

TESTIMONY TO CITY COUNCIL COMMITTEE ON SMALL BUSINESS

Monday, September 20, 2021

Testimony to City Council Committee on Small Business

By Dance/NYC

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On behalf of Dance/NYC (www.dance.nyc), a service organization that serves over 5,000 individual dance artists, 1,200 dance-making entities, and 500 non-profit dance companies and the many for profit dance businesses based in the metropolitan New York City area, including BIPOC (Black, Indigenous, and Peoples of Color) dance workers, immigrants, and disabled dance workers. Dance/NYC embeds the values of justice, equity, and inclusion into all aspects of its operations and frames the following requests through the lens of those values. Dance/NYC joins colleague advocates working across creative disciplines in thanking you for your leadership during this time and requesting:

1. The extension of commercial rent cancellation to help address the current and potential displacement of arts and cultural organizations and small businesses; and
2. The establishment of a Commercial Rent Guidelines Board to set a maximum annual rent increase rate to help small businesses and independent arts and cultural spaces better plan and protect themselves from unpredictable rent raises and property tax assessments.

The recently extended eviction moratorium, relief programs, and small business recovery grants are providing some support to the arts and culture sector as it continues to adapt to the new realities of the ongoing pandemic. Dance/NYC expresses its gratitude to the City Councilmembers, City Officials, Mayor's Office and other dedicated workers who have contributed to the recovery of the city's arts and culture sector. We applaud the City Council for passing legislation in support of protections and increased data collection for commercial tenants. All this, however, will be for naught, if the issue of unchecked rent increases is not addressed. There are further considerations regarding commercial rent regulations in order for arts and cultural organizations, particularly the hardest hit small budget organizations, to recover, thrive, and be sustainable.

Since the start of the pandemic, Dance/NYC has been conducting the Coronavirus Dance Impact Study (<http://bit.ly/DNYCImpactSurvey>), which is a comprehensive research study on the impact COVID-19 is having on the dance sector. Dance/NYC's Coronavirus Dance Impact Survey found that dance organization, group, and project budgets shrunk by nearly one-third (31% on average) due to earned and contributed revenue losses. 18% of dance organizations, groups, and projects believe that permanent closure is likely or extremely likely; 84% of those facing permanent closure have budgets under \$100K. Separately, Dance/NYC has been tracking organizational closures and is aware of at least 24 organizations and facilities that have permanently closed their doors due to the pandemic; the majority of which includes studio facilities which are primarily small businesses and beacons in their communities. In Dance/NYC Defining "Small-Budget" Dance Makers in a Changing Dance Ecology (www.dance.nyc/sbdata2020), we found that 83% of these organizations have existed in NYC for over a decade and 43% have existed for more than 20 years. Infrastructural support and regulations to prevent displacement and keep arts and culture organizations in their physical spaces is crucial to ensuring the resilience and long-term sustainability of the City's arts and culture sector.

The City's long standing affordability crisis due to high commercial rent and lack of regulation remains a force behind cultural displacement. The resultant storefront vacancy epidemic has a deleterious effect on neighborhoods that lose access to vital and affordable community services and cultural programs. Small businesses are essential to the kind of hyperlocal tourism that can drive the City's economic recovery. Arts and cultural organizations drive local residents and tourists to small businesses of all kinds, from restaurants to retail, hotels, parking, and community services. Notably, the arts and cultural community has long been experiencing closures of spaces, unaffordable rent, and unpredictable leasing contracts, and continues to identify rent, leases, and property management as the largest expenses in their budgets. While Governor Hochul's recent extension of the eviction moratorium in New York is helpful, this short-term measure also increases the debt and already precarious financial situation small budget arts and cultural organizations are facing. Relief funding initiatives have been crucial responsive measures, but ultimately only alleviate some short-term and immediate needs. Long-term measures are needed to shift commercial spaces to a more sustainable model that supports tenant small businesses and arts and cultural organizations. Additionally, addressing systemic equity in the City goes hand in hand with land and property use. Regulating commercial rent can help combat systemic oppression, contribute to more equitable opportunities for small business owners from historically marginalized communities, and close racial wealth gaps by bolstering the generational longevity of small businesses.

Currently, commercial tenants are not afforded the same protections as residential tenants are afforded by the Rent Guidelines Board, which sets the percentage that landlords can raise rents for rent-stabilized apartments. For commercial tenants, landlords can decide to drastically increase rent rates and property tax assessments at any time. The creation of a Commercial Rent Guidelines Board would help small businesses plan and protect themselves from the whims of predatory landlords by setting annual limits on rates of rent increases. The Commercial Rent Guidelines Board would also decrease or freeze rates for small office, retail, and manufacturing spaces and impose penalties for rent overcharges. Commercial spaces covered by commercial rent stabilization include retail stores smaller than 10,000 square feet, manufacturing spaces smaller than 25,000 square feet, and offices smaller than 10,000 square feet, and all commercial tenants would be covered, so long as they lease a covered space. This ensures that landlords have no incentive to seek out chain businesses over small businesses, since rent adjustments would be the same either way. The Commercial Rent Guidelines Board would be composed of seven Mayoral appointees, including financial and economic experts, commercial tenants, commercial landlords, and members of the public to ensure the needs and concerns of all constituents involved are taken into account.

Many tenant organizations are unable to make rent payments to landlords that have not offered or can no longer offer relief or flexibility. While commercial rent relief can provide immediate reprieve, sustainable affordability remains a paramount concern for arts and culture organizations that own and manage property as well as tenant organizations. Regulating commercial rent would provide commercial tenants with much-needed relief during the pandemic and also ensure the long-term survival of arts and cultural spaces by mitigating their displacement. This in turn improves the real estate market for small businesses, arts workers, and arts and cultural organizations as well as communities they serve.

The impact of commercial rent stabilization goes far beyond the tenants themselves. For studios and performance venues that provide low-cost rentals to independent artists, the repercussions of organizational displacement and closures are compounded; losing these spaces puts the working lives of arts workers and the art itself at risk. These impacts are felt most acutely by artists and organizations led by and primarily serving BIPOC, immigrants, disabled people, and other communities with less access to capital reserves, which in turn stands to exacerbate historical inequities in the field. Commercial rent stabilization is a concrete investment in both arts and cultural organizations and individual arts workers and is desperately needed to ensure long-term survival of our City's arts workforce.

Implementing commercial rent relief and stabilization has a twofold benefit: 1) directly supporting the financial viability and sustainable longevity of tenant organizations that would otherwise risk losing their space, while 2) regulating the administrative and economic power of landlords that lease to small businesses and arts and cultural organizations. Taken together, these measures provide much-needed relief during the pandemic and ensure the long-term capacity of arts and cultural spaces to serve their communities.

Dance/NYC joins the City's arts and culture sector in asking for commercial rent relief and rent stabilization to ensure the longevity of small businesses and arts and cultural organizations that have long been a part of the communities in our City. Small businesses can lead the City's economic recovery, and commercial rent stabilization can help ensure their resilience, growth, and long-term survival.

For Dance/NYC and its constituents, the most urgent priorities are:

1. The extension of commercial rent cancellation to help address the current and potential displacement of arts and cultural organizations and small businesses; and
2. The establishment of a Commercial Rent Guidelines Board to set a maximum annual rent increase rate to help small businesses and independent arts and cultural spaces better plan and protect themselves from unpredictable rent raises and property tax assessments.

We thank you in advance for your consideration and commend the City's ongoing efforts to support economic recovery and cultural resilience. Now is the time to act so that small businesses, workers, and communities continue to thrive for years to come. We look forward to the opportunity to ensure that New York remains a vibrant capital for small businesses to grow sustainably within their communities.

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