Gentrification and Small Business: Threat or Opportunity?

Rachel Meltzer
Milano, The New School

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Small businesses and the neighborhood

- Economic and cultural value
- The density and type of businesses are a function of (i) consumer demand and (ii) costs of starting and operating
- Gentrification introduces conditions under which both or either can change (dramatically) → businesses will respond
- Implications for business owners, residents and overall street vitality
Research questions

- Do business retention and displacement rates change under conditions of gentrification?
- If so, what are the implications for local services and commercial stability?
My approach

- Focus on small establishments that serve local community
- Observe establishment retention and displacement rates
  - Test for differences across gentrifying and non-gentrifying n’hoods
- Consider mixed-use n’hoods and non-office commercial/mixed-use properties
- Measure the within-building business “lifecycle” (every 5 yrs.)
  - Separate single- and multiple-establishment buildings
My approach

- **Data:**
  - New York City
  - 1990-2011
  - Businesses: location, tenure, industry, employment (NETS)
  - Property characteristics: location, size, classification, values (NYC Dept. of Finance, NYC Dept. of Planning)
  - Neighborhood characteristics (Census, ACS)
Most businesses stay in place
Defining gentrification

- Neighborhood = census tract

- Low Income:
  - Relative Income: \( \frac{\text{Avg}_{-}\text{HH}_{-}\text{Inc}_{i,2000}}{\text{Avg}_{-}\text{HH}_{-}\text{Inc}_{m,2000}} \)
  - Bottom 40\(^{th}\) percentile

- Gentrifying IF:

\[
(\frac{\text{Avg}_{-}\text{HH}_{-}\text{Inc}_{i,2008}}{\text{Avg}_{-}\text{HH}_{-}\text{Inc}_{m,2008}}) - \frac{\text{Avg}_{-}\text{HH}_{-}\text{Inc}_{i,2000}}{\text{Avg}_{-}\text{HH}_{-}\text{Inc}_{m,2000}} > 0
\]
Gentrification does not seem to matter
Drill Down Neighborhoods

- East Harlem, Manhattan
- Sunset Park, Brooklyn
Drill down: East Harlem

- Latino enclave, predominantly Puerto Ricans
- Moderately transit-accessible
- Avg. HH Income (2000) = $49,000
- 80% tracts are low income (LI)
- 40% of LI tracts gentrified during 2000s
Drill down: East Harlem

- In 2000s gentrifying tracts:
  - Business retention
Drill down: East Harlem

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
Drill down: East Harlem

In 2000s gentrifying tracts:

- Business retention
- Business displacement without replacement
- Business displacement with replacement
Drill down: East Harlem

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
  - Business displacement with replacement
  - Chain businesses
Drill down: East Harlem

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
  - Business displacement with replacement
  - Chain businesses
  - Largest relative gains in:
    - Personal services
    - Educational services
    - Health services
Drill down: East Harlem

Drug Stores

- Gentrifying tracts
- Non-gentrifying tracts
Drill down: East Harlem

Doctor's Offices

- Gentrifying tracts
- Non-gentrifying tracts
Drill down: East Harlem

Grocery Stores

- Gentrifying tracts
- Non-gentrifying tracts
Drill down: East Harlem

Restaurants

- Gentrifying tracts
- Non-gentrifying tracts
Drill down: Sunset Park

- Latino and Asian enclave
- Transit-accessible
- Avg. HH Income (2000) = $53,000
- 90% tracts are low income (LI)
- 26% of LI tracts gentrified during 2000s
Drill down: Sunset Park

- In 2000s gentrifying tracts:
  - Business retention
Drill down: Sunset Park

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
Drill down: Sunset Park

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
  - Business displacement with replacement
Drill down: Sunset Park

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
  - Business displacement with replacement
  - Chain businesses
Drill down: Sunset Park

- In 2000s gentrifying tracts:
  - Business retention
  - Business displacement without replacement
  - Business displacement with replacement
  - Chain businesses
  - Largest relative gains in:
    - Food and entertainment establishments
Drill down: Sunset Park

Drug Stores

- Gentrifying tracts
- Non-gentrifying tracts
Drill down: Sunset Park

Doctor's Offices

- Gentrifying tracts
- Non-gentrifying tracts
Drill down: Sunset Park

Grocery Stores

- Gentrifying tracts
- Non-gentrifying tracts

Year: 1990, 2000, 2011
Drill down: Sunset Park

Restaurants

- Gentrifying tracts
- Non-gentrifying tracts
A Recap

- Gentrification is on a continuum: temporally and spatially
- Most businesses stay in place, many longstanding ones
- On average, displacement is not elevated in gentrifying n’hoods
- BUT, displacement is a real threat in certain areas
- Storefronts can sit vacant
- And, new services and amenities are not always a given
Where do we go from here?

- Need to be proactive and flexible
- How to prevent displacement:
  - Rental subsidies (stabilization)?
  - Give businesses resources to acclimate to changing conditions
- How to manage change in services and amenities:
  - Work with local CDCs, BIDs, and brokers
  - Zoning-based mandates/incentives
Thank you!

meltzerr@newschool.edu