

CITY COUNCIL TESTIMONY "IN SEARCH OF A BLUEPRINT FOR A CULTURAL COMMUNITY"

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City Council Testimony "In Search of a Blueprint for a Cultural Community"

By Robert Yesselman

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In recent months, at least two alarm bells have rung loudly concerning New York City's future as a cultural capital. These alarm bells, common to all the performing arts but heard with particular resonance by the professional dance community, both involve a favorite NYC topic – real estate.

The first alarm bell rang in an article in the New York Times this summer suggesting, in a somewhat bemused tone, that among many artists of all disciplines, Philadelphia had become "the sixth borough" of New York City. Why? These artists had been forced out of our city by the excessively high cost of both living and work space, as opposed to the much more reasonable costs and space availability in Philadelphia, a mere hour and a half train ride from Manhattan.

The second alarm bell rang two weeks ago at a forum hosted by Barnard College with John Rockwell, the Chief Dance Critic of the New York Times. When asked "Is New York City the dance capital of the world?" Mr. Rockwell referred to a "golden age" in NYC dance from roughly the 1940's to the 1980's, but cited real estate as the chief impediment to the continuation of this golden age. To hear a renowned critic and cultural commentator refer to real estate, rather than esthetics or cultural trends, as extremely problematic, is a shocking testimonial to the state of the arts in New York City and should be an alarm bell ringing at the loudest possible volume to this committee today.

The sad fact is artists are being run out of our city by the ever escalating costs of living and working here. This situation is being felt most keenly by the younger generation of dance artists and their elders who, besides earning tragically little from their art also need a particular set of conditions from the spaces in which they work – high-ceilinged, column-free space with resilient floors. They are thus being squeezed where it is most damaging – where they live and where they work. And New York City is in great danger of losing an entire generation of dance artists who represent the art form's future. If you lose the extraordinary vitality and experimentation of the young, you lose a large part of New York City's cultural future.

We are all too familiar with the unfortunate process of squeezing artists out of the city but it merits repeating. Starting in the late 1960's, artists began to colonize the barren stretch of old factories and sweatshops below Houston Street where spaces were large and rents were very low. An entire generation of dance artists including such pivotal figures as Paul Taylor, Trisha Brown, David Gordon, Lucinda Childs and a host of others took up live/work residence in those old lofts and an entire esthetic and "movement" resulted. As the dancers and choreographers and painters and poets and writers moved in, the area became "hot," Soho was born, and in very short order, the artists were priced out of the very neighborhood they themselves had created. From Soho to Tribeca, from Tribeca to Noho, from Noho to the East Village, from the East Village to the lower east side, even to the financial district which, after dark was nearly empty, artists established the "cool factor" and were promptly priced out of their spaces. Then, when there were no more refuges left in Manhattan, artists crossed the river to Williamsburg, DUMBO, Red Hook and the like, tired and slightly scary old commercial districts but districts that, like Soho before them, offered affordable living and working space. And what is the result? Artists are now being priced out of those neighborhoods too. Arts spaces, such as the Williamsburg Arts Exchange have been priced out of their space. Where is the next center of experimentation and excitement? Where is the next artist community to rival Soho in its early days? Where, indeed, is the future of the art form? And where is the future of culture in NYC? Is it, as the NY Times suggested last summer, Philadelphia?

Included in your packets is the Executive Summary of Dance/NYC's recent study, "The Economic Activity of Dance in New York City," full copies of which were provided to the Council last year. While my topic here today is specifically about the real estate crisis existing in the dance community, let it not be forgotten that professional, concert dance represents almost half a billion dollars in economic impact to the city, and that in the study year, there were over 1 million paid admissions to dance performances all across the city. This then, is not a crisis of small dimension.

I offer three very small steps for your consideration that would be of tremendous value to artists and to not-for-profit arts groups that would begin the process of making NYC viable again for the smaller and more fragile arts groups that represent the city's cultural future.

Step 1: Real Estate Tax Abatement

Not-for-profit arts groups that own their own buildings or facilities (a very, very few) are exempt from NYC real estate taxes. Commercial owners of rental buildings who rent to not-for-profit arts groups, however, get no local tax relief at all. For-profit owners who rent to not-for-profit arts groups should be able to obtain a reduction in city real estate taxes in proportion to the amount of space rented to the not-for-profit. This saving should then be passed on to the arts group in the form of cheaper rents. It is the rare non-profit that can afford to purchase its own space and thus obtain this tax relief, but for those who can, even areas zoned for commercial and manufacturing uses (the "M" and "C" zones) are priced as if the property will be developed for residential use. There should thus be a zoning category which excludes residential use permanently, in order to lower prices and allow arts groups to take advantage of the non-profit tax abatement.

Step 2: Federal and State Tax Charitable Deductions

Property owners may declare deductions on their federal and state income taxes when they charge a below market rent to a non-profit entity. However, the process for obtaining this deduction is virtually unknown among the smaller property owners who are most likely to rent to arts groups. Additionally, the owners of smaller properties are considerably less likely to be willing or able to pay the costs entailed in documenting their entitlement to the tax deduction. Landlords must obtain an independent appraisal of their rental income for their property to be rented to a non-profit. Such appraisals can cost from a several hundred to several thousands of dollars depending on the size and quality of the firm engaged to perform the appraisal.

Thus, the cost of the appraisal can be more than the potential tax deduction, eliminating any incentive for the property owner to undertake the certification and have the ability to charge below market rents.

We strongly recommend that the City Council work with the Mayor's office to set up an educational and advertising program either by statute or legislation for landlords, particularly of smaller properties, to help them take advantage of this below market rate charitable deduction. This program could be run by the New York State Department of Taxation, the New York City Small Business Administration or the NYC Department of Housing Preservation and Development. Whichever agency would set up this program, a vital component would be to offer free

appraisals through an amassed group of appraisal companies who would offer their services free of charge and thus be eligible for their own charitable deduction. This is a win-win situation for all the parties involved.

Step 3: Community Facility Program – New York Zoning Resolution

Currently, the Community Facility Program (CFP) allows developers to build more total square footage than zoning permits for community facility use which includes non-profits. The problem, however, is that the CFP does not allow the developer to pay for the additional construction since the developer is not permitted to build more residential or commercial space to offset the cost of providing the CFP which must be sold or rented at below market rates. There is one exception to the rule – Doctor's offices for which market rates can be charged within the CFP. This is why one rarely sees arts groups or non-profits in these CFP spaces and why developers tend to keep these spaces smaller than permissible because it is just too expensive to build the space for too little return.

There is a solution to this problem and one that would dramatically improve the lot of arts groups seeking space. Change the Zoning Resolution. For every square foot of CFP space created, the developer should be allowed to increase the square footage of residential or commercial space in the rest of the building. Thus, there is a powerful financial incentive for the developer to justify the cost of building the CFP. Further, we would propose that this new increase in CFP space be made available only for non-profit arts and cultural uses. In other words, the more lucrative doctor's offices or schools should be excluded from this amendment to the CFP.

These three steps, tax abatements, easier and less expensive ways to capture charitable deductions for landlords, and changes in the CFP program would begin, but only begin, the process of making New York City more hospitable to dance artists of all generations and ensuring the city's cultural attraction for the future. Subjects for further consideration would also include the creation of more subsidized housing for the dance community modeled on the Manhattan Plaza facility on 42nd Street, and city participation in the creation of shared work spaces modeled on a number of facilities now working superbly in Europe.

Today's budding Martha Graham or Paul Taylor or George Balanchine can't afford to live or work here or show their work to the international audiences that come here to see "what's next." Do we want these artists and audiences to go elsewhere?

Dance/NYC thanks Derrick Denckla of the Propeller Group for his assistance in preparing this testimony. Testimony submitted October 28th, 2005 to the Committee on Cultural Affairs of the NY by Robert Yesselman.

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