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ECONOMIC DEVELOPMENT AND SMALL BUSINESS COMMITTEE

November 2021

The Economic Development and Small Business Committee of Manhattan Community Board 2 held a meeting on Wednesday, October 27 at 5:00PM via Zoom video conferencing.

Committee Members Present: Valerie De La Rosa (Chair), Bo Riccobono (Vice Chair), Akeela Azcuy, David Gruber, Janet Liff, Daniel Miller, and Kristin Shea

Public Members Present: J. Mills-Pierre III

Committee Members Absent with Notification: Amy Brenna, Robin Rothstein

Board Members Present: Jeannine Kiely (CB2 Chair), Carter Booth, Eugene Yoo (Secretary), Ryder Kessler, Patricia Laraia, and Michael Levine

Minutes

The meeting was called to order at 5:06 PM.

Four BID representatives from the west side of CB2 joined the meeting for a panel discussion on the economic recovery and issues in their areas. A summary of the questions and answers from the discussion follow below.

Business Improvement District (BID) Updates – Part I: West Side

- **Hudson Square BID*** – Ellen Baer, Executive Director
- **Meatpacking BID** – Evan Sweet, Operations and Economic Development Manager
- **Village Alliance BID** – William Kelley, Executive Director
- **West Village BID** (*proposed*) – Brooke Schooley (brief introduction only)

**Note: Since this meeting, it was announced on November 10, 2021 that the Hudson Square BID has a new President and CEO, Samara Karasyk.*

The Chair introduced the panel and specifically noted that Brooke Schooley (West Village BID) would be returning to present the proposed plans for the West Village BID to the Committee.

What are the top three issues for businesses and residents in your district?

Hudson Square BID (*Ellen Baer, Executive Director*)

- **Delayed Return to Office impacting ground-floor retail in Hudson Square**
 - About 25% have returned to offices. This is an optimistic number as by other measure it is far less and sporadic. The number is based on MTA turnstile counts, pedestrian counts, Citi Bike usage, and other anecdotal evidence
 - Biggest issue for ground-floor businesses is lack of activity in offices.
- **Holland Tunnel**
 - Automotive traffic is back up to pre-pandemic levels, however, the issue is that traffic control is not necessarily back up to pre-pandemic levels, specifically, enforcement in general (parking enforcement and loading/unloading enforcement).
- **Quality of Life Issues in Hudson Square**
 - Nightlife on far Spring Street
 - Vermin due to the million feet of construction happening in the district
 - Proliferation of unhoused and mentally ill individuals living on the streets and in some cases, in outdoor dining structures.
- **Other comments:**
 - **Leasing Activity in Hudson Square**
 - Lost and gained some retailers, with a net loss of three (3) retailers total.
 - Leasing activity in Hudson Square is back to almost pre-pandemic levels – not quite pre-pandemic with the tremendous spikes.
 - The BID is not seeing companies really abandoning their office space. No one [the companies] really knows what is going on yet.
 - **Google and Disney**
 - Google should top out on their new building in 2022. The company is already occupying some other buildings in the neighborhood.
 - Disney should top out on their new building in 2023.
- **Overall:** No one is organizing the public realm. Hudson Square is a relatively new residential community, and the traffic enforcement issue is a big one.

Village Alliance (*William Kelley, Executive Director*)

Boundaries: Second Avenue to Sixth Avenue, 4th Street to 14th Street (partially in CB3 as well)

- **Vacancy Rate in Village Alliance boundaries doubled over the last 18 Months to about 25%**
 - Nearly 1 in every 4 storefronts (in terms of overall square footage) remains vacant
 - Leasing activity has picked up in the last 2-3 months, and a lot of that has to do with both residents and NYU students coming back. However, lower than usual foot traffic, in general, is impacting businesses. Employers with significant presence in Village Alliance boundaries such as Facebook at Astor Place or Verizon are not really back at all.

- In 2020, 65 businesses (15.5%) closed out of 420 businesses in the Village Alliance boundaries. This is about double what they usually see. Normal pre-pandemic attrition was about 25-30 businesses turning over a year.
- In 2021, 15 new businesses on their way – starting to see an uptick in liquor license applications and leases signed.
- **Challenges for new businesses opening in Village Alliance boundaries**
 - One of the biggest blockers is the backlog for permitting and inspections. The process used to take 2-3 months and now small businesses are waiting up to six months or more
- **Quality of Life Issues in Village Alliance boundaries**
 - **Washington Square Park (northwest corner)**
 - Open drug use and sales.
 - The BID has had meetings with NYPD at the citywide and precinct levels as well as the Parks Department.
 - Activity and disruption spills over onto the residential streets – harassment of diners, etc.
 - Anecdotally believes the issue is stemming from the Bail Reform measures passed a few years ago.
 - When asked about the impact of closing the northwest corner of WSP, it didn't solve the issue, it spread it out across the neighborhood, causing people to go elsewhere. Since reopening the northwest corner, the return of the drug activity has packed up.
 - There has been some success with the focused outreach (social services) leading to some people getting housing and/or temporary services. It is not just about picking people (up out of the park) – it is a long process.
 - Expect decline in activity as winter moves in but expects it to pick back up in the spring.
 - **Rats**
 - **Lack of affordable services for residents**
 - This includes food and shoe repair (as an example). Rents have fallen, and there has been a correction, however, there are still some services that may never return.
 - Less diverse tenant mix – grocery stores are leaving in droves
 - Shift of services to online: there are still a lot residents that would patronize a store in-person and don't go online – we're hearing complaints.

Meatpacking BID (*Evan Sweet, Operations and Economic Development Manager*)

- **Vacancy Rate in Meatpacking BID is double for pre-pandemic levels**
 - Before the pandemic, 11-12% of commercial storefronts were vacant in Meatpacking BID. Right now, the vacancy rate is 25%, which is actually down from their pandemic high of 30% vacancy rate at one point.
 - New leasing activity over the past few months is attributed to vaccine rollout and mandate plus an anecdotal confidence in the return to a new normal that has allowed this investment to occur. Encouraged by the leasing activity happening, in general.

- Should have a few new businesses opening between now and the end of the year. However, for new businesses, if they are not going to open by the holiday season, they'll wait until the spring to really build out.
- **Return to Office is trickling back in the Meatpacking BID**
 - A number of companies in the area have started rolling back their Work From Home mandates and/or are allowing employees to work from the office more. On October 20, Google (located in Chelsea Market and across the street at 15th & 9th Avenue in CB4) started allowing any worker in the New York offices to return. It is not a mandate to return to office 100% – it is just the opportunity to do so.
- **Quality of Life Issues in Meatpacking BID**
 - **Low-level hustling** has become more aggressive over the last month as reported by businesses. In close contact with NYPD 6th Precinct as well as NYPD across the city about this issue.
 - **Keeping the neighborhood clean and safe.** Number one priority for the BID. The BID's sanitation service was active throughout the pandemic and continues to work – day in and day out – to keep garbage collected and backed up as well as sweeping the streets.
 - **Engagement.** The BID is trying to keep the District interesting through programming for people who have been stuck at home.
 - **Rats.** Previously, the BID did not have a dedicated budget line item for pest control. Believes uptick in rat population is due to restaurants that closed during the pandemic have basements getting poked around in again due to turnover of tenants (i.e. rats are being displaced).
- Other comments: Public Plaza – the BID is not the manager of the public, open space as it relates to citywide events. SAPO (Special....) processes the events, and the Meatpacking BID serves as a “facilitator.”
- **Overall:** The Meatpacking BID is hopeful that people want to come back to the neighborhood. Delivering a high-quality public space is critical to the idea that this is a fun place to be in and work in.

We keep hearing about the increase in the number of 10-minute grocery delivery apps across the city. What, if any, are you seeing in your areas?

Hudson Square has one grocery delivery app in their district – Gorilla – on Spring Street and Greenwich Street. They're been there for a couple of months and are not sure what to make of it just yet.

Village Alliance doesn't have any commercial footprint in the district dedicated to 10-minute grocery apps. However, they brought up the issue of Amazon trucks blocking the middle of the street and dumping packages directly on the street in front of businesses.

Meatpacking BID doesn't have any commercial footprint in district dedicated to 10-minute grocery delivery fulfillment, however, the 10-minute grocery app delivery people are biking into the neighborhood. In general, there are a lot more food delivery service in the neighborhood. It is great that the food delivery workers can use the public spaces in the district because it is for everybody, however, they are trying to figure out how to, maybe, manage that better. Volume of bikes without a lot of bicycle storage is an issue for Meatpacking BID, and they are working with DOT to get some bike racks connected together in parking space in critical areas in the district.

The larger issue for all three BIDs is the large number of Amazon delivery drops happening in their neighborhoods. Places where there are 40-50 Amazon packages left unattended. In the Meatpacking BID, packages are being dropped in front of fire hydrants, school zones, and abandoned property, which they then refer to NYPD.

On November 8, the U.S. borders are opening back up to international travelers. How reliant are each of your districts on international tourists? What are your businesses anticipating?

Meatpacking BID: Businesses that remained open during the pandemic were not reliant on international tourists and were able to stay open the past 18 months. However, everyone is looking forward to an influx of international visitors especially with the newly opened Little Island. The Meatpacking District is often full of a diverse range of languages and people.

Hudson Square BID: Hudson Square is not a tourist destination; however, their district is very activated by international business travelers, particularly for media companies and advertising agencies in the area. Marriott, one of the four hotels in Hudson Square, has seen a real uptick in domestic business travelers. Another point was made about the foreign owners of higher end residential buildings in the district who, typically, pre-pandemic used to come in and out of the district. That international activity is important to the BID as well.

Village Alliance: Using anonymized mobile phone data, the BID has deciphered that out of 10 people pre-pandemic walking their district: one (1) was a resident, one (1) was a worker, and eight (8) were visitors. A "visitor" by definition here could be classified as someone who lives outside the district – either local in the city, regional or international. The BID is back to about 60% of their pre-pandemic foot traffic and believes that the 40% foot traffic that is missing is attributed to tourists, specifically international tourists.

Each one of you indicated that vacancy rates have started to go down from pandemic highs. What are you seeing in terms of closures? Has the “bleeding” stopped?

Hudson Square BID: No one really knows if there is going to be another blow this winter. It would be very hard for some of these businesses to survive another winter. Outdoor dining is in flux and many of them are relying on that, possibly, for the long term.

As far as the bleeding stopping, the pandemic really just accelerated a lot of trends that were happening anyways. While Hudson Square had a low net-loss of retail, it's the *type* of retail that has changed. Seeing more medical uses and dental uses in the commercial tenant mix. That shift is still taking place. What is happening with retail rents is going to be critical – a lot of these businesses had rental forgiveness that is not going to go on forever. With the markets changing, the situation is very much in flux.

Village Alliance: There was a shakeout at the beginning, and the businesses that were able to negotiate with their landlords did; those who didn't quit. It has stabilized to a degree. Similar to Hudson Square, the new retail here is different. The type of retailers coming in don't really have high build-out costs and/or they're getting shorter lease terms. That could mean more turnover sooner rather than later versus a typical 10-year cycle. The pop-up kind of retailer is very interesting.

Meatpacking BID: A lot of businesses in the beginning closed because they were tied to agreements in other places. Larger national brands, for example, may not have closed because of their specific interaction in the Meatpacking District, but because of their larger national structure. We're seeing federal relief run out. Businesses are now trying to figure it out. Winter is always the hardest time for business in New York. The BID hopes that some will be able to make it through spring.

The new leasing activity that is happening in the district is different businesses than what used to be in the neighborhood. Some landlords are more preferential to pop-ups, which also allows the tenant to test a concept. The market is less advantageous for landlords right now, and a two-year lease for a pop-up is hedge for the market bounce back. There is a lot of business consolidation happening right now, and it has not stabilized. There are changes that are still occurring and repercussions.

How is the global supply chain crisis affecting you or businesses in your district?

Meatpacking BID: The global supply chain crisis is affecting the BID's operations. The cost of polyurethane bags for garbage pick-up has increased 17% per case. The BID orders 4,000 cases of bags, and that has become a huge increase in the BID's operational costs. To mitigate potential future cost increases, the BID bought 6,000 cases.

The French barricades that the BID uses to manage the Open Streets program and other things around the neighborhood are made of galvanized steel. Not only has the increased cost of steel impacted the price of the barricades, but the lead time has significantly increased to get those into the neighborhood.

Across the board, nearly every vendor we use is getting squeezed and the cost is being shifted onto the BID. Believes that businesses in the area are also feeling this pressure.

Hudson Square BID: The BID itself is doing a lot of construction – renovating Freeman Plaza East and finishing their Hudson Square project. Delivery of materials and labor issues are having a huge impact on their timelines. It's not so much stores running low on items, but more like the bank running after dollar bills because there is a paper shortage.

Tell us about your programs.

Village Alliance: The BID's retail discount program, Village Access (App and Card) has About 70 participating businesses. The Village Access App launched with great fanfare and a couple of thousand downloads, and then COVID came. A combination of businesses closed and people feeling bad about using the discount, the activity waned. The BID is in the process of relaunching the app with a few new businesses and highlighting it again for the community in time for the holiday shopping season. The BID has about 15,000 across the app (3,000 downloads) and the card (12,000 cards distributed). The quality of deals on Village Access has improved.

Each of the BIDs mentioned budget reallocation to mitigate unforeseen rising costs.

Manhattan CB2 appoints board members to sit on each of the Business Improvement District (BID) boards. The *CB2 Representatives* for the BIDs present tonight are as follows:

- Hudson Square BID – Daniel Miller, *CB2 Representative*
- Meatpacking BID – Frederica Sigel, *CB2 Representative*
- Village Alliance – Shirley Secunda, *CB2 Representative*

Several CB2 board members are also on the BID boards on tonight's panel as *Resident Representatives* and Public Members and are not appointed by the CB2 Chair to these roles. Their names follow below:

- Meatpacking BID – Donna Raftery, *Resident Representative*
- Village Alliance – Cormac Flynn, *Resident Representative*
- Village Alliance – Michael Levine, *Public Member*

The meeting was adjourned at 6:20PM.

Respectfully submitted,



Valerie De La Rosa

Chair, Economic Development and Small Business