

# Crain's New York Business

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## The next mayor's challenge checklist

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Eric Adams is gearing up to face four public-policy challenges that would make even the most seasoned city administrator pause and take stock.

A pandemic-induced economic contraction and worries about crime could stymie the presumptive next mayor's agenda, while a billion-dollar budget deficit might get even worse when assessed property values drop in the depleted commercial real estate sector.

Adams argues the city must confront its challenges in partnership with the business community, encouraging investment and a return to normalcy even in the face of a resurgent coronavirus.

"We have to put our toes back in the water," Adams said in an interview. "There's a lot of paranoia surrounding Covid. We can't be so rigid." An Adams administration would need to navigate the following four pitfalls to complete a successful first term.

### **The Covid-19 economy**

The pace of recovery for the city's economy is uncertain, and unemployment remains stubbornly high.

The city lost more than 944,000 jobs during March and April last year, according to the state comptroller's office, and 535,000 of those jobs have yet to return. The unemployment rate stood at 10.1% two months ago and has barely improved since the start of the year.

"It's very difficult to know at this time how much is structural versus temporary," said Rahul Jain, deputy state comptroller. "We need to be prepared for uncertainty to follow over the next few years."

Adams wants to use one problem to solve another. He sees an opening in the city's need to comply with City Council rules aiming to lower New York's carbon emissions and environmental guidelines set in Albany to create a jobs program. The program would be based on the retrofitting of thousands of buildings to meet lower greenhouse gas emissions mandates by 2050.

"You don't need a Ph.D. to retrofit a building," he said. "Just put in place a good capital program, where we don't have to spend the money now. It's a great investment for our future. It will encourage employment, and it's good for our environment."

Adams would issue bonds to fund the jobs program so it wouldn't cost the city money upfront. How much it eventually would cost is uncertain, as is what portion the city would cover, said Evan Thies, Adams' communications adviser. The administration would start with an audit of current capital needs for green infrastructure to figure out the cost for retrofitting the buildings, Thies said.

Meanwhile, a surge in the Covid-19 Delta variant has muted hopes of a quick recovery of jobs. Hotel occupancy stood at 52.6% in July and might drop with added fears. A June survey from the Partnership

for New York City anticipated that 62% of office workers would return to work the week after Labor Day. Some employers have backed off return-to-the-office plans, however, in the wake of the Delta surge.

Adams is calling on CEOs to bring workers back to the office two days per week “as soon as possible.” To limit virus concerns, he said, offices and small businesses should work with the city and state to create visible Covid-19 inspection certificates, in the way buildings are LEED-certified.

“We’re dealing with the perception as well as the actual,” Adams said. “So you walk into that building and see in that circle that it’s Covid-certified. It’s a safe place. So right away people will feel good about their environment.”

Adams wants to put more money into marketing organizations such as NYC & Company to promote the city and attract business conventions. There’s only so much he can do, though, as tourism and hotel occupancy will continue to lag until the federal government lifts international travel restrictions, which bar non-U.S. citizens traveling from much of the world, including Britain, Ireland, Brazil, China and India.

## **GRIM OUTLOOK**

12% Expected decline in commercial property tax collected

\$1.7B Total decline in property tax collection expected in 2022 compared with 2021

### **Commercial vacancies**

The city’s commercial real estate landscape is in rough shape. A trio of July reports by CBRE found astronomical availability rates and discouraging trends for properties in Manhattan’s business districts. Midtown South’s availability rate reached a record of 19.4%. Midtown’s 17.8% availability rate is its highest since 1990. Downtown office availability reached a 24-year high of 20.1%, and leasing activity is almost 50% below its five-year average.

The problems in the office sector have filtered to the street level, where shopping has declined. Fewer people are around to make lunchtime or after-work purchases.

Adams is counting on his administration initiating pro-business policies such as a city-funded discount on local shopping. His team is eyeing an electronic “cyber wallet” that would initially offer 1% to 2% discounts to city employees who shop at mom-and-pop shops. He also imagines easier permitting processes for commercial tenants—which would improve the bottom line at both the retail and office level.

“This city is too bureaucratic, too expensive,” Adams said, “and too difficult to do business in.”

He said he wants to avoid measuring the performance of city agencies such as the Department of Buildings and the Department of Small Business Services by citations issued, as they have been scored in the past.

“I’m judging you on ‘How many restaurants did you get open this week?’ I’m judging you, the Fire Department of New York, on ‘How many hotels did you inspect?’ ” he said. Cities are ultimately made up of agencies, which in turn determine the temperature of the business climate, he added.

“The agenda is to get businesses open,” he said.

Adams said he hopes to implement changes to the property tax code that would lower costs for middle-class owners and tenants at the expense of the wealthiest property owners. He supports the Tax Equity Now lawsuit—a challenge led by a coalition of organizations that includes the NAACP, the Rent Stabilization Organization and the Community Housing Improvement Program. The legal challenge aims to flatten out the property tax burden, providing relief to renters and less-affluent homeowners.

There’s a big gap to close: Property tax collection from commercial and industrial Class 4 properties is projected to decline 12% from fiscal year 2021 to fiscal year 2022, according to the state—the first such decline since 1998. That would contribute to a \$1.7 billion decline in overall city property tax collection.

### **A busted budget**

Businesses both large and small are at risk of facing diminished city services if the next mayor does not address massive budget deficits.

Beginning in fiscal year 2023, the city’s deficit is on track to hit \$4.1 billion (out of a \$101.8 billion budget), then drop to \$3.8 billion in fiscal 2024 before rising again to \$4.1 billion in fiscal 2025, according to the Citizens Budget Commission. And those deficits are likely to go higher because Mayor Bill de Blasio’s administration and labor leaders have no agreement on how to find an assumed savings of \$1 billion in the most recent budget.

“A \$98 billion budget is not acceptable or sustainable,” Adams said. “We have to run our city more streamlined and more efficiently.”

To that end, the Democratic nominee would pursue an across-the-board budget cut of 3% to 5% in every city agency in his first year, as well as a hiring freeze, which could save \$1.5 billion. He also plans to seek a tax increase on city residents who earn an income of \$5 million or more, though he advocates for sunseting the increase after two years. “Just to get us over this hump,” as he put it.

It is unclear if Adams would shutter de Blasio-era programs and initiatives paid for with billions in one-time federal pandemic-relief grants, including an expansion of the city’s early childhood education program and a \$234 million initiative to remove graffiti and pay new workers \$15 per hour.

Those programs add more than 10,000 employees to a city workforce that’s now at about 325,000.

“He’s going to have to determine what he sees in uniform headcount,” said Henry Garrido, executive director of District Council 37, the city’s largest municipal employee union. “We’re going to advocate there are areas you absolutely don’t want to touch.”

### **Crime**

The consensus is that Adams, the Brooklyn borough president and a former police captain, won the Democratic nomination due in large part to his public-safety platform.

“He inspired confidence that he knows what he’s doing when it comes to crime and that he is prepared

to take on the politics of the far left in order to achieve a safe city,” said Kathryn Wylde, chief executive of the Partnership for New York City. “That’s the leadership the business community has been looking for.”

Adams’ 22 years as a member of the New York City Police Department gave him the gravitas to speak to the threat of rising crime.

Citywide, shooting incidents are up nearly 16% this year compared with last year, according to NYPD CompStat data. Hate crimes are up 103%, and murders are nearly even. But the city remains safe by historical standards: Citywide, murders last year were 75% less than the 1993 total.

Criminal justice experts say a flood of illegal guns into the city has been the main culprit for the increase in violence. But other social factors contribute to the instability, including homelessness and food insecurity, said Richard Aborn, president of the Citizens Crime Commission.

“I think Adams is uniquely situated to understand the myriad of tools that are available to fight crime and use those in a coordinated fashion,” Aborn said, adding that Adams’ ability to communicate to the public on behalf of the Police Department will be just as important as the policies he sets forth with a new police commissioner. (He has promised to appoint the first woman to serve in the role.)

Adams plans to implement new training measures for officers. He also plans a handgun commission with New Jersey and Pennsylvania. And he would reinvent the anti-crime unit as an anti-gun task force.

He wants to use precision policing—a controversial tactic that directs officer teams to crack down on individuals in high-crime areas—and crisis management teams to cover hot spots. And he would strive to keep handguns out of the outer boroughs, partnering with federal agents when possible.

He said he has no illusions about the difficulty of the task ahead and how important fighting crime will be to fulfilling his agenda. “Whatever we do, it starts with ‘The city must be safe,’” he said. “It must be safe to get people back into their office space. It must be safe to get tourism—a multibillion-dollar industry—up and operating. It must be safe to allow people to just basically enjoy their city.”