



Public Advocate for the City of New York

THE SUBWAY SHAFT: How Second Avenue Subway Construction Hurts Businesses in its Path

**A REPORT BY PUBLIC ADVOCATE BETSY GOTBAUM
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EXECUTIVE SUMMARY

Second Avenue on Manhattan's Upper East Side is defined by its strong community of small businesses. Some of these establishments have served the neighborhood for generations. The locally owned and operated restaurants, bars, beauty salons, hardware stores, locksmiths, grocery stores, and bodegas give this area the unique character that is essential to New York City as a whole. This character, however, is being threatened by the construction of the Second Avenue subway line.

On April 14, 2007, elected officials and dignitaries broke ground on the Second Avenue Subway for the fourth time since the plan was conceived 80 years ago. More than two years later, there appears to be no firm completion date for the project. While the construction on Second Avenue chugs along through cost overruns and delays, businesses in the construction's path are facing a crisis that threatens the livelihoods of hundreds of New Yorkers and the vibrancy of a neighborhood.

Since the construction began, small businesses in the area have been shuttered and others have had to take drastic measures to stay afloat including laying off staff and cutting store hours. With the current completion date for phase one of the Second Avenue Subway still nearly eight years away and potentially subject to further delays, many small businesses will not survive the construction.

The impact of large-scale construction on businesses is not unforeseeable; yet to date the city, the state, and the MTA have all done little to help preserve businesses on Second Avenue or mitigate the problems they face. This lack of action suggests a failure in the planning and execution of the project beyond the widely discussed delays and cost overruns.

In response to a number of published reports concerning the impact of Second Avenue Subway construction, the Public Advocate's Office surveyed businesses in the area. The goal of the survey was to determine what effect, if any, the construction has had on these businesses and determine what actions, if any, should be taken to support them. The following are the results of the Public Advocate's survey of businesses in the Second Avenue Construction Corridor (SACC):

- The majority of businesses in the Second Avenue Construction Corridor are owner-run.
- The vast majority of businesses in the Second Avenue Construction Corridor are small businesses with ten employees or fewer; a third have fewer than four employees.
- On average, businesses in the Second Avenue Construction Corridor have been open for more than a decade.
- More than half the businesses in the Second Avenue Construction Corridor have only the one location on Second Avenue; virtually all have locations only in NYC.
- Nearly all businesses in the Second Avenue Construction Corridor report that they have had a decrease in net sales since the construction began.

- The majority of businesses in the Second Ave Subway Construction Corridor believe that the economic downturn has not had a greater negative effect on their business than the Second Avenue Subway Construction.
- The majority of businesses in the Second Ave Subway Construction Corridor are in danger of closing.
- Nearly half of all businesses in the Second Avenue Construction Corridor have been forced to lay off employees; many have cut wages, services, and products, and/or store hours.
- Virtually none of the businesses in the Second Avenue Construction Corridor have received financial or non-financial support from the MTA; nearly all that have contacted the MTA with problems associated with the construction received inadequate responses.
- Virtually none of the businesses in the Second Avenue Construction Corridor have received any financial or non-financial support from the city; the vast majority that contacted city officials with problems associated with the construction received inadequate responses.
- None of the businesses in the Second Avenue Construction Corridor have received financial or non-financial support from the state; all that contacted state officials with problems associated with the construction received inadequate responses.
- The Majority of businesses in the Second Avenue Construction Corridor report that the MTA's campaign to promote Second Avenue businesses has been a failure.
- Half of all businesses report that government grants would help them survive until the Second Avenue Subway construction is complete.

The Public Advocate recommends the following to preserve small businesses in the path of Second Avenue Subway construction and mitigate the problems they face the city, state and the MTA should work together to:

- Establish a Second Avenue Subway Construction Mitigation Fund to provide emergency grants to failing businesses located in the construction zone.
- Negotiate with banks to provide no- or low-cost loans to Second Avenue businesses.
- Help Second Avenue business owners renegotiate their leases.
- Provide property tax abatements to landlords of businesses in the Second Avenue Subway Construction Corridor for the duration of the project.
- Suspend sales tax on all goods and services sold by businesses in the Second Avenue Subway Construction Corridor for the duration of the project.
- Improve communication with businesses in the Second Avenue Subway Construction Corridor.
- Improve advertising for Second Avenue Businesses.
- Create a Lunch Bus program for government employees to draw customers back to Second Avenue businesses.

Additionally, the Public Advocate recommends that the New York State Senate immediately pass and the Governor sign Bills S.3798 and S.1393 which would provide Second Avenue businesses and building owners with grants and property tax abatements.

INTRODUCTION

Second Avenue on Manhattan's Upper East Side is defined by its strong community of small businesses. Some of these establishments have served their community for generations. The locally owned and operated restaurants, bars, beauty salons, hardware stores, locksmiths, grocery stores, and bodegas give this area the unique character that is essential to New York City as a whole. This character, however, is being threatened by the construction of the Second Avenue Subway (SAS) line.

On April 14, 2007, elected officials and dignitaries broke ground on the Second Avenue Subway for the fourth time since the plan was conceived 80 years ago. More than two years later, there appears to be no firm completion date of the project. While the construction on Second Avenue chugs along through cost overruns and delays, businesses in the construction's path are facing a crisis that threatens the livelihoods of hundreds of New Yorkers and the vibrancy of a neighborhood.

Since the construction began, small businesses in the area have been shuttered and others have had to take drastic measures to stay afloat including laying off staff and cutting store hours. With the current completion date for phase one of the Second Avenue Subway still nearly eight years away and potentially subject to further delays, many small businesses will not survive the construction.

In response to a number of published reports concerning the impact of Second Avenue Subway construction, the Public Advocate's Office surveyed businesses in the area. The goal of the survey was to determine what effect, if any, the construction has had on these businesses and determine what actions, if any, should be taken to support them. This report is based on the findings of the survey

BACKGROUND

History of the Second Avenue Subway

The construction of the Second Avenue Subway is currently in its first phase, which is concentrated in two areas along Second Avenue on Manhattan's Upper East Side: from 69th Street to 74th Street and from 91st Street to 97th Street. The first phase of the project is an extension of the city's Q subway line. When completed, the first phase will run from the already extant station at 63rd Street and Lexington Avenue to 96th Street and Second Avenue. When this first phase began in April 2007, it was supposed to be completed by 2013 and cost \$3.8 billion. Since that time, the completion date has been pushed back multiple times—most recently to July 2017—and the price tag has grown to \$4.4 billion.

The current delays and cost overruns are reminders of the Second Avenue Subway's long and inglorious history, which spans most of the 20th century and into the 21st century with minimal progress. The first official plan for a SAS was announced in the summer of 1929. At the time, the *New York Times* reported that then city Board of Transportation was planning a "four-track Manhattan trunk line under Second Avenue from Houston Street to the Harlem River just north of 125th Street" which would also feed lines for

additional service in the Bronx, Queens, and Brooklyn.¹ The project faltered, however, when, just a few months later in October 1929, the stock market crashed, precipitating the “great depression.”

Throughout the 1930’s, public works projects were used to both improve the city and get the economy flowing again. Although the city had already committed to building the SAS, it was just one of many major projects for which it needed to borrow money. In 1935, the *Times* reported that the city had nearly reached the limit on the amount of debt it was permitted by law to accrue to pay for subway construction and that “further postponement [of the SAS] now is said to be almost inevitable.”² While some planning for the project continued, the shovels never hit the ground on Second Avenue.

It was not for lack of funding that work did not start on the SAS during the post-war era. A 1951 bond issue allowed the Board of Transportation to borrow \$500,000,000 for the SAS. The then Board of Estimate, however, had concerns about the amount of debt the city was accruing for what it saw as an “impracticable” plan.³ The project was again put on hold while the bulk of the proceeds from the bond issue went towards rehabilitating existing segments of the transit system, which had fallen into disrepair. By 1957, less than half of the money remained; it was not enough restart the by now thirty-year-old plan.⁴

History has proven that the Board of Estimate was right to be concerned about the city’s debt load. It was that half-a-billion-dollar transit bond issue, along with other factors, that led the city to insolvency in the 1970’s. Nonetheless, prospects for the project were looking up in the early part of the 1970’s. In 1970, the city paid more than eleven million dollars on a contract to redesign the plan for the line. That year, the state of New York issued \$600 million in bonds for a subway expansion program, of which \$99 million was dedicated to the SAS.⁵ In 1972, the Federal Government, through the Urban Mass Transit Administration, allocated \$25 million for construction on the SAS.⁶ On October 25, 1973, for the first time since the project was conceived in the 1920’s, a shovel actually broke ground in the name of the Second Avenue Subway.

The good times did not last, however. Soon after construction began on the SAS, the City of New York went bankrupt. The first phase of the project required sections of 2nd Avenue from 116th Street to 120th to be torn up and replaced with temporary wooden roadways. Residents of the East Harlem tolerated the inconvenience until it became clear that the project was not progressing. After years of this disrupted state, the *Times* reported in 1977 that where businesses had once flourished on the avenue, “now there are empty, boarded-up storefronts” and that “residents say they are afraid to walk in the area at night for fear of being robbed by youths who hide in the underground passageways [created for

¹ “Second Av. Chosen For Next Subway; Cost \$800,000,000.” *New York Times*, August 30, 1929.

² “Debt Limit Curbs City Subway Plans.” *New York Times*, May 15, 1935.

³ “Dwindling Transit Funds.” *New York Times*, January 17, 1957.

⁴ *Ibid.*

⁵ “Design Pact Set for New Subway,” *New York Times*, August 17, 1970.

⁶ “U.S. Provides Funds to Aid Construction of 2d Ave. Subway.” *New York Times*, June 22, 1972.

the construction work].”⁷ In 1982, the prospects for continuing work in the tunnels was so bleak that the MTA, hoping to generate some sort of revenue from the unfinished underground spaces, took out advertisements letting investors know the tunnels were available to rent.⁸

In the late 1990’s the MTA once again took up the Second Avenue Subway project. The 2001 World Trade Center attack delayed the project, but in April 2007 work on the most recent incarnation of the SAS began. Officials acknowledged, however, that the project was not yet fully funded and that there was no clear plan for filling the \$875 million gap to complete the first section of the line.⁹

The worldwide economic crisis proved to be a boon for the SAS and other major public works projects. In May 2009, Congressman Jerald Nadler announced that phase one of the SAS would receive \$78.9 million in federal stimulus funds.¹⁰

Impact of Second Avenue Subway Construction on Business

The impact of heavy construction along Second Avenue was almost immediately felt by businesses. In December 2007, only six months after work began, a pizzeria owner reported a twenty percent drop in revenue and the owner of a restaurant at 94th Street said business had dropped precipitously.¹¹ The following year, the conditions on the Upper East Side had only worsened. In 2008, Con Edison began a multiyear project to install a new transmission line, which entailed ripping up block-long sections of First Avenue. A spokesperson for the Second Avenue Business Association called it a “double whammy” for those businesses already affected by the SAS construction.¹² At a February 2009 press event for an unrelated MTA project, Mayor Bloomberg declared the SAS construction to be an “economic disaster for the people who have stores and restaurants on Second Avenue.”¹³

Prospects for businesses affected by the SAS construction have worsened, as their revenue losses have been compounded by the recession. Despite the funding boost for the project from the federal government, the completion date has been extended yet again, to 2016.¹⁴ In June 2009, tenants and businesses in three buildings on Second Avenue between 92nd and 93rd Streets were forced to evacuate by the city Department of Buildings. While the city has denied that there is a correlation between the condition of these buildings and the SAS construction, one resident pointed out that the blasting zone

⁷ “Once-Hailed Subway is Scorned in East Harlem.” *New York Times*, June 24, 1977.

⁸ “For Rent By M.T.A.: 2 Tunnels, Need Work, No Vacancy.” *New York Times*, August 2, 1982.

⁹ Karni, Annie. “Second Avenue Subway Again Under Way,” *New York Sun*, April 13, 2007.

¹⁰ Press release. Representative Jerrold Nadler, May 7, 2009.

http://www.house.gov/apps/list/press/ny08_nadler/NadlerWorksToBringTransitDollarsToNYC050709.htm

¹¹ Fasick, Kevin. “Trouble in Store from 2nd Avenue Subway,” *New York Post*, December 31, 2007.

¹² Sundby, Alex and Chuck Bennett. “Upper E. Hell Zone- Big Digs Put Aves. Under Siege,” *New York Post*, November 10, 2008.

¹³ Seifman, David and Tom Namako. “Mike Takes Big Dig at 2nd Ave Subway,” *New York Post*, February 20, 2009.

¹⁴ Donohue, Pete. “Second Ave. Subway Set Back Again,” *New York Daily News*, April 25, 2009.

for the construction is “right outside the door” of her building.¹⁵ Even those businesses that are not located in evacuated buildings have suffered because an extensive network of scaffolding obscures entrances and signs and deters potential customers from walking near the shops.

Some attempts have been made to help businesses affected by the construction. At the state level, legislators have attempted to pass bills that would give financial support to affected businesses. A 2008 bill to establish a grant program for businesses in the Second Avenue Subway construction zone passed in both the Senate and the Assembly but was vetoed by Governor Paterson on July 21, 2008. The bill has since been reintroduced as S. 03798/A.6137. Another bill, S.01393/A.3949, which would create a property tax abatement for commercial properties located within the Second Avenue Subway project, has also been introduced. Both bills have passed in the Assembly but are stalled in the Senate.

In lieu of compensating business owners for lost revenue, which the MTA has said it cannot afford to do, the agency has paid for signs on the scaffolding that obscures business entrances.¹⁶ The MTA has also created the “Shop Second Avenue” campaign on its website to bring attention to affected businesses.¹⁷ In addition, a coalition of local merchants, the Second Avenue Business Association, has created its own campaign called “Save Our Stores.”¹⁸ Both of these efforts are limited to signs in the windows of stores and some additional mentions on blogs and websites dealing with the Upper East Side and the SAS construction.

Despite Mayor Bloomberg’s acknowledgement of the toll that the project has taken on Second Avenue businesses and his expressed desire to “find something to do for them,”¹⁹ the city has taken no action to help businesses in the Second Avenue Subway Construction Corridor (SACC).

CASE STUDIES: BUSINESS MITIGATION²⁰

Providing assistance to businesses and residents in the path of large-scale transit projects is not an uncommon occurrence throughout the United States. These mitigation projects are usually devised with the input of community members and business owners and put into place before the project starts. While some mitigation projects have been more successful than others, all have helped business owners to some extent and shown them that their city and community care about their survival. This section highlights some

¹⁵ Namako, Tom and Irene Plagianos. “2nd Avenue Subway, Second Avenue Evacuation,” *New York Post*, June 30, 2009.

¹⁶ *Ibid.*

¹⁷ http://www.mta.info/nyct/shop_second_avenue/

¹⁸ Lee, Patty. “New Effort Plugs 2nd Ave Biz,” *Our Town*, October 9, 2008. <http://ourtownny.com/?p=888>

¹⁹ Seifman, David and Tom Namako. “Mike Takes Big Dig at 2nd Ave Subway,” *New York Post*, February 20, 2009.

²⁰ Collins, R., *Light Rail Transit Construction Impact Mitigation Strategies Case Studies and Recommendations for the Central Corridor*, The University of Minnesota, December, 2007.

cities throughout the country that have developed and implemented mitigation plans for businesses affected by large-scale transit projects.

Portland, Oregon

The Project: A 5.8-mile extension to the city's existing Light Rail system. It was completed and began operating in 2004.

Business Mitigation Plan:

- Hired community outreach representatives who live in or near the construction corridor and who represent ethnic minority groups in the area. The outreach representatives interacted with business owners through door-to-door canvassing, telephone calls, mailings, and advertisements. They attended meetings
- Provided financial help to businesses in the affected area. Affected businesses were eligible for low-interest loans between \$5,000 and \$25,000.
- Provided a storefront improvement grant aimed to assist property and business owners in rehabilitating their storefronts.
- Business owners were invited to attend workshops teaching business management skills and were paired with personal mentors who were skilled in giving business strategy advice to help businesses throughout the construction process.
- Seattle's transit authority staff attended meetings and gave presentations at a wide range of community meetings.
- Distributed seasonal newsletters to businesses and residents about the construction progress.
- Sponsored special media and social events along the corridor to encourage people to visit the local businesses.
- Sponsored a "Lunch Bus" program to shuttle city officials and transportation workers to the affected area for lunch.
- Provided a construction hotline for business owners and community members to call with issues and complaints. The hotline was staffed with live operators at all times.
- Provided extensive advertizing and marketing campaign on behalf of the interstate businesses.

Seattle:

Project: Seattle is currently building the first light rail line in the Metropolitan area. The Central Link is a 15.7-mile line connecting downtown Seattle with the Sea-Tac Airport. The rail line partially opened on July 18, 2009 and is expected to completely open by December 2009.

Business Mitigation Plan:

- Worked with businesses to arrange alternate access when the usual access was blocked for construction purposes.
- Provided off-street parking for construction workers' vehicles to preserve on-street parking for customers.

- Installed temporary public art on construction fencing in places along the corridor.
- Implemented a “Lunch Bus” program to shuttle Transit and city employees and members of the general public to a local restaurant along the corridor once a month.
- Provided an extensive advertising and marketing campaign involving a website, mailers to local residents, and flyers.
- Distributed a monthly construction newsletter for businesses and residents in the affected area.
- A community development fund was established to aid affected businesses. The fund was publically funded by federal government block grants, the Seattle City Council, the Seattle transit authority, and Seattle’s county, King County. The fund provided grants to businesses, workforce training, and loans to small business in the affected area

Salt Lake City

Project: The Utah Transit Authority completed the first light rail line in Salt Lake City in 1999 and an extension in 2001.

Business Mitigation Plan:

- Limited construction to two adjacent blocks at any time to minimize the amount of time construction would be immediately in front of a single business.
- Provided a public forum for residents and business owners along the construction corridor to voice their concerns.
- Established a Community Coordination Team (CCT) composed of area residents and business representatives from along the corridor. The CCT included one business representative and one resident representative from each of the 13 blocks in the construction corridor and two at-large representatives appointed by each stakeholder agency. The CCT continuously surveyed businesses to evaluate the effect of the construction on the local economy.
- Created the 4th South Bucks Program, which distributed more than \$75,000 in coupons (each worth \$1) that could be redeemed at businesses along the construction corridor.
- Created an extensive radio advertisement campaign promoting businesses in the construction zone.
- Gave area businesses advertisement space in local magazines.
- Conducted media events to highlight area businesses.
- Provided low-interest loans to impacted businesses..

Phoenix

Project: 20-mile light rail line in central Phoenix. Construction of the light rail line began in March 2005. It was completed and started operating in December, 2008.

Business Mitigation Plan:

- Established a project hotline for business owners staffed with live operators 24 hours a day, seven days a week.
- Created a project website to help provide the public with information.
- Provided cell phone numbers and photographs of the Phoenix Transit Authority's public involvement staff to area businesses.
- Provided flyers, newsletters, and emails to area businesses about construction.
- Established a Community Advisory Board (CAB) composed of business and neighborhood leaders from along the construction corridor. CAB members were tasked with evaluating the performance of construction contractors. The evaluations were used to determine the contractors' payment.
- Provided signs to guide traffic and remind workers to be polite to area residents and businesses.
- Provided community outreach representatives.
- Created the Metro Max shopping card, which could be used by consumers to receive discounts from businesses along the corridor.
- Provided low-interest loans to affected businesses.
- Provided free business consultations to businesses in the construction corridor.

METHODOLOGY

The Public Advocate's Office surveyed businesses along the Second Avenue Subway Construction Corridor (SACC) between July 1 and August 13, 2009. The survey was designed to measure what effect, if any, the construction has had on these businesses and determine what actions, if any, should be taken to support businesses in this area. The Public Advocate's Office did not include chain businesses in the survey.

Of the 138 storefronts in the construction zone, 104 were active non-chain stores as of July 1, 2009 (18 were national chain stores, and 16 storefronts were vacant). Public Advocate staff visited all 104 active non-chain stores to solicit survey participation. Public Advocate staff implemented the survey orally and recorded answers. Businesses were also given the option of mailing a completed survey to the Public Advocate's Office. The Public Advocate's Office received 59 completed surveys from active non-chain stores in the construction zone, a 58 percent response rate. Thirty-two of the 59 respondents (54 percent) were the owners of the surveyed business; 24 of the 59 respondents (41 percent) were managers of the surveyed business; and 3 of the 59 respondents (5 percent) were assistant managers of the surveyed business.

FINDINGS

The Vast Majority of Businesses in the Second Avenue Construction Corridor are Small Businesses with Ten Employees or Fewer; a Third have Fewer Than Four Employees

- 49 of the 57 respondents (86 percent) are businesses with ten employees or fewer.²¹

²¹ Two respondents skipped this question

- 19 of the 57 respondents (33 percent) are businesses with less than four employees.
- All respondents are businesses with 40 employees or less.

On Average, Businesses in the Second Avenue Construction Corridor have been Open for More Than a Decade

- Respondents have had their 2nd Ave business locations for an average of nearly 11 1/4 years.
- The oldest business surveyed has been located on 2nd Avenue for 40 years.²²

More Than Half the Businesses in the Second Avenue Construction Corridor have Only the One Location on Second Avenue; Virtually All have Locations Only in NYC.

- 31 of the 58 respondents²³ (53 percent) have only one location.
- 57 of the 59 respondents (97 percent) have locations only in NYC.

Nearly All Businesses in the Second Avenue Construction Corridor have been Negatively Affected.

- 52 of the 58 respondents²⁴ (90 percent) report that their business has been negatively affected by the construction.
- 50 of the 55 respondents²⁵ (91 percent) report that they have had a decrease in net sales since the construction began.
- On average, net sales for businesses in the SACC have declined by nearly one-third (32 percent) since the construction began.

The Majority of Businesses in the Second Ave Subway Construction Corridor Believe that the Economic Downturn has not had a Greater Negative Effect on Their Business than the Second Avenue Subway Construction

- 18 of 53 respondents (34 percent) report that the economic downturn has contributed as much as the Second Avenue Subway construction to their decrease in net sales.
- 16 of 53 respondents (30 percent) report that the economic downturn has not contributed as much as the Second Avenue Subway construction to their decrease in net sales.
- 3 of 53 respondents (6 percent) report that the economic downturn has not contributed at all to their net decrease in sales.

The Majority of Businesses in the Second Ave Subway Construction Corridor are in Danger of Closing

- 18 of 54 respondents (33 percent) believe that their business will have to close before Second Avenue Subway construction is completed in their area.

²² This business has closed since the Public Advocate's surveying phase.

²³ One respondent skipped this question.

²⁴ One respondent skipped this question.

²⁵ Four respondents skipped this question.

- Another 10 respondents (19 percent) are not sure if their business will survive until the completion of the Second Avenue Subway construction in their area.

Nearly Half of All Businesses in the Second Avenue Construction Corridor have been Forced to Lay Off Employees; Many have Cut Wages, Services, and Products, and/or Store Hours.

- 26 of 57 respondents (46 percent) have been forced to eliminate positions because of the negative effect on their business of Second Avenue Subway Construction.
- 19 of 57 respondents (33 percent) have been forced to cut wages for employees.
- 17 of 57 respondents (30 percent) have been forced to cut services and/or products.
- 16 of 57 respondents (28 percent) have been forced to cut store hours.

Virtually None of the Businesses in the Second Avenue Construction Corridor have Received Financial or Non-Financial Support from the MTA; Nearly All that Contacted the MTA with Problems Associated with the Construction Received Inadequate Responses.

- 58 of 59 respondents (98 percent) report that they have not received any type of financial support from the MTA.
- 57 of 59 respondents (97 percent) report that they have not received any type of non-financial support from the MTA.
- Of the 14 businesses that contacted the MTA for help with problems associated with the construction, 13 (93 percent) report that they received inadequate responses.

Virtually None of the Businesses in the Second Avenue Construction Corridor Have Received Any Financial or Non-Financial Support from the City; the Vast Majority that Contacted City Officials with Problems Associated with the Construction Received Inadequate Responses.

- 59 of 59 respondents (100 percent) report that they have not received any type of financial support from the City.
- 56 of 58 respondents²⁶ (97 percent) report that they have not received any type of non-financial support from the City.
- Of the 7 businesses that contacted the City for help with problems associated with the construction, 6 (86 percent) report they received inadequate responses.

None of the Businesses in the Second Avenue Construction Corridor have Received Financial or Non-Financial Support from the State; All that Contacted State Officials with Problems Associated with the Construction Received Inadequate Responses.

- 58 of 58 respondents²⁷ (100 percent) report that they have not received any type of financial support from the State.
- 59 of 59 respondents (100 percent) report that they have not received any type of non-financial support from the State.

²⁶ One respondent skipped this question.

²⁷ One respondent skipped this question.

- Of the 6 businesses that contacted the State for help with problems associated with the construction, all 6 (100 percent) report that they received inadequate responses.

The Majority of the Businesses in the Second Avenue Construction Corridor Report that the MTA's Campaign to Promote Second Avenue Businesses has been a Failure.

- 40 of 58 respondents (69 percent) report that the public information campaign launched by the MTA to promote Second Avenue businesses in January 2008 has failed to improve business.
- 16 of 58 respondents (28 percent) report that they do not know if the public information helped improve business.
- Only 3 of the 58 respondents (5 percent) believe that the MTA's public information campaign helped improve business.
- Respondents commented that the MTA's information campaign consisted only of new signage for stores on Second Avenue.

Half Of All Businesses Report that Government Grants Would Help Them Survive Until the Second Avenue Subway Construction is Complete

- 26 of 52 respondents (50 percent) report that their business would be helped by grants.
- 25 of 52 respondents (48 percent) report that their business would be helped by property tax abatements.
- 18 of 52 respondents (35 percent) report that their business would be helped by a sales tax abatement for customers.

CONCLUSION

The impact of large-scale construction on businesses is not unforeseeable; yet to date the city, the state, and the MTA have all done little to help preserve businesses on Second Avenue or mitigate the problems they face. This lack of action suggests a failure in the planning and execution of the project beyond the widely discussed delays and cost overruns.

The city, state, and MTA must act immediately to aid businesses in the Second Avenue Subway Construction Corridor and work together to develop a plan to mitigate problems businesses in other neighborhoods will face as the construction expands along the proposed route. If the city, state, and MTA fail to devise and implement a comprehensive plan to help mitigate the economic problems associated with the Second Avenue Subway construction, it could lose hundreds of owner-operated small businesses, thousands of jobs, and the character and vibrancy of a large swath of Manhattan as the project expands north to Harlem and south to Lower Manhattan.

RECOMMENDATIONS

The Public Advocate recommends that the City, State and MTA work together to:

Establish a Second Avenue Subway Construction Mitigation Fund to Provide Emergency Grants to Failing Businesses Located in the Construction Zone

Businesses that provide proof that they have been negatively affected by the subway construction should be eligible for emergency grants to help offset the decrease in business. The fund could be modeled after other successful transit project-related business mitigation funds like the community development fund established in Seattle to help area businesses during the construction of the city's light rail system.

Negotiate with Banks to Provide No- or Low-Cost Loans to Second Avenue Businesses

In order to provide an incentive for the banks to provide loans to these businesses, the city, state, and/or MTA should consider guaranteeing loans. The amount of the guarantee could be capped in order to minimize exposure to defaults while at the same time ensuring that affected businesses receive adequate funding.

Help Second Avenue Business Owners Renegotiate Their Leases

Several business owners reported in the open comment section of the survey that despite the subway construction and resulting decline in business their rents continue to rise. The city, state, and/or MTA should help renegotiate current leases and negotiate future leases between Second Avenue building owners and business owners. The goal of the (re)negotiations should be to decrease rents for Second Avenue businesses during the duration of the construction. In order to provide an incentive to landlords to lower rents in the Second Avenue Subway Construction Corridor, the city and state should provide building owners with property tax abatements for the duration of the project.

Suspend Sales Tax on All Goods and Services Sold by Second Avenue Subway Construction Corridor Businesses for the Duration of the Project

In order to provide an incentive to customers to shop on Second Avenue, the city and state should suspend their sales taxes (4.5 percent and 4.375 percent, respectively) on all goods and services sold by businesses located in the construction corridor for the duration of the project.

Improve Communication with Businesses in the Second Avenue Subway Construction Corridor

A common theme in the survey's open comment section is the lack of communication from the MTA about the progress of the construction. Many of the respondents expressed frustration about not knowing when the construction in front of their businesses would be completed or why construction was periodically suspended. The MTA should immediately improve communication by providing all Second Avenue businesses with weekly updates in writing on the progress of the construction in front of their stores as well as any information about delays in construction or problems in the vicinity of their stores.

Improve Advertising for Second Avenue Businesses

Second Avenue businesses report that the MTA's public information campaign consists of little more than signs on construction fences and an advertisement on the MTA's

website that is difficult to find.²⁸ The MTA should create an aggressive advertising campaign promoting Second Avenue businesses. The campaign should place ads on television, the internet, and the radio informing New Yorkers that Second Avenue businesses are still open despite the construction. The ad campaign should inform New Yorkers about the diversity of goods and services available at area businesses and highlight owner-operated businesses in the construction zone.

Create a Lunch Bus Program for Government Employees to Draw Customers Back to Second Avenue Businesses

New York should follow Seattle and Portland's lead by implementing the low-cost Lunch Bus program by busing government employees from around the city to the Second Avenue construction zone for their lunch hour. This creative program would help draw customers back to the Second Avenue businesses.

Additionally, the Public Advocate recommends that:

The New York State Senate should Immediately Pass and the Governor Should Sign Bills S.3798 and S.1393.

Two bills that would aid businesses in the Second Avenue Construction Corridor have passed the New York State Assembly but are stalled in the Senate. The New York State Senate should immediately pass S.3798 and S.1393, which would provide Second Avenue businesses and building owners with grants and property tax abatements. Once passed by the Senate, the Governor should sign them into law.

²⁸ http://www.mta.info/nyct/shop_second_avenue/