



NYC Storefront Recovery Strategy

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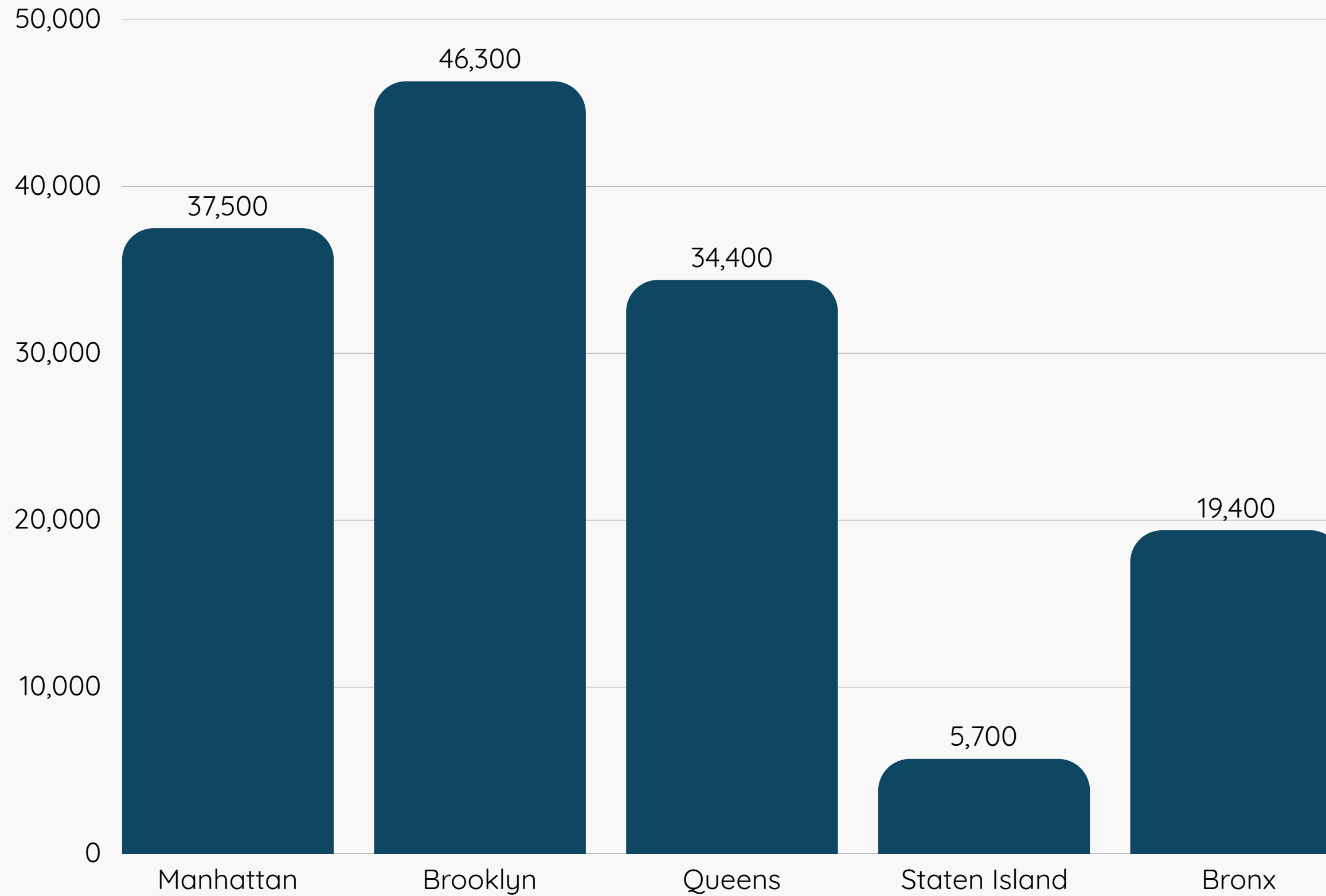


Problems we discovered

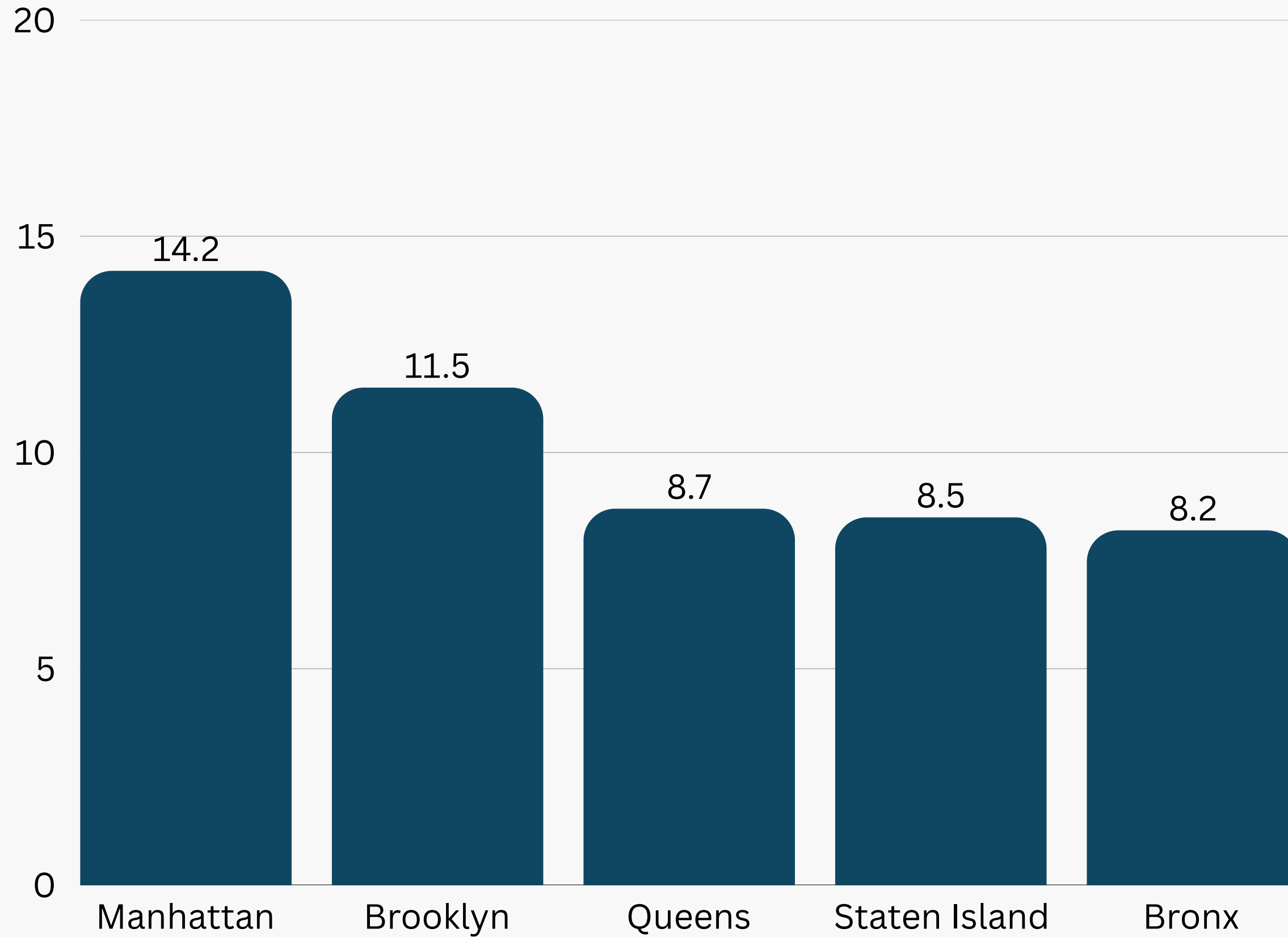
- Small businesses face high rent and online competition
- Customer traffic is inconsistent
- Landlords hold out for larger tenants



Storefronts in 5 Boroughs, Q3 2024



% Vacant in 5 Borough, Q3 2024





Chosen Problem

Small businesses in NYC struggle to survive because rents are too high and their revenue does not fully cover expenses, leaving room for improvement. This results in empty storefronts, weaker neighborhoods, and slows long-term local economic growth.





The One Friction We Attacked:

Temporal misalignment between landlords and small businesses



Time Horizon Mismatch

Landlords think in 10-year lease cycles; small businesses survive month-to-month. This gap makes fair negotiation structurally impossible.





Rational Actors, Collective Harm

Each party acts in self-interest:

- landlords hold out for credit tenants, businesses can't commit to long leases — producing mutual loss and vacant storefronts.

Single Lever, Multiple Effects

Solving temporal misalignment unlocks rent negotiation, risk reduction, and vacancy reduction simultaneously — the highest-leverage intervention point.





Our Group Decision:

Attack the lease structure — introduce a graduated rent model with a portable tenant reputation system to align incentives across time horizons.



Our brainstorming solutions

- *Tenants pay a percentage of their sales instead of fixed rent, aligning landlord income with business success.*
- *Temporary retail spaces = low-commitment way to test business ideas*
- *Graduated leases: Lower rent and gradually increase over time, reducing risk for small businesses and scale to market rates for landlords.*
- *Successful pop-ups can transition into long-term leases*



However, we came up with...



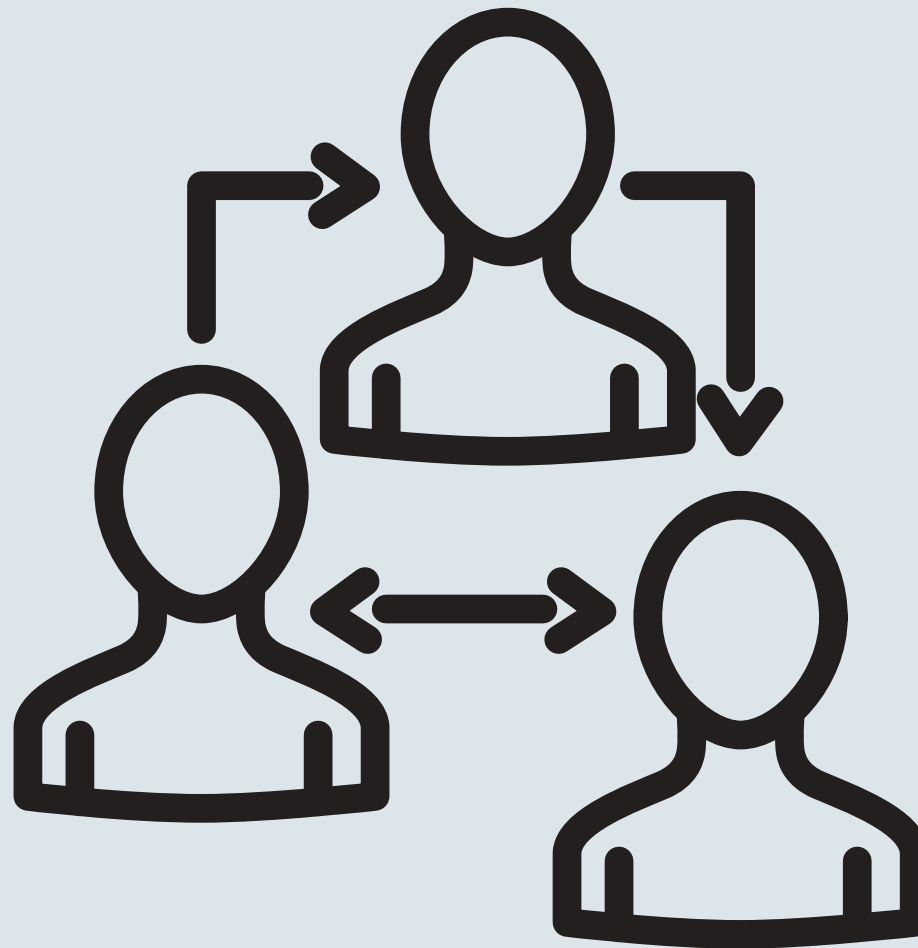
Reducing retail vacancies by turning leases into low-risk trials and utilizing AI to match, evaluate, and scale trustworthy tenants across a landlord network and offering a 3 months trial for businesses



Step 1

Landlords Join the Network

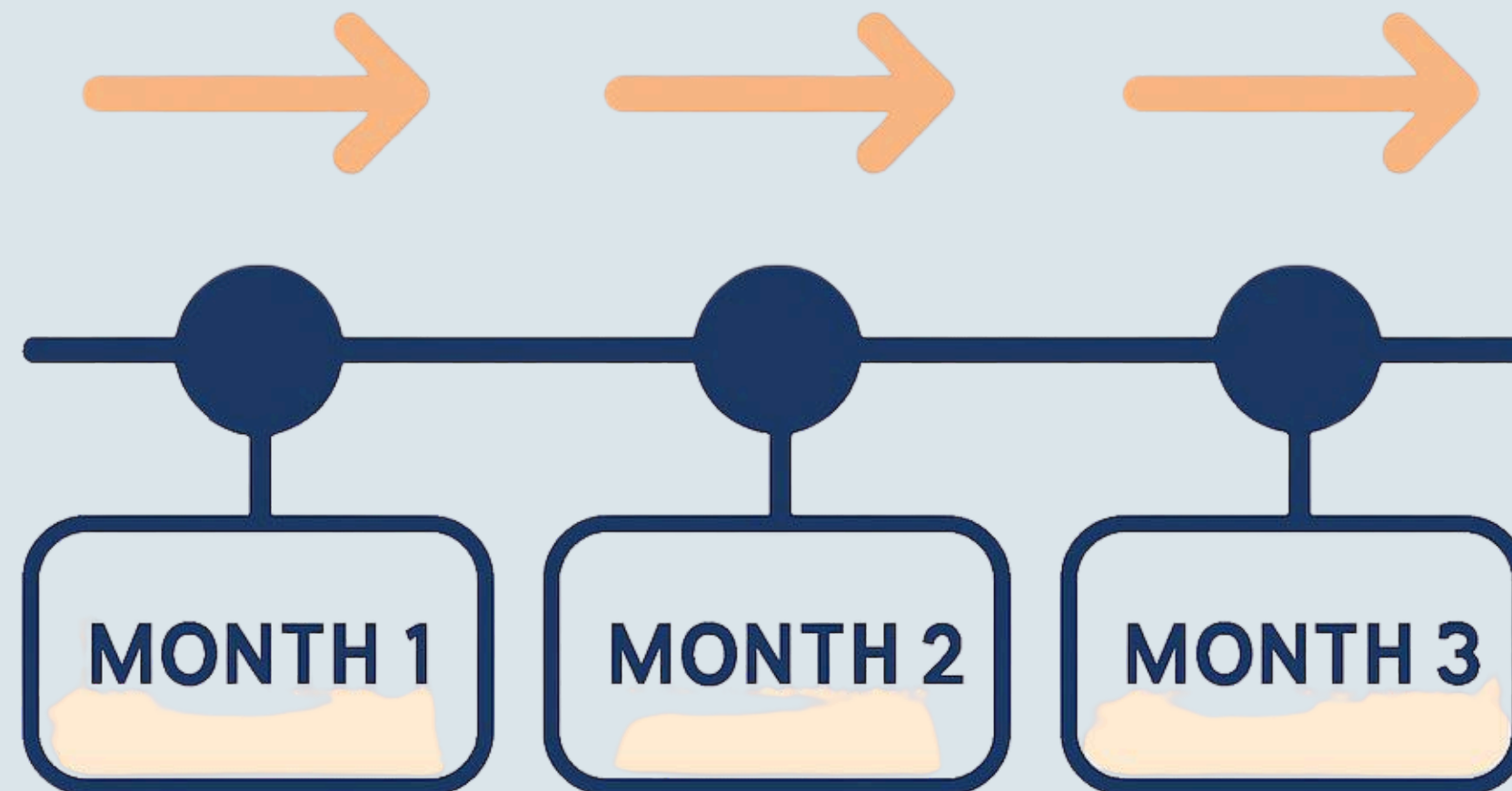
Participating landlords agree to use the graduated lease model and share tenant history through one system.



Step 2

Tenant Starts With Trial Rent

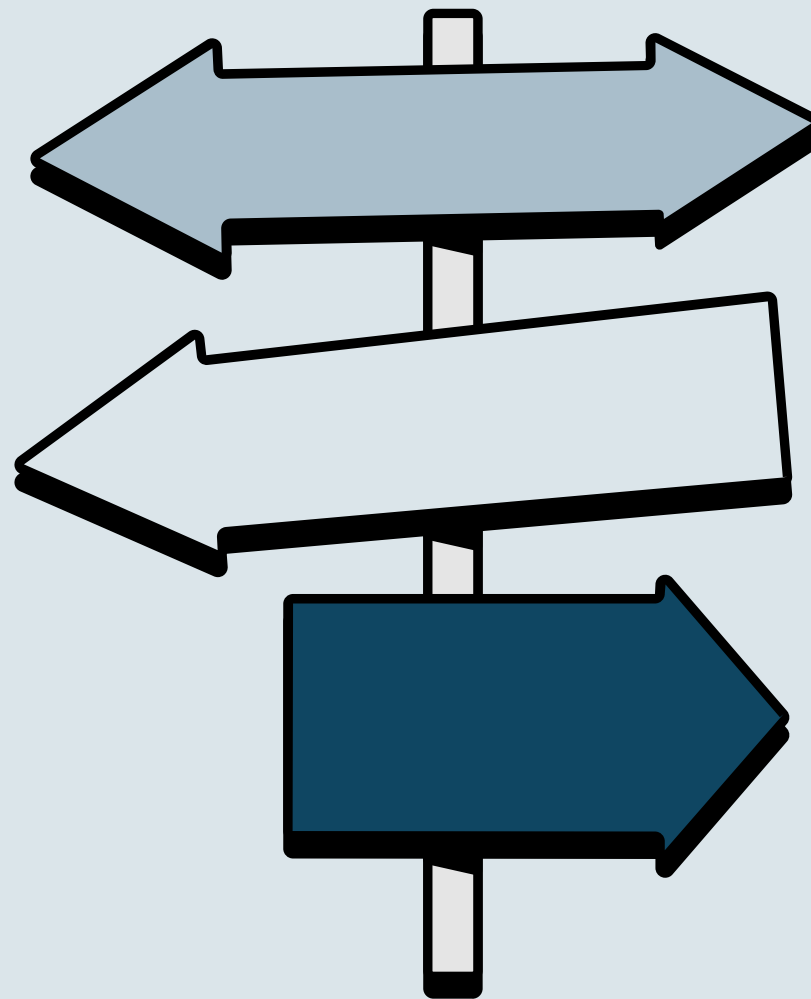
Small businesses enter with low rent for months 1–3. This gives them time to test the location without taking on full market risk.



Step 3

Stay, Scale, or Exit

After the trial period, the tenant can continue as rent gradually increases or exit early without being locked into a long-term lease.



Step 4

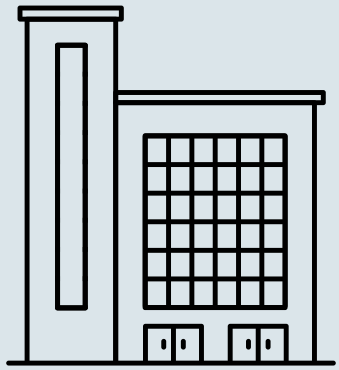
Tenant Passport + No-Reset Rule

Each tenant's lease history is recorded. Reliable tenants build credibility, but businesses that exit early lose access to low introductory rent at other participating spaces.

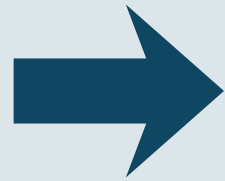


Before

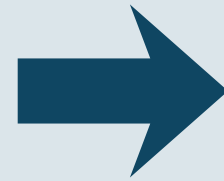
The Current System



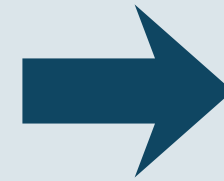
*Landlord
want high,
stable rent*



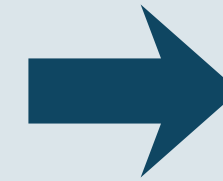
*High rent
expectations*



*Small
businesses
avoid the risk*



*Storefronts
stay vacant*



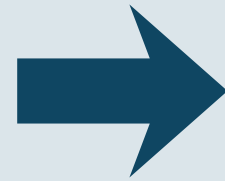
*Neighborhoods
lose activity and
potential*

After

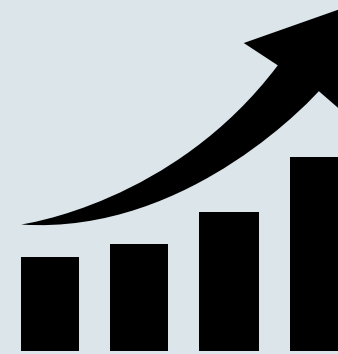
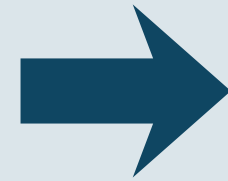
With the Graduated Lease Model



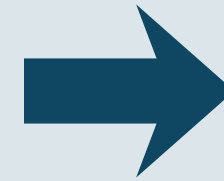
Landlords offer graduated leases



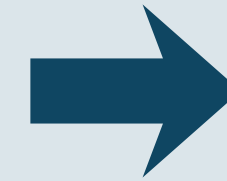
Low-risk entry for businesses



Businesses grow and succeed



Storefronts stay active



Neighborhoods thrive

Why It Avoids Subsidy & Rent Control



Voluntary & Private

Landlords opt in willingly. No legislation required – just private contract between two parties



No Public Money

City pays nothing. Landlord absorbs short-term lower rent in exchange for a more reliable, pre-vetted tenant.



Rent Still Reaches Market Rate

Unlike rent control, rent escalates to full market rate over time. Delays the rate, not caps.

The result: market forces still clear vacancies. The model simply lowers the barrier to entry — not the long-term price.

The Rent Problem in Numbers

+25%

Brooklyn commercial rent increase

2019 to 2022

11.4%

Citywide storefront vacancy rate

up from 4% in 2004

\$7,214

Avg. monthly small business revenue

in Manhattan

What rent actually costs

Non-prime Manhattan (Harlem, Inwood, ~\$100/sqft) **\$4,200/mo**
500 sqft

Mid-tier Brooklyn corridor (~\$50/sqft) **\$2,100/mo**
500 sqft

Prime Brooklyn corridor (+40% YoY, \$245/sqft) **\$10,200/mo**
500 sqft

The gap our model closes

Avg. Manhattan small business monthly revenue:

\$7,214

Sources: ANHD State of Storefronts 2023 (Brooklyn rent) · NYC Dept. of Small Business Services 2025 (vacancy) · NYCEDC 2023 (revenue) · City Limits / 2024 Brooklyn Retail Report (prime Brooklyn \$245/sqft)

The Landlord's Math

3 months vacant

Rent income	\$0
NYC property tax (est.)	-\$11,400
Insurance & maintenance	-\$2,400
Broker re-listing costs	-\$1,500

Net loss over 3 months **-\$15,300**

VS

3-month trial lease

Trial rent collected (60%)	+\$15,000
NYC property tax (est.)	-\$11,400
Insurance & maintenance	-\$2,400
Broker/screening costs	\$0 (passport system)

Net gain over 3 months **+\$1,200**

Why This Works in NYC — Better Than Anywhere Else

Four structural conditions make New York uniquely suited for this model — none of which exist at the same scale in most other U.S. cities.

INFRASTRUCTURE ADVANTAGE



Foot Traffic Is Already There

NYC subway averages 3.5M+ trips/day. New tenants don't need to build an audience — the foot traffic exists on day one.

INSTITUTIONAL ADVANTAGE



BID Networks Are Already Organized

NYC's 76 active BIDs already coordinate landlords and small businesses — a ready-made network to onboard the model without new infrastructure.

CULTURAL ADVANTAGE



Pop-Up Culture Is Normalized

New Yorkers expect short-term retail. Trial tenants face no consumer skepticism — a temporary storefront here signals opportunity, not failure.

MARKET CONDITIONS



Vacancy Pain Is Acute Enough to Move Landlords

At 14.2% vacancy, landlords are already absorbing taxes and maintenance on empty spaces. A vetted tenant at trial rent beats another empty quarter.



Failure Modes & Mitigation

What Could Go Wrong, and How We Prevent It



Failure Modes & Mitigation (1-3)



Failure 1

Landlords refuse to join



Risk

High-power landlords in prime corridors hold out for credit tenants and see graduated leases as leaving money on the table.

✓ Mitigation

Pilot in high-vacancy corridors first. Offer pre-verified, passport-tracked tenants to reduce screening costs and default risk.



Failure 2

Tenants game the trial



Risk

A bad-faith tenant takes 3-month low rent, exits, then re-enters under a new LLC to reset the clock.

✓ Mitigation

Passport ties to owner identity (EIN + personal guarantee). Early exits lower passport score. AI flags repeat short-term exits.



Failure 3

Rent becomes unaffordable after year 1



Risk

Revenue grows slower than step-ups in the lease schedule. Tenant is trapped or defaults.

✓ Mitigation

Revenue-linked pause clause: step-ups freeze if sales drop below 80% of projected. Transparent schedule locked at signing.



Failure Modes & Mitigation (4–5)



Failure 4

Landlords share fake data

Risk

A landlord hides that a tenant left due to landlord negligence to protect the passport score.

Mitigation

Two-sided passport – tenants also rate landlords. AI flags outliers. Third-party dispute mechanism.



Failure 5

No critical mass of participants

Risk

Too few landlords or tenants → no network effect → system stalls.

Mitigation

Launch corridor-by-corridor (20–30 storefronts). Recruit BID or CDFC as anchors. Low-friction opt-in.



Our Human-AI ensemble



Task Decomposition

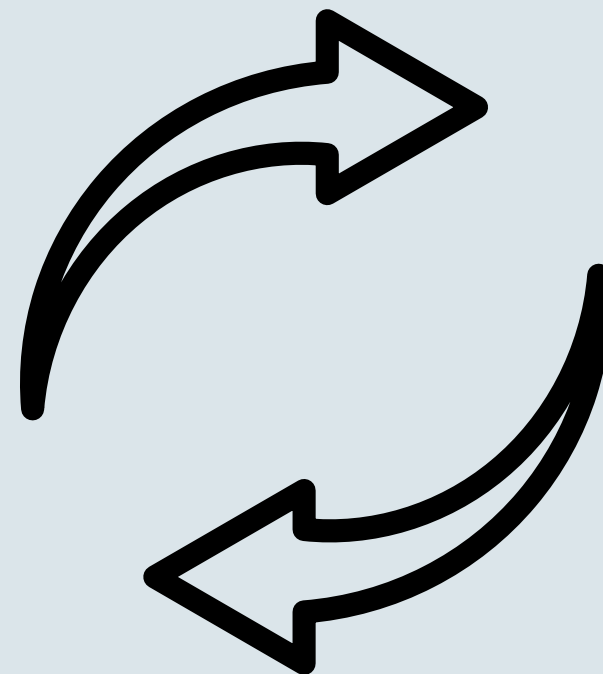
Humans: Define the problem.

AI: Generated ideas.



Sequencing

- 1) Discussion
- 2) AI contribution
- 3) Finalising



Authority and Decision Rights

Humans have a final authority



Primary Value of AI

Speed and Critique



Primary Risk of AI

Unrealistic ideas



Our Approach

**Human First
then AI Help**





Thank you

