

Memorandum

From: Dr. Richard Lipsky

To: Black, Latino and Asian Caucus, NYC Council

Subject: BJ's Warehouse Club, The Related Companies and Minority Entrepreneurship

Date: 9/24/04

As of all of the enclosed materials indicate there is a proposal to build a 140,000 sq. ft. BJ's Warehouse Club in the Bronx. The targeted site is not yet zoned for commercial use and BJ's has applied for a special use permit. This application is now at Bronx Community Board #10 and will probably come to the Council early next year. For the reasons that I will outline below, the Council as a whole should turn down the application. I do believe, however, that the Caucus should have its own compelling reasons for saying no to this application.

1) BJ's Will Harm Minority Entrepreneurs

The proposed warehouse club will generate between \$2 million and \$2.5 million a week in sales. A great proportion of these sales will be food purchases that will be cannibalized from existing food stores. At least 35 of these supermarkets are owned by minority entrepreneurs who have invested tens of millions of dollars in refurbishing and renovating these markets. BJ's will force

the closing of many of these stores and will force hundreds of predominately minority workers out of a job.

The siphoning off of food sales from existing stores will impact most heavily in the Soundview and Castle Hill areas of the Bronx. In these areas the commercial strips are heavily dependent on the roughly 10,000 weekly customers that are brought to the local shopping areas by neighborhood supermarkets. A great many of these other local storeowners are also minority store owners and what BJ's doesn't directly take from them (the store sells a wide range of goods), it will indirectly take from them because of the dramatic reduction of foot traffic.

In addition, it is important to note that the minority-owned supermarkets came into these areas when the national supermarket chains were feeling during the disorders of the 1970s. They came in with their own money (banks were already redlining these neighborhoods) and certainly received no subsidies from the city for the considerably risks they were taking. BJ's will be eligible for a number of tax incentives at the site in the Bronx. In essence, taxpayers will be asked to partially subsidize BJ's cannibalization of the profits of minority store owners.

2) Related Companies and the Fernandez Brothers

In January, 2002, the city had not yet decided what to do on a development site on Bradhurst Avenue in Harlem. The site was originally awarded to Related but progress has stalled because of the company's failure to adequately judge the full cost of the development. Because of this failure Related

had been requesting millions of dollars in additional subsidies so the project could move forward.

The requests for more subsidies had been turned down by the Giuliani administration, primarily because Deputy Mayor Rudy Washington was adamant that the city shouldn't subsidize a multibillion company like Related when a local entrepreneur, in this case the Fernandez brothers, were capable of doing the development. As a result, the project was stalled at the end of Giuliani's term.

When Bloomberg took office the landscape changed dramatically. In February, 2002 at a meeting between Deputy Mayor Doctoroff and the Fernandez brothers it was made clear by Doctoroff that Related would get the subsidies it had requested and the Bradhurst project would go forward. The Deputy mayor did, however, tell the Fernandez brothers that the city would go out of its way to look for other opportunities for them.

After three years it is now clear that the Doctoroff pledge was simply an empty promise designed purely to forestall any legal action by Fernandez. The city has done absolutely nothing to find other opportunities for these minority developers. At the same time, we have found out that Doctoroff and Steve Ross, the CEO of Related, have an intimate relationship and it was Ross who took on Doctoroff's multimillion board to NYC 2012. Given this Doctoroff should never have taken an active role in the decision on Bradhurst and should have recused himself completely.

Last week we found out that the generous Mr. Ross had donated \$100 million to the University of Michigan, his alma mater. This is the same Steve

Ross who begged that the city give him roughly \$15 million to subsidize the Bradhurst project at the expense of Mauricio and Matthew Fernandez. This is real nerve on the part of Doctoroff and Ross.

Now Related wants to put a tax subsidized BJ's warehouse club into an area that will take money right out of the pockets of minority entrepreneurs who have taken risks to bring the Bronx back economically. It is time to send a message to the city that the Related Companies will no longer get any special treatment for its anti-minority business and anti-union policies.