

2
Today I am going to outline the four proposals being considered by the City Council to Save our SB. I will briefly give pros and cons of each.

Also, I will discuss another proposal by Speaker Mark-Viverito which if acted upon would result in keeping the status quo and the unnecessary delay of a real solution, and likely total extinction of all small businesses and the loss of 100'sK of jobs in the near future.

In your press kits the four proposals are outlined and I draw your attention to Bronx Times story which details four major problems faced by small businesses when their leases expire and should be addressed with real solutions in any bill.

First proposal: Small Business Jobs Survival Act (Jobs Survival Act) first intro 1986 and had the majority sponsorship of the City Council. In 30 years never voted on by the full council.

Jobs Survival Act is Not new – for 18 years NYC had Commercial Rent Control when leases expired. The 1945-63 Law was based upon government formulas and arbitration. At its foundation was bringing landlords and tenants to the bargaining table.

Only difference in today's bill, ^{which is NOT commercial Rent Control is} all government formulas have been taken out leaving bargaining between owners and landlords, with final arbitration if they can't reach agreement.

- Bill only deals with commercial lease renewals. Regulates the renewal process.
- Gives business owners the right to ~~renewal lease~~ ^{some} and right to negotiate fair lease terms. Bill levels the playing field for business owners by giving them leverage when negotiating.
- Business owners are entitled to the right of lease renewal for a minimum 10 year lease. The bill ~~protects~~ ^{does not discriminate, it} all commercial leases : retail, arts, manufacturing, professional , and not for profits.
- The bill encourages bargaining in good faith and with mutual agreement the parties can arrive at any terms of a lease they agree upon.
- If after a specified time the parties cannot agree on the new lease terms the bill requires both parties to submit to non binding mediation.

- They will follow the industry standard practices today in NYC in selecting a mediator to hear their case.
- If mediation fails to produce a mutual agreement on the terms of the lease then the bill calls for the parties to submit to binding Arbitration.
- The bill sets forth detailed guidelines for both parties to follow in selecting an Arbitrator and gives leeway to the Arbitration process established by each Arbitration Association.
- The bill establishes detailed criteria for the Arbitrator to follow in arriving at a final decision. Most of these criteria are the same followed successfully during the 18 year period 1945-1963 when NYC businesses were under Commercial Rent Control Law.

2. Mediation without Arbitration Council Member Robert Cornegy, Chairman of Small Business Committee will be the prime sponsor. Like Small Business Jobs Survival Act , this proposal is not new .

It is the recommendation of a special commission (Small Business Retail Study Commission) created by former Mayor Koch and Speaker Vallone in 1985. The city's business community called it the "Limousine Commission" because most of its members arrived at meetings in limousines. This hand-picked commission was comprised of heads of banks, Wall Street, real estate, and big business. This Landlord's proposal as it was called was rejected by the city's entire business community.

Manhattan President Brewer conducted a major study on small businesses and from a final report recommended proposes legislation which will be introduced in the City Council by Councilman Cornegy. Manhattan President Brewer, under the City Charter, can introduce legislation in partnership with a Council Member.

- This proposal will give small businesses the right to call for mediation with their landlords prior to the expiration of their leases to negotiate new lease terms. This mediation is non binding.
- This proposal does not offer binding Arbitration.
- What the tenant is entitled to if no agreement is reached is a one-year lease extension with a rent hike of no more than 15%. This added year will give tenants the opportunity to find a new location to move to.
- The tenant must agree to vacate the premise at the end of one year. The law will apply to only retail storefront locations in NYC.

Comparison of both proposals (Corney vs SBJSA):

S.B.J.S.A.

Gives right to renewal lease
 Gives minimum 10 years and stay
 move
 Right to Mediation that is not binding
 binding
 Gives binding Arbitration for final decision
 decision
 Applies to all commercial tenants

CM Corney proposal

No right to renewal lease
 Gives one year extension then
 Right to Mediation that is not
 No Arbitration: landlord makes
 Applies to only retail storefronts

Pros and Cons of both bills:

Pro for Jobs Survival Act –

- Without giving business owners the right to renewal leases all proposals will fail.
- Has a 18 year history of success under Commercial Rent Control Law
- Fair to both parties and splits costs equally
- Arbitration is faster and cheaper than court, allows business owners to represent themselves.
- Has no government involvement
- No cost to taxpayers

- Addresses more than high rents , addresses unfair lease terms that
Result in lower profits and instability for small business owners
- Gives a future to small business owners, they can now have some degree of predictability of future costs and can again plan for growth or to someday retire and sell their businesses.

What the Small Business Jobs Survival Act will Stop:

- **Rent gouging**
- **Extortion**
- **Short term leases**
- **Paying landlords costs**

Cons against Cornegy Bill:

Biggest argument against Cornegy bill , it does nothing to change the status quo , it does nothing to stop the closing of long established businesses.

The bill does not prevent or stop :

- Rent gouging
- short term leases
- illegal extortion
- oppressive lease terms

In fact it would make the crisis worse for several reasons:

- High rents are demanded in every major shopping strip in NYC , there are no affordable spaces left in NYC to move to and this bill would cause tenants to bid against neighbor tenants for their space.
- Second reason it would make it worse is because of warehousing of space by Landlords who keep space empty for sometimes years waiting for deep pocket chains or banks to

move in. Under this law, landlords can make money from present tenants and still have space on market . *Thus rewards landlords.*

- Reduce landlords' legal costs under this law.

3. **Tax incentives to landlords to not raise commercial**

rents: A City Council resolution introduced by Small Business Committee Chairman Robert Cornegy. NYC has home rule on passing legislation regulating commercial leases and therefore this issue should never be sent to Albany to resolve. The future of the backbone of our economy, the city's largest employer of city residents, and the spirit and character of its many neighborhoods must be the sole responsibility of local lawmakers.

CM Cornegy's resolution calls for NYS lawmakers to pass legislation establishing a property tax credit for commercial landlords who voluntarily limit the amount of rent increases to small business owner tenants upon lease renewal. Similar incentives exist in the residential rent context, for example in the form of the Senior Citizen Rent Increase Exemption ("SCRIE") program under which the rent of qualifying senior citizens is frozen at a certain level, thereby effectively providing them with an exemption from future rent increases, and compensates the landlord by providing him or her with a property tax abatement credit equal to the amount of the senior citizen's future rent increases.

This statute is voluntary for the landlord.

Cons- Would keep status quo and not save a single small business owner.

In NYC the commercial tenants pay the landlord's property taxes, so there is no benefit to landlord to receive tax breaks. Second reason is that for two decades the highest profit return on investment has come from commercial real estate. Because this legislation is voluntary, no NYC landlord will comply and instead go for huge rent increases that return huge profits.

Albany has a reputation of being influenced by big real estate campaign contributions and putting the future of our small businesses into the hands of a known corrupt government will not address this crisis.

4. **The use of Zoning reform to stabilize a business strip:**

Changes in the zoning laws that would help small businesses to compete with large chain businesses and bank branches for commercial street space in certain commercial strips.

Want to copy Laws like San Francisco's Formula (or chain) Retail Controls passed in 2004, restricted the proliferation of chain retailers and restaurants. Under their law, chains are considered conditional uses throughout most of the city and must be approved by the Planning Commission on a case-by-case basis. This law was successful in controlling the number and size of franchise businesses in a specific commercial strip and limits the number of national chain businesses that can concentrate in any commercial strip.

Presently in force in NYC is a zoning law for three streets in Upper Manhattan (Amsterdam Columbus and Broadway). The zoning changes apply only to new leases and do not regulate overall store size or type of retail ownership. The goal is to maintain multi diverse retail venues on a commercial strip by regulating block fronts, which are now dominated by banks.

Cons: Would keep the status quo and not save one business because zoning has nothing to do with lease renewals, only new leases. It is 15 years to late for most of NYC, with banks and franchises now on every major block of the city. It keeps all the rights solely in the hands of the landlords. A huge city like NYC with over 50 neighborhoods would take decades to implement.

The city's small business community is totally against Speaker Mark Viverito's new proposal.

Her proposal would make the crisis worse and end up destroying all our small businesses and 100's thousands NYer's jobs.

In Feb the Speakers State of the City address she correctly stated the crisis faced by our small business.

↑
existence of a

“Mom and pop shops are the economic heart of our City.But skyrocketing real estate prices mean that when small businesses have to renew their leases, they often face significant and unaffordable rent increases - forcing many to relocate, or close completely.”

Her solution to this crisis is no solution, instead more studies and stalling.

It is an insult to our struggling small business owners who are hanging on waiting for their government to do its job and pass progressive legislation like Jobs Survival Act and save them.

What is Speaker's solution:

“So this year the Council will launch a planning study to develop recommendations for strengthening our small business community through land use policy and other tools, such as tax incentives. This work will give neighborhoods the opportunity to create new strategies for protecting retail diversity.”

After 30 years, has failed democracy at City Hall come full circle with another disguised disgrace study committee/task force created by REBNY being planned or another Landlord's bill to substitute for Small Business Jobs Survival Act, both with only one goal, stop a vote on the Small Business Jobs Survival Act and keep the status quo? Or are there enough true progressive lawmakers to stand up for NYer's and our small business owners and allow a vote on the Small Business Jobs Survival Act giving rights to the business owners to allow them to survive in business?

We don't need studies to delay, distract and destroy our solution. The largest study to date by the USA Latin Chamber of Commerce & the NYC Hispanic small business survey confirms that the no 1 issue by 74%, is the unfair lease renewal process. ^{& speaker's} who's side is our Mayor on REBNY or small businesses in every community in NYC. PASS the jobs Survival Act NOW!