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# Gentrification and Small Business: Threat or Opportunity?

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Research Symposium on Gentrification  
and Neighborhood Change  
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THE NEW SCHOOL

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**MILANO**

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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

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# 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?

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# My approach

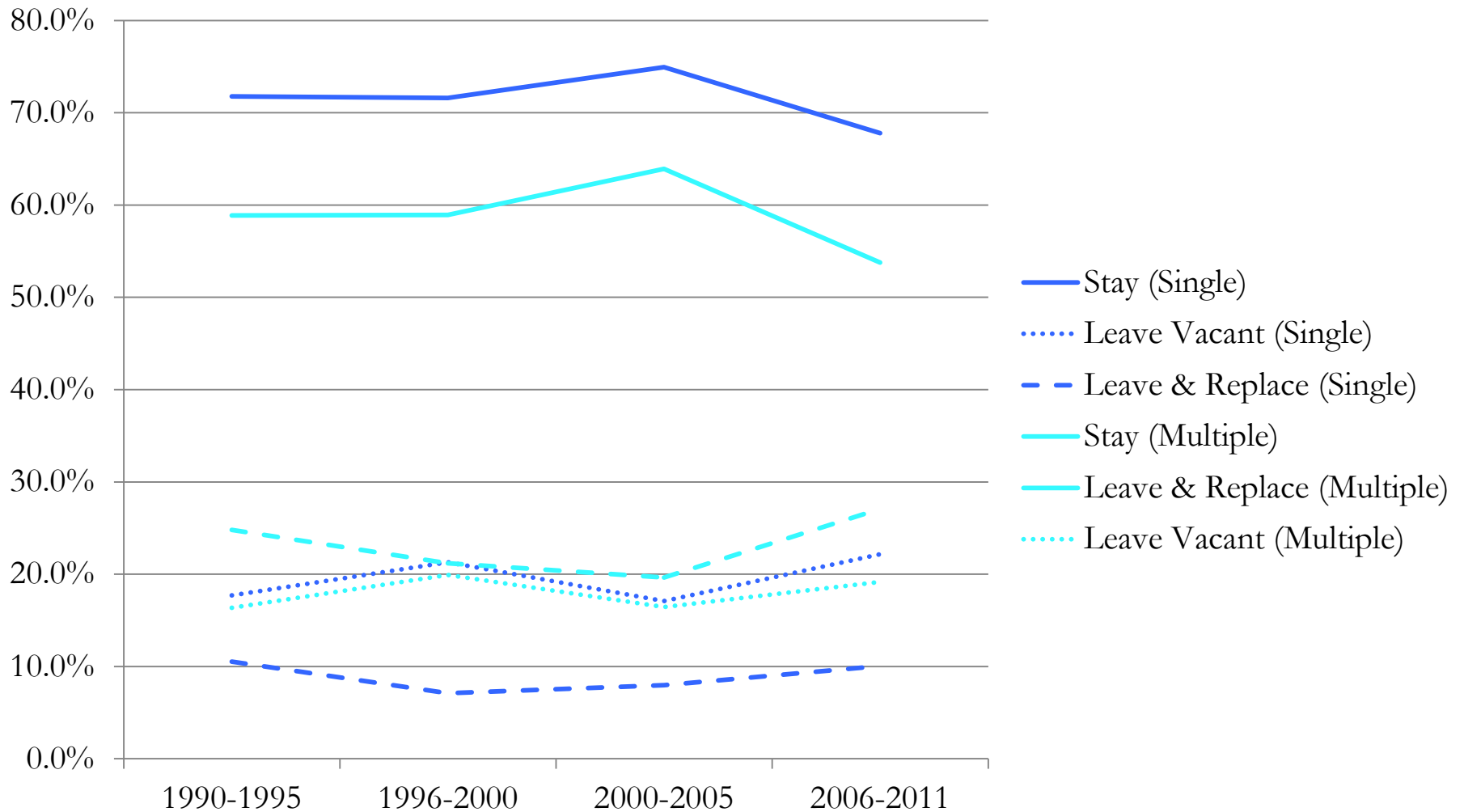
- Focus on small establishments that serve local community
- Observe establishment retention and displacement rates
  - Test for differences across gentrifying and non-gentrifying n'hoods
- Consider mixed-use n'hoods and non-office commercial/mixed-use properties
- Measure the within-building business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

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# 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

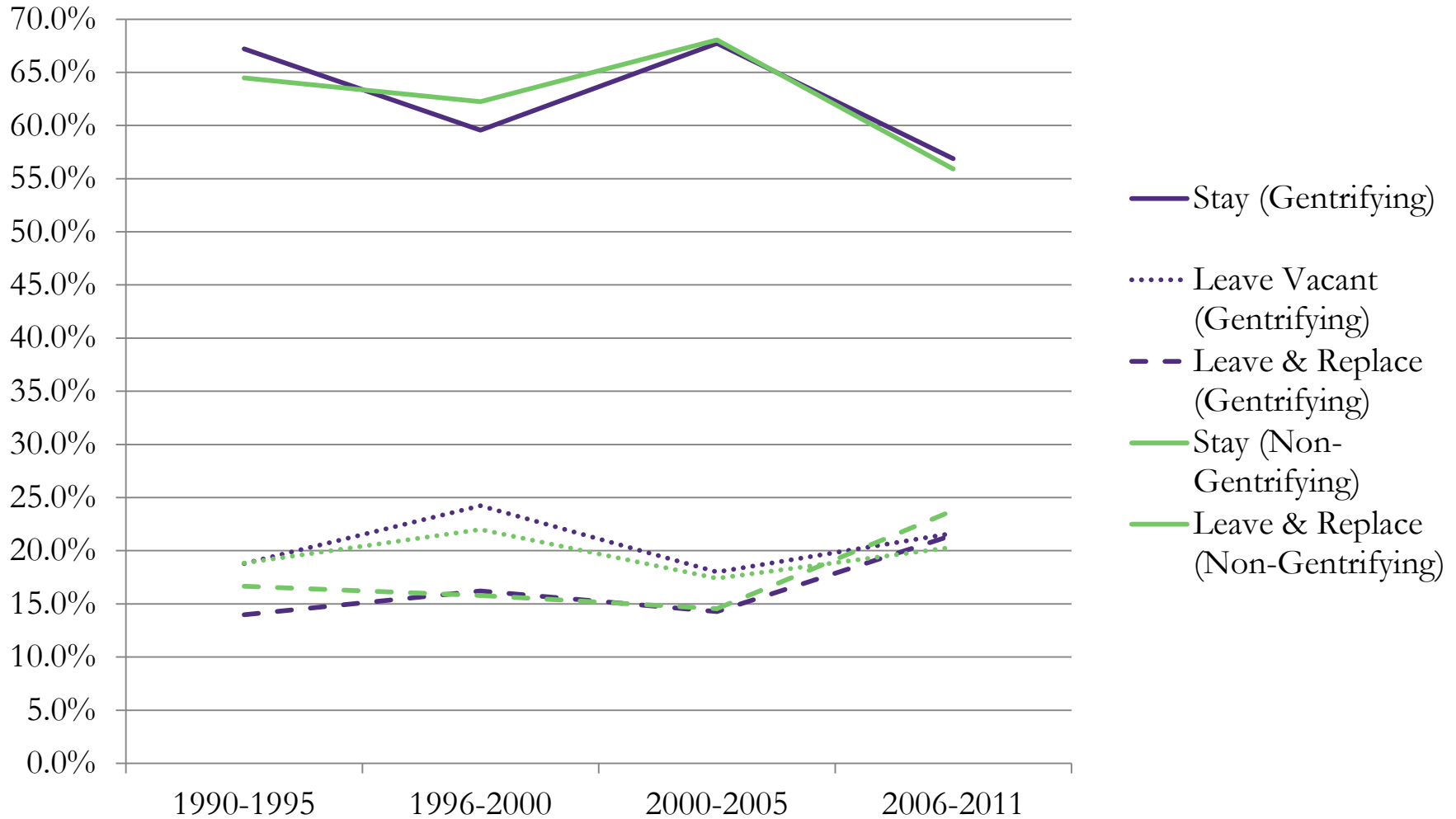
- Low Income:

- Relative Income:  $Avg\_HH\_Inc_{i,2000} / Avg\_HH\_Inc_{m,2000}$
- Bottom 40<sup>th</sup> percentile

- Gentrifying IF:

$$\left( \frac{Avg\_HH\_Inc_{i,2008}}{Avg\_HH\_Inc_{m,2008}} \right) - \left( \frac{Avg\_HH\_Inc_{i,2000}}{Avg\_HH\_Inc_{m,2000}} \right) > 0$$

# Gentrification does not seem to matter





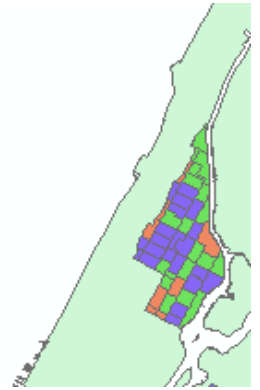
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# Drill Down Neighborhoods

- East Harlem, Manhattan
- Sunset Park, Brooklyn

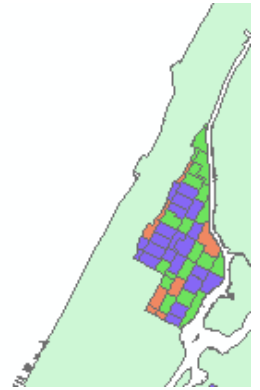
# Drill down: East Harlem

- 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



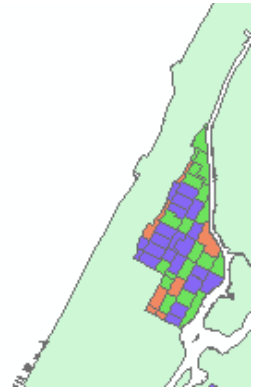
# Drill down: East Harlem

- In 2000s gentrifying tracts:
  - Business retention ↓



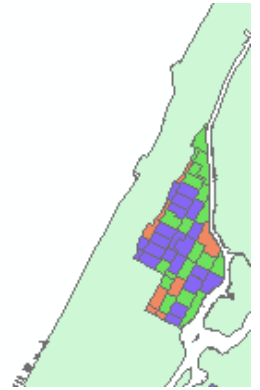
# Drill down: East Harlem

- In 2000s gentrifying tracts:
  - Business retention ↓
  - Business displacement without replacement ↓



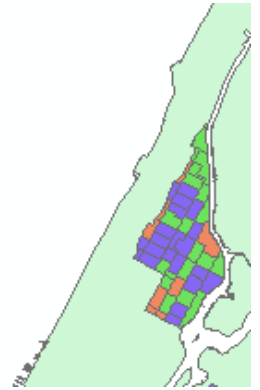
# Drill down: East Harlem

- In 2000s gentrifying tracts:
  - ❑ Business retention ↓
  - ❑ Business displacement without replacement ↓
  - ❑ Business displacement with replacement ↑



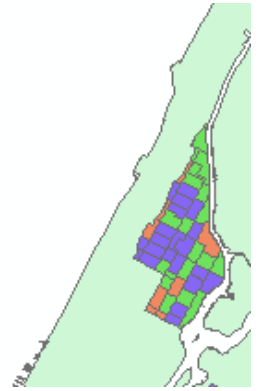
# Drill down: East Harlem

- In 2000s gentrifying tracts:
  - ❑ Business retention ↓
  - ❑ Business displacement without replacement ↓
  - ❑ Business displacement with replacement ↑
  - ❑ Chain businesses ↑

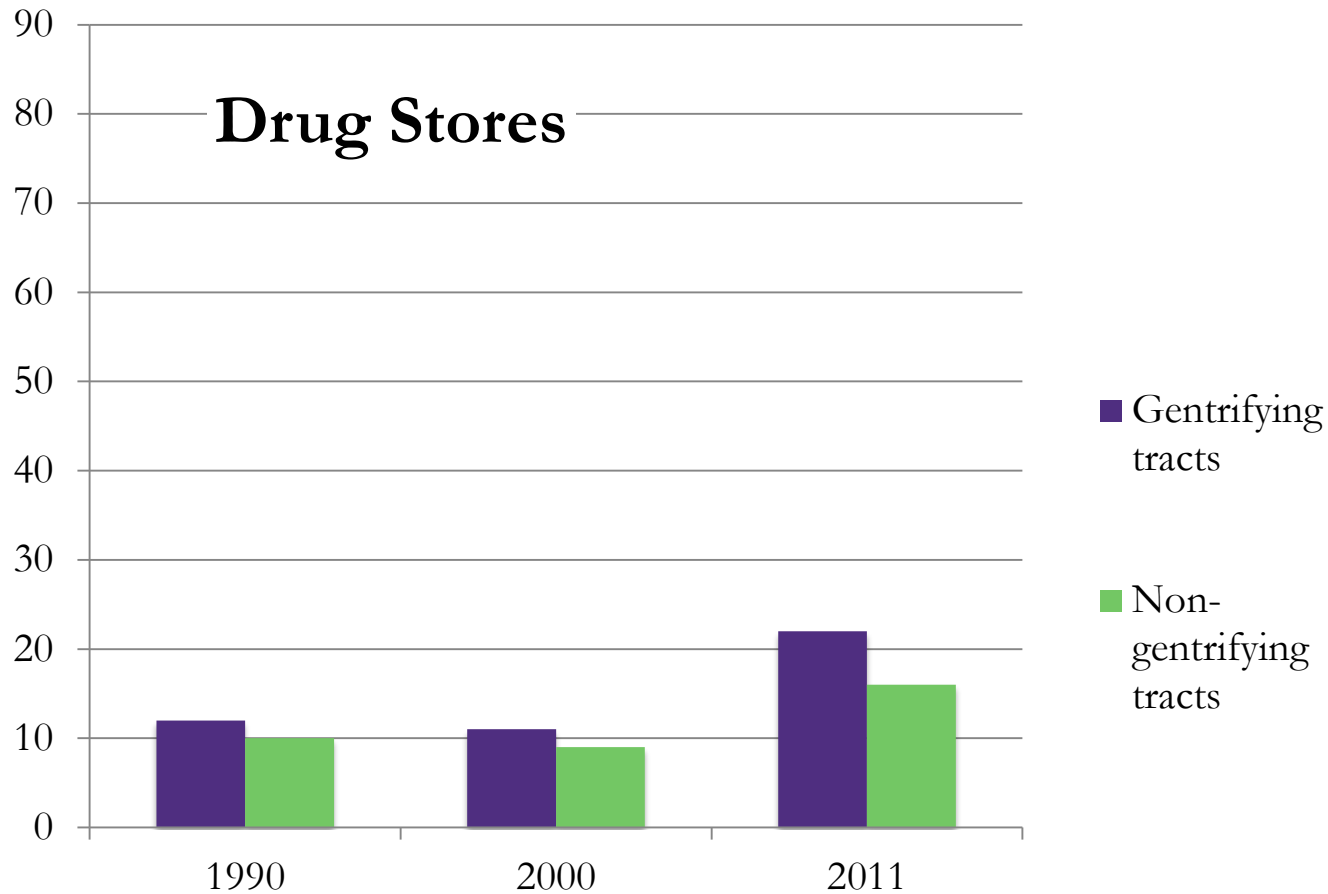
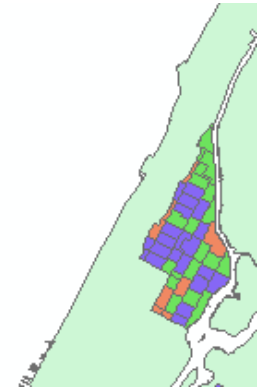


# Drill down: East Harlem

- 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

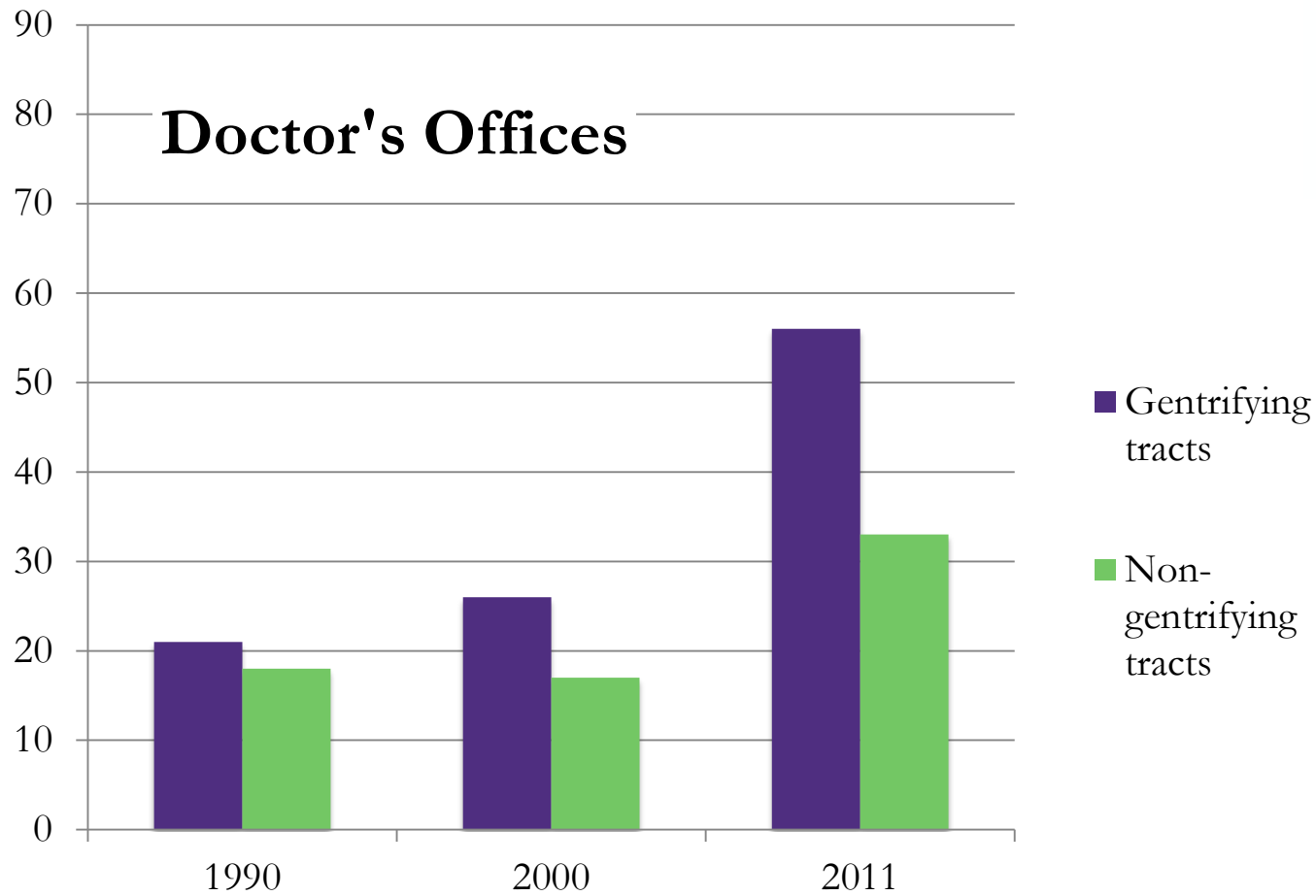
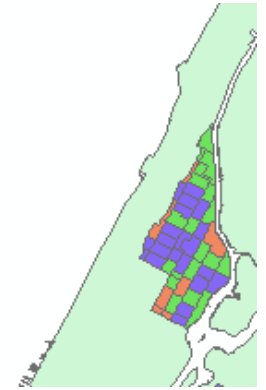


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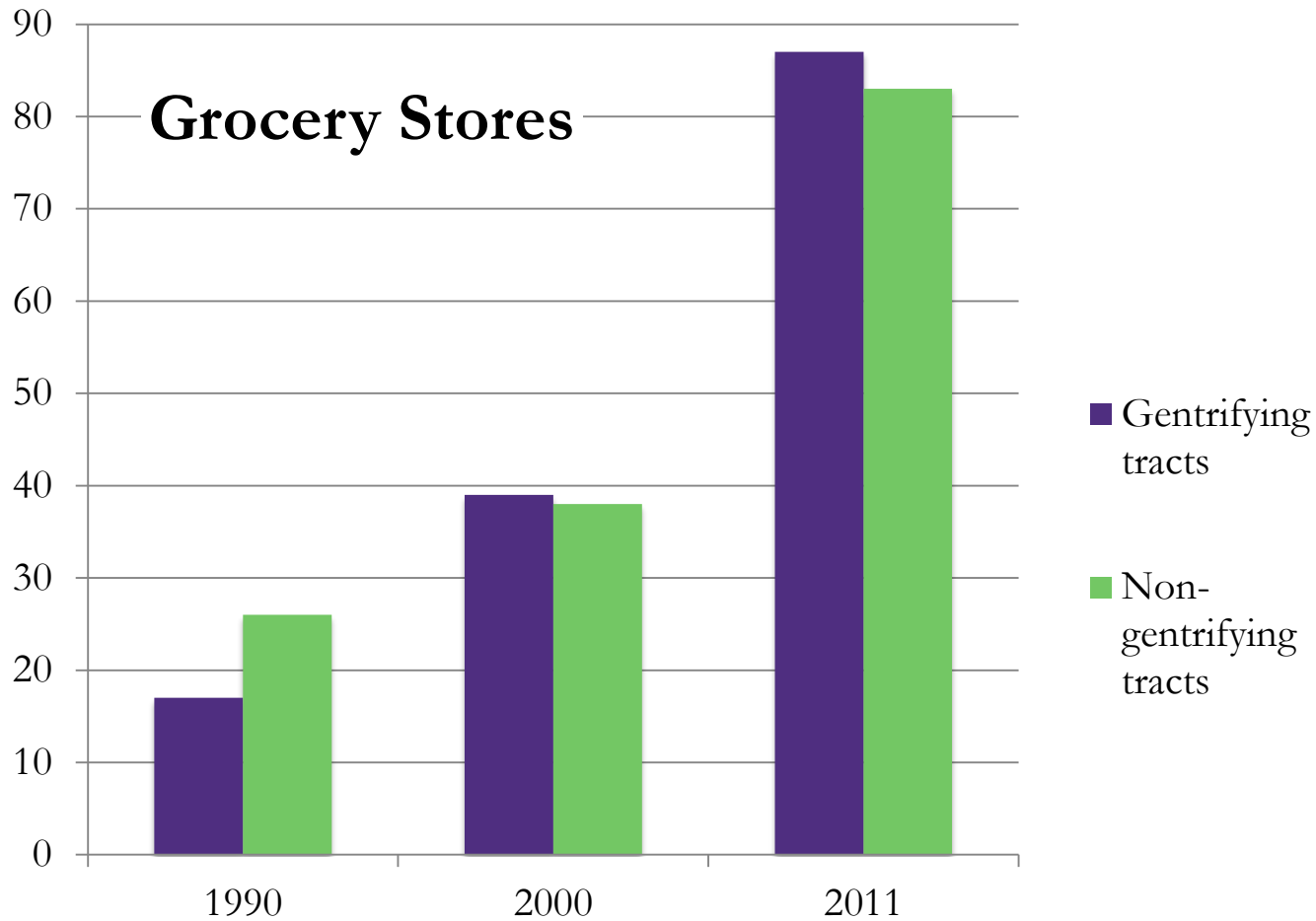
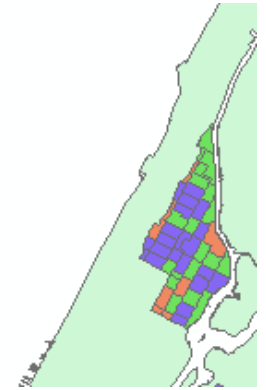




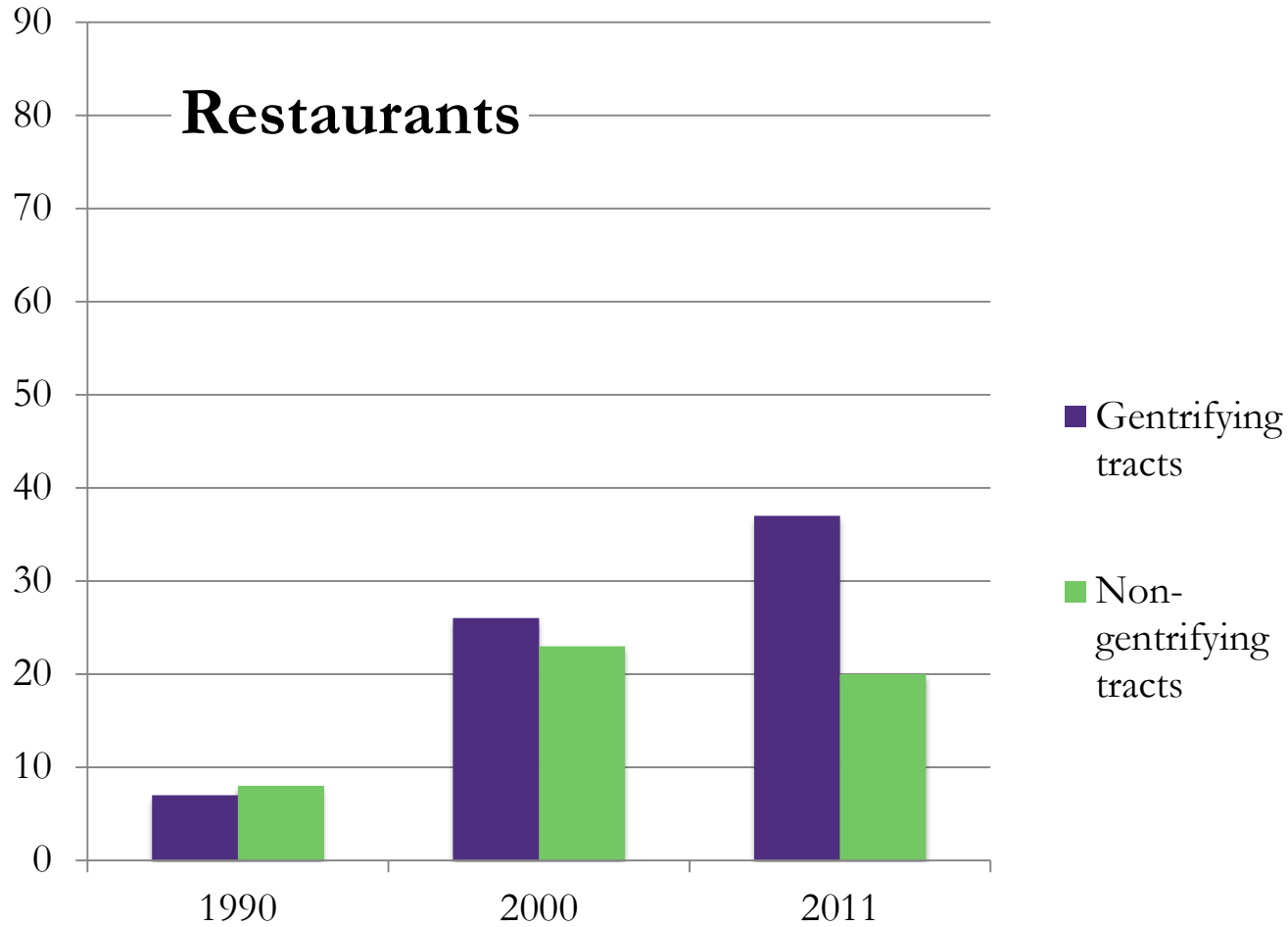
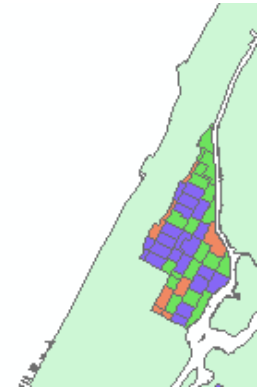
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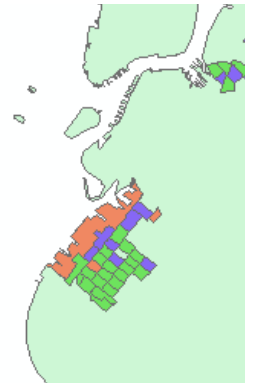


# Drill down: East Harlem



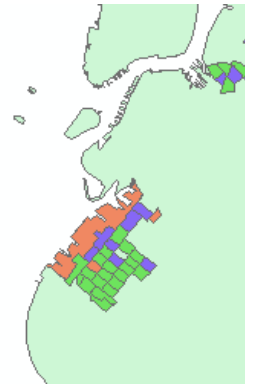
# Drill down: Sunset Park

- 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 ↓

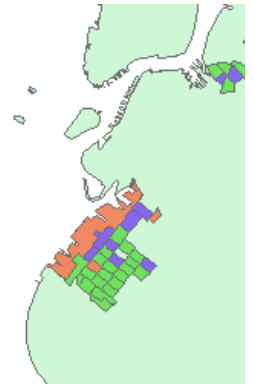


# Drill down: Sunset Park

- In 2000s gentrifying tracts:

- Business retention ↓

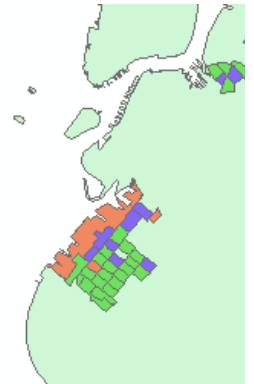
- Business displacement without replacement ↓



# Drill down: Sunset Park

- In 2000s gentrifying tracts:

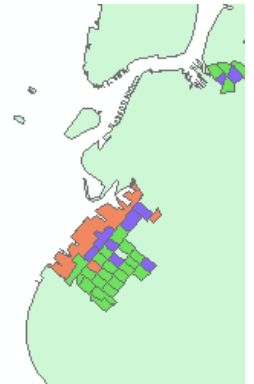
- Business retention ↓
- Business displacement without replacement ↓
- Business displacement with replacement ↑



# Drill down: Sunset Park

- In 2000s gentrifying tracts:

- Business retention ↓
- Business displacement without replacement ↓
- Business displacement with replacement ↑
- Chain businesses ↑

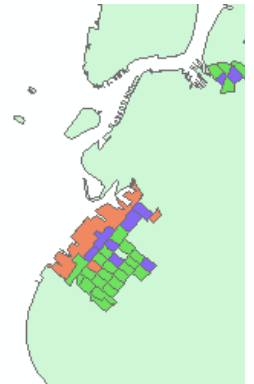




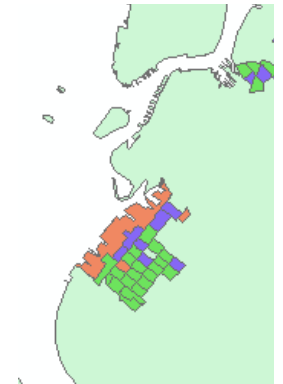
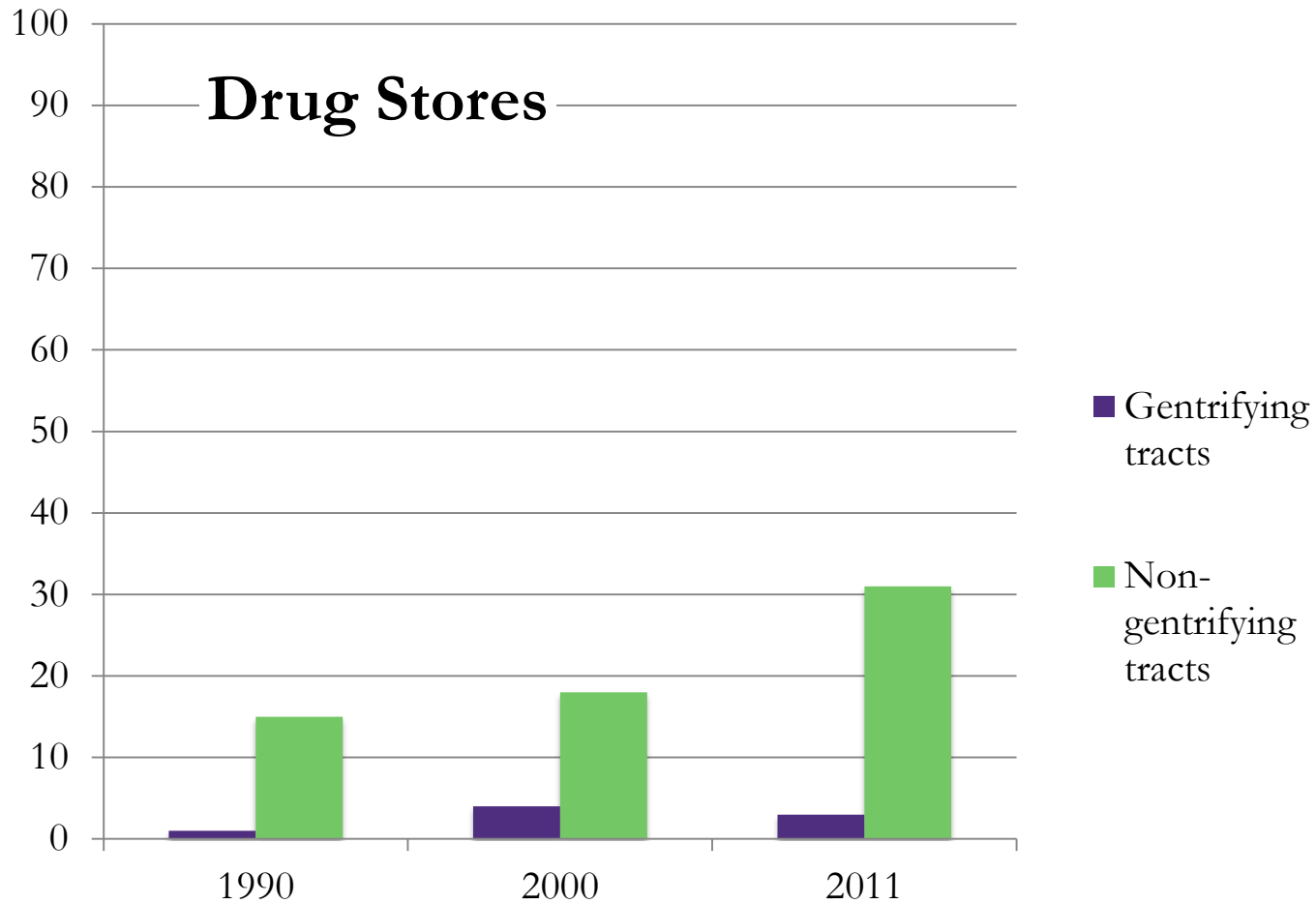
# Drill down: Sunset Park

- In 2000s gentrifying tracts:

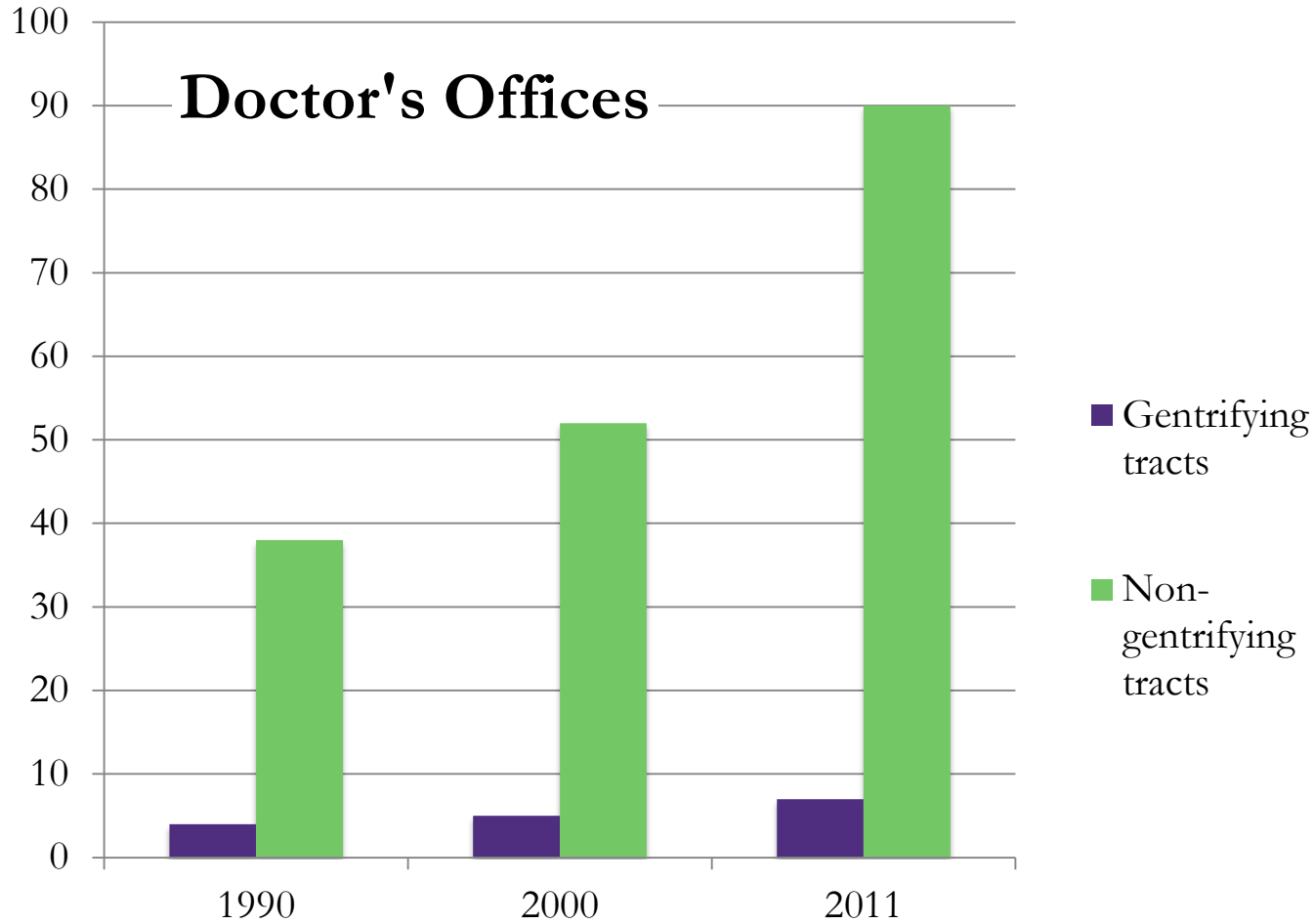
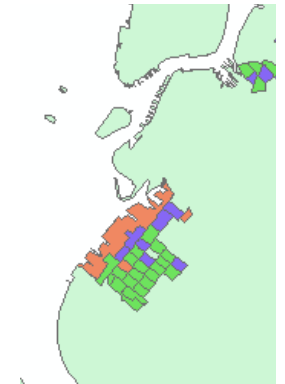
- Business retention ↓
- Business displacement without replacement ↓
- Business displacement with replacement ↑
- Chain businesses ↑
- Largest relative gains in:
  - Food and entertainment establishments



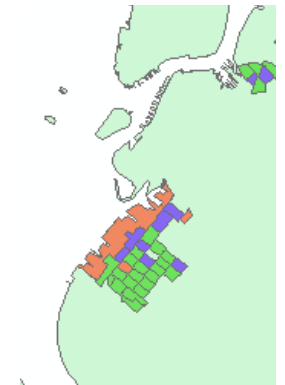
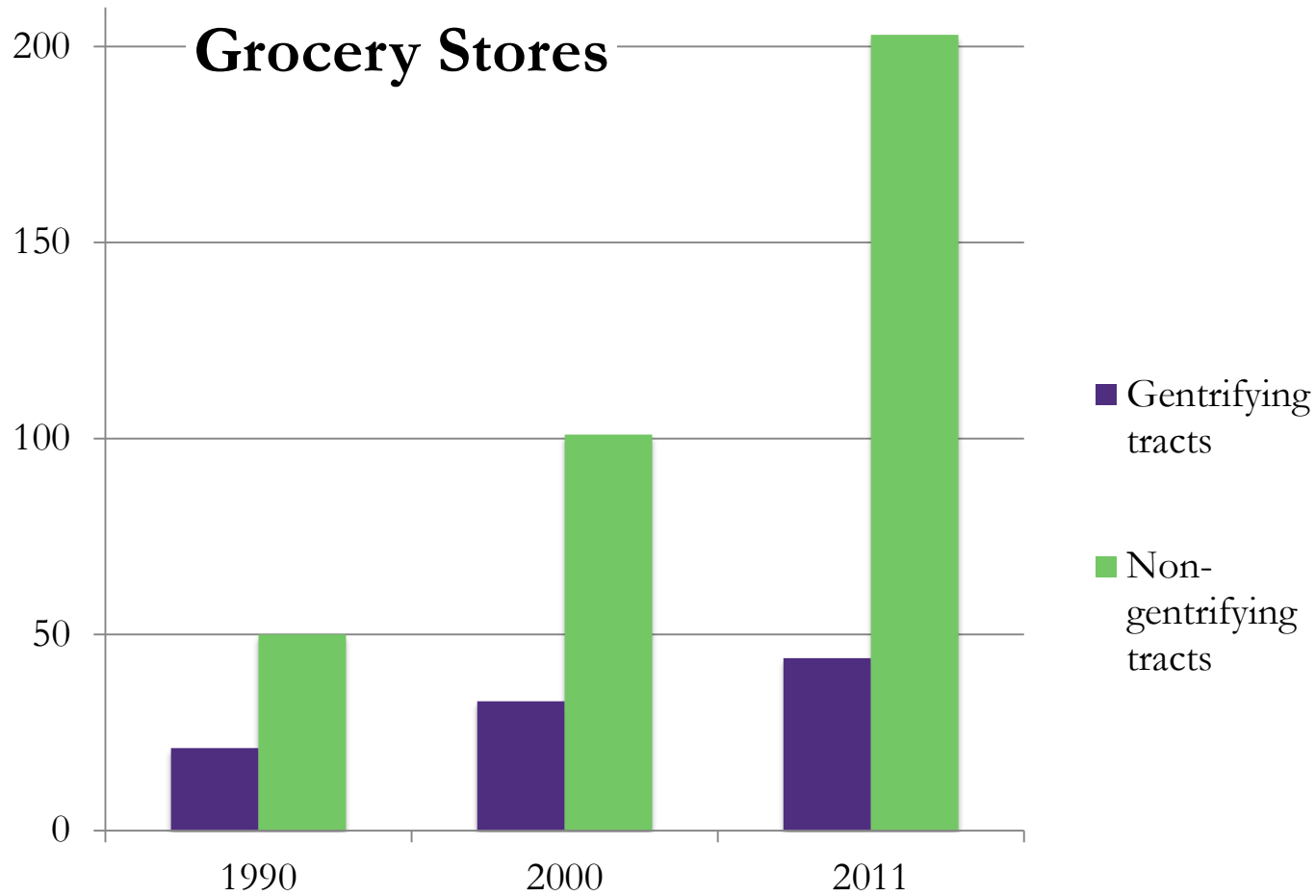
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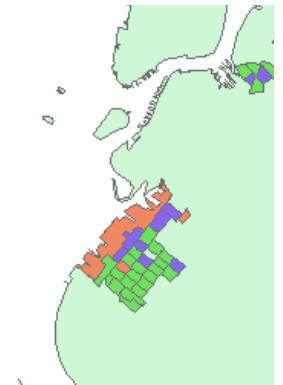
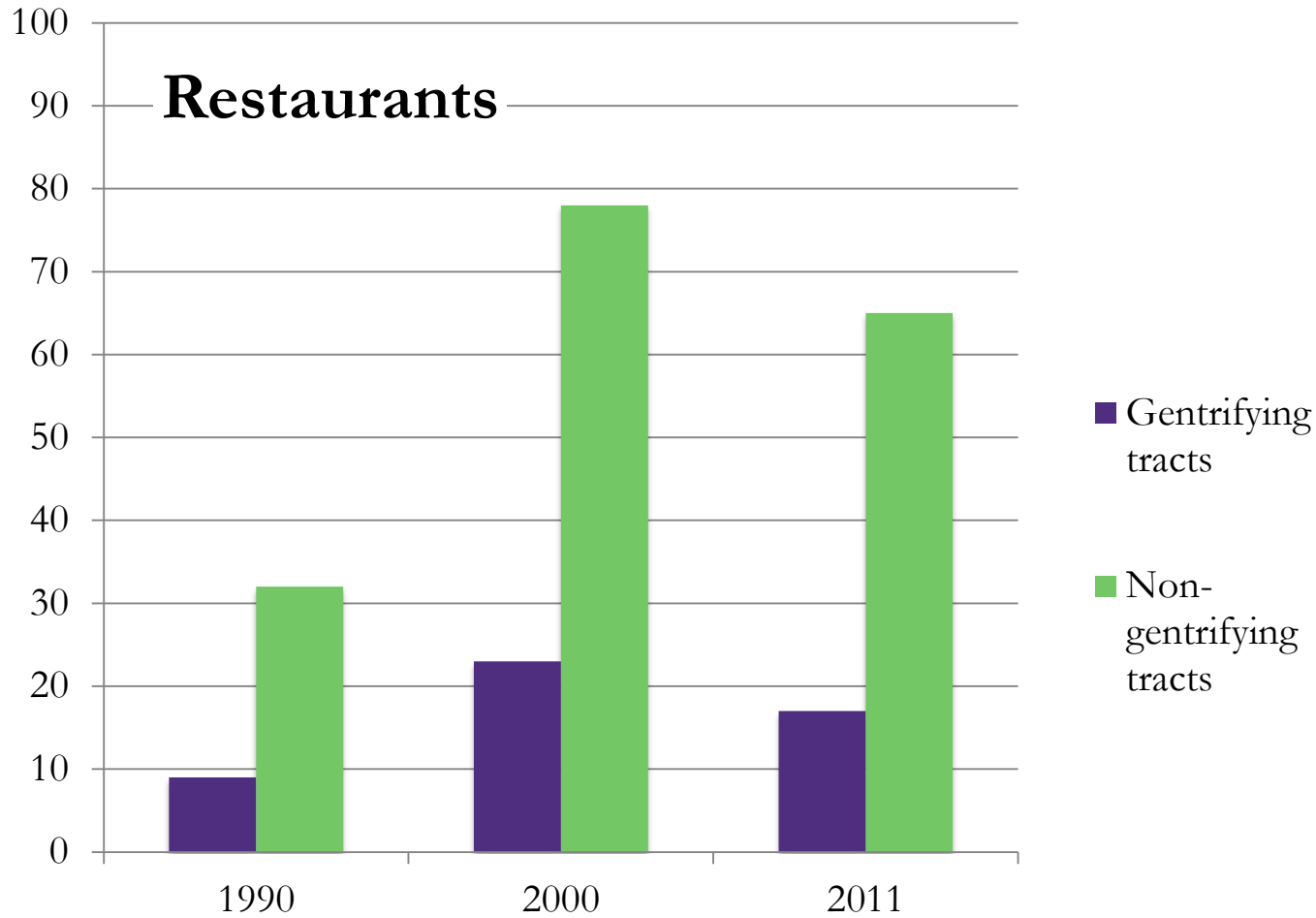
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# Drill down: Sunset Park



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# 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

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# 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

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Thank you!

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