

LOWERING COSTS FOR SMALL BUSINESSES

REDIRECTING SUPPORT AND REFORMING
COMMERCIAL LEASING TO STRENGTHEN NEW YORK
CITY SMALL BUSINESSES



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New York City small business owners are struggling to compete in an unfair market.

From bodegas and local coffee shops to home-based childcare facilities and independent locksmiths, New Yorkers rely on small businesses every day. Small businesses are the lifeblood of New York City, and they are part of what makes the City such a unique and special place. Notably, these businesses are just as important to their employees and our economy as they are to their customers. In fact, small businesses employ 50.2 percent of metro area workers and generate \$1 trillion in state revenue.¹

Concerningly, and despite their importance to the very fabric of our city, local small businesses are increasingly struggling under the weight of tariffs, inflation, healthcare costs, and commercial leasing prices and practices. And while these problems are felt by most small businesses day to day, they aren't the limit of their concerns. Unfair competition from Wall Street and from dominant corporations worldwide casts a shadow on many of the small businesses that have been in this city for decades, as everything from local grocers to drug stores are pushed out by chains, and specialty shops are overrun by big box stores.

"It doesn't feel like New York City wants to keep us here," said the owner of a small storefront in Tribeca at a recent roundtable hosted by Small Business Majority.

In the city of opportunity, the hard truth is that small businesses are lagging. A recent report found that small business growth in New York state has lagged behind the nation. Between 2001 and 2023, the number of small business firms grew 9.5 percent in New York compared to 14.2 percent in the rest of the nation, ranking twenty-second among states.² A 2025 report from the New York City Economic Development Corporation found that a mere 3,500 new businesses were started in New York City in the second quarter of 2025, the weakest quarter of new business formation in five years.³

Small businesses are also important as a collective because small business owners reflect the authentic diversity of New York: 23 percent are woman-owned and 26 percent are Black, Indigenous, People of Color (BIPOC)-owned. In contrast, large companies that the City is subsidizing are less than 4 percent and 3 percent woman- and BIPOC-owned, respectively.⁴ This is not only an issue of community development, but also one of economic equity. Small business owners need relief now.

As it stands, it's actually the largest corporations that receive the greatest share of city subsidies, tax breaks, and incentives. The City should audit these programs and ensure benefits are directed toward the smallest

businesses to help level the playing field. Additionally, high commercial rents in New York City remain a major barrier for small business owners. The City should incentivize landlords to offer longer leases and more equitable terms to independent, small businesses.

Conduct an Audit of City Subsidies in Order to Ensure Benefits Are Targeted Toward the Smallest Businesses

City leadership should address the decline in small business growth and prevent the erasure of small businesses from local communities by auditing current subsidies, tax breaks, and incentives and then direct them away from industry giants and toward local businesses.

In New York City, public funds meant to address affordability often wind up being used to subsidize corporate spending and power rather than invested in small business growth programs, such as commercial lending, job training, storefront accessibility and housing.

The 2026 New York State budget includes \$3.7 billion in new corporate subsidies.⁵ At the same time, independent research from across the political spectrum has consistently found that these incentives often fail to deliver meaningful economic benefits or a strong return on taxpayer investment, calling into question common claims about their effectiveness.⁶

The true cost of corporate subsidies, however, is not always clear. There is limited accessible data on the full fiscal impact of these tax breaks, including the amount of revenue forgone. Without full transparency, it is difficult to assess whether subsidized companies are meeting their commitments or whether these incentives effectively support economic development that benefits communities. Strengthening the collection and public availability of data, including which companies receive subsidies, the amounts awarded, the outcomes promised and whether those outcomes are achieved, would improve transparency and enable more informed evaluation.

The Mamdani Administration should direct the Department of Small Business Services, the New York City Economic Development Corporation (NYCEDC), the Office of Management and Budget, the Mayor's Office of Minority and Women-owned Business Enterprises, and the Department of Finance to work with the New York City Comptroller to conduct an audit of current city subsidies to ensure these benefits are targeted toward the smallest businesses rather than large corporations, helping to level the playing field. With the projected \$2.2 billion budget shortfall in FY 2026 and \$10.4 billion in FY 2027, New York City must close gaps in the budget by looking at who we are unnecessarily subsidizing, and commit to eliminating ineffective spending that does not bolster our local economy or support equitable economic development.⁷

Create Commercial Leasing Incentives for Landlords to Address the Affordability Crisis

Established small business owners are being priced out of commercial leases and lack basic protections. Currently, there are no protections against a landlord declining to renew a lease with minimal notice, and they're under no obligation to negotiate lease renewals in a fair, transparent, or good-faith manner.

With no vacancy tax on empty storefronts, there is no penalty for keeping properties vacant, leading to an estimated 12 percent storefront vacancy rate across New York City, and nearly 1 in 5 in Manhattan.⁸ What's worse, tax write-offs on vacant properties reduce the financial pressure to lease spaces, allowing landlords to wait for higher-paying national chains rather than leasing to small businesses. A state effort, S6804, which would impose a commercial vacancy tax on vacant or abandoned commercial storefronts, has faced steep opposition since 2019.⁹

When small businesses disappear and storefronts remain empty, jobs are lost, public safety declines and communities suffer.

Incentivizing Fair, Long-Term Leasing

With the aforementioned audit, the City should find ways to cut its subsidization of corporate power and further invest in our small business community. To level the playing field and to give small businesses a fighting chance, NYCEDC and New York City Industrial Development Agency (NYCIDA) must incentivize landlords to offer fairer, longer leases to independent businesses.

The City's existing Food Retail Expansion to Support Health (FRESH) program serves as a strong model for how this can be accomplished. The FRESH program brings healthy and affordable food options to under-resourced communities by using tax breaks to lower the costs of owning, leasing, developing, and renovating supermarket retail space. Zoning incentives are facilitated through the Department of City Planning, while tax incentives are administered by NYCEDC and NYCIDA.¹⁰ As a result of these incentives, more than 1.1 million square feet of supermarket space has been developed or renovated, and over 2,000 jobs have been created or retained—demonstrating how targeted incentives can achieve community-focused outcomes.¹¹

The City, through NYCEDC, NYCIDA, and the support from other agencies, should create a tax incentive for landlords who lease to locally owned small businesses on fair leasing terms and agree to a schedule of modest rent increases, similar to the FRESH program, particularly in certain targeted neighborhoods that are seeing

small business storefront decline. This initiative can begin as a pilot using existing NYCEDC/NYCIDA funds, however, savings identified through the proposed subsidy audit should be repurposed to support this effort. Redirecting existing economic development spending—rather than creating entirely new funding streams—offers a fiscally responsible path forward. The Administration can work with the City Council in the future to create dedicated, long-term funding, as needed. To further implement these strategies and create a fair real estate landscape for small businesses, the City can work with the New York State legislature to further authorize property tax-based incentives.

Outside of New York, we have seen similar efforts to stave off commercial evictions, with some cities providing commercial rent relief as part of their emergency small business assistance during the pandemic. For example, the City of Pittsburgh provided grants of up to \$3,000 to landlords who agreed to reduce rents for three to six months for commercial tenants.¹² San Francisco and Washington, D.C., have also implemented vacancy taxes on properties left empty for extended periods, discouraging prolonged vacancies.¹³

The steeply rising costs of this city are stifling small businesses in every way. Although this proposal will not fully resolve these challenges, it represents a meaningful step toward stabilizing small businesses and returning them to long-vacant storefronts.

Conclusion

Small businesses are the heartbeat of our city, but this heartbeat is rapidly fading. It only takes a quick walk around any neighborhood to see empty storefronts and corporate chains lining the street. By auditing and rebalancing corporate subsidies, tax breaks, and incentives, the City can ensure investments deliver meaningful economic returns—rather than primarily subsidising the City’s richest companies and CEOs. By addressing commercial leasing challenges, it can stabilize neighborhoods and reduce persistent storefront vacancies. These solutions, paired together, will not increase spending of our already-limited budget, but will use existing resources more effectively to support local economies. No single policy will fully resolve the pressures facing small businesses, but these actions represent a critical step toward a more equitable and sustainable economic future where small businesses can continue to grow, hire, and serve as the backbone of New York City’s communities.

Endnotes

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12 *Commercial Rent Relief Matching Program*, Urban Redevelopment Authority of Pittsburgh (2021), https://downtownpittsburgh.com/wp-content/uploads/2021/01/URA-Commercial-Rent-Relief-Factsheet_Final-12-15.pdf.

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