



# TAKING CARE OF BUSINESS

Improving Philadelphia's Small Business Climate



A man and a woman are sitting outdoors in front of a brick building. The woman is on the left, wearing a black leather jacket and large hoop earrings. The man is on the right, wearing a black suit jacket over a white shirt. They are both smiling and looking towards the camera. The background shows a brick building with a staircase and some greenery.

WHY

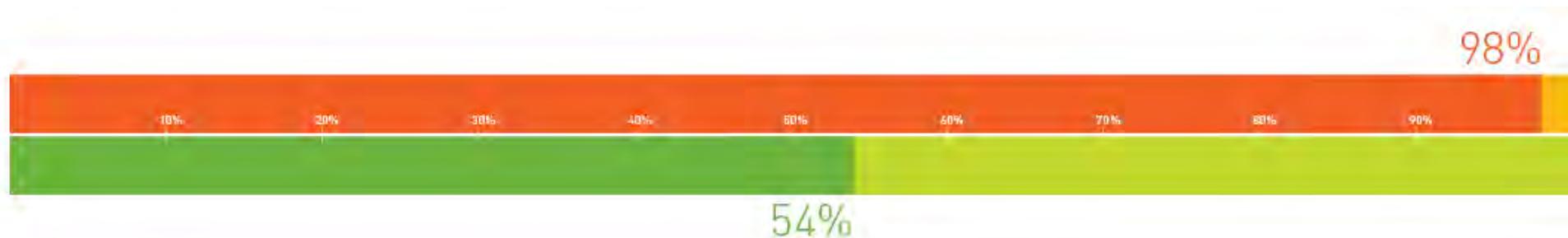
Are Small Businesses Important  
to the City's Economic Growth?

**98%** of Philadelphia's businesses are small businesses with fewer than 50 employees.

**54%** of Philadelphia's jobs are created by small businesses.

**65%** of jobs in Philadelphia are created by businesses five years old or less.

Supporting small business to form and grow is a more **cost-effective economic development policy** than attracting established firms from other places.





WHO

Are Philadelphia's Small Business Owners?

## Small businesses are America's most trusted institution.

Philadelphia has **93,000** small business owners.  
25,000 of these have employees.

**73%** are self-employed and had  
\$2 billion in annual receipts in 2008.

**Necessity entrepreneurs** start businesses  
because no jobs exist.

**9%** operate "under the table"

93,000  
small business owners  
in Philadelphia

10%

20%

30%

40%

50%

60%

70%

80%

90%

68,000

25,000



# HOW

Does Philadelphia Rank on  
Small Business Formation and Survival?

Philadelphia is creating **fewer new businesses** than the national average, and its **businesses are not growing as quickly**

We have the **lowest small business formation rate** of the largest fifteen regions in the country:

**Philadelphia: 150** entrepreneurs for every 100,000 people.

**Los Angeles: 620** entrepreneurs for every 100,000 people.

10 Largest Counties and Philadelphia (by employment)	2010 Population	Number of Jobs (December 2010)	Number of Jobs Per 100 People
New York, NY	1,585,873	2,335,900	147
Dallas, TX	2,368,139	1,392,800	59
King, WA (Seattle)	1,931,249	1,131,800	59
Harris, TX (Houston)	4,092,459	2,091,300	51
Orange, CA	3,010,232	1,382,000	46
Cook, IL (Chicago)	5,194,675	2,379,800	46
Maricopa, AZ (Phoenix)	3,817,117	1,643,900	43
Philadelphia, PA	1,526,006	634,300	42
San Diego, CA	3,095,313	1,256,100	41
Los Angeles, CA	9,818,605	3,931,600	40
Miami Dade, FL	2,496,435	970,300	39

Philadelphia has fewer jobs to offer residents



**NINE**

**RECOMMENDATIONS**

To Spur Small Business Growth and Job Creation

# 1 Reduce the time, cost and confusion of obtaining City approvals.

*Cities that adopt a speedy, simplified regulatory approval process increase business growth.*

## ACTIONS

Reduce number and cost of **licenses**

Eliminate **conflicts between agency** regulations

**Take politics out** of permitting

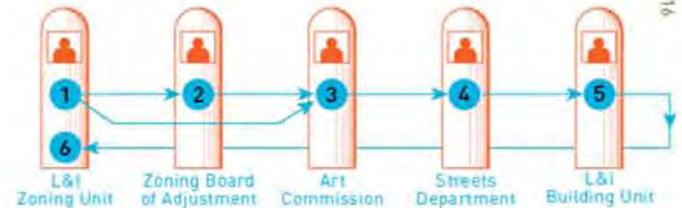
Increase **concierge services** to guide through process

Increase staff **customer service** training



## How to Obtain Approvals for a Projecting Sign

Every storefront business needs a sign. The process for obtaining approval to put up a projecting (2-sided) sign in Philadelphia illustrates how costly and time consuming it can be to meet city requirements.<sup>41</sup>



	City Department to Visit	Paperwork Needed	Cost	Time
1	<p><b>L&amp;I Zoning Unit</b></p> <p>Zoning Application accepted! You must gain approval from Art Commission and Streets Department for zoning to be approved. Go to Art Commission (step 3).</p> <p>-OR-</p> <p>Zoning Application rejected: your sign is too large and/or in a residential district. You must obtain a variance from Zoning Board of Adjustment. Go there (step 2).</p>	<p><b>APPLICATION</b></p> <p>Zoning Application</p> <p>Elevation drawings</p> <p>Three photos of building</p> <p>Six copies of plot plan showing relation of sign to property line</p> <p>Rough drawing of sign dimensions</p>	<p>\$400-500 for all drawings</p> <p>+\$100 filing fee (credited toward permit fees at end of process)</p> <p>+\$420 expedited fee to receive review in 5 days or less</p>	<p>2 hours to 20 business days</p>
2	<p><b>Zoning Board of Adjustment</b></p> <p>File "Petition of Appeal" and post orange poster on property 12 days before hearing. Need attorney if business is a corporation.</p> <p>ZBA approved your variance. Submit Notice of Decision to L&amp;I Zoning to continue process.</p> <p>ZBA denied your variance. Appeal to court or change sign design.</p>	<p><b>DEED</b></p> <p>Deed or Lease</p> <p><b>NOTICE OF REFUSAL</b></p> <p>Signed L&amp;I Notice of Refusal</p> <p>Letter of support from Councilperson and community group recommended</p> <p>Plot plan showing relation of sign to property line</p> <p>Photographs</p>	<p>\$250 for hearing</p> <p>+Roughly \$1,000 for attorney fees if corporation</p>	<p>6 weeks to obtain a hearing</p>
3	<p><b>Art Commission</b></p> <p>Staff reviewed</p> <p>-OR-</p> <p>Your sign design</p>	<p><b>COVER LETTER</b></p> <p>Cover Letter</p> <p>Six photos of building exterior, street views, and adjacent buildings or sites</p> <p>Drawing that shows sign</p>	<p>+\$50 for drawing reproductions where sign design must appear before</p>	<p>up to 8 weeks</p>



## 2 Simplify the tax compliance burden for small businesses.

### ACTIONS

**Simplify** tax calculations and forms so do not need to hire accountant

End two year **upfront tax requirement**

**Make it easier** for business owners to fix city errors

Create **online forum** for tax questions



### 3 Ensure laws do not unnecessarily harm small businesses.

#### ACTIONS

Inform small business about **proposed laws** that may impact them by e-mail notification

**Welcome feedback** by allowing electronic business comment submission

Limit new **licensing requirements**

**Add Sunset clauses** to new business laws and regulations



# 4 Reform the inspection system to ensure it is fair, objective, and offers the right to a timely appeal.

## ACTIONS

**Adopt Bill of Rights** for small business inspections to make inspections less intimidating and subjective

**Publish common reasons** businesses fail an inspection

Require agencies to **resolve conflicts** within 24 hours

Inspect closed businesses that harm **commercial corridors**



# 4 Reform the inspection system to ensure it is fair, objective, and offers the right to a timely appeal.



## **Business Owner Bill of Rights** New York City

As a business owner, you have the right to:

- Courteous and professional treatment
- Information about how long inspections will take and cost of all related fees
- Request a reinspection as soon as possible
- Receive explanation of violation details



## RECOMMENDATION

# 5 Partner with CDFIs and nonprofits to increase financing.

2008 Direct Financing Outstanding for Business and Microenterprise (less than 5 employees)

	National	Philadelphia
Total (\$)	\$6,235,044,032.61	\$60,097,824.00
Average (\$)	\$12,596,048.55 for 495 CDFIs Nationwide	\$4,006,521.60 for 15 CDFIs Located in Philadelphia

Fewer **CDFI loan dollars** in Philadelphia

**Bad credit** major reason behind denial

Where obtain government contract, **need gap financing**



# 5 Partner with CDFIs and nonprofits to increase financing.

## ACTIONS

Offer **credit building** program modeled on Justine Petersen in St. Louis

Increase **small business loan capacity** of CDFIs

Partner with PIDC to offer **gap financing**

**Monitor** small business loan activity of CDFIs that receive city funding for technical assistance



# 6 Encourage collaboration and increased accountability among small business support organizations.

## ACTIONS

Create an **efficient network** with non-profits each playing strong, complimentary roles with US Sourcelink

**Define city's expectations** for nonprofits it funds to eliminate overlapping missions and better meet businesses' needs

Inform owners about small business **support resources**

# 7 Transfer vacant land and enforce tax foreclosure laws to provide land for new and expanding businesses.

## ACTIONS

Create **clear and fair vacant land disposition** process without politics

Reduce transaction time – goal to **complete purchase within 180 days**

**Hold owners accountable** through code enforcement and tax foreclosure

# 8 Consolidate and modernize the City's \$1 billion procurement process to increase small business participation.

## ACTIONS

Consolidate all contract offerings on searchable website. Provide **clear guide** to objective process.

**Email notices** regarding relevant opportunities

Offer **online bid submission**. Post awarded contracts to make clear vendors not politically connected.

**Pay city invoices in speedy manner** and lower performance bond requirements



# 9 Improve communication between government and small businesses.

What the City Does  
in order of frequency of  
use reported by business

- 1. In Person**  
Most expensive for City and business
- 2. Nonprofits**  
Indirect communication to client and member businesses
- 3. Public Hearings**  
Held during business hours
- 4. Phone**  
Multiple transfers common; long hold time
- 5. Mail**  
Responses rare
- 6. Internet**  
Few tasks can be accomplished online
- 7. Email**  
Rarely used

What Businesses Want  
in order of preference

- 1. Internet**  
Least expensive for City and business
- 2. Email**  
Inexpensive with quick response time
- 3. Phone**  
Quick access to the right person with short hold time
- 4. In Person**  
Make appointment to discuss complex issues
- 5. Mail**  
Receive timely, accurate replies
- 6. Public Hearings**  
When owner cannot attend, can file testimony online
- 7. Nonprofits**  
Prefer direct communication

Owners would like to deal holistically with government, not by siloed agency

Owners want to perform routine tasks online

# 9 Improve communication between government and small businesses.

## ACTIONS

Allow **routine transactions online**, receipt provided

Provide clear **information online**

**Ensure consistency** among staff answers

**Create annual town meeting** between small business, Mayor and City Council



# QUESTIONS