

Why Are There So Many Shuttered Storefronts in the West Village?

By Tim Wu | May 24, 2015

Source: <http://www.newyorker.com/business/currency/why-are-there-so-many-shuttered-storefronts-in-the-west-village>



A Starbucks sits beside a shuttered restaurant in the West Village. Even the coffee chain is now closing some New York City locations because of high rents. PHOTOGRAPH BY SPENCER PLATT/GETTY

At the end of this month, the House of Cards & Curiosities, on Eighth Avenue, just south of Jane Street, in the West Village, will close its doors after more than twenty years in business. It was, admittedly, not a store whose economic logic was readily apparent. Along with artistic greeting cards, it sold things like small animal skeletons, stuffed piranhas (which were hanging from the ceiling), and tiny ceramic skulls. Nonetheless, it did good business for many years, or so its owner, James Waits, told me. Its closing leaves four shuttered storefronts on just one block. With their papered-up windows and fading paint, the failed businesses are a depressing sight in an otherwise vibrant neighborhood. Each represents a broken dream of one kind or another.

The fate of the House of Cards & Curiosities is just one example of something odd that's happening in some of New York's richest and best-known neighborhoods—a surge in closings and shuttered shops. Consider, in particular, the West Village, the place that Jane Jacobs once described as a model for a healthy neighborhood, in her classic book “The Death and Life of Great American Cities.” The average per-capita income there is now more than a

hundred and ten thousand dollars per year, and it retains its jazz clubs and fancy restaurants. It is both rich and vibrant, yet also now blighted with shuttered stores in various states of decay.

Abandoned storefronts have long been a hallmark of economic depression and high crime rates, but the West Village doesn't have either of those. Instead, what it has are extremely high commercial rents, which cause an effect that is not dissimilar. "High-rent blight" happens when rising property values, usually understood as a sign of prosperity, start to inflict damage on the city economics that Jane Jacobs wrote about.

In the West Village, rent spikes are nearly universally reported as the reason so many storefronts have closed over the past few years. Cafe Angelique reportedly closed when its sixteen-thousand-dollar rent increased to forty-two thousand dollars. A Gray's Papaya on Eighth Street closed after its owner reported a rent increase of twenty thousand dollars per month. "We are witnessing our destruction," Nicky Perry, the outspoken owner of the neighborhood restaurant Tea & Sympathy, said. She called the situation "insane."

Compounding the problem is the fact that the closed storefronts often stay that way, sometimes for years, in an apparent contradiction of the law of supply and demand. If a storefront remains empty for a long time (like this restaurant, which has been shuttered for more than six years), basic economics suggest that the price being charged is too high. So why doesn't the owner lower the rents?

There are potentially some tax benefits for the owners of empty storefronts. But the more likely explanation is that landlords are willing to lose a tenant and leave a storefront empty as a form of speculation. They'll trade a short-term loss for the chance eventually to land a much richer tenant, like a bank branch or national retail chain, which might pay a different magnitude of rent. If you're a landlord, why would you keep renting to a local café or restaurant at five thousand or ten thousand dollars a month when you might get twenty thousand or even forty thousand dollars a month from Chase? In addition, if a landlord owns multiple properties, dropping the price on one may bring down the price for others. That suggests waiting for Marc Jacobs instead of renting to Jane Jacobs.



As for Jane Jacobs, she famously argued that cities were explosive drivers of economic growth, based on a theory of intra-city trade. She highlighted, among other things, the ease with which local businesses trade goods and services with each other, and eventually make the city into a net exporter of desirable goods and services. But high commercial rents can threaten that basic dynamic. If national businesses, not local ones, come to fill a neighborhood, the area may become merely an importer of goods and services supplied by CVS or Dunkin' Donuts. Local wealth isn't created, and the economy of the area begins to match the less-inspiring examples of suburbia. In addition, high rents, like high taxes, can damage business generally, whether local or not. Consider that even Starbucks, despite fourteen billion dollars in revenue, has begun to shutter some of its New York locations because the rent is just too high.



Inside the House of Cards & Curiosities. PHOTOGRAPH BY TIM WU

In the longer term, high commercial rents also damage what made neighborhoods like the West Village attractive and appealing to buyers and renters in the first place. One usually pays for distinction, and there is nothing distinct about a neighborhood where new businesses are national chains or safe, high-margin operations. The preservationist Jeremiah Moss, the author of the Vanishing New York blog, points out that Greenwich Village has been a bohemian center since the eighteen-fifties, but, since the rise in rents, it “no longer drives the culture,” and instead is becoming what James Howard Kunstler termed “a geography of nowhere.” It is possible that entire classes of stores may disappear from some neighborhoods, like mid-range restaurants, antique stores, curiosity shops, bookstores, and anything too experimental. Brooklyn has emerged as a cultural center in the past two decades in part because it has lower rents and thus more interesting businesses. But, as Brooklyn’s property values rise, it might expect some of the same problems that parts of Manhattan have.

If high-rent blight hurts New York’s municipal economy, what, if anything, might be done? Because the problem is tied almost inextricably to the value of New York real estate generally, there are no simple fixes. The #SaveNYC movement and the Small Business Congress NYC advocate the regulation of lease renewal. They support a bill written by the small-business advocate Steve Null that tries to limit rent spikes by making commercial-lease-renewal disputes subject to mandatory mediation and arbitration, like some baseball salaries. Gale Brewer, the Manhattan borough president, supports a different regulation of lease renewals, coupled with zoning rules, that encourages landlords to quit waiting for the jackpot and to start renting. Some, like Moss, want to fine landlords who leave storefronts abandoned, in the hope that they’ll then rent to smaller, quirkier companies instead of Chipotle. There

may also be other original solutions to the specific problem of high-rent blight, such as, perhaps, finding ways to let pop-up stores use abandoned spaces on a seasonal basis.

Waits, the owner of the House of Cards & Curiosities, doesn't endorse any particular solution, and he admitted that the doubling of his rent wasn't the only thing that hurt his business. (The closing of a local hospital and the drop in the euro, he said, also took their toll; European tourists apparently have a taste for skeletons and other oddities). But, he said, the tax increases passed on by his landlord have pushed individual businesses like his to the "bursting point." Waits has no plans to reopen elsewhere, meaning that we will have to live without what was probably the only place on Earth where you could shop for tarantulas and Mother's Day greeting cards at the same time.

The fate of small businesses in the West Village may be a local issue, but it is one with large implications. For one thing, cities remain major drivers of economic growth, and small businesses continue to form a larger part of G.N.P. than their larger cousins. But there is a deeper issue as well. Since the nineteen-sixties, when Americans faced an extreme wave of urban blight, they have understood rising property values as a reliable measure of recovery. But everything can go too far, and at some point high property values may begin to destroy local economic activity. The West Village once served as a model for what a healthy neighborhood economy looks like. Its ongoing story marks a new chapter in the life and death of the great American City. "I recently walked by Jane Jacobs' old house on Hudson Street," Jeremiah Moss wrote me in an e-mail. "It's now a real-estate brokerage."

ABOUT THE AUTHOR: Tim Wu is a contributing writer for newyorker.com. He is a professor at Columbia Law School and the director of the Poliak Center for the First Amendment at the Columbia Journalism School.