — and, in fairness, we've reaped our share from our investment in the community. We expect and even enjoy the churn that makes our city so dynamic, whether it's revolving restaurants or Broadway shows. Still, we need to consider the consequences of a city economy wired to spit out otherwise healthy businesses — establishments that helped to make it feel like New York in the first place.

Danny Meyer is the chief executive of the Union Square Hospitality Group.

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