



New York State Association of REALTORS®, Inc.

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September 17, 2021

New York City Council
Committee on Small Business
City Hall
New York, New York 10007

RE: Testimony on Proposed Int. 1796 (Levin)

The New York State Association of REALTORS®, Inc., a not-for-profit trade organization, respectfully submits the following comments on behalf of the more than 64,000 licensed real estate professionals living and practicing throughout New York State, including over 13,000 licensed real estate professionals in the five boroughs of New York City.

We thank you for the opportunity to testify regarding proposed introduction number 1796, which would establish a system of commercial rent stabilization in New York City. We believe the imposition of this bill fails to provide the real economic relief that small businesses in New York City need and would significantly deter commercial real estate investment, which is a vital source of economic activity and revenue for the City and State. It also ignores the rising costs associated with employing workers to maintain commercial buildings and the out-of-control property taxes small businesses are facing. If this bill were to pass, smaller commercial building owners who are unable to absorb these added costs would be put at a significant competitive disadvantage.

Additionally, we cannot ignore the inequity in our property tax system as it relates to commercial property in New York City, which continues to hurt small businesses. In September 2019, the City Comptroller found that retail tenants paid roughly twice as much in property taxes in 2017 (\$2.2 billion) as they did in 2007 (\$1.1 billion). Property taxes continue to rise rapidly, as New York City is the only municipality in the State not subject to a property tax cap. Any proposal to advance commercial rent stabilization should be tabled without first addressing the affordability issue of rising property taxes.

The commercial rent stabilization system proposed in Int. 1796 is modeled after the residential rent stabilization system in New York City. However, just as residential rent stabilization has failed to address New York's housing affordability problems, this bill will not address New York City's issue regarding commercial vacancies and affordability. Instead, it will create a strong disincentive for commercial real estate investment, jeopardizing City revenue and economic activity. Evidence has shown that New York City's housing supply has failed to keep up with its economic growth. Therefore, we would respectfully urge City lawmakers to work toward developing incentives for greater investment in affordable development rather than impose artificial rent control mechanisms on commercial properties.

The harmful impact of New York State's recent strengthening of its rent regulation law is already beginning to be realized throughout the New York City market. Affordable housing developers are leaving New York for markets with less onerous regulation, while sales and city tax revenues have fallen. Given

David Legaz
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President-Elect

John Vernazza
Secretary/Treasurer

Duncan R. MacKenzie
Chief Executive Officer

these negative impacts of residential rent stabilization, it would be reckless to enact any form of commercial rent stabilization.

In addition to controlling commercial rent, this bill would impose fees of \$100 per year for each commercial space subject to the law. We would argue that imposing additional regulatory fees on small businesses is not a path toward greater affordability. We urge City lawmakers to instead provide small businesses with economic relief through mechanisms such as tax deductions or credits for the businesses in commercial spaces targeted by the bill, or regulatory relief from the other numerous fees and restrictions placed on small businesses.

Finally, we believe the State Constitution does not provide the City of New York the power to enact such commercial rent control measures. For that fact, we believe it would be inappropriate for the City Council to approve this bill.

We thank you for the opportunity to submit written testimony. Please contact us with any questions.