The real small business killer

BE OUR GUEST

BY MIKE OWEN BENEDIKTSSON, BRIAN LAMBERTA and ERIKA LARSEN

This summer, the first Starbucks opened in Williamsburg, Brooklyn, and was greeted with a familiar brand of outrage. Once an immigrant enclave, then a bohemian paradise, Williamsburg had finally received certified yuppie status. "The neighborhood's over" lamented one resident in the pages of the Wall Street Journal. "It's like we lost sight of our mission."

Small businesses provide significant community benefits. They boost the local economy, contribute to civil society and help to define the cultural identity of a place – the sense that a neighborhood is unique. Rightly or wrongly, chain stores are perceived as a threat to all of this.

Increasingly, communities are fighting back. San Francisco recently expanded a 10-year-old experiment imposing zoning restrictions that apply only to chains. Closer to home, community activists on Manhattan's Upper West Side won a special zoning status in 2012 that limits the neighborhood's accessibility to big-box retailers.

But while Starbucks and Whole Foods are convenient villains in the narrative of neighborhood decline, blocking chain stores alone is not enough to save a community's small businesses. Armed with a decade's worth of business directory data, our research team at Hunter College mapped commercial changes in Brooklyn between 2002 and 2012, curious about where and why small businesses were displaced.

Here's what we found. Although isolated chain stores chip away at mom-and-pop shops, the most substantial displacement of independently owned business occurred in areas that were rezoned by the city and rebuilt by private developers. In these neighborhoods, commercial turnover was less of a "slow burn" than a slash-and-burn.

When the city adds commercial space through rezoning, landlords receive an incentive to redevelop or sell their properties and replace existing commercial tenants. If big commercial storefronts are included in a rezoned area, national chain stores are likely to swoop in.

Under Mayor Bloomberg, large areas of Brooklyn were rezoned to enhance their economic growth potential. After a 2004 rezoning, a thriving corridor of independently owned department stores and restaurants in Downtown Brooklyn was virtually erased to make way for high-end chain stores. It wasn't the market's invisible hand, but the very visible one of city government that ushered Armani Exchange and Nordstrom into Fulton Mall.

Such displacement is far from inevitable. The plan for Essex Crossing, a massive proposed redevelopment on the Lower East Side, guarantees space to existing Essex Market tenants at the rent they currently pay. Such guarantees should be required of all commercial redevelopment projects that undergo public review. In this way, the city could use municipal power to diversify the identity of a commercial area and preserve existing businesses.

It's not big chains – it's city rezonings and private developers

In other parts of Brooklyn, longstanding mom-and-pop shops outside of rezoned areas were displaced by a flood of new bars and restaurants. In a twenty-square block area of central Williamsburg, 90% of the 52 bars and restaurants are less than 10 years old, as a thriving food and nightlife scene emerged in less than a decade.

But it came at the cost of a wide variety of small businesses serving the area's Puerto Rican and Dominican populations. Among the businesses that disappeared from this area were small groceries, dry cleaners, family clothing stores, hair salons, florists and funeral homes. The number of Hispanic-owned businesses in the area was cut in half, a precipitous drop that far outpaced changes in the residential population.

The speed of commercial turnover is partly due to a lack of legal protection for small businesses. Under current law, business owners have little power to negotiate with landlords and may be easily displaced to make way for more lucrative tenants.

The city can do something about this as well. The Small Business Jobs Survival Act, currently under consideration by the City Council, would grant commercial tenants more leverage in their negotiations with landlords, extend commercial leases and protect business owners from rent gouging and under the table extortion.

Ranting about invading yuppies and their taste in coffee may have a certain cathartic value. But it doesn't make sense to blame Starbucks for the complex economic and social changes that threaten local businesses, in Brooklyn and beyond.

The new mayor has made inroads on the issue of affordable housing and residential displacement. Now, he needs to start protecting its small businesses.

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