

TO: New York City Council

FROM: NYC Department of Small Business Services

DATE: July 15, 2020

SUBJECT: Local Law 151 – Report on Microbusiness-Specific Issues in New York City

The NYC Department of Small Business Services (SBS) helps unlock economic potential and create economic security for all New Yorkers by connecting New Yorkers to good jobs, creating stronger businesses, and building thriving neighborhoods across the five boroughs. In accordance with Local Law 151, which was passed by the New York City Council on July 23, 2019, SBS is hereby reporting to the Council on a sample of 59 microbusinesses in the city to identify issues specific to microbusinesses. Survey participants were offered SBS services that aligned with challenges they referenced in the survey, including the Commercial Lease Assistance Program and emergency financing assistance. Note that this sample is not statistically significant, and these takeaways cannot be considered representative of all New York City microbusinesses.

Per Local Law 151, this report includes information related to types of items commonly sold or services offered, length of time businesses typically operate at one location, common lease terms, challenges faced during lease renewal periods for such leases, and utilization of e-commerce options and alternative sales options.

Breakdown of Respondents

Borough	Percentage of respondents	Number of respondents
Bronx	19%	11
Brooklyn	17%	10
Manhattan	17%	10
Queens	27%	16
Staten Island	20%	12

Industry	Percentage of respondents	Number of respondents
Educational Services	17%	10
Other Services (except Public Administration)	15%	9
Professional, Scientific, and Technical Services	14%	8
Retail Trade	14%	8
Accommodation and Food Services	10%	6
Health Care and Social Assistance	10%	6
Transportation and Warehousing	5%	3
Wholesale Trade	5%	3
Arts, Entertainment, and Recreation	3%	2
Administrative and Support and Waste Management and Remediation Services	2%	1
Construction	2%	1
Finance and Insurance	2%	1
Manufacturing	2%	1
Total	100%	59

Microbusiness owners are more likely than the small business owner population in general to represent marginalized populations; they are more likely to be young, a woman, or a person of color.¹ Thus, SBS engaged in targeted outreach to microbusinesses across these communities.

89% of businesses surveyed are owned by people of color, and **72%** of businesses surveyed are owned by immigrant entrepreneurs.

- **53** of the businesses surveyed are owned by people of color – which is **89%** of businesses surveyed.
- Of these 53 businesses owned by people of color, **60%** are women-owned and **77%** are immigrant-owned.
- **42** of the businesses surveyed are owned by immigrants – which is **72%** of businesses surveyed.

Lease and Business Location

- Over one-third of survey respondents have operated at their current business location for 3-5 years (**34%**).
- Approximately one-fourth of survey respondents have operated at their current business location for 10 or more years (**25%**).

Length of time business has operated at current location	Percentage of respondents	Number of respondents
Less than 1 year	3%	2
1-2 years	14%	8
3-5 years	34%	20
6-10 years	24%	14
10+ years	25%	15

Common lease terms

- Microbusiness owners were asked to select all terms that applied to their commercial leases.
- Most respondents are required to cover the cost of utilities as part of their lease (**74%**).
- Roughly half of all respondents are required to cover taxes (**48%**), building insurance (**46%**), and maintenance fees (**44%**) under their lease.
- Very few respondents have a lease that requires none of these payments (**10%**).

Payments under lease	Percentage of respondents	Number of respondents
Utilities	74%	37
Taxes	48%	24
Building Insurance	46%	23
Maintenance Fees	44%	22
None of the above	10%	5

¹ https://prosperitynow.org/files/PDFs/financial_capability_planning_guide/Entrepreneurship_policy_proposal.pdf

Challenges faced during lease renewal periods

- On average, survey respondents were just **67%** confident they understood their lease terms while signing.
- **78%** of survey respondents did not receive legal assistance while signing their lease.
- **20%** of survey respondents tried to negotiate terms, but their landlord would not engage.

Negotiating terms	Percentage of respondents	Number of respondents
Negotiated terms before signing	54%	27
Signed on the terms given	26%	13
Tried to negotiate terms but landlord would not	20%	10

Utilization of E-commerce Options and Alternative Sales Options

E-commerce and alternative sales	Percentage of respondents	Number of respondents
Business has no plans to offer goods or services online	46%	27
Business is interested in offering goods or services online	34%	20
Business has been offering online goods or services from before COVID-19	12%	7
Business has started offering online goods or services because of COVID-19	8%	5

Delivery apps for food businesses	Percentage of respondents	Number of respondents
Business has no plans to use delivery apps	67%	6
Business is interested in using delivery apps	11%	1
Business has been using delivery apps before COVID-19	11%	1
Business has started using delivery apps because of COVID-19	11%	1