

The background of the report cover is a photograph of a city street. On the left side, a white Lexus SUV is parked in the foreground. Further down the street, a person is riding a bicycle. The right side of the street is lined with parked cars, including a silver SUV and a dark blue SUV. The buildings on both sides are multi-story urban structures. A sign for 'Friendly MARKET' is visible on the left, and a 'CHAI HONG MARKET' sign is on the right. A street sign for 'JACKSON ST' is also visible. The overall scene depicts a typical urban neighborhood.

Resiliency in Times of Change:

Supporting Philadelphia Small Businesses in Gentrifying Neighborhoods

A Report for the Philadelphia Association of Community Development Corporations

**Graduate Policy Workshop
Woodrow Wilson School of Public and International Affairs
Princeton University**

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Executive Summary

In February 2015, the Philadelphia Association of Community Development Corporations (PACDC) released a policy agenda, *Beyond Gentrification, Toward Equitable Neighborhoods: An Equitable Development Policy Platform for Philadelphia*. As part of this platform, PACDC identified a need to better understand the implications of gentrification for small businesses on Philadelphia's commercial corridors. To further explore this issue, PACDC partnered with a team of graduate students from the Woodrow Wilson School of Public and International Affairs at Princeton University.

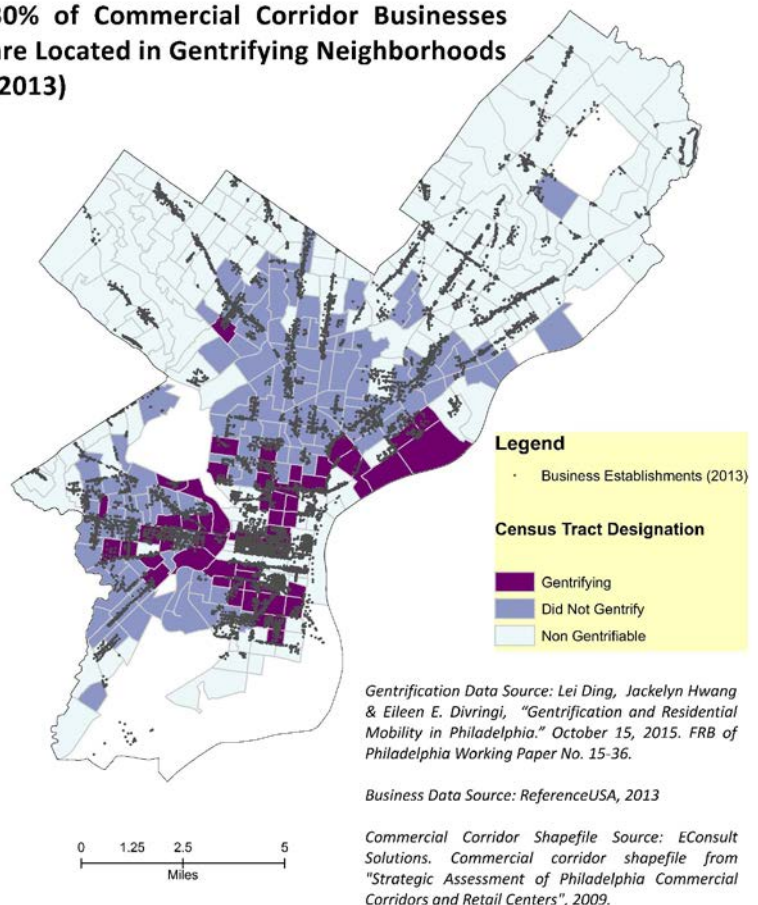
This report aims to provide PACDC, the City of Philadelphia, and their partner organizations with strategies to support small businesses along commercial corridors threatened by gentrification and to ensure that residents of all income levels have access to jobs, goods, and services. Recommendations are based on interviews with 77 business owners in three commercial corridors and conversations with experts from local non-profits, City agencies, and community groups. Geographic analysis of Philadelphia business data and an examination of policy solutions in other cities further informed these recommendations.

Overall, research findings indicate that the neighborhoods where Philadelphia small businesses line commercial corridors are gentrifying. (See map to the right). Gentrification will impact the businesses' customer base and rental costs. For example, commercial rents have surged over the last decade in areas experiencing significant market demand. The cost of retail space increased 167 percent in Northern Liberties, 133 percent in Fishtown, 88 percent in Fairmount, and 52 percent in University City since 2005.

Despite evidence of the need for Philadelphia small business to change business practices and address rising costs, gentrification was not at the forefront of business owners' concerns. Instead, small business owners interviewed for this project highlighted day-to-day challenges related to Philadelphia's business climate, citing problems with financing, City programs, and the cleanliness and safety of corridors. Raising owner awareness, as well as policy solutions, will be critical to ensuring the viability of Philadelphia's mature small businesses.

Figure 1

30% of Commercial Corridor Businesses are Located in Gentrifying Neighborhoods (2013)



Recommendations:

Experiences of gentrifying neighborhoods in other cities and Philadelphia's changing demographics call for imagining ways for existing businesses to survive and thrive in gentrifying neighborhoods. The following recommendations would support the long-term viability of Philadelphia's small businesses in gentrifying neighborhoods:

Improving Support for Small Businesses:

1. The City should provide more support on grant and loan applications for small business owners at their places of business.
2. Community development finance institutions should create an online marketplace for small business loans.
3. The City should improve access to the Storefront Improvement Program by reducing the amount of upfront capital required of small business owners.
4. The City should expand support for Rotating Savings and Credit Association (ROSCA) programs through funding for technical assistance staff and loan guarantees. Nonprofits operating these programs should focus expansion efforts in gentrifying neighborhoods.
5. PACDC should work with its members in neighborhoods at risk of gentrification to provide technical assistance to businesses geared towards planning for the challenges of gentrification.

Leveraging New Investments to Benefit Small Businesses

6. Community coalitions should pursue Community Benefit Agreements that are enforceable and representative of community needs.
7. The City, community development corporations, and community development finance institutions should help small businesses on commercial corridors leverage the purchasing power of nearby anchor institutions.
8. The City and community development corporations should help small businesses in areas experiencing anchor institution expansion to capitalize on new investments and the new customer base.

Improving Safety and Public Spaces

9. The City and community organizations should better address trash and litter.
10. Community organizations should continue to clean, green, and maintain vacant lots on or adjacent to commercial corridors.
11. The City should install additional pedestrian lighting, rather than relying on the Storefront Improvement Program to add lighting to the corridor.
12. The City Planning Commission should work together with the Philadelphia Parking Authority and community organizations to assess parking availability on commercial corridors.
13. The City should create a process for community organizations to work with the Streets Department and PennDOT to preserve and improve walkability.

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Introduction

Like many other U.S. cities, Philadelphia experienced an exodus of many middle and upper class residents to the suburbs after World War II, leading to movement of retail out of the city and increased unemployment and crime rates within the city.¹ As a result, over 100 of the city's 265 commercial corridors were left with very little economic activity,² and Philadelphia led the nation in abandoned buildings per capita by the 1990s.³

After decades of abandonment and loss of retail businesses in the city, Philadelphia's recent growth is promising. However, the burgeoning issue of gentrification now poses different challenges for small businesses and the longtime, low-income residents they serve. As revitalization and gentrification have begun to increase real estate values in many neighborhoods, small businesses can face increased risk of displacement — being forced out of business due to changes in the area that no longer allow these businesses to be viable.

For gentrifying neighborhoods that must navigate the gap between disinvestment and overheated real-estate values, serious policy tensions can arise. If government policies are intended to only correct issues of neighborhood abandonment, rather than issues of displacement, the benefits of these policies for small businesses and low-income residents may be reduced or cancelled out.

This report, a collaboration between the Philadelphia Association of Community Development Corporations (PACDC) and a team of seven graduate students from the Woodrow Wilson School of Public and International Affairs at Princeton University, explores policies that will help the small businesses that line the City's commercial corridors become more resilient and prosper in the face of change.

This report aims to assist PACDC and the City of Philadelphia in their ongoing efforts to strengthen small businesses in gentrifying commercial corridors and to ensure that all residents, rich and poor alike, have access to job opportunities, goods, and services. It builds on PACDC's call for equitable development in the city's neighborhoods,⁴ and it comes on the heels of Mayor Jim Kenney's campaign pledges to develop "economically vibrant neighborhoods across Philadelphia."⁵ Recommendations stem from qualitative research, including interviews with 77 business owners in three commercial corridors experiencing various stages of neighborhood change, and geographic analysis of corridors across the city.

PACDC's definition of equitable development provides a lens for our analysis:⁶

¹ Robert J. Stokes, "Business Improvement Districts and Inner City Revitalization: The Case of Philadelphia's Frankford Special Services District," *International Journal of Public Administration* 29, no. 1-3 (2006): 173-86.

² EConsult Solutions, *Commercial Corridors: A Strategic Investment Framework for Philadelphia*, Philadelphia, 2009. http://phsonline.org/media/resources/commercial_corridors_in_philadelphia.pdf.

³ Richardson Dilworth, "Cities in American Political History: SAGE Knowledge." Cities in American Political History: SAGE Knowledge. Accessed October 29, 2015.

⁴ Philadelphia Association of Community Development Corporations, "Beyond Gentrification Toward Equitable Neighborhoods: An Equitable Development Policy Platform for Philadelphia," 2015, http://www.phillylandbank.org/sites/phillylandbank.org/files/u3/PACDC_EcDevPlat_Full%20Platform.pdf

⁵ Jim Kenney for Mayor. "Developing Economically Vibrant Neighborhoods across Philadelphia." 2015. Jim Kenney for Mayor: The Kenney Economic Plan. Nov 2015.

⁶ Ibid., 3.

Equitable Development

as defined by the Philadelphia Association of Community Development Corporations

A pro-growth strategy that confronts structural and institutional forms of inequality by creating sustained equality in housing, health, education and economic opportunity for low- and moderate-income households and institutions by ensuring they:

1. Have influence over decision making that shapes their neighborhood inclusively;
2. Benefit from improved neighborhood conditions;
3. Have access to community resources and services that improve their quality of life and fulfill their basic needs close to where they live;
4. Have choices about where to live and work;
5. Are not involuntarily displaced from their neighborhood of choice.

The Importance of Small Businesses Along Philadelphia's Commercial Corridors

Surrounding the large office buildings, historic landmarks, and entertainment venues in Philadelphia's Center City are dozens of neighborhoods, many of which have suffered decades of disinvestment. While some neighborhoods are now seeing rapid growth in new shops, restaurants, and home values, other neighborhoods continue to struggle with low wages, persistent poverty, and crime.⁷ Although these neighborhoods vary considerably, most share one similarity: they have a symbiotic relationship with the small businesses located in nearby commercial corridors. As Mayor Jim Kenney's communications director, Lauren Hitt, said recently:

"The small businesses that line our neighborhoods' commercial corridors are as critical to the health of our economy as the businesses in skyscrapers downtown. As such, the City has a responsibility to provide better small-business support by connecting small-business owners to resources offered through City government and local anchor institutions."⁸

Small businesses are important to an equitable development strategy because they provide jobs and wealth-building opportunities to residents who may lack access to alternatives. Alone, each small business has a handful of employees. Yet collectively, the small businesses that line the city's commercial corridors are an essential part of Philadelphia's economy: small businesses employing less than 10 people provide nearly 20 percent of the city's jobs.⁹ With Philadelphia's significant challenges of poverty and unemployment, efforts to create jobs must focus on equitable development to improve

⁷ Ibid., 2.

⁸ Diane Mastrul, "Work Pays Off," *Philadelphia Inquirer* (Philadelphia, PA), November 29, 2015, <http://mobile.philly.com/beta?wss=/philly/business&id=353897241>. At time of quote, Hitt's title was campaign spokeswoman.

⁹ "Philadelphia (PA) County 2012 - 2013 Employment Stages," *Youreconomy.org*, Accessed January 3, 2016, <http://www.youreconomy.org/profile/details.ye?type=j&key=all&state=PA&year1=2012&year2=2013&county=42101&custom=undefined>

low- and moderate-income households' economic opportunity and outcomes.¹⁰ Small businesses are a vital source of these jobs.

Small businesses are also an important source of affordable and accessible goods and services for low- and moderate-income residents. Commercial corridors with a business mix that includes “mom-and-pop” hardware stores, barber shops, and corner stores allow residents to do their shopping in the neighborhood.¹¹ This is especially important for low-income residents without access to a car. Local businesses sometimes help residents through hard times by offering credit.¹² One corner store owner on South 7th Street who we interviewed mentioned that he had a good relationship with the community and occasionally sold products on credit.

If gentrification displaces small businesses or leads them to offer goods and services tailored to higher-income customers, low-income residents may no longer be able to access or afford goods and services they need.¹³ Public housing residents in New York City's gentrified Chelsea neighborhood report that affordable “mom-and-pop” stores, such as laundromats and delis, have been replaced by luxury residences, high-end retail, art galleries, and tourist attractions. These stores cater to a wealthier clientele, but “few jobs at the new retail establishments seem to materialize for New York City Housing Authority (NYCHA) residents.”¹⁴ Similar trends can be seen around universities, where new student housing is often luxury and upscale.¹⁵ Business displacement may also result in items no longer being available at all, particularly specialty items for ethnic groups and immigrant communities.¹⁶

Small Businesses and the Residents They Serve Face Challenges in the Context of Gentrification

A recent Federal Reserve Bank of Philadelphia report authored by Lei Ding, Jackelyn Hwang, and Eileen Divringi clarified the meaning of the term gentrification in the following way: “The term gentrification has often been used to describe such neighborhood changes that are characterized by the influx of new residents of a higher socioeconomic status relative to incumbent residents and rising housing values. For many, the term implies the displacement of long-term, often older or low-income, residents by younger and high-income residents.”¹⁷ Ding et al. found that 15 percent of the city's census tracts experienced some level of gentrification between 2000 and 2013.¹⁸ These numbers measure gentrification using aggregated neighborhood indicators like income, educational attainment, and the cost of housing. Additionally, it is worth noting that gentrification is often thought of as the displacement of minority households by white households, though some researchers conclude that

¹⁰ Philadelphia Association of Community Development Corporations, “Beyond Gentrification Toward Equitable Neighborhoods: An Equitable Development Policy Platform for Philadelphia,” 2015. 19.
http://www.phillylandbank.org/sites/phillylandbank.org/files/u3/PACDC_EcDevPlat_Full%20Platform.pdf

¹¹ Stacy Mitchell, “Tackling the Problem of Commercial Gentrification” *Institute for Local Self-Reliance*, November 1, 2002, <https://ilsr.org/tackling-problem-commercial-gentrification/>

¹² Sharon Zukin. “New Retail Capital and Neighborhood Change: Boutiques and Gentrification in New York City.” *City and Community*, 8:1 (March 2009): 48.

¹³ Ibid.

¹⁴ Abt Consultants. “The Effects of Neighborhood Change on New York City Housing Authority Residents.” May 22, 2015. pgs ix, 61-77.

¹⁵ Claire Reeves La Roche, et al. “Student Housing: Trends, Preferences and Needs” *Contemporary Issues in Education Research* vol. 3, no. 10 (2010): 48.

¹⁶ Sharon Zukin. “New Retail Capital and Neighborhood Change: Boutiques and Gentrification in New York City.” *City and Community*, 8:1 (March 2009):61.

¹⁷ Lei Ding, Jackelyn Hwang & Eileen E. Divringi, “Gentrification and Residential Mobility in Philadelphia.” October 15, 2015, FRB of Philadelphia Working Paper No. 15-36.

¹⁸ Lei Ding, Jackelyn Hwang & Eileen E. Divringi, “Gentrification and Residential Mobility in Philadelphia.” October 15, 2015, FRB of Philadelphia Working Paper No. 15-36.

minority middle-class families can be gentrifiers as well, even if this gentrification might be somewhat different,¹⁹ and middle- or high-income white households can also displace low-income white households in some areas.

As gentrification brings increased real estate values in many neighborhoods, small businesses risk displacement. Commercial rents have surged over the last decade in gentrifying neighborhoods: the cost of retail space increased 167 percent in Northern Liberties, 133 percent in Fishtown, 88 percent in Fairmount, and 52 percent in University City over the past decade.²⁰ Figure 2 compares 2005 rental costs to 2015 rental costs in these neighborhoods. Prices are measured in dollars per square foot.²¹ Many small business owners also faced large increases in property taxes due to the Actual Value Initiative, a recent update of property value assessments and methods used to calculate tax bills based on those assessments.²² These increases in overhead costs can make profitability difficult, especially for businesses operating with low profit margins.

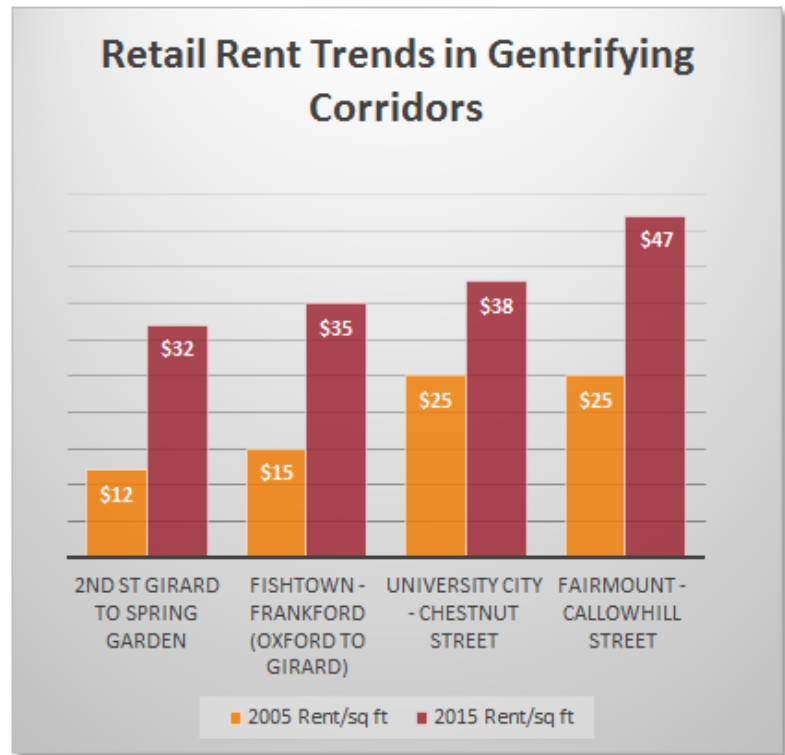


Figure 2. Date Source: CBRE

The demographic changes that accompany gentrification can pose particular challenges for small businesses that serve low-income residents. In gentrifying neighborhoods, old customers may move away, and new customers may want a different product. The Great Recession of 2007-2009 compounded this situation. Several of the business owners that we interviewed stated that the Recession eroded purchasing power, and that many customers continue to struggle even though the Recession officially ended several years ago.


In order to ensure that all communities have access to jobs and businesses that sell affordable items for both low- and high-income residents, Philadelphia needs a strategic approach to corridor development. This approach must consider both abandonment and gentrification, and must reflect the interests of multiple stakeholders in each community. As Philadelphians evaluate economic development strategies, this report aims to provide insight into the challenges and opportunities that small businesses face in

¹⁹ Kesha S. Moore, "Gentrification in black face? The return of the black middle class to urban neighborhoods." *Urban Geography* 30, no. 2 (2009): 118-142.

²⁰ CBRE, "Surging Demand for Urban Retail -- Center City Philadelphia," September 2015, pg. 30, <http://www.cbre.us/o/philadelphiapropertytaxes/pdfs/Urban-Retail-Report-Center-City-Philadelphia-2015.aspx>

²¹ Graph produced using data from the CBRE report. Rent data for Lancaster Avenue and South 7th Street was not available in the report. CBRE, "Surging Demand for Urban Retail -- Center City Philadelphia," September 2015, pg. 30, <http://www.cbre.us/o/philadelphiapropertytaxes/pdfs/Urban-Retail-Report-Center-City-Philadelphia-2015.aspx>

²² Emily Dowdall & Susan Warner, The Actual Value Initiative: Overhauling Property Taxes in Philadelphia, *The Pew Charitable Trusts*, November 28, 2012, <http://www.pewtrusts.org/~media/legacy/uploadedfiles/philadelphiapropertytaxespdf.pdf>



commercial corridors, and to provide several recommendations as to how communities, nonprofits, community development corporations (CDCs), and the City can strengthen small businesses to serve residents of all income levels.

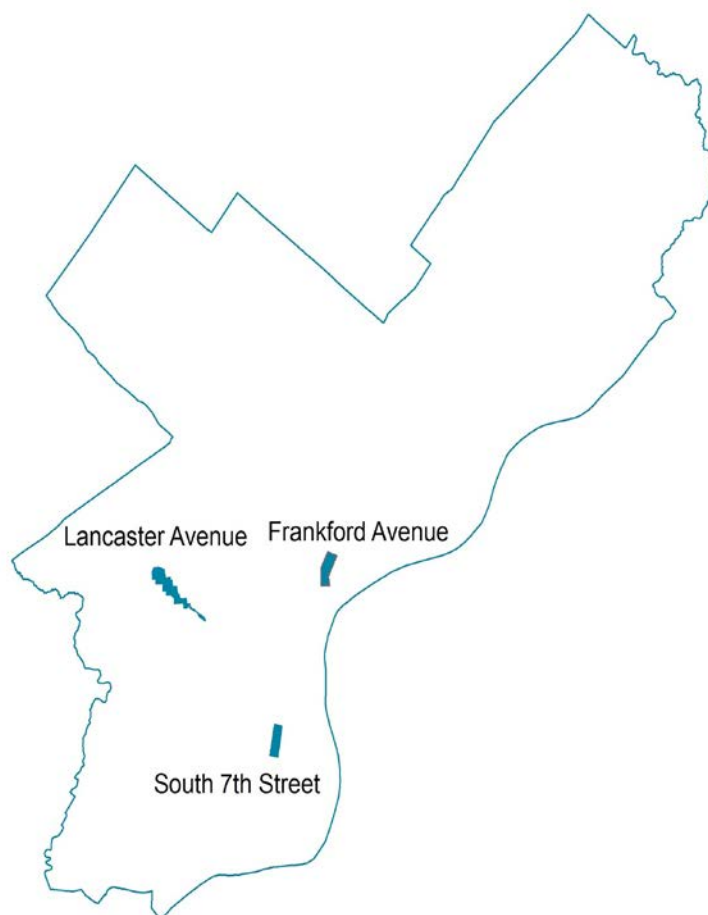
Our Approach: Neighborhood Context and Methodology

Qualitative Analysis

We interviewed 77 small business owners over three days in early November 2015.²³ The interviews were conducted across three different commercial corridors: Frankford Avenue in Fishtown, Lancaster Avenue in West Philadelphia, and South 7th Street in South Philadelphia. PACDC selected these three areas to serve as case studies of commercial corridors experiencing various levels of change. Frankford Avenue is an example of a neighborhood experiencing significant gentrification, Lancaster Avenue is beginning to gentrify, and South 7th Street may be at risk of gentrification.²⁴ We used our interviews to get a better picture of the concerns and attitudes of small businesses toward neighborhood change, as well as their use of and access to City programs that could ameliorate the potentially negative effects of gentrification on small businesses. We promised anonymity to those we interviewed. Figure 3 shows a map of the study areas.

Below is a brief background on each corridor, and a summary of our findings from interviews.

Figure 3.



²³ While some of the people we interviewed were business managers or other business employees, the vast majority of those interviewed were business owners, so we have chosen to use “owners” as shorthand in this report.

²⁴ These categories of gentrification were provided by PACDC. According to the Ding et al. study, some of the census tracts surrounding Lancaster Avenue were gentrifying, while others were not. Census tracts in Fishtown were already gentrified or gentrifying, and the census tracts near South 7th Street were gentrifying.

Significant Gentrification: Fishtown, Frankford Avenue between West Widley Street and East Columbia Avenue

Frankford Avenue is one of three main commercial corridors in the Philadelphia River Wards. It is composed mainly of former industrial and manufacturing buildings repurposed for retail and restaurants. After deindustrialization in the 1950s, Fishtown remained a largely racially homogenous white working class community. Drawn by affordability and ease of transit to Center City, however, educated young people have moved to the area, increasing the diversity. The population makeup of the River Wards fell from 98 percent White in 1980 to 71 percent in 2010, with the Black and Other Races²⁵ populations growing to 11 percent each.²⁶

The increasing purchasing power of Fishtown residents that came with the gentrification of the past decade seemed to be a boon to most existing small businesses along the corridor, of which many are upscale restaurants or retail. Though the business owners interviewed may be a biased sample, as they are the ones who remained in business or recently opened, these owners stated that business closures in the area were largely due to retirement or personal decisions. The only example of possible displacement given was the closure of a small coffee shop, widely assumed to be due to competition from the recent opening of a much larger citywide chain coffee store nearby. It is also worth mentioning that there was not much of a retail presence on this formerly industrial corridor before gentrification occurred. Large vacant parcels remain along the corridor, which could reduce displacement pressures if the supply of commercial space increases with new construction.

Small business owners who rented their property expected rising costs in coming years. Indeed, rental cost for retail spaces along the corridor increased 133 percent from 2005 to



Though concerned about rent, many of the 12 owners we interviewed were more focused on parking and pedestrian safety issues, which are serious, especially when compounded with large amounts of ongoing construction. Use of City programs was high, with the New Kensington Community Development Corporation (NKCDC) credited with assisting business owners with the process.

²⁵ The 2010 census separately asked Hispanic ethnicity and race, resulting in a large increase the selection of the “Some other race” category. While the River Wards’ 2010 “Some other race” population of 11.2% could be inflated, the “Some other race” population was already at 6.7% in 2000, before the change.

²⁶ City of Philadelphia, “Philadelphia 2035: River Wards District Plan.” August 2015.

²⁷ CBRE, “Surging Demand for Urban Retail -- Center City Philadelphia.” September 2015. pg. 30. Accessed January 4, 2016, <http://www.cbre.us/o/philadelphiainmarket/real-estate-news/Pages/Urban-Retail-Report-Center-City-Philadelphia-2015.aspx>

Beginning to Gentrify: West Philadelphia, Lancaster Avenue between 36th and 42nd Streets

The commercial corridor between 36th and 42nd Street on Lancaster Avenue serves five West Philadelphia communities: Mantua, West Powelton Village, Powelton Village, Saunders Park, and Mill Creek. This area is defined as “Lower Lancaster” by People’s Emergency Center (PEC), the CDC serving this corridor. Over 40,000 residents live near the commercial corridor.²⁸ Starting in the 1960s, the neighborhood experienced significant disinvestment and decline. Primarily lower-income African American residents live in the area, though demographics are beginning to change.²⁹



Lancaster Avenue is now experiencing increased development and studentification (the process by which students spur gentrification in a neighborhood) due to Drexel University’s expansion into the neighborhood. According to People’s Emergency Center, the lower section of Lancaster Avenue has seen a 500 percent increase in development from 2012 to 2014.³⁰ The corridor also falls within a Promise Zone, in which the Federal government partners with communities to “[c]reate jobs, leverage private investment, increase economic activity, expand educational opportunities, and reduce violent crime.”³¹

The research team interviewed 27 business owners or managers along Lancaster Avenue between 36th and 42nd Street. Interviews took place from November 3rd through November 5th, 2015. The majority of the 27 business owners interviewed operate retail establishments (15 in total), while the remaining own eateries or provide services. From 36th to 39th on Lancaster Avenue, businesses are beginning to cater to students and have reported steady sales.

Businesses include coffee shops, a bike store, and an Internet cafe. However, very few students live past the police department district headquarters on 39th and Lancaster. Most businesses between 39th and 42nd streets target existing residents. Stores carry inexpensive cellphones and cellphone plans, affordable clothing, and include hair salons, barbershops, and Chinese restaurants. The businesses that we interviewed from 39th to 42nd on Lancaster Avenue reported diminished purchasing power by their customers since the recession; most reported that they were hurting economically and that business was slow.



Use of City programs was low throughout the corridor, with paperwork cited as the primary barrier.

²⁸ James Wright & Lee Striar, “Lower Lancaster,” Flyer Distributed by People’s Emergency Center.

²⁹ “Make Your Mark: Lower Lancaster Revitalization Plan,” *People’s Emergency Center CDC*, June 2012, pg 45.
<http://www.pec-cares.org/clientfolders/pdf/MYM%20reduced.pdf>

³⁰ James Wright & Lee Striar, “Lower Lancaster,” People’s Emergency Center.

³¹ “Promise Zones,” *U.S. Department of Housing and Urban Development*, Accessed January 3, 2016,
http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/economicdevelopment/programs/pz/overview

At Risk of Gentrification: South Philadelphia, South 7th Street between Snyder and W. Shunk Street

Shoppers walking along the South 7th Street commercial corridor will find an extremely diverse mix of businesses selling a wide range of products, including Cambodian movies, Mexican tortas, and Vietnamese coffee. This diversity stems from the neighborhood's history of immigration, with a large number of Cambodian refugees and their children settling in this area since the 1980s, and immigrants from other parts of Asia and from Latin America joining more recently. Today, most of the businesses on this corridor are run by those of Cambodian heritage, but there are also several businesses run by people of Bhutanese, Laotian, Vietnamese, Mexican or Dominican heritage.

The South 7th Street commercial corridor spans approximately one half mile between Snyder Avenue and West Shunk Street. The surrounding low-income area was classified as experiencing weak and moderate gentrification in a 2015 report by Ding et al. of the Federal Reserve Bank of Philadelphia.³² In some ways, this corridor could be thought of as an “old-fashioned” main street: there are no chain stores along the corridor, and small businesses typically occupy a small ground floor storefront with one or two floors of occupied apartments above.



The research team interviewed 38 business owners or managers. Interviews were conducted in English, Spanish, Khmer, and Vietnamese with the help of translators. A slight majority of business owners said they own their space, with only a moderate number of vacancies on the corridor. One third of the interviewed businesses have been in the corridor for 15 years or more, and almost half of the businesses started in the last five years. Most business owners interviewed said that their customers are from the neighborhood, though a few catered to a regional or even a national Khmer customer base.

Many business owners along South 7th Street stated that they liked the character of the neighborhood and wanted it to retain its diversity. Said one owner, “I want to see the neighborhood stay the same, a familiar place where I can eat familiar food. When I get older, I want to be able to get food around here.”

The area appears to be at risk of gentrification, as the nearby neighborhoods of Pennsport and East Passyunk are gentrifying. Still, there is little immediate fear of gentrification among business owners; the larger concern is the residents' low purchasing power. Many business owners also mentioned that crime, litter, and poor lighting deter customers. Several owners were frustrated by the fact that after they clean the sidewalks around their stores, more trash fills the sidewalks within a day. Business owners mentioned robberies, harassment, drug use, and sex workers as a problem in the area, with vacant lots acting as a magnet for criminal activity, and some mentioned that they close early when it gets dark because of safety concerns.



Few businesses said that they benefit from City programs, with the application process, language barriers, and upfront costs for Storefront Improvement Program (SIP) grants, which provide partial reimbursement for upgrading facades, mentioned as problems. Business also struggled to acquire loans from banks, with many relying on family and savings to start their business.

³² Lei Ding, Jackelyn Hwang & Eileen E. Divringi, “Gentrification and Residential Mobility in Philadelphia.” October 15, 2015. FRB of Philadelphia Working Paper No. 15-36.

Geospatial Analysis

Overall, gentrification was not at the forefront of business owners' concerns across all three corridors. Many business owners were more preoccupied with addressing problems such as financing, access to City programs, cleanliness, safety, and parking. However, there is no doubt that gentrification is occurring in Philadelphia, and that neighborhood change may result in rent increases, higher property taxes, and a shifting customer base--threatening the viability of some small commercial corridor businesses. To take a closer look at the relationship between commercial corridor businesses and gentrification, we conducted a geospatial analysis comparing business location data and gentrification trends.

In this analysis, we relied on gentrification categories defined in a 2015 report authored by Lei Ding, Jackelyn Hwang, and Eileen Divringi of the Philadelphia Federal Reserve. Ding et al. analyzed changes in income, education levels, and housing prices in each of the city's census tracts between 2000 and 2013. The authors first determined whether census tracts were "gentrifiable"-- with a median income below the city's median income -- or "non-gentrifiable." Gentrifiable tracts were categorized as "gentrifying" or "non-gentrifying," based on changes evident in 2013 (see Table 1). The authors also examined rates of change within tracts; our analysis uses only the simplified categories of gentrifiable or non-gentrifiable, and gentrifying or non-gentrifying.³³

Table 1.

"Gentrification and Residential Mobility in Philadelphia" authored by Lei Ding, Jackelyn Hwang, and Eileen Divringi of the Federal Reserve Bank of Philadelphia: ³⁴	
Gentrification Definitions	
Category (Census Tract)	Definition
Non-Gentrifiable	Median household income above citywide median household income in 2000
Gentrifiable	Median household income below citywide median household income in 2000
Gentrifying	Gentrifiable in 2000, experienced an above citywide median percentage increase in median gross rent or median home value, and an above median increase share in share of college educated residents

Our analysis explores the relationship between census tract gentrification status and the locations of businesses along the city's commercial corridors. Using shared data from Econsult Solutions' 2009 report, "Commercial Corridors: A Strategic Investment Framework for Philadelphia," we created a map layering the city's 265 commercial corridors over business location data, and the census tracts identified by the Ding et al. as experiencing any level of gentrification³⁵. We also include the Fishtown corridor where we conducted interviews, as it was not considered a commercial corridor at the publishing of the Econsult report.

³³ Lei Ding, Jackelyn Hwang & Eileen E. Divringi, "Gentrification and Residential Mobility in Philadelphia." October 15, 2015, FRB of Philadelphia Working Paper No. 15-36.

³⁴ Ibid.

³⁵ Econsult Solutions, *Commercial Corridors: A Strategic Investment Framework for Philadelphia*. Philadelphia, Philadelphia LISC, 2009. Accessed January 4, 2016.
http://phsonline.org/media/resources/commercial_corridors_in_philadelphia.pdf.

Our analysis indicates that while business owners were not worried about gentrification, perhaps they should be. Gentrifying neighborhoods are home to a disproportionately large portion of the city's commercial corridors: Ding et al. define 15 percent of the city's tracts as gentrifying, but our analysis of business location data shows that 30 percent of businesses along commercial corridors are located in gentrifying census tracts. The map below (Figure 4) recreates the gentrification categories of Ding et al. and overlays the 40,000 businesses that lined the city's commercial corridors in 2013.

In addition to this geospatial analysis, we examined the age of businesses along our three commercial corridors (Figure 5). This analysis grouped businesses as of 2013 into three categories: new, mature, and other. New businesses are defined as those that were less than five years old. Mature businesses are older than ten years old, and other businesses are between six and nine years old. Counting the number of businesses along a corridor in each category allows us to see the "business age mix" of each area.

Within commercial corridors across the city, about half of businesses (48%) are "new" (between 0-5 years old). Mature businesses (10 years old or older) make up 36% of commercial corridors' businesses. The three corridors included in our study included a greater percentage of younger businesses than the corridors throughout the rest of Philadelphia. Along the Lancaster Avenue Corridor, 63% of businesses were classified as new in 2013. South 7th Street had 59% new businesses, and Fishtown had 57%. Furthermore, there were fewer numbers of mature businesses on Lancaster Avenue and South 7th Street (23% and 26% respectively). Fishtown's makeup of 32% mature businesses is closest to the citywide average (36%). This number likely reflects the older manufacturing companies located on and adjacent to this corridor. Overall, businesses on the studied corridors are newer than those on corridors across the city, and have less mature businesses than other corridors. The similarities between the corridors and their difference from the rest of the city is surprising, since the corridors were specifically selected for their varying levels of gentrification.

We provide a set of recommendations that take into account both business owners' primary concerns and the reality of gentrification taking place throughout the city. The recommendations have been organized into three main categories that we will elaborate on further throughout this report: (a) improving access to support for small businesses, (b) leveraging new investments to benefit small businesses, and (c) improving safety and public spaces.

Figure 4.

30% of Commercial Corridor Businesses are Located in Gentrifying Neighborhoods (2013)

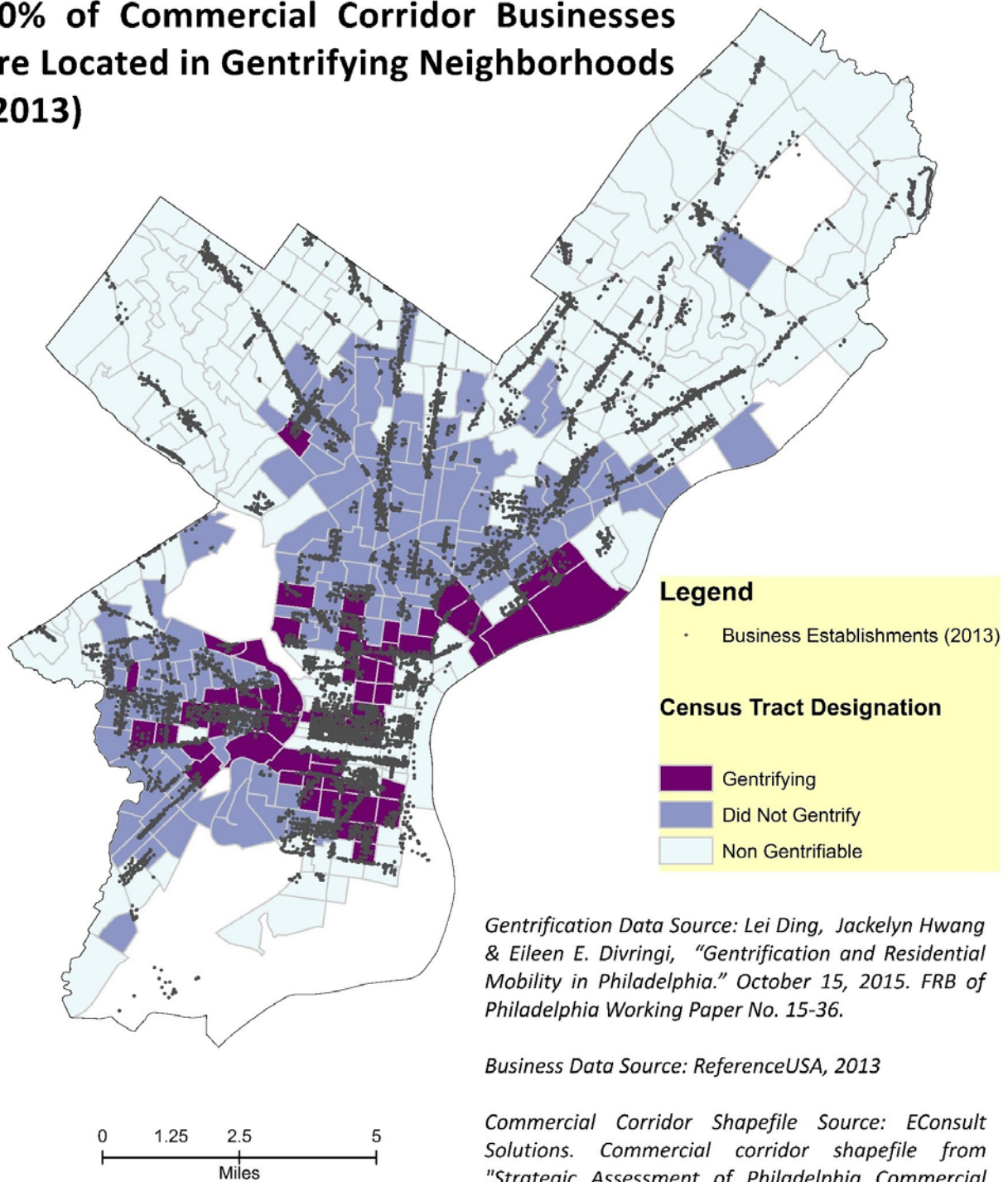
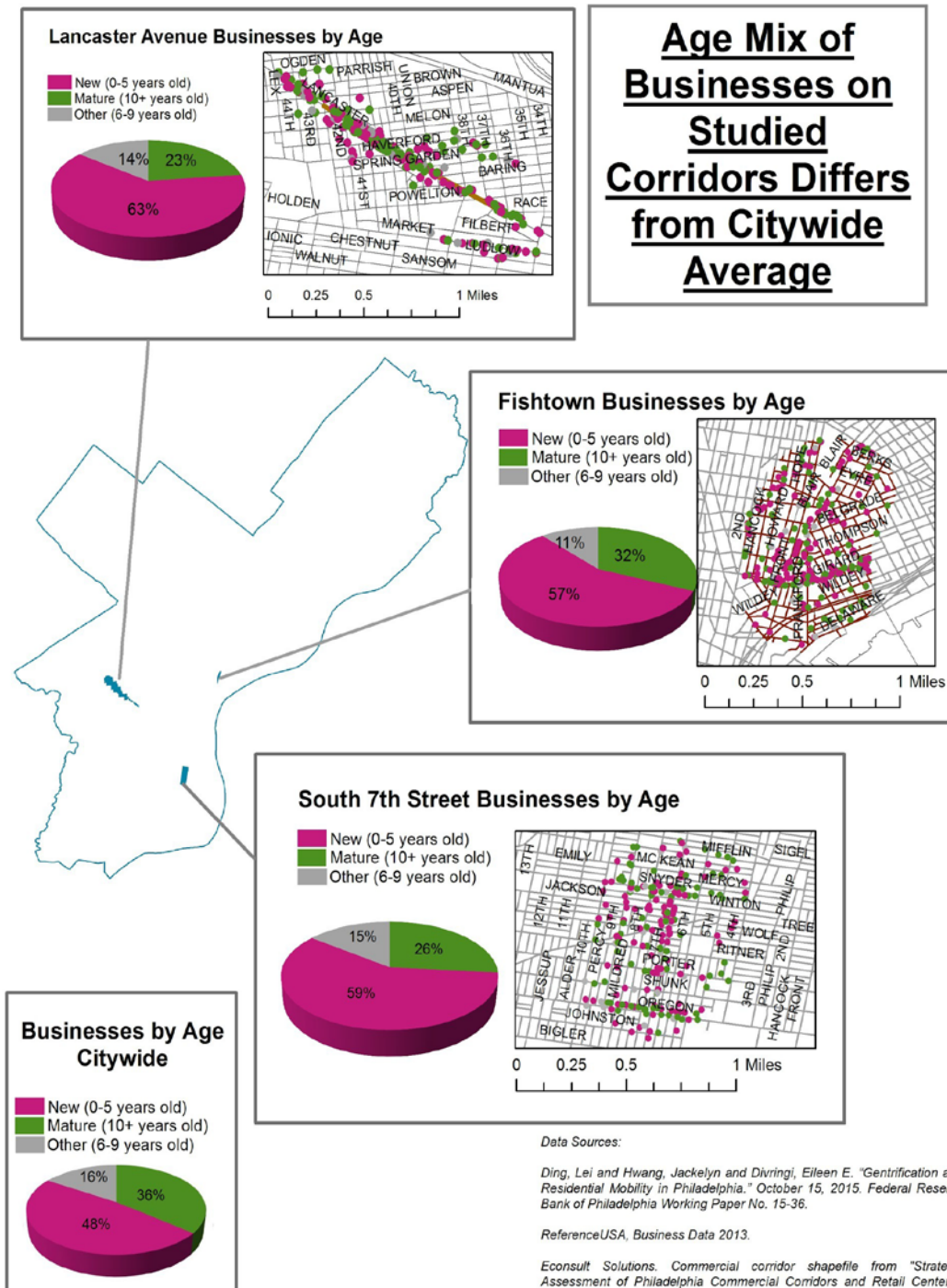


Figure 5.



Improving Support for Small Businesses

Business owners interviewed in three commercial corridors, in many lines of business, and from many walks of life, reported immense difficulty starting, maintaining and expanding their businesses in Philadelphia. Support for neighborhood small businesses would be increased due to recent campaign pledges by Mayor Jim Kenney. These proposals include better connecting businesses to technical and financial assistance through a Small Business Resource Center, creating a one-stop online portal for business interactions with City government, doubling funding for Storefront Improvement Program (SIP) grants, depositing City funds in local banks to boost small business lending, and providing business resources in more languages.³⁶



Additional policy and program changes are necessary to help strengthen local businesses in the context of neighborhood gentrification. The challenges associated with gentrification, including a shifting customer base and real estate pressures, demand new and improved policies and programs from City and nonprofit actors. Specifically, the City and nonprofit actors should improve support to businesses by taking the following steps:

- 1) *Improve access to existing grant and loan opportunities:* Solutions should include more effective technical assistance for businesses preparing to apply for loans, streamlining the application process for community development financial institution (CDFI) loans through an online marketplace, and reducing barriers to accessing SIP grants.
- 2) *Expand programs targeted at small business owners with limited banking alternatives:* The City should expand support for Rotating Savings and Credit Association (ROSCA) programs through funding for technical assistance staff and guaranteeing loans, focusing CDFI expansion efforts in gentrifying neighborhoods.
- 3) *Provide new types of technical assistance around planning for challenges of gentrification:* Small businesses in gentrifying areas would benefit from additional technical assistance on how to respond to the threats and opportunities neighborhood change poses.

Improve Access to Existing Grant and Loan Opportunities:

Many business owners interviewed were interested in applying for loans or City grants, but the owners and experts interviewed for this report shared a variety of challenges for businesses accessing assistance:

- *Identifying sources of capital and loans.* Business owners on South 7th Street and Lancaster Avenue reported being turned down for a loan by the bank where they are depositors and then giving up on searching for additional loans.³⁷

³⁶ Jim Kenney for Mayor, "Developing Economically Vibrant Neighborhoods across Philadelphia," 2015.

³⁷ Small business owners, South 7th Street, interviews by Wylie Timmerman, Miles Patrie, Margaret Lyford and Rorng Sorn, November 3-5, 2015.

- *Limited time to work on grant applications.* Because many neighborhood businesses have few or no employees, owners may have difficulty finding time to complete applications or to travel for technical assistance.
- *Missing application materials or qualifications.* Others may be turned away because they lack a business plan, adequate credit scores, or collateral that banks require.³⁸
- *Difficult application processes and language barriers.* For example, while the application process for SIP funds became simpler following a change in its funding



source, the Commerce Department reports that some businesses have difficulty obtaining multiple estimates from contractors for design and construction work.³⁹ When business owners seek loans, it can also be time consuming to apply to multiple loan providers at once.⁴⁰ Along South 7th Street, business owners mentioned that a need to translate City documents made the application process for storefront improvement grants even more time consuming.⁴¹

Recommendation 1. The City should provide more support on grant and loan applications for small business owners at their places of business.

Technical assistance at an owner's place of business could more effectively increase participation in grant and loan programs.⁴² Current support systems rely on different assistance providers for various steps of the loan or grant application process, requiring significant travel, time and coordination from small business owners. Small business' access to loans and grants might be significantly wider if business owners were instead provided with guidance at their place of business through the entire grant and loan application process, either by Office of Business Services staff in the Commerce Department or through nonprofit partners currently funded by the Business Technical Assistance Program (BTAP). The model of providing technical assistance at the place of business (either through one-on-one counseling, webinars, or other means) is



³⁸"Top 5 Small Business Loan Requirements," Kabbage, Accessed December 14, 2015, <https://www.kabbage.com/blog/top-5-small-business-loan-requirements/>.

Karen Black, "Taking Care of Business: Improving Philadelphia's Small Business Climate." *Sustainable Business Network of Philadelphia*, 2011, p. 25.

³⁹ Denis Murphy (Director, Commercial Corridor Development, Philadelphia Department of Commerce), interview by Wylie Timmerman and Marlise Pierre-Wright, December 8, 2015.

⁴⁰ "Small Business Credit Survey," Federal Reserve Bank of New York, Fall 2013, <https://www.newyorkfed.org/medialibrary/interactives/fall2013/fall2013/files/full-report.pdf>.

⁴¹ Small business owners, South 7th Street, interviews by Wylie Timmerman, Miles Patrie, Margaret Lyford and Rorng Sorn, November 3-5, 2015.

⁴² Denis Murphy, interview.

offered by some chapters of SCORE, a national non-profit sponsored by the Small Business Administration that provides assistance to business owners.⁴³

Successful engagement with small businesses owners around loan or grant applications could encourage owners to seek additional existing resources, such as business skill classes. This may help address a challenge identified by experts in small business technical assistance: some business owners who have remained in business for many years see no need to learn new business skills from technical assistance providers, despite the potentially positive benefits for their business.⁴⁴ Some programs currently link technical and financial assistance with success for participants. The 10,000 Small Businesses program, a partnership between the City of Philadelphia and Goldman Sachs,⁴⁵ provides one example, but its model of classroom training and requirements for participation may be too demanding of neighborhood small businesses.

Recommendation 2. Community development finance institutions (CDFIs) should create an online marketplace for small business loans.

Entrepreneurs rely on financing to start up, expand, and maintain their businesses, but have faced growing obstacles obtaining small business loans from banks, especially since the financial crisis of 2008.⁴⁶ While rapidly growing online loan marketplaces like Kabbage and Fundera have met the financing needs of small businesses unable to obtain bank loans, these alternatives may charge steep interest rates and still not satisfy the lending needs of some small businesses.^{47, 48} For entrepreneurs unable to access traditional avenues to capital and for those who are unable to afford the high interest rates of Kabbage and Fundera,⁴⁹ CDFIs serve as an important alternative. However, our interviews with businesses across all three corridors indicated that applications for CDFI loans were often too time-consuming or logistically challenging for small business owners, limiting the accessibility of these loans.

To streamline the process of applying for loans for businesses unable to access bank lending, CDFIs should create an online marketplace for low-interest loans. This would provide many of the conveniences of online loan marketplaces, such as the ability for a business to apply for multiple loans at once and receive quotes quickly. In addition, owners receiving loans from CDFIs providing technical assistance could also be connected to additional resources for businesses. Though capital available for small businesses through CDFIs is small relative to the overall loan market⁵⁰ and an online marketplace

⁴³ See for example Pittsburgh SCORE, which offers “Counseling ... conducted at the client's place of business.” Source: Pittsburgh Score, *Pittsburgh SCORE: Counselors to America's Small Businesses*, Accessed January 1, 2016, <https://pittsburgh.score.org/>.

⁴⁴ Herman Nyamunga (Director of Global Enterprise Hub & Small Business Development, The Welcoming Center for New Pennsylvanians), interview by Katharine Richardson et al., October 1, 2015.

⁴⁵ Mike Armstrong, “Goldman Sachs Expected to Help Small Businesses Here,” *The Philadelphia Inquirer* (Philadelphia, PA), January 10, 2013.

⁴⁶ Note that approximately 1/3 of small businesses used credit cards as a source of financing in 2014, according to a survey by the National Small Business Association. Credit card lenders, like online lenders described here, also charge substantial interest rates.

Source: “2014 Year-End Economic Report,” National Small Business Association, 2014, pp. 11, 13

⁴⁷ Ruth Simon, “Big Banks Cut Back on Loans to Small Businesses,” *The Wall Street Journal* (New York City, NY), November 26, 2015.

⁴⁸ Telis Demos and Peter Rudegeair, “Behind the Boom in Online Lending: A Tiny Utah Bank,” *The Wall Street Journal* (New York City, NY), December 13, 2015.

⁴⁹ Karen Gordon Mills and Bryan McCarthy, “The State of Small Business Lending: Credit Access during the Recovery and How Technology May Change the Game,” Harvard Business School Working Paper, July 22, 2014, p. 4.

⁵⁰ The Opportunity Finance Network (OFN) reports that its four member institutions based in Philadelphia that had business loans outstanding in FY2014 had extended \$13 million in credit to business and microenterprises. In comparison, the total

would not increase the amount of capital available, this proposal would address the logistical obstacles reported by businesses interviewed in all three Philadelphia commercial corridors studied and help serve neighborhood businesses large or small, new or old.



Several Philadelphia CDFIs are currently evaluating the online marketplace concept. Lessons from a similar endeavor in Washington D.C. should inform any online CDFI marketplace launched in Philadelphia.⁵¹ In Washington, D.C., DCSmallBizLoans.com brings together four CDFI lenders on a site created through a partnership of CDCs and DC's City government, supported by Citibank and the Citi Foundation.⁵² Philadelphia's lending community might improve upon the Washington, D.C. marketplace by seeking the participation of credit union lenders, which have also struggled to make business owners aware of their services in Philadelphia.⁵³

The City of Philadelphia's recent effort to expand online lending in partnership with Kiva Zip suggests that offline outreach will still be critical for connecting small businesses to new sources of financing. In 2014, the City of Philadelphia began a partnership with Kiva Zip to extend zero percent interest loans of \$5,000 or less to Philadelphia businesses.⁵⁴ Kiva Zip reports that this program has succeeded in terms of the volume of loans and repayment rates, though its loans provided only \$313,125 in capital to 70 Philadelphia businesses in its first year.⁵⁵ To attract borrowers from low- and moderate-income neighborhoods, Kiva Zip and CDCs conducted in-person outreach to businesses to promote the program.⁵⁶ Local organizations also play a role in Kiva Zip by serving as "trustees" that assess the qualifications of potential borrowers.⁵⁷ A wide swath of Philadelphia entrepreneurs have obtained

amount of bank loans originated in 2014 by banks in Philadelphia County, PA totaled \$254 million (analysis by authors). Source: Federal Financial Institutions Examination Council, "FFEIC Database of Small Business Lenders in Area - Originations," Community Reinvestment Act, 2014, Accessed December 13, 2015.

[http://www.ffiec.gov/craadweb/aggregate.aspx?Activity=5&Year=2014&State=42&Msa=37964&MSAtext=37964++PHILADELPHIA%2c+PA&strStatetext=42-PENNSYLVANIA+\(PA\)](http://www.ffiec.gov/craadweb/aggregate.aspx?Activity=5&Year=2014&State=42&Msa=37964&MSAtext=37964++PHILADELPHIA%2c+PA&strStatetext=42-PENNSYLVANIA+(PA)).

⁵¹ The Small Business Administration also recently released the website LINC, short for "Leveraging Information and Networks to access Capital". This website is a referral device, rather than a loan marketplace that allows users to apply for loans from multiple lending institutions at the same time.

Source: Small Business Administration, "LINC - Frequently Asked Questions for Lenders," Small Business Administration, Accessed December 13, 2015, <https://www.sba.gov/sites/default/files/files/LINC-Lender-FAQ.pdf>.

⁵² DC Small Business Policy Project, *DCSmallBizLoans.com*, Accessed December 13, 2015, <https://www.dcsmallbizloans.com>.

⁵³ Keith L. Rolland, "Credit Unions Pursue Small Business Loans," *Cascade*, no. 71, (Spring/Summer 2009), https://www.philadelphiafed.org/community-development/publications/cascade/71/06_credit-unions-pursue-small-business-loans.

⁵⁴ Philadelphia Department of Commerce, "Kiva Zip," Philadelphia Department of Commerce, Accessed October 15, 2015, <http://www.phila.gov/commerce/Documents/Kiva%20Zip%20Flyer.pdf>.

⁵⁵ Todd Bookman, "Kiva Zip Philadelphia Celebrates One Year and \$313K in Loans," *Newsworks* (Philadelphia, PA) November 25, 2015.

⁵⁶ Julie Zeglen, "What Kiva Zip Learned About Serving Small Businesses After a Year in Philadelphia," *Generosity* (Philadelphia, PA), December 12, 2015, Accessed December 24, 2015, <http://generosity.org/philly/2015/12/02/kiva-zip-philadelphia-first-year/>.

⁵⁷ Kiva Zip, "Questions for and about Kiva Zip Borrowers," Kiva Zip, Accessed December 24, 2015, <https://zip.kiva.org/faq#>

financing from lenders through the website, indicating that outreach efforts have been successful: 59 percent are owned by ethnic minorities and 74 percent are under three years old.⁵⁸ This success indicates that an online marketplace for CDFI loans would need to rely on the support of CDCs, the City and other community development organizations to reach a broad segment of Philadelphia businesses.

Recommendation 3. The City should improve access to SIP grants by reducing the amount of upfront capital required of small business owners.

Interviews with subject matter experts and businesses showed that many business owners were familiar with City grant programs, and SIP in particular.⁵⁹ According to a Philadelphia Department of Commerce report on the economic impact of SIP, businesses making use of SIP saw impressive gains in property values and sales, a fact many business owners were aware of.⁶⁰ Despite these benefits, some small business owners were unable to apply because they lacked the upfront capital necessary to access matching grants or may have lacked the collateral to apply for a loan.⁶¹

CDFIs like The Enterprise Center and Entrepreneur Works are beginning to address the cash flow problems of businesses seeking City grants by developing bridge loans that will allow a business to pay contractors upfront for storefront improvements with a loan and then use the partial reimbursement from SIP to pay off a portion of the loan.⁶² Moreover, while the terms of SIP grants have become simpler in 2015 as funding sources changed,⁶³ the difficulty some businesses face in funding these improvements points to ongoing challenges in obtaining financial assistance.

The City Commerce Department has also taken steps to reduce the need for businesses to pay contractors up front while waiting for City reimbursement. In select cases, the City Commerce Department paid its matching contribution for storefront improvements directly to a contractor, lowering the amount of money that the grant



⁵⁸ Ayana Jones, "Microloan Program Celebrates Success," *The Philadelphia Tribune* (Philadelphia, PA), June 9, 2015, Accessed December 24, 2015, http://www.phillytrib.com/news/business/microloan-program-celebrates-success/article_3ae41f75-dc16-57a0-b884-b5819a64226d.html

⁵⁹ Small business owners, interviews by Wylie Timmerman et al., November 3-5, 2015.

Herman Nyamunga (Director of Global Enterprise Hub & Small Business Development, The Welcoming Center for New Pennsylvanians), interview by Katharine Richardson et al., October 1, 2015.

Joanna Winchester (Director of Economic Development, New Kensington Community Development Corporation), interview by Kathleen Burke and Emily Black, November, 2015.

James Wright (Manager, Commercial Corridor, People's Emergency Committee Community Development Corporation), interview by Marlise Pierre-Wright and Katharine Richardson, November, 2015.

⁶⁰ Alex Hartley, "Storefront Improvement Program: Economic Impact Analysis," Philadelphia Department of Commerce, March 2015.

⁶¹ Small business owners, South 7th Street, interviews by Wylie Timmerman, Miles Patrie, Margaret Lyford and Rorng Sorn. 2015. (Nov 3-5).

⁶² Caroline Valvardi (Director of Capital Lending, The Enterprise Center), interview by Emily Black, Margaret Lyford and Katharine Richardson, November 23, 2015.

Leslie Benoliel (President & CEO, Entrepreneur Works and Entrepreneur Works Fund), interview by Miles Patrie and Marlise Pierre-Wright, December 1, 2015.

⁶³ Denis Murphy (Director, Commercial Corridor Development, Philadelphia Department of Commerce), interview by Wylie Timmerman and Marlise Pierre-Wright, December 8, 2015.

recipient must assemble up front.⁶⁴ The City Commerce Department is also evaluating a proposal to increase the amount of matching funds the City provides to business owners in areas with higher levels of low- to moderate-income individuals.⁶⁵

To address the cash flow needs of businesses seeking SIP grants, PIDC could expand its existing bridge loan program for City contractors to recipients of SIP grants.⁶⁶ An online marketplace for Philadelphia CDFI loans in Philadelphia, as described earlier, would be another means of helping businesses identify sources of matching funds for SIP loans. Finally, the City Commerce Department could formalize its policies for directly paying contractors the City's portion of storefront improvement costs. These solutions will help ensure that a broader spectrum of Philadelphia businesses are able to access SIP funds if funding for the program were doubled, as proposed by Mayor Kenney.

Expand programs targeted at small business owners with limited banking alternatives:

Business owners on South 7th Street and Lancaster Avenue reported challenges with obtaining loans through banks, but may also not be well qualified for loans from other sources when collateral or good credit are required.⁶⁷ Financing may be especially critical for businesses facing new demands as a result of gentrification, such as a need to upgrade inventory, storefronts or interiors to attract and retain customers. Given these pressures on existing businesses, the City should continue to support methods of assistance like peer-to-peer lending that are more accessible to business owners with less business savvy.

Recommendation 4. The City should expand support for Rotating Savings and Credit Association (ROSCA) programs through funding for technical assistance staff and loan guarantees. Nonprofits operating these programs should focus expansion efforts in gentrifying neighborhoods.

To help businesses least able to access loans from banks or CDFIs, the City should expand funding for CDFIs that support ROSCAs. Informally, ROSCAs are used by groups of businesses owners, often in immigrant communities, to pool money for rotating loans. In 2011, Entrepreneur Works and FINANTA launched the "Circles of Success" program, an effort to link formal lending, credit building, and financial assistance with the existing peer-to-peer ROSCA lending practices in many under-banked communities. FINANTA and Entrepreneur Works connect with these groups of small business owners, provide greater amounts of capital, and track repayment to build a formal credit history for

⁶⁴ Ibid.

⁶⁵ Ibid. Some Commerce Department programs, such as the Corridor Management and Corridor Cleaning programs, are funded by Community Development Block Grants (CDBG). At least 51% of CDBG beneficiaries (or those living within an area served by the CDBG-funded activity) must be low- to moderate-income individuals.

⁶⁶ Currently, PIDC's bridge loan program is intended to help City contractors address cash flow needs between receiving a grant and receiving payment from the City.

Source: PIDC, "Bridge Loan", PIDC, Accessed January 7, 2016. <http://www.pidcphila.com/product/bridge-loan>

⁶⁷ Subject matter experts indicate that some less sophisticated business owners lack business plans or may underreport business income to minimize their tax burdens, both of which make obtaining loans difficult. Sources: Eva Gladstein (Executive Director, Mayor's Office of Community Empowerment and Opportunity, City of Philadelphia), interview by Miles Patrie and Wylie Timmerman, December 8, 2015.

Herman Nyamunga (Director of Global Enterprise Hub & Small Business Development, The Welcoming Center for New Pennsylvanians), interview by Katharine Richardson et al., October 1, 2015.

participants.^{68,69,70} As is typical with informal ROSCAs, the risk of default is distributed across participating group members; if one group member fails to repay, the other members assume responsibility for the debt. FINANTA reports that “the peer-pressure drives near perfect repayment rates,”⁷¹ which helps business owners develop a credit history and build networks with other entrepreneurs.^{72, 73} Facilitating these networks and providing technical assistance to participating businesses requires staff support, which the City currently funds through its Business Technical Assistance Program (BTAP).⁷⁴ Additional funding would allow peer groups in more neighborhoods to form with the assistance of nonprofit lenders, and a City guarantee of loans in these programs would help ensure CDFIs have enough capital available to lend.

Further research should be conducted on the effectiveness of peer-to-peer lending programs in connecting businesses to other sources of capital, and determining whether these networks can help support business owners remain in their commercial corridors when confronted with gentrification pressures.

Provide technical assistance to help small businesses plan for the challenges of gentrification:

While the immediate demands of running a business may command the focus of a business owner, long-term planning is essential when gentrification is underway. Given that many business owners interviewed had no employees beyond themselves, most may be preoccupied with the daily demands of running a business.⁷⁵ Even if the signs of market change are not yet visible, a business will need new strategies to be resilient in the face of rising property values and demographic changes accompanying gentrification. This long-term planning could be facilitated by technical assistance from a corridor manager who has a more holistic, long-term view of trends on a commercial corridor.

Recommendation 5. PACDC should work with its members in neighborhoods at risk of gentrification to provide technical assistance to businesses on how to plan for the challenges of gentrification.

Local corridor managers can assist businesses in preparing for the challenges of gentrification at different stages of neighborhood change. Corridor managers, funded by the Philadelphia Department of

⁶⁸ Entrepreneur Works, “Networking,” Entrepreneur Works, Accessed December 10, 2015, <http://www.myentrepreneurworks.org/programs/networking>

⁶⁹ Citigroup Inc. “Finanta and Entrepreneur Works Partner with Citi to Build Credit and Grow Small Businesses in Philadelphia.” Citigroup Inc. September 29, 2011. Accessed January 2016. <http://www.citigroup.com/citi/news/2011/110929c.htm>.

⁷⁰ Samantha Melamed, “Sharing the Wealth,” FINANTA, December 15, 2011, http://www.finanta.org/news/article/sharing_the_wealth.

⁷¹ Ibid.

⁷² FINANTA, “Precaps Program,” FINANTA, November 28, 2015, <http://www.finanta.org/business-programs/PRECAPS-program/>.

⁷³ Though some business owners on South 7th Street are already able to tap networks for capital and support, the formal structure of CDFI-sponsored ROSCAs is more advantageous as it provides an opportunity to build credit history and learn best practices.

Source: Small business owners, South 7th Street, interviews by Wylie Timmerman, Miles Patrie, Margaret Lyford and Rorng Sorn, November 3-5, 2015.

⁷⁴ In 2015, the organizations receiving BTAP grants were Entrepreneur Works, FINANTA, Welcoming Center for New Pennsylvanians, The Enterprise Center, Women’s Business Development Center, and Women’s Opportunities Resource Center.

Sources: Philadelphia Department of Commerce, “Small Business Education and Support Services.” City of Philadelphia Department of Commerce, Accessed December 2015, http://www.phila.gov/commerce/Documents/BTAP_Providers.pdf. City of Philadelphia, “City of Philadelphia / Contracts,” GitHub, August 31, 2015, Accessed November 2015, <https://github.com/CityOfPhiladelphia/contracts/tree/gh-pages/professional-services/data>.

⁷⁵ Small business owners, interviews by Wylie Timmerman et al, November 3-5, 2015.

Commerce's Corridor Management Program, provide assistance to businesses, oversee safety and cleanliness initiatives, and help bring resources, planning and new businesses to the corridor.⁷⁶

Interviews of businesses in Fishtown and on Lancaster Avenue attested to the corridor managers' help in securing grants and connecting or providing technical assistance, while nonprofits assisting businesses found it difficult to find clients on South 7th Street where there is no CDC or corridor manager.⁷⁷ This suggests that corridors located in neighborhoods experiencing gentrification pressures, such as South 7th Street, would also benefit from having a CDC and corridor management. To further equip corridor managers with the tools to assist businesses in gentrifying neighborhoods, PACDC should facilitate corridor management trainings around planning for gentrification, including a focus on the following topics.

Corridor managers should help business owners understand how to meet the needs of newer, wealthier residents while continuing to serve existing, low-income residents.

A local corridor manager from a community organization can help businesses navigate the tension between the interests of low-income, longtime residents and wealthier customers moving into a neighborhood. For example, while a Lancaster Avenue business owner may see students moving into the neighborhood as a boost to his or her business, existing residents would likely feel excluded or priced-out if a business changed its products to appeal exclusively to students. Community organizations and corridor managers can help businesses navigate new markets while retaining products and services that cater to longtime residents. For example, James Wright, the corridor manager from the People's Emergency Center (PEC) in West Philadelphia is helping businesses integrate new products into their stores that appeal to students while maintaining products favored by longtime residents.⁷⁸ Other small business support organizations are also helping businesses adapt to a new clientele by using market data or renovating their storefronts with the help of City resources.⁷⁹

However, businesses may be reluctant to adapt their business models to new types of customers who are only beginning to arrive to a neighborhood. One solution may be to provide advice on adapting business models when businesses in gentrifying areas receive loans from CDFIs. If existing businesses fail to take advantage of both these financial and technical supports, they may be outcompeted by new businesses that cater to the wealthier individuals in a neighborhood.

Corridor managers should provide guidance to commercial tenants on purchasing property, using knowledge of neighborhood property values and trends.

With the threats to small businesses described in this report, PACDC should advise its CDCs to encourage businesses to adopt new strategies to be resilient in the face of neighborhood



⁷⁶ Philadelphia Department of Commerce, "Revitalizing Corridors," Philadelphia Department of Commerce, Accessed Dec. 6, 2015, <http://www.phila.gov/commerce/neighborhoods/Pages/RevitalizingCorridors.aspx>.

⁷⁷ Leslie Benoliel (President & CEO, Entrepreneur Works and Entrepreneur Works Fund), interview by Miles Patrie and Marlise Pierre-Wright, December 1, 2015.

⁷⁸ James Wright (Manager, Commercial Corridor, People's Emergency Committee Community Development Corporation), interview by Marlise Pierre-Wright and Katharine Richardson, November, 2015.

⁷⁹ The Welcoming Center for New Pennsylvanians, "Start a Business," The Welcoming Center for New Pennsylvanians, Accessed October 30, 2015, <http://www.welcomingcenter.org/immigrants/start-business>.

change. In particular, CDCs could provide guidance to commercial tenants about strategies for buying property in areas at risk of gentrification. As an area gentrifies, property values will rise from low values. If business owners become property owners when land is still relatively inexpensive, they can benefit from an increase in property values, and also avoid the unexpected loss of a lease. While property ownership carries with it a number of challenges—assembling financing, maintaining the building, paying for costs of repair—some business owners may find it valuable to invest in property if they believe that prices will rise in the coming years.

As the Philadelphia Land Bank continues to grow, there may be opportunities for collaboration between the City, CDCs, and small business owners to develop commercial corridor vacancies. CDCs could acquire property from the Land Bank and operate affordable commercial rental space, or small business owners could purchase property to expand their business. With an estimated 32,000 vacant properties, 23,000 of which are individual lots,⁸⁰ further exploration should occur to determine the feasibility of these partnerships.

⁸⁰ Philadelphia Land Bank, “Proposed Land Bank Strategic Plan & Disposition Policies, Executive Summary,” Philadelphia Land bank, October 30, 2014. Accessed January 7, 2016, http://www.phila.gov/CityPlanning/plans/PDF/ProposedLandBankStrategicPlan_ExecutiveSummary_103014.pdf

Leveraging Anchor Institutions' Expansion to Benefit Small Businesses

Anchor institutions—large public or nonprofit organizations that are established in a physical area and tend to stay in place, due to real estate investments, physical assets, or their organizational charter⁸¹—can influence surrounding small businesses in a variety of ways, including procurement policies, safety initiatives, and real estate development.⁸² Commercial corridors near rapidly expanding anchor institutions, such as universities and hospitals, can face particularly large displacement pressures.

In particular, “studentification,” or the process of gentrification through the increase of a student population, often results in an increase in the conversion of residential homes into apartment complexes, leading to higher rent prices and reduced housing stock for families.⁸³ Studentification can also create demand for businesses that are tailored to students such as pizza shops, cafes, and bike shops, and these new businesses can push out existing small businesses and business owners. Longtime residents, as a result, can lose access to affordable and important goods and services.⁸⁴ Promoting equitable development is challenging in areas surrounding anchor institutions; efforts in these areas, in particular, need to ensure that the needs of existing residents and business owners are balanced with the needs of new residents.



Recommendation 6. Community coalitions should pursue Community Benefit Agreements that are enforceable and representative of community needs.

Community benefit agreements (CBAs) are an increasingly popular way to leverage developers' investments in an area into benefits for the existing community. These agreements are “a standalone, legally enforceable contract between multiple community groups and a private developer.”⁸⁵ Developers seeking government approval of a project may sign a CBA to gain community support, and therefore expedite or increase chances of approval. Although gaining traction in communities, it is unclear whether CBAs actually result in the intended benefit to the community; community groups may not have the skills or experience to negotiate effectively, and private developers may not adhere to the

⁸¹ “Anchor Institutions,” *Democracycollaborative.org*, accessed October 30, 2015, <http://democracycollaborative.org/democracycollaborative/anchorinstitutions/Anchor%20Institutions>.

⁸² “Anchor Institutions,” *Democracycollaborative.org*

⁸³ Graham Pickren “ ‘Where Can I Build My Student Housing?’ The Politics of Studentification in Athens-Clarke County, Georgia”, *Southeastern Geographer* volume 52, no. 2 (Summer 2012): 116

⁸⁴ Abt Consultants. “The Effects of Neighborhood Change on New York City Housing Authority Residents.” May 22, 2015.

⁸⁵ Nicholas Marantz, “What Do Community Benefit Agreements Deliver? Evidence from Los Angeles” *Journal of American Planning Association*, 81:4(2015): 252, DOI: 10.1080/01944363.2015.1092093

contract once established.⁸⁶ However, recent research has found two important factors that are common amongst strong CBAs: they must be representative and enforceable.⁸⁷

- (1) *CBAs must be representative of community needs* – CBAs should take into account the opinions of the local residents and should seek to be as representative of their opinions and needs as possible. Nonprofit organizations that fail to take into account resident needs will often create weak CBAs that ultimately have little or no impact. Rather than having one CDC or NGO promote a CBA on behalf of the community, it may be in the community’s best interest to have multiple NGOs form a coalition. They can ensure that all viewpoints and needs are taken into consideration when developing a CBA. In Los Angeles, a successful coalition that formed to create a CBA that would mitigate the potential adverse effects of a proposed Los Angeles Sports and Entertainment Center or LASED was comprised of 29 organizations and 300 individuals.⁸⁸ As a result, the coalition had political leverage and was able to pull together legal expertise to assist in the process.⁸⁹
- (2) *CBAs must include binding provisions and City monitoring to make agreements enforceable* – CBAs are useless if there are no metrics to ensure that developers comply with the contract. A recent analysis by Karen Black, a policy expert, found that some CBAs in Philadelphia were not enforceable.⁹⁰ Some of the CBAs include word such as “strongly encourage” or “good faith” but did not detail any consequences if the goals and contract agreements were not met. A study found that on the whole, the LASED CBA (detailed above) was enforceable and that the developers were in compliance with the agreement.⁹¹ These requirements included living wages, jobs, housing, and community spaces. The success of the CBA hinged on monitoring by public agencies to ensure that the agreement was upheld and the use of a mix of public and private funding streams.⁹² The results show us that although government agencies are not part of the CBA contract, they can play a role in monitoring compliance (such as ensuring that developers reach target hiring, provide livable wages and comply with environmental impact) and by supplementing developers funding to improve parks and expand affordable housing and potentially, discounted commercial real estate. Therefore, the City can have a role to play in enforcing CBAs.

There are many ways that CDCs, NGOs and coalitions can use CBAs to benefit small businesses in Philadelphia:

- (1) *Loans for small businesses*: Create CBA provisions that require institutions to fund loans or grants to small businesses, either through support of existing small business assistance programs or the creation of a new program. These loans and grants could fund business storefront and interior improvements, supporting the viability of the business as the neighborhood changes. Loans could also assist in building acquisition, so businesses owners that wish to remain in the neighborhood can have a permanent stake in the commercial corridor. Ideally, this financing would help minimize small business displacement and give business owners the financial means

⁸⁶ Victoria Been, Working Paper, “Community Benefits Agreements: A New Local Government Tool or Another Variation on the Exactions Theme?” http://furmancenter.org/files/publications/Community_Benefits_Agreements_Working_Paper.pdf

⁸⁷ Ibid., 252.

⁸⁸ Ibid., 254.

⁸⁹ Ibid., 255, 256.

⁹⁰ Student interview with Karen Black

⁹¹ Nicholas Marantz, “What Do Community Benefit Agreements Deliver? Evidence from Los Angeles” *Journal of American Planning Association*, 81:4(2015): 257, DOI: 10.1080/01944363.2015.1092093

⁹² Ibid., 264.

to remain in the area. Precedent for this exists in New York. A 2013 CBA for the redevelopment of the Bronx's Kingsbridge Armory established a grant program for local businesses to support capital improvements.⁹³

- (2) *Space for Small Businesses:* Advocate for CBA provisions to integrate existing businesses into new developments. CBA provisions could require institutions to give priority to existing businesses to rent retail space for a reduced price, or to advertise small businesses throughout student dorms or campus spaces for a reduced price. For example, a San Jose coalition of small businesses, neighborhood groups and unions successfully negotiated a CBA that guaranteed space for small businesses within a large mixed-use development.⁹⁴



Recommendation 7. The City, CDCs, and CDFIs should help small businesses on commercial corridors leverage the purchasing power of nearby anchor institutions.

Philadelphia's "eds and meds" spend over \$5 billion on goods and services each year.⁹⁵ By shifting procurement to local vendors, anchor institutions can support area businesses and help ensure the surrounding community benefits from this economic activity. For example, Thomas Jefferson University Hospital currently relies on local sources for food procurement, and estimates its total local economic impact at \$130 million.⁹⁶ Strengthening or creating new linkages between commercial corridor businesses and anchor institutions can help small businesses survive and thrive.

- 1) *Technical Assistance:* The City should help to fund technical assistance providers to address constraints associated with scale of production, capital, expertise, or certification that may limit the ability of small businesses to meet the procurement demands of anchor institutions. A 2015 Philadelphia Controller report⁹⁷ identified promising opportunities for local procurement, including local sourcing of office furniture, sporting and athletic goods, and office supplies. Some institutions already work with small businesses to contract out services; this model could be expanded to support a greater number of small businesses. For example, Penn's service

⁹³ "Policy & Tools: Community Benefits Agreements and Policies in Effect," *Partnership for Working Families*, accessed December 13, 2015. <http://www.forworkingfamilies.org/page/policy-tools-community-benefits-agreements-and-policies-effect>.

⁹⁴ Ibid.

⁹⁵ "Anchoring Our Local Economy," *City of Philadelphia: Office of the Controller*, April 2015, http://www.philadelphiacontroller.org/publications/audits/AnchorInitiative_ManufacturingJobsRoadmap_2015.pdf.⁹⁶ Ibid, 7.

⁹⁷ Philadelphia Office of the Controller, "Anchoring Our Local Economy: Developing a Local Procurement Strategy for Philadelphia's Higher Education and Healthcare Institutions," Philadelphia Office of the Controller, April 2015. Accessed January 7, http://www.philadelphiacontroller.org/publications/audits/AnchorInitiative_ManufacturingJobsRoadmap_2015.pdf

provider, Bon Appetit, purchases baked goods from local entrepreneurs at The Enterprise Center's Center for Culinary Enterprises.⁹⁸ This center helps local entrepreneurs meet the required health codes and necessary certifications for supplying these baked goods. The Chicago Anchors for a Strong Economy (CASE) program is one example of a City-led initiative that supports partnerships between small businesses and anchor institutions. Small businesses in the CASE program receive support to meet procurement demands from 20 anchor institutions in Chicago. Small businesses that participated in the first year of the program saw an average increase in yearly revenue of \$804,000.⁹⁹ While this type of initiative might not make sense for all types of businesses, further exploration should occur to identify potential linkages between commercial corridor businesses and anchor institutions.

- 2) *Worker Cooperatives*: CDCs and CDFIs can help to organize small businesses so that they can best leverage the purchasing power of anchor institutions through worker cooperatives. Worker cooperatives give employees equity in a company, and employees' wealth grows as the company grows. Workers have an equal voice in company decisions, supporting worker agency and building business acumen.¹⁰⁰ Worker cooperatives promote neighborhood stability; cooperatives are less likely to leave an area in search of cheaper labor or land, and workers may have greater stability with increased wealth.¹⁰¹ In addition, some types of cooperatives, especially groceries, may serve as convening spaces or developing forces along commercial corridors.¹⁰² Philadelphia can look to Cleveland for an example of worker cooperatives bridging the gap between anchor institutions and local business owners. Since beginning in 2008, the Evergreen Cooperatives in Cleveland (a network of worker-owned businesses) have opened three businesses: a laundry service, a company specializing in solar panels, and a hydroponic greenhouse.¹⁰³ These businesses partner with anchor institutions in the Cleveland area to ensure that they have a steady flow of contracts.¹⁰⁴ Further exploration could determine the applicability of this model to areas like University City and the areas near Temple University.

Recommendation 8. The City and CDCs should help small businesses in areas experiencing anchor institution expansion to capitalize on new investments and the new customer base.

The City should encourage small businesses in commercial corridors to renovate as necessary and rent upstairs apartments as a source of income.

⁹⁸ The Enterprise Center, "The Dorrance H. Hamilton Center for Culinary Enterprises," Accessed Jan 3 2016 <http://theenterprisecenter.com/cc/>

⁹⁹ World Business Chicago, "Anchor Institutions Step Up to Support Chicago's Small Businesses" Accessed Jan 3 2016 <http://www.worldbusinesschicago.com/anchor-institutions-step-up-to-support-chicagos-small-businesses>

¹⁰⁰ Jennifer Bryant, "Towards a New Gentrification Mythology," January 28, 2015, accessed October 21, 2015, <http://www.onedconline.org/gentrificationmythology>.

¹⁰¹ "Anchor Institutions," *Democracycollaborative.org*

Keith Epstein, "The Spy Who Saved Cleveland" February 19, 2015. <http://www.politico.com/magazine/story/2015/02/what-works-cleveland-115324?o=2>

¹⁰² Drexel Center for Policy and Public Policy "Urban Cooperatives and Economic Development" 1(2) : 2014, accessed Jan 2016 <http://geo.coop/content/urban-cooperatives-and-economic-development>, 10

¹⁰³ "Anchor Institutions," *Democracycollaborative.org*

¹⁰⁴ "Evergreen Businesses," *Evergreen Cooperatives*, 2012, accessed October 25, 2015, <http://evergreencooperatives.com/businesses/>.

Due to the fast pace of institutional development, small businesses may need to renovate quickly to capture the growing rental market. However, during our interviews on Lancaster Ave, near Drexel University, we found that many of the upstairs units were not occupied and not renovated. Many business owners cited the cost of repairs as barriers to activating these units. Therefore, they were unable to benefit from the growing renter population. By renovating upstairs units, small business owners on commercial corridors can benefit from the demand for student housing in areas near Universities. Another potential renter type near anchor institutions is medical staff who work for hospitals. This renovated units can also offer needed housing for community members. Further exploration should occur into potential partnerships between anchor institutions, CDCs, and local business owners in the renovations of these upstairs units.

The City should expedite these funds for areas facing institutional pressure. Mayor Kenney expressed support for dedicating City General Fund dollars and Housing Trust Fund dollars to help reduce vacancies on 2nd and 3rd floor units.¹⁰⁵ By committing local funds, the City could leverage state funding available for mixed-use development, including the Pennsylvania Housing Finance Agency's ReCLAIM program.

CDCs can help businesses minimize “social distance” between businesses and the anchor institution affiliated populations.

“Social distance” between students from surrounding anchor institutions and current residents can lead to students shunning current business and instead, frequenting newer, hip “boutiques” and other shops geared towards students and those affiliated with anchor institutions.¹⁰⁶ Social distance between new residents who are affiliated with anchor institution and current residents is a by-product of the “short-term nature of student residence patterns and the insular communities that come to define the college experience.”¹⁰⁷ This phenomenon is particularly damaging to small businesses that want to respond to the changes in demographics due to increased student housing but find themselves unable to attract students due to the social divisions.

Small business owners in areas experiencing anchor institutional pressure should connect with the CDC in the area to better understand the impact of increased student and university-affiliated population on their businesses. CDCs can help businesses adjust to the new population, bridge the gap between the new and existing residents, and minimize issues of social distance. As mentioned previously, James Wright, corridor manager of Lancaster Ave, has helped businesses dealing with an influx of student customers to leverage this new customer base. He helped a small business add craft beers to the inventory, which allows them to cater to new residents while maintaining their current customer base.

CDCs or other technical assistance programs could also help businesses incorporate technology into daily



¹⁰⁵ Jim Kenney “Developing Economically Vibrant Neighborhoods Across Philadelphia” *Kenney2015*, Access date: Nov 25, 2015, <https://kenney2015.com/assets/uploads/general/Neighborhood-Economic-Development.pdf>, p. 4

¹⁰⁶ Graham Pickren “ ‘Where Can I Build My Student Housing?’ The Politics of Studentification in Athens-Clarke County, Georgia”, *Southeastern Geographer* volume 52, no. 2 (Summer 2012): 118

¹⁰⁷ *Ibid.*, 118

operations and marketing, which can assist in reaching additional customers. Several small business owners on Lancaster Avenue mentioned an online customer base as a meaningful source of revenue. The New York Small Business Technology Coalition is an example of a citywide effort to support technology skills among small business owners in low-income communities. The Coalition, a partnership between the New York City government and local CDCs, offers free courses in tech-related topics, reaching 1,200 small business owners or entrepreneurs around New York.¹⁰⁸

¹⁰⁸ Center for an Urban Future, “Small Business Success” October 2014. <https://nycfuture.org/pdf/Small-Business-Success.pdf>, 15

Improving Safety and Public Spaces

Our interviews with small business owners across three city corridors revealed many ideas and requests from business owners for improvements across the public realm. While our interview questions focused on ways to strengthen small businesses that may be threatened by gentrification, many business owners' requests and suggestions were not limited to this scenario. The following suggestions would increase cleanliness, accessibility, and overall safety, increasing customer visits and strengthening local businesses on commercial corridors, regardless of whether or not they are gentrifying. We include this section to capture this additional valuable input we gathered from our interviews. In many cases, these were the issues most front and center in business owners' minds, above and beyond specific concerns of gentrification.

Recommendation 9. The City and community organizations should better address trash and litter.

In the South 7th Street corridor, the majority of owners we interviewed saw litter on the street as harmful to business.¹⁰⁹ Litter clearly impacts the look and feel of a corridor. Due to the size and nature of the problem, it must be tackled as part of a multipronged approach. While specific solutions to address litter varied, several businesses suggested additional trashcans along the corridor. Research concludes that closely located trashcans (intervals of 30 paces) are most effective.¹¹⁰ This standard may not be attainable for every corridor, but increasing the availability can make a difference. Litter and street cleaning have historically been a problem in Philadelphia. No option is a true solution and tradeoffs must be acknowledged; there is a possibility that new trash cans become areas where people dump trash around the can. Alternate solutions bring their own issues as well; this is the best of a set of imperfect choices.



Some business owners we interviewed tried placing a trash can on the street themselves to address litter. However, a few have been fined for doing so, and others have been deterred by the threat of these fines. Community organizations should therefore step in to help maintain cleaner streets, and should seek funds from the City to add and maintain trash cans and hire corridor cleaning staff. The City and community organizations should consider creative solutions, such as several adjacent neighborhoods sharing staff or sidewalk cleaning equipment, to reduce the expense; PACDC could provide coordination for neighboring CDCs to partner. Neighborhoods that struggle with litter and lack a business organization or a CDC, like South 7th Street, should consider starting one in order to help address these litter problems. The City itself should increase the amount and availability of funding available for litter solutions.

¹⁰⁹ Interviews with small business owners, South 7th Street, Nov. 3rd-5th, 2015.

¹¹⁰ "A Guide to Reducing and Managing Litter," *Keep America Beautiful*, 2015, p. 4.

Organizing for Equity

Community organizing is an important prerequisite for the success of any of the above strategies, and in the face of change, organized communities often have a stronger foothold than their unorganized counterparts. The Spanish Speaking Unity Council in Oakland, California successfully revitalized a commercial corridor in the Fruitvale neighborhood, and in the process helped to create a community strong enough to avoid significant gentrification. Organization can grant communities more political clout, greater negotiating power, and increased access to resources. These benefits can help both small businesses and residents avoid displacement.¹¹¹

Recommendation 10. Community organizations should continue to clean, green, and maintain vacant lots adjacent to the corridor.

From conversations with business owners on South 7th Street, vacant lots on neighboring streets were of particular concern. The condition of vacant lots can have a significant effect on a commercial corridor.



They can be hotbeds for crime, and make it more difficult to attract customers to local businesses. Findings from a 2009 Econsult report indicate that the Pennsylvania Horticultural Society's LandCare program that clears, greens, and maintains vacant lots has a positive effect on corridor sales.¹¹² Our qualitative research corroborates these findings; neighborhoods and businesses benefit over the long-term from the maintenance of these lots. Due to this program's proven success, CDCs should seek to bring it to their neighborhoods, and it should continue to be funded by the City of Philadelphia's Office of Housing and Community Development. If possible, funding should be increased so that the

program can reach more commercial corridors. It currently services 8,600 lots and adds about 400 vacant lots per year, but the city has a total of 32,000.^{113,114} Increasing the reach of this effective program can make an impact on the health of commercial corridors across the city.

¹¹¹ "Commercial Stabilizing," *PolicyLink Equitable Development Tool Kit*, July 2002, accessed October 21, 2015, <http://www.policylink.org/sites/default/files/commercial-stabalizing.pdf>.

¹¹² "Commercial Corridors: A Strategic Investment Framework for Philadelphia," *EConsult Corporation*, Philadelphia, 2009. <http://www.econsultsolutions.com/report/commercial-corridors-strategic-assessment-of-philadelphia-commercial-corridors-and-retail-centers/>.

¹¹³ "LandCare FAQs," *Pennsylvania Horticultural Society*, 2016. <http://phsonline.org/programs/landcare-program/landcare-faqs>.

¹¹⁴ Philadelphia Land Bank, "Proposed Land Bank Strategic Plan & Disposition Policies, Executive Summary," Philadelphia Land bank, October 30, 2014. Accessed January 7, 2016, http://www.phila.gov/CityPlanning/plans/PDF/ProposedLandBankStrategicPlan_ExecutiveSummary_103014.pdf

Recommendation 11. The City should install additional pedestrian lighting, rather than relying on SIP grants to add lighting to the corridor.

A well-lit corridor is an inviting corridor. A lack of adequate lighting was a common complaint from interviews with business owners, particularly on South 7th Street. Lighting is important for pedestrian safety, including employees and patrons of local business. Business owners also referenced streetlights' effect on reducing crime. While findings of the true effects of lighting on crime are mixed,¹¹⁵ additional lighting can increase the perception of safety and make the corridor more inviting.

Investing in the right type of lighting matters: illumination specific to pedestrians is the type of lighting too often missing from commercial corridors in Philadelphia. SIP grants can be used to create additional exterior lighting on a business; however, this comes with the aforementioned restrictions about SIP funding, and sometimes means lights shut off when businesses close. City-installed pedestrian lighting ensures that the lights remain on all night. The City already services alleyway lighting,¹¹⁶ and also contributed funding for a successful pedestrian lighting initiative undertaken by the Center City District in 2012. Chinatown, Old City, and Washington Square West benefitted from this increased pedestrian lighting;¹¹⁷ commercial corridors in other neighborhoods should have access to these same advantages as well.



Recommendation 12. The City Planning Commission should work together with the Philadelphia Parking Authority and community organizations to assess parking availability on commercial corridors.

In the Fishtown corridor, parking was the number one concern for business owners. Parking along Frankford Avenue is currently unmetered; it is free and not time-limited. This poses a problem for local businesses by hampering turnover of parking spots. Some business owners on South 7th Street mentioned similar concerns about the lack of parking for shoppers and employees.

On the Philadelphia Parking Authority (PPA) website, when discussing on-street parking regulations, PPA asserts that “[t]hese regulations are tailored to accommodate the particular needs and uses of each block. By working with businesses and residents we can understand the unique circumstances which exist in each area and tailor regulations to provide the maximum benefits.”¹¹⁸ However, there is no clear channel for CDCs or other community organizations to provide input. City Planning and the PPA should ensure there is a transparent, accessible process for local business organizations to provide feedback about parking on their corridors. Creating a process where both businesses and residents could provide input to change parking ordinances along commercial corridors can improve accessibility and increase turnover without alienating residents, leading to more customers and stronger businesses.

¹¹⁵ Paul Marchant, “Shining a Light on Evidence-based Policy: Streetlighting and Crime,” *Criminal Justice Matters*, (2005) 62:1, 18-45.

¹¹⁶ “Traffic and Lighting: Overview,” *Philadelphia Streets*, <http://www.philadelphiastreet.com/traffic-and-lighting>.

¹¹⁷ Linda K. Harris, “New Pedestrian-Scale Lighting Illuminates Several Center City Neighborhoods,” *Center City District and Central Philadelphia Development Corporation*, September 28, 2012. <http://www.centercityphila.org/pressroom/prelease092812.php>.

¹¹⁸ “On-Street Parking,” *Philadelphia Parking Authority*, 2014. <http://www.philapark.org/on-street-operations/>

Recommendation 13. The City should create a process for community organizations to work with the Streets Department and PennDOT to preserve and improve walkability.



Walkability is essential to the viability of a commercial corridor. On Frankford Avenue in Fishtown, there are no stop signs, lights, or crosswalks along the half-mile stretch of road we studied (between Girard Ave. and Palmer Street). Pedestrians must walk a half-mile to safely cross, or jaywalk on a street where cars often speed. This is likely an extreme example, and not representative of many corridors in the city. However, this makes walkability a more contained issue than other challenges mentioned in this report. Because of its likely limited applicability, it can be straightforward to address what are likely a few corridors where pedestrian safety is a concern.

To adequately identify these locations and address this problem, there should be a process for CDCs or business associations to easily request a pedestrian safety evaluation, allowing corridors to adapt to increased foot traffic without increasing the probability of accidents in the city. Streets and/or PennDOT, in conjunction with the City Planning Commission, can determine what type of traffic calming measure (crosswalks, chicanes, speed humps, etc.) would best serve the needs and safety of a

corridor found to be unsafe for pedestrians.¹¹⁹ According to Joanna Winchester, Economic Development Director for New Kensington CDC, "Commercial corridors rely on foot traffic. We have to ensure residents and visitors can easily access these small businesses without worrying about how to safely cross the street."¹²⁰ Ensuring pedestrians' safety should be a joint effort by all of these agencies and community organizations.

¹¹⁹ "Pennsylvania's Traffic Calming Handbook," *Pennsylvania Department of Transportation*, Pub. 383, July 2012.

¹²⁰ Joanna Winchester (Economic Development Director, NKCDC), in discussion with Emily C. Black, December 2015.

Conclusion

After decades of population decline and disinvestment, Philadelphia's recent economic growth is a source of optimism. However, the city continues to face significant challenges, including a high poverty rate and persistent unemployment.¹²¹ Ensuring that Philadelphia's recent growth benefits all residents is essential for the long-term health of the city.

By taking steps now, the City of Philadelphia can shape new economic development into more inclusive and equitable outcomes. Supporting Philadelphia's existing small businesses is a necessary element of a broader equitable development strategy. Small businesses provide jobs, goods, and wealth-building opportunities for low-income residents. If small businesses are displaced by gentrification, the city could lose a vital source of economic opportunity for residents, threatening the livability and diversity of the city's neighborhood commercial corridors.

The recommendations outlined in our report, if implemented, would strengthen Philadelphia's small businesses. By removing obstacles in grant and loan applications, the City can improve the accessibility of existing resources. With the right support, some small businesses will be better able to adapt to changing markets, while continuing to serve their existing customers.

By leveraging new investments to benefit existing small businesses through sustainable community benefit agreements and linkages to local anchor institutions, small businesses can continue to benefit amidst changing markets and institutional pressures. The City plays an important role in measuring and alleviating the impacts of these new developments.

In other areas of Philadelphia, support for business should occur through improvements in the public realm. Physical improvements such as enhanced lighting, reduced litter, and greater parking options will support small businesses and commercial corridors. Focusing on crime reduction and pedestrian safety will further assist small businesses, many of which rely on foot traffic for a customer base.

Achieving these goals will require significant community organization, resources, and a long-term perspective. Philadelphia's corridor managers and CDCs play an important role in organizing neighborhood stakeholders. These types of neighborhood organizations provide a framework for equitable and holistic organizing, balancing the interests of both residents and business owners.

We hope that these recommendations inform the actions of Philadelphia policymakers and nonprofit actors as they pursue economic development strategies. Acting on threats of small business displacement now, before it is too late, is essential in achieving a more equitable, inclusive Philadelphia.

¹²¹ The Pew Charitable Trusts, "Philadelphia 2015: The State of the City."

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Photo Credits

All photos in this report were taken by Kate Burke, Wylie Timmerman, and Miles Patrie in Fishtown, South 7th Street, and West Philadelphia neighborhoods between September and December 2015.



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