

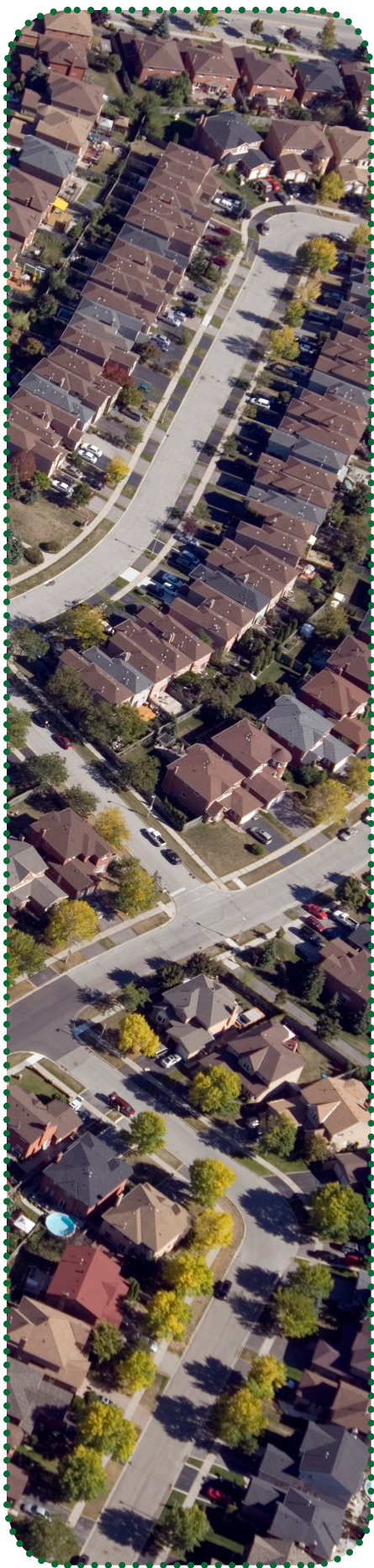


Understanding the Impacts of Neighborhood Change on Small Business

A Working Paper

THE NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS





Acknowledgements

This report was supported by Citi Community Development.

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The recommendations in this report reflect NALCAB's own perspectives and opinions.



Introduction

The effects of gentrification are commonly associated with the housing market; however, the impact goes beyond the availability of affordable living spaces and affects multiple aspects of a neighborhood, including commercial real estate. The influx of capital into low- and moderate- (LMI) income communities creates opportunities and challenges for existing residents and small business owners. As a neighborhood changes, businesses encounter a variety of new challenges as they try to adapt, including rising rents and changing clientele. Although at some level all businesses must adapt to a changing community, small businesses are significantly more vulnerable to the effects of neighborhood change. On top of that, small businesses owned by Latinos, immigrants or other minorities face additional systemic and cultural barriers as they try to maintain and grow their businesses in a shifting environment.

However, just like with the housing market, identifying the factors that influence the neighborhood and business changes is possible. Partnerships with local organizations that work within communities can provide insight into the realities of neighborhood change and can help to identify vulnerable populations and policy gaps. Steps can be taken to protect small businesses from the ramifications of neighborhood change, including gentrification and displacement, through efforts such as community engagement, improving access to capital, data analysis, the provision of programmatic support to small businesses, and policy advocacy.

Research into the effects of gentrification and neighborhood change on minority-owned small businesses is new and limited. As a result, the following brief can be considered an initial exploration into the field informed by available data, policy, partnerships with small business-serving organizations, and anecdotes provided by small business owners who are facing the realities of neighborhood change on a regular basis. The strategies identified were included with the intention that this brief can provide some guidance to local organizations encountering small businesses in their community at risk of displacement as a result of neighborhood change.

Latino- and Immigrant-Owned Businesses: Essential to the U.S. Economy

The definition for a small business varies significantly across the private sector, government entities, and communities. For the purposes of this report, a small business is defined as an independently owned and operated business whose owner(s) exercises close control over operations and decisions. Typically, a small business employs fewer than 100 workers and has revenues of less than \$25 million.¹

The small business sector is a key pillar of the US economy and business development is an important path to wealth creation and economic mobility. Businesses in their first five years of existence are credited with being the primary source of net job creation in the United States. For Latinos in particular, small business development and self-employment have an outsized economic importance and an even greater potential. Latino entrepreneurship fundamentally represents an opportunity for the US economy. A 2013 US Hispanic Chamber of Commerce study shows the number of Latino start-ups increased 6.66% from 2007-2013; a full 3.5% more than the overall population. Since 2002, the number of Latino firms has doubled to 3.1 million and, in 2013, Latino businesses contributed \$468 billion to the economy.² According to the Kauffman Foundation's Index of Entrepreneurship, Latinos and immigrants demonstrate higher rates of entrepreneurship than any other major demographic segment. Based on U.S. Bureau of Labor Statistics data, the number of self-employed in the U.S. dropped in the post-recession economy. Incorporated self-employment fell from 5.78 million in 2008

¹ Webster's New World Finance and Investment Dictionary, Wiley Publishing, Inc., Indianapolis, Indiana, 2010, <http://invest.yourdictionary.com/>

² United States Hispanic Chamber of Commerce, "Hispanic Businesses & Entrepreneurs Drive Growth in the New Economy", 2013, http://ushcc.com/wp-content/uploads/2013/09/Geoscape_HispanicBusinessOwners_FINAL.pdf.

to 5.13 million in 2011, then climbing back to 5.48 million in 2015, well short of the 2008 level. For Hispanics, entrepreneurship rose in the post-recession period – a dramatic display of resiliency. Self-employment was critical for many Latino families in weathering the recession.

NALCAB is uniquely positioned to understand the experiences of Latino and immigrant small business owners and entrepreneurs. NALCAB supports economic mobility for Latino and immigrant small business owners and entrepreneurs by providing access to capital, technical assistance and capacity building to local organizations. The NALCAB Network includes over 60 organizations across the country that support small businesses through lending and/or providing culturally-relevant small business development services.

“Latino and immigrant entrepreneurs have significant potential to be major economic drivers and job creators”

In 2016, NALCAB conducted a survey of nearly 500 small business owners to develop insights into Latino and immigrant entrepreneurs accessing small business development services through the member network. The survey found that an overwhelming 88% are seeking to grow their businesses in the coming year by hiring employees, expanding their offerings of products and services, and/or opening new locations. Approximately 74% of respondents expected their revenue to increase over the next year.³ Overall, the findings from the survey reflect what has been previously stated: Latino and immigrant entrepreneurs have significant potential to be major economic drivers and job creators. As such, Latino and immigrant-owned businesses should be valued, preserved and cultivated.

Neighborhood Change and Small Businesses

Defining Gentrification

Neighborhoods constantly change in big and small ways. While widely understood to include real estate price appreciation and demographic changes, defining what gentrification means, and whether it is positive or negative, is one of the most contentious aspects of any conversation about neighborhood change. It is crucial to understand that different perspectives on neighborhood change and gentrification exist within a single community, and there are competing social, economic, historical and cultural interests at play.

The consequences of gentrification for low- and moderate-income communities that have historically not received much public or private investment can be dramatic and long-lasting. Just as we know that access to diverse neighborhoods with growing economic and educational opportunities can shape the trajectory of a child in a profoundly positive way, we also know that housing instability and limited access to quality educational opportunities can shape the rest of their lives in negative ways. The impacts on small business, especially those that rent their commercial space, can lead to equally devastating consequences. It also has particularly pronounced effects in vibrant commercial corridors that offer cultural products, goods and services as well as attractive nodes of social activity and entertainment. Many of these corridors are located in and around our urban cores with great accessibility and lower-cost housing stock. NALCAB seeks to improve its methodology for Analyzing and Anticipating Neighborhood Change to include the impact of small businesses and culturally-driven commercial corridors. Without a widely-accepted academic or practitioner-based definition of gentrification, it is important to define gentrification so that stakeholders, business owners and residents are operating from the same context.

³ Data for this survey was collected from entrepreneurs in 11 urban and rural markets where NALCAB members provide small business development services.



Through work with municipalities and community development non-profits, NALCAB has developed its own definition for gentrification:

*Gentrification is real estate price appreciation that leads to **involuntary displacement** and **significant cultural change**.*

Again, it is important to note that involuntary displacement and significant cultural change are contextualized within the community, including housing and small businesses.

The drivers that trigger neighborhood change vary across markets. Across the communities that our members serve, NALCAB has found that some mix of the following factors usually drive neighborhood change:

- Proximity to neighborhoods that are experiencing significant demographic change and housing price appreciation
- Catalytic public and private investments
- Housing affordability, namely, low-cost housing stock adjacent or near to amenities, opportunities, and/or higher-cost neighborhoods
- Access to amenities and opportunities, including but not limited to
 - o commercial districts
 - o public transit
 - o employment nodes
 - o recreational opportunities
 - o diversity and culture
- Availability of land for development
- Public policies and incentives

The Impact of Neighborhood Change on Small Businesses

The demographic changes that can accompany gentrification pose unique challenges for small businesses that serve low- and moderate-income residents. In gentrifying neighborhoods, old customers may move away and new customers may want a different product. No longer seeing demand for their services and having to pay higher prices for real estate might lead small businesses to relocate, close, or offer different products to meet the new local demand. When 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 the goods and services they need. Small business displacement may also result in items no longer being available at all, particularly specialty items for ethnic groups and immigrant communities.⁴

NALCAB has worked with local member organizations to better understand the impact of neighborhood change in the predominantly Latino and immigrant communities they serve. Though neighborhood change can result in many positive and negative changes within a community, two factors make small business owners more vulnerable to its effects and potentially displacement:

- Many culturally-driven commercial corridors are located in or near rapidly changing neighborhoods that provide access to the urban core, public transportation, culture and lower- cost market rate housing stock,
- Most small business owners do not own the property or building they occupy and are renters.

While neighborhood change, including gentrification, is most often associated with the loss of affordable housing, just as undesirable is the loss of local small businesses that reflect a neighborhood's character.

⁴ Sharon Zukin, "New Retail Capital and Neighborhood Change: Boutiques and Gentrification in New York City," *City and Community*, 8:1 (March 2009):61.

Small businesses provide a sense of community and place by acting as an important source of affordable and accessible goods and services for low- and moderate-income consumers. This is significant because mainstream and big box-focused commercial corridors often lack the goods and services sought by minority and immigrant communities. As people move in and out of neighborhoods, the community-based institutions and small businesses that were central to the identity of their neighborhood must often change their purpose or close their doors.

When small “mom-and-pop” shops disappear and are replaced by bigger businesses and national brands, a neighborhood changes and its culture is lost. One of the most famous examples of gentrification and its impact on a neighborhood’s people, businesses, and culture is that of the Mission District in San Francisco. Once the center of the Latino community in San Francisco, the culturally-rich neighborhood is attracting new residents employed through the technology industry, resulting in a significant reshaping of the neighborhood. Streets that once hosted bodegas and fruit stands now house boutique shops and expensive restaurants. The new neighborhood identity became more representative of the population that moved in, a population that was originally drawn to the area by its availability of housing stock, diversity and cultural identity.



Beyond the loss of cultural identity, another challenge is that the majority of small business owners do not own their property. In changing neighborhoods, commercial rents, like residential rents, might increase as landlords see either the opportunity to make more profit from their property or to meet increased tax obligations. Many small businesses located within LMI communities do not have a binding lease which leads to increased susceptibility to sudden rent increases, harassment, or eviction. These circumstances compound the risk factors for immigrant business owners who may not feel comfortable contesting actions made by a landlord. This problem is such that coalitions such as United for Small Business NYC (USBNYC) have formed to address the issues of tenant harassment at the wider city level, advocating for changes in policy affecting commercial tenants.⁵

Often cities and towns have limited or no protection laws for commercial spaces and tenants, leaving small business owners across the board incredibly vulnerable. If a tenant can no longer afford their rent, they are forced to find a new location or close, however, finding a new location within these changing neighborhoods presents a remarkable challenge itself. The increased rent that causes a small business to relocate is likely to be replicated in the nearby area, creating a general lack of affordable commercial space. Additionally, not being a landowner provides challenges to small businesses who are interested in accessing capital and/or making improvements to their physical space to grow their business.

Changing customer bases and renter vulnerability can be considered two major risks for small business displacement; however, there are other factors to consider including:

⁵ United for Small Business NYC, last modified February 20, 2018, <https://anhd.org/wp-content/uploads/2017/06/USBnyc-Platform.pdf>.

⁶ NALCAB Small Business Survey 2016.



- *Limited capital available for small businesses:* Despite high demand, small business loans are subject to high transaction and underwriting costs relative to potential earnings for the lender.⁶ Due to this, traditional lenders are less likely to offer small business loans making it more difficult to access the capital necessary to grow and maintain a business, particularly in a neighborhood experiencing significant changes. Business owners face increased vulnerabilities to unanticipated costs and predatory business dealings when this financial disconnect is combined with a lack of familiarity with the legal system, tax law, local codes, and standard accounting practices.
- *Hostility towards informal businesses:* Gentrifying neighborhoods tend to have stricter regulations and permit requirements, requiring expensive licenses or limiting the number of permits available to street-based businesses. Those informal business owners who are unable to access the necessary documentation face potential criminal charges and fines.
- *Prioritization of mainstream brands as tenants:* Commercial land owners are often drawn to businesses such as banks, big box stores and chain-restaurants that can sign leases for over ten years and pay high rents; these extensive contracts limit the retail space available for small businesses and provide long-term competition. Further, these mainstream brands often receive incentives and tax breaks for relocation by local entities.

Although gentrification can result in significant changes for a community, the prospects of increased investment and physical improvements in a neighborhood are not inherently negative – many neighborhoods need the infrastructure improvements that typically accompany new investments. These changes can be advantageous overall. Reports from NALCAB members have indicated that some locally-owned small businesses in fact benefit from an influx of new residents and investments. It is the resulting displacement of people, small businesses, and other community institutions that creates a cause for concern. These changes could be beneficial to the quality of life in the area if the community's small businesses manage to stay in place and expand their customer base.

Strategies for Preserving Small Businesses in Changing Neighborhoods

Looking at the experiences of various small businesses in changing neighborhoods throughout the nation, including experiences shared by members of the NALCAB Network, the following have been identified as strategies that can be implemented to help existing businesses survive and thrive in changing neighborhoods. It is important to understand that every neighborhood is unique and these strategies would need to be adapted to the local context.

In diverse and changing neighborhoods, the following strategies can be considered methods to better preserve a community's small businesses:

- Organizing and community engagement
- Technical assistance for small businesses
- Access to capital for property ownership and adaptation of goods and services provided
- Policy and advocacy for preserving and expanding small businesses
- Anticipating neighborhood change through data analysis and mapping

Organizing and Community Engagement

Community Outreach

Community engagement includes the identification of problems, opportunities and potential solutions. And solutions should be driven from the community-up, with advocacy support from local organizations. Reaching out for community input lessens the possibility community members feel that they have been ignored or left to deal with gentrification issues on their own. Including both existing and newer residents in conversations about neighborhood changes is a key component of successful community outreach. NALCAB member East LA Community Corporation (ELACC), approaches all its work through grassroots organizing, which is key to its success and overall impact. Though outside experts may need to provide input to the community, it is vital to build the experiences of the community into any planning efforts. Ultimately, public participation revolves around building trust.

Business Associations and Co-ops

Improving the independence of small business owners is critical to preserving small businesses. Neighborhood business associations serve as channels by which small business owners can work together to address individual and wider spread problems and successes. As a united group of small businesses, the ability to raise awareness and implement change is greater than the efforts of a single person. Latino Economic Development Corporation (LEDC), a NALCAB member organization based in Washington, D.C. helped to facilitate the development of a small business alliance through organizing efforts in response to a large-scale mixed-use development led by the county. This development caused major concern among community business owners due to the anticipated business competition. LEDC took on the role as a county-funded technical assistance provider to the small business alliance members to help the businesses adapt to the changed neighborhood market, and even though the development moved forward, the small business alliance continues to serve the community.

Another step in engaging small businesses is to formalize a concerned group of owners, legally, through a cooperative. Cooperatives can serve as a way to increase the influence of small businesses owners, specifically purchasing power. The ability to purchase property provides a preservation and ownership strategy that is particularly significant to the already vulnerable minority-owned small businesses, as discussed previously. Evidence of the impact of united community businesses and residents comes from across the country.

Technical Assistance for Small Businesses

Unless a small business focused community-based organization exists in an area, small businesses often do not have access to support systems or networks that are personal and relevant to their culture, location

***“Owning a building unlocks
a key opportunity for a small
business, particularly in a
changing neighborhood”***

and customer base. Community-based organizations provide a unique service: an in-depth understanding of the local neighborhood and business context. This context that comes from long-standing relationships with small business owners and residents is essential to working within communities to provide culturally relevant resources. This includes fully understanding the needs and barriers facing business owners in the area, including access to capital, language, credit history, and legal status. Latino and immigrant-serving

organizations serve as anchors in their communities and remain well-situated to provide support for efforts in protecting their community, an especially function in the current political environment. For cases in which an outside organization is coming into a neighborhood, a partnership with a community organization should be strongly considered. By offering technical support through local organizations, small businesses are provided



a trusted resource that can help them navigate the complexities of business ownership.

Of particular consideration for technical assistance focus should be the idea of helping to facilitate building ownership. Owning a building unlocks a key opportunity for a small business, particularly in a changing neighborhood. Not only does owning a building provide stability for the tenant, but the appreciating value of the land and space provides a chance for that business to build assets, make physical changes that can help their business grow, and potentially provide space for other small businesses to locate, like in an incubator.

Among the programmatic efforts for a local community organization to consider are those targeted towards investing in small business owners and helping them build assets through ownership. A variety of programming can lead towards success in this space, including: 1) developing incubators or renting space within the organization's building to small businesses, providing affordable rent and a dependable location and/or 2) developing programs that will assist small businesses in purchasing their own spaces. El Pájaro Commercial Development Corporation (CDC) provides a strong example of the benefits of incubators. Based in Watsonville, California, El Pájaro CDC offers a business training program that includes the opportunity to work in a kitchen incubator. The opportunity for individuals, many of whom were immigrants, to build their food-oriented business in a commercial kitchen was a game changer. Over time and through training offered by the organization, the businesses located within the incubator have increased production, staff size, and profits.⁷

Other forms of assistance that are important for the success of small businesses include:

- *Legal support:* Legal assistance is critical for business owners, particularly when negotiating a lease and understanding their rights as tenants. For business owners who do not use English as their primary language, receiving assistance navigating legal terms and documents is critical to their success. Hacienda Community Development Corporation, a NALCAB member based in Portland, Oregon, developed a partnership with a small business legal clinic at the local Lewis and Clark University, which helps small business owners negotiate contracts, leases, and other legal agreements.
- *Financial support:* Financial technical assistance covers a wide range of issues including grant and loan application assistance, connecting businesses to lenders, and developing a business growth strategy. Local organizations could also develop a small loan fund to provide loans to small business owners who cannot access affordable bank loans. Additionally, minority owned and serving small businesses represent the ideal recipients of Community Reinvestment Act funds, opening doors to capital which previously might not have been realistically accessible.
- *Business development support:* Providing business development services to local small businesses can help owners adapt to the changing demographics and diversify their products and marketing to meet new demands. Potential development tactics include strategizing about how to expand the sale of a product beyond the local community by selling the product in a separate store or through the internet. Mission Economic Development Agency (MEDA), a NALCAB member based in the Mission District of San Francisco, has offered business development technical assistance for over forty years. Components of their program include developing a business and marketing plan and guiding business owners through the city permitting and licensing process, with services available in English and Spanish.

⁷ Lily Stoicheff, "How the El Pajaro Kitchen Incubator is Helping Food Entrepreneurs," March 17, 2016, Good Times, <http://goodtimes.sc/cover-stories/kitchen-of-dreams/>.

Depending on the business and the situation, the technical assistance needs may overlap multiple categories as listed here, or include other areas of focus. It should be noted that many cities have technical assistance programs of some sort available to small businesses that local organizations could connect with, build off, or model their own programs around. Technical support is critical to the continuation and growth of small businesses.

Policy and Advocacy for Preserving and Expanding Small Businesses

Much of the focus on strategies for preserving small businesses in changing neighborhoods has thus far focused on efforts put forth by local organizations and potentially small business owners or residents themselves. However, the role local, county, and state policy plays in the initiation and potential impacts of gentrification are significant and as a result are worth advocating to change.

Issues around which policy work could benefit small businesses include:

- *Zoning and building codes:* Available commercial space is directly influenced by zoning restrictions and building codes. Banning mixed use development places a greater limitation on where businesses can be located, and businesses may become geographically restricted if municipalities implement certain code restrictions. Additionally, some zoning prohibits businesses operated out of individual homes.
- *Economic Integration of Informal Businesses* – Informal businesses such as street vending can provide important employment opportunities to low-income people of color who may face barriers to engaging in more traditional small business ventures. Formalizing businesses provides new opportunities: access to capital, a chance to grow, and income stability. ELACC, a NALCAB member located in East Los Angeles, developed an organizing campaign around the legalization and licensing of street vending. As a result of this work, street vendors – many of whom faced the risk for deportation if charged – will not be criminalized for selling their goods in public spaces.
- *Construction Requirements and Development Incentives* – Cities often do not have specific affordability requirements tied to the use of public funds such as including tax breaks and subsidies. If a city intentionally designed policy to make affordability a requirement for a commercial space to receive public funds, there would be an increase in reasonably priced space. Cities could develop a mandatory requirement for a percentage of new construction to be reserved for non-retail chain small businesses or preservation of existing culturally driven commercial corridors and small businesses in an effort to increase opportunities for small businesses to find a formal location.

All three of these strategies are interrelated. In times of change, understanding community needs, concerns, and the local historical context are critical to have successful programs supporting small businesses. Successful projects and programs are led by community-based organizations or through partnerships with them. Community engagement efforts can help inform programming and technical assistance offered by local organizations and the city. However, in order to create widespread changes that address systemic barriers for small businesses, such as incentives for attracting development that include no affordability requirements, changes need to occur at a wider policy level. These changes should include an emphasis on accessing capital, technical assistance and ownership of small business spaces.



On the Ground: Examining the Actions and Impact of Community-Based Organizations on Small Businesses in Changing Neighborhoods

NALCAB partnered with two community-based non-profit organizations who work to support small businesses in neighborhoods dealing with significant changes. Each partner organization completed a NALCAB developed Gentrification Action Plan. The intention behind the development of this plan was to collect the internal knowledge of the community from each organization and condense it into a document that could serve as a guide for a more comprehensive understanding of changes in the neighborhood and the available resources. This document asked staff to:

1. Develop a definition of equitable development for their organization;
2. Describe their community's history and culture, with information regarding how the community has changed demographically and economically over time;
3. Describe anticipated changes in the real estate market, local economy, built environment, and demographics of their community, as well as the challenges and opportunities that could arise as a result of the change;
4. Identify the policies and programs that drive development, preserve affordability for residents, and hinder the flow of capital into their community;
5. Describe the methods the organization uses to engage the community around real estate development and advocacy related to equitable development;
6. Identify preliminary actions to implementing equitable development within the community.

The following exemplifies the efforts of one partner organization's experience with neighborhood change and how they are making efforts to protect local small businesses.

⁸ City of New York, Department of City Planning, "The Newest New Yorkers: Characteristics of the City's Foreign Born Population," 2013, https://www1.nyc.gov/assets/planning/download/pdf/data-maps/nyc-population/nny2013/nny_2013.pdf.

Chhaya Community Development Corporation - Jackson Heights, Queens, NY

Chhaya Community Development Corporation's (Chhaya CDC) mission is to work with New Yorkers of South East Asian origin to advocate for and build economically stable, sustainable, and thriving communities. Due to their location within Jackson Heights, the organization also works with a significant Latino population. Although Chhaya CDC is not a NALCAB member, the community organization supports a diverse community, including Latino and immigrant small businesses and residents.

Jackson Heights is a neighborhood in the northwestern borough of Queens in New York City. Of the five boroughs, Queens has the largest percentage of immigrants (30% of the total population), and approximately 60% of Jackson Heights' residents are reported to be immigrants.⁸ Over 70 nationalities are represented within the neighborhood including a large number of South Americans, Indians, Pakistanis, Tibetans, Nepalese, and Bangladeshis. An estimated 167 languages are spoken and half of the population was foreign born by the 2000s.

Ethnicity/Race	% of Jackson Heights Population	% of Queens Borough Population
Latino	55.3%	27.9%
Asian	25.9%	24.2%
African American	1.8%	17.4%
White Non-Hispanic	14.7%	26.1%

Map 1 – Changes in Foreign Born Populations from 2000-2015

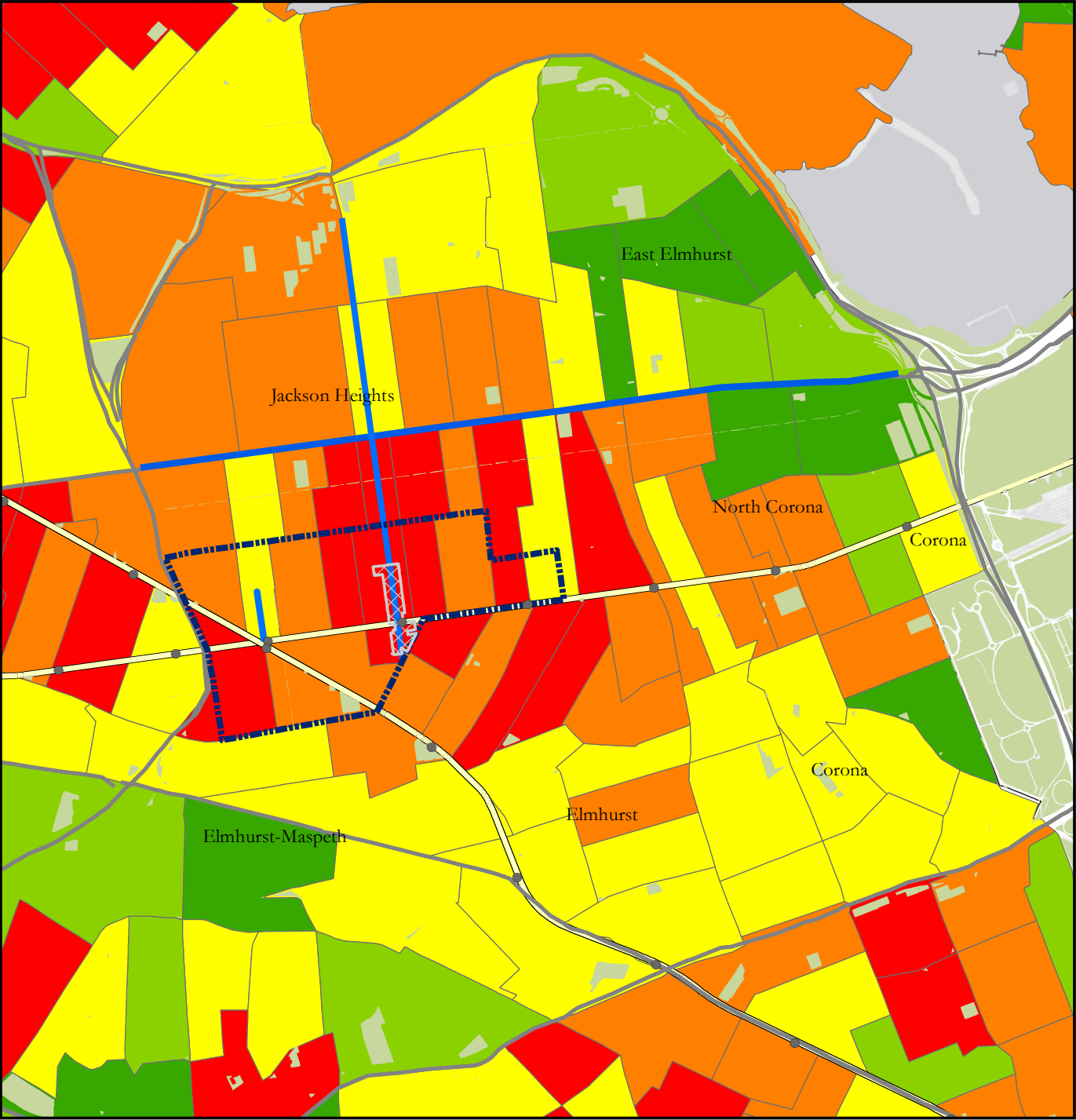
This can be used as data to show how the neighborhood has changed demographically overtime. The map also includes major commercial corridors. The changes indicate a significant loss in foreign born populations in and around Chhaya's service area. Even though the data is not specific to small businesses, it can be used as a proxy to signify a potential change in small businesses owners. It also supports the anecdotal information we received during site visits that immigrant owned residents and businesses are being forced to relocate outside of Jackson Heights.

The small businesses of Jackson Heights reflect the great diversity of the neighborhood. Most businesses are immigrant-owned and include restaurants, bakeries, legal offices, bars, retail outlets, beauty salons, and various specialty shops. Reflecting the background of their owners and customers, many of these small businesses cater to both the South East Asian and the Latino community.



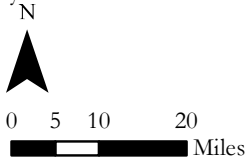
Foreign Born Population

Percent Change, 2000 - 2015

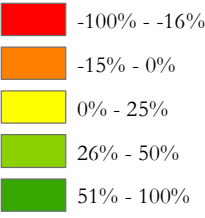


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Source: 2015 ACS 5-Year Estimates,
Brown LTDB, City of New York



Percent Change



The Changing Jackson Heights

As the cost of living in Manhattan and other city boroughs increases, Queens has seen an increase in overall population, including non-white Hispanics. Jackson Heights is viewed as a desirable neighborhood because of its affordable housing prices, diverse community, availability of public transportation, and close proximity to Manhattan. Chhaya staff note that over the past ten years, residents who have had long and deep ties to Jackson Heights have been forced further out in the borough or out of Queens entirely due to the influx of younger and more affluent residents moving into the area.

Map 2 and Map 3 – Neighborhood Trend Analysis

Using the neighborhood change methodology developed by NALCAB, it is possible to identify census tracts experiencing significant changes in economics and demographics over a period of time. The methodology was applied to Queens. Those tracts identified as Rapidly Changing by the methodology match the neighborhood and resident changes Chhaya staff has seen occur in their service area. The darker colored tracts are the areas of the neighborhood that are potentially at risk for gentrification and should be investigated more.

This shift in residents has also resulted in a shift in neighborhood investments and businesses, which now cater more towards the interests and tastes of the newer residents. Although Jackson Height's significant diversity serves as a major attraction for newer residents, local businesses that existed to serve the local immigrant population are not patronized by these newer residents. This in turn has become a detriment to businesses who cannot afford to stay in place and benefit from neighborhood changes.

There are a variety of academic and practitioner-based studies that attempt to measure changes commonly associated with gentrification. This analysis combines elements of these studies to measure how neighborhoods have changed in ways that might indicate displacement has already occurred, or might occur if trends continue. It measures changes over time in housing prices and demographics using five indicators from the Decennial Census and American Community Survey (ACS). For Decennial Census going back to 1970, the data comes from the Longitudinal Tract Data Base (LTDB) created by a team at Brown University. The Brown team recalculated 1970-2000 Census data to fit into Census Tract boundaries from the 2010 Census. This allows for the comparison of data over time for a consistent geography. Despite some of the limitations of Census and ACS data they provide a consistent and nationally replicable tool for tracking changes across time.

All indicators are taken at the Census Tract level. Changes at the Tract level are compared to changes occurring at the regional level. This helps point to whether neighborhood-level changes are the result of regional trends or if something else is driving them. Additional data can be used to build on this analysis as needed — more on this below.

The indicators that comprise the neighborhood trend analysis are:

- (1) Median Owner-Occupied Home Value and (2) Median Gross Rent — to show how real estate prices have changed.
- (3) Median Household Income — to show if real estate price appreciation correlates with increases in household income.
- (4) Population 25 years or older with at least a bachelor's degree — to show whether increases in median household income are from higher paid newcomers moving into a Census Tract, or existing residents being paid more, since higher educational attainment broadly correlates to higher incomes, and relatively few individuals achieve higher education credentials after the age of 25.



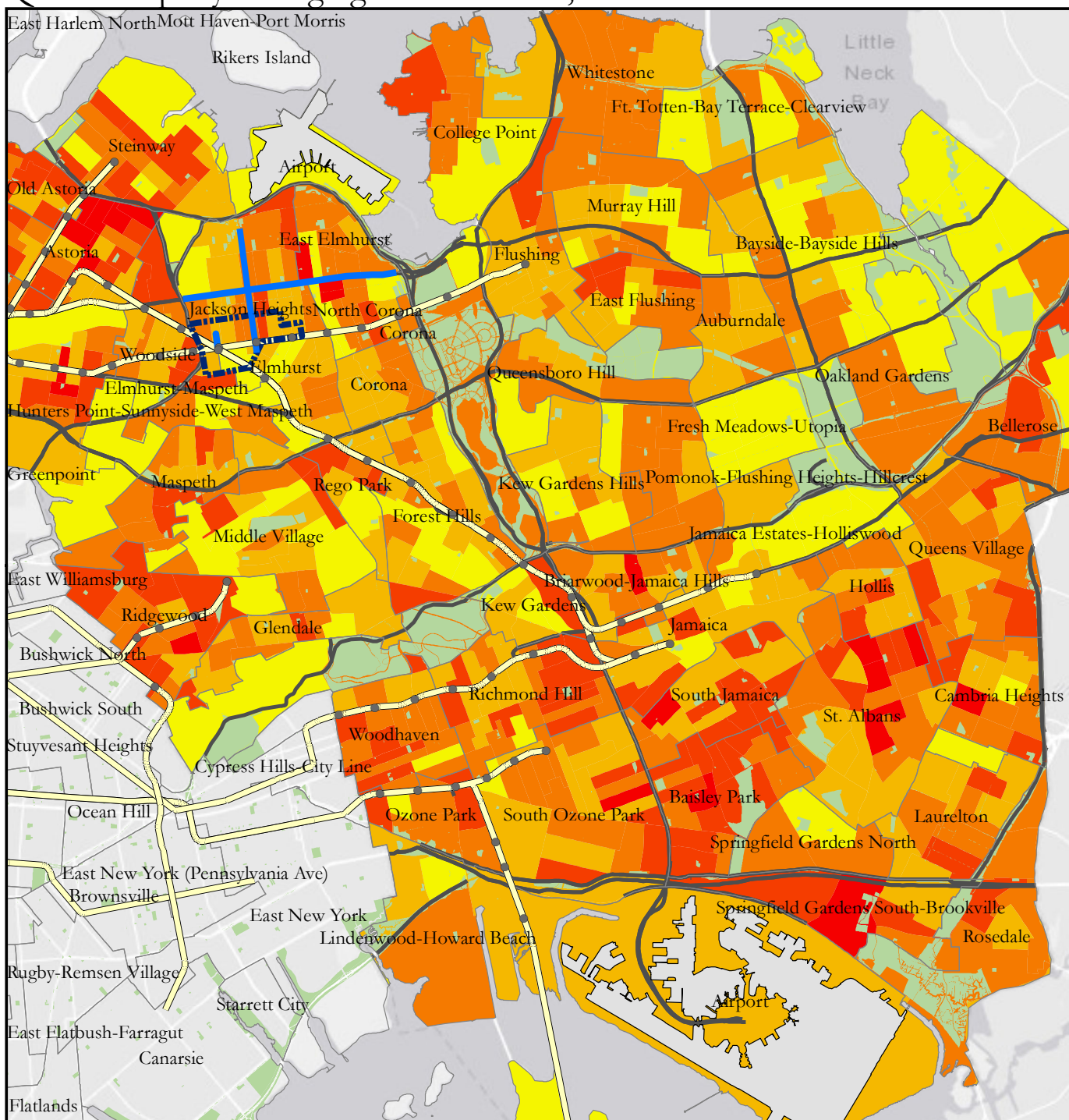
(5) Race/Ethnicity — to show whether demographic shifts are due to changes in the racial/ethnic composition of Census Tracts. This is good indicator of whether increasing incomes are due to newcomers to a neighborhood or improvements for existing residents. It is also important given the racial/ethnic aspect to gentrification discussed in the introduction.

Map 2 shows the changes from 2000-2010, with the darker tracts representing the census tracts that have changed faster over the ten-year period than the other census tracts. Faster is designated by the number of indicators (0-4) that had a greater rate of change than the city, over the ten-year period.



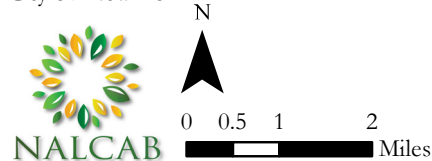
Neighborhood Trend Analysis

Queens Rapidly Changing Census Tracts, 2000 - 2010



Date Created: 2/8/2018

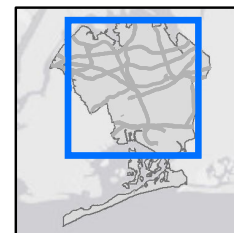
Source: 2011 and 2015 ACS 5-Year Estimates,
City of New York



Rapidly Changing Census Tracts

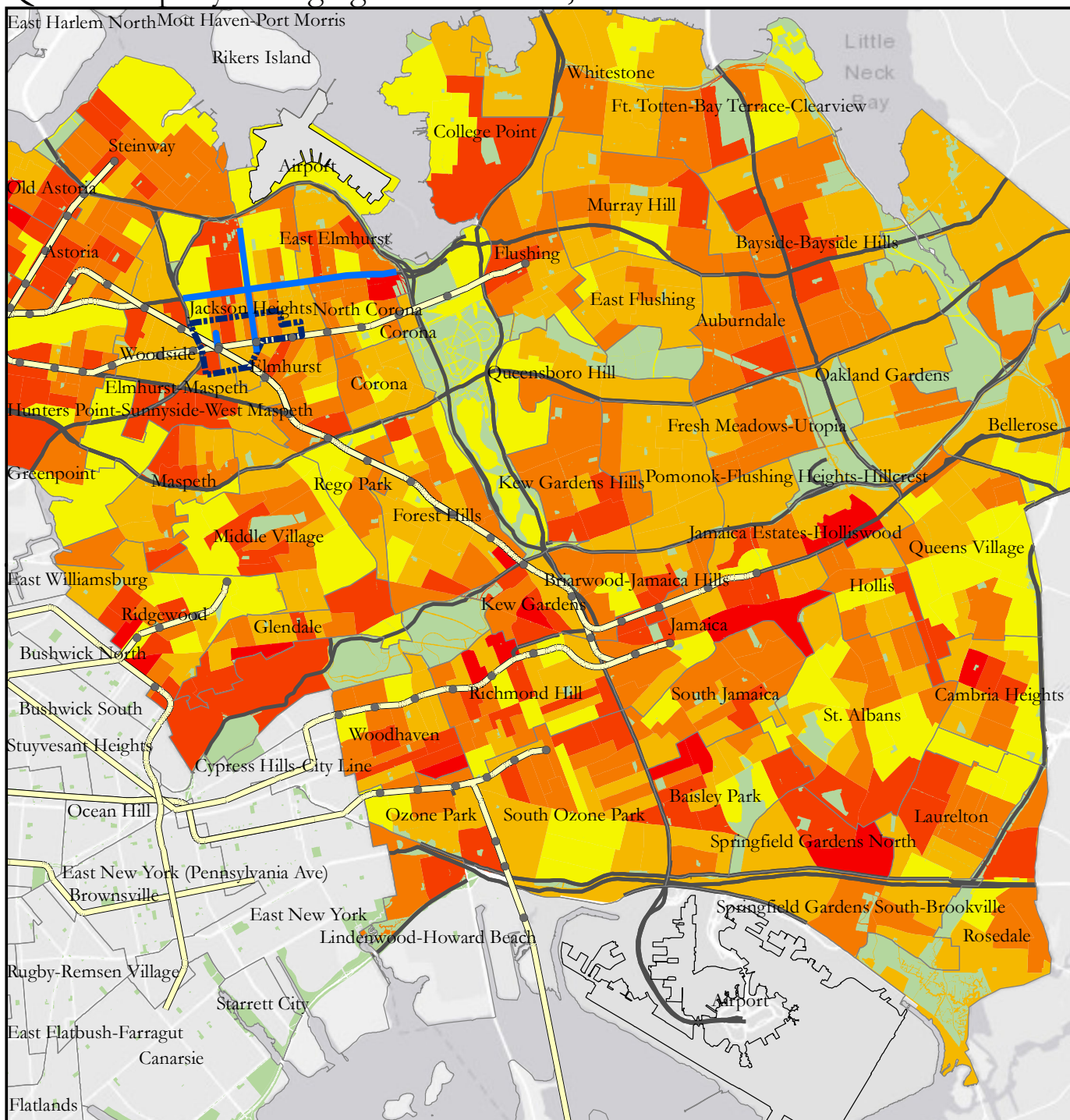


- Chhaya Boundary
- Parks
- Major Commercial Corridor
- Subway Routes
- Subway Station



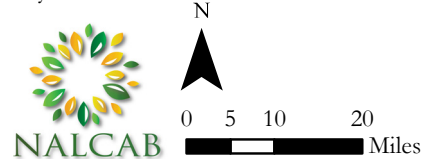
Neighborhood Trend Analysis

Queens Rapidly Changing Census Tracts, 2011 - 2015

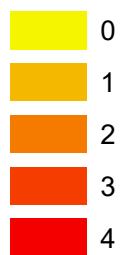


Date Created: 2/9/2018

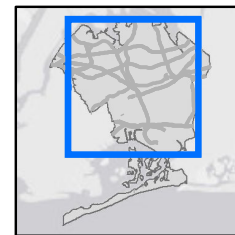
Source: 2011 and 2015 ACS 5-Year Estimates,
City of New York



Rapidly Changing Census Tracts



- Chhaya Boundary
- Parks
- Major Commercial Corridor
- Subway Routes
- Subway Station



Map 4 – Neighborhood Trend Analysis – Overlapping Rapidly Changing Census Tracts 2000-2015

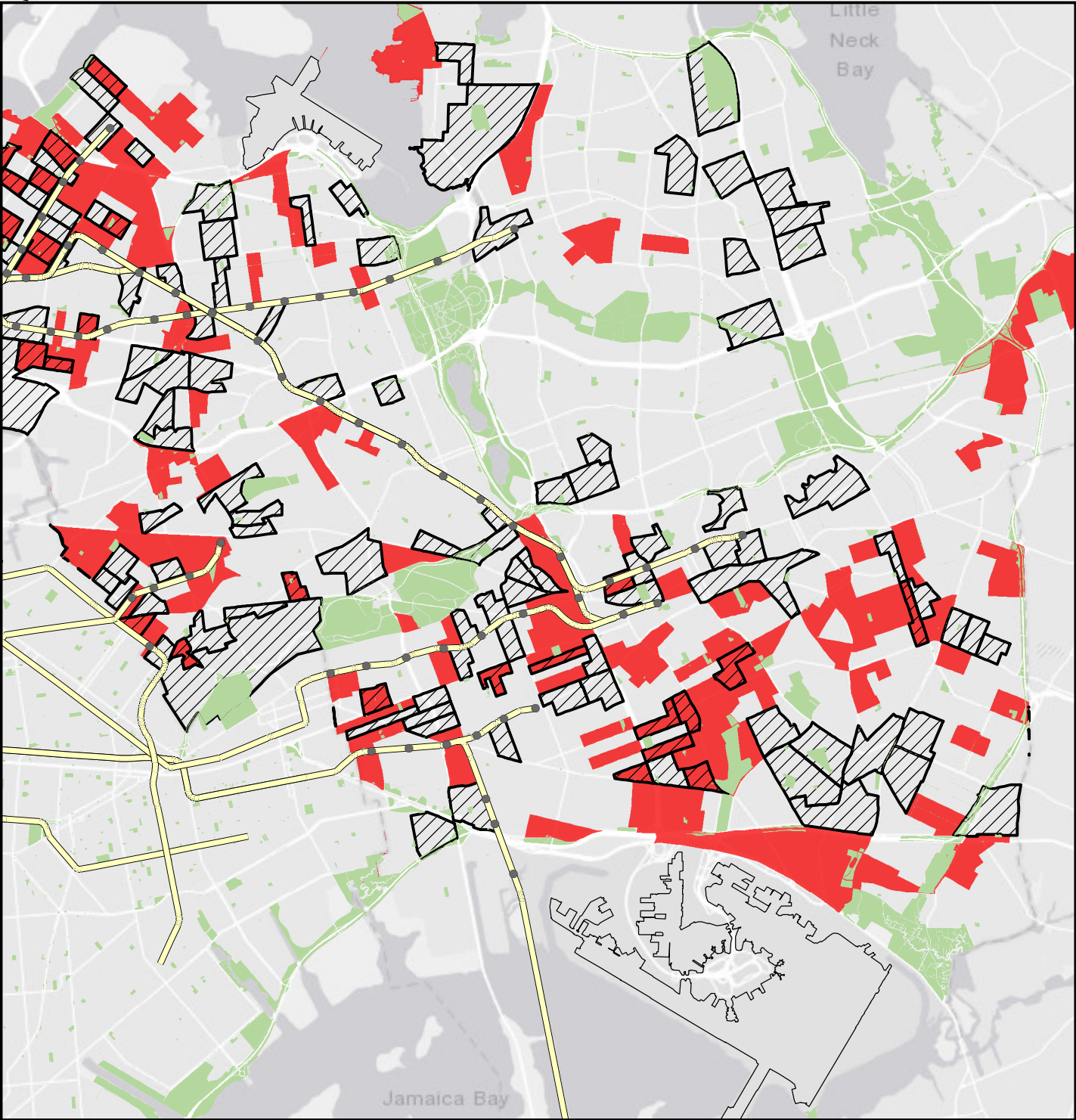
Tracts that scored a 3 or a 4 on the neighborhood trend analysis are shown here. Those from 2000-2010 are shown in red, as most rapidly changing, and those from 2011-2015 either overlap the earlier tracts, or are adjacent to them. Adjacent tracts show that as time progresses, neighborhood change shifts to the surrounding neighborhoods.

In addition, commercial rents are increasing. Local Business Improvement Districts (BIDs) collect taxes for the purposes of improving a commercial corridor; however, Chhaya staff have noted that although the efforts of the BIDs may be successful, in most cases the landlords cover this additional cost by increasing the rents of their tenants. Additionally, at least one local BID (82nd Street Partnership) spearheaded the installation of several major retail stores that ultimately replaced the small businesses along the corridor that had catered to the low- and moderate-income populations of the neighborhoods. Again, there have been significant shifts in development and investment interests in the neighborhood, with projects reflecting the interests of the newer residents. Many landlords have taken advantage of the new development situation and have raised rents to increase profits.



Neighborhood Trend Analysis Overlapping Tracts

Queens, 2000 - 2010



Date Created: 2/7/2018

Source: 2011 and 2015 ACS 5-Year
Estimates, City of New York



0 0.5 1 2
Miles

Rapidly Changing Census Tracts Score 3 or 4



2011-2015



2000 - 2010



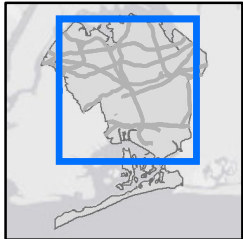
Parks



Subway Routes



Subway Station

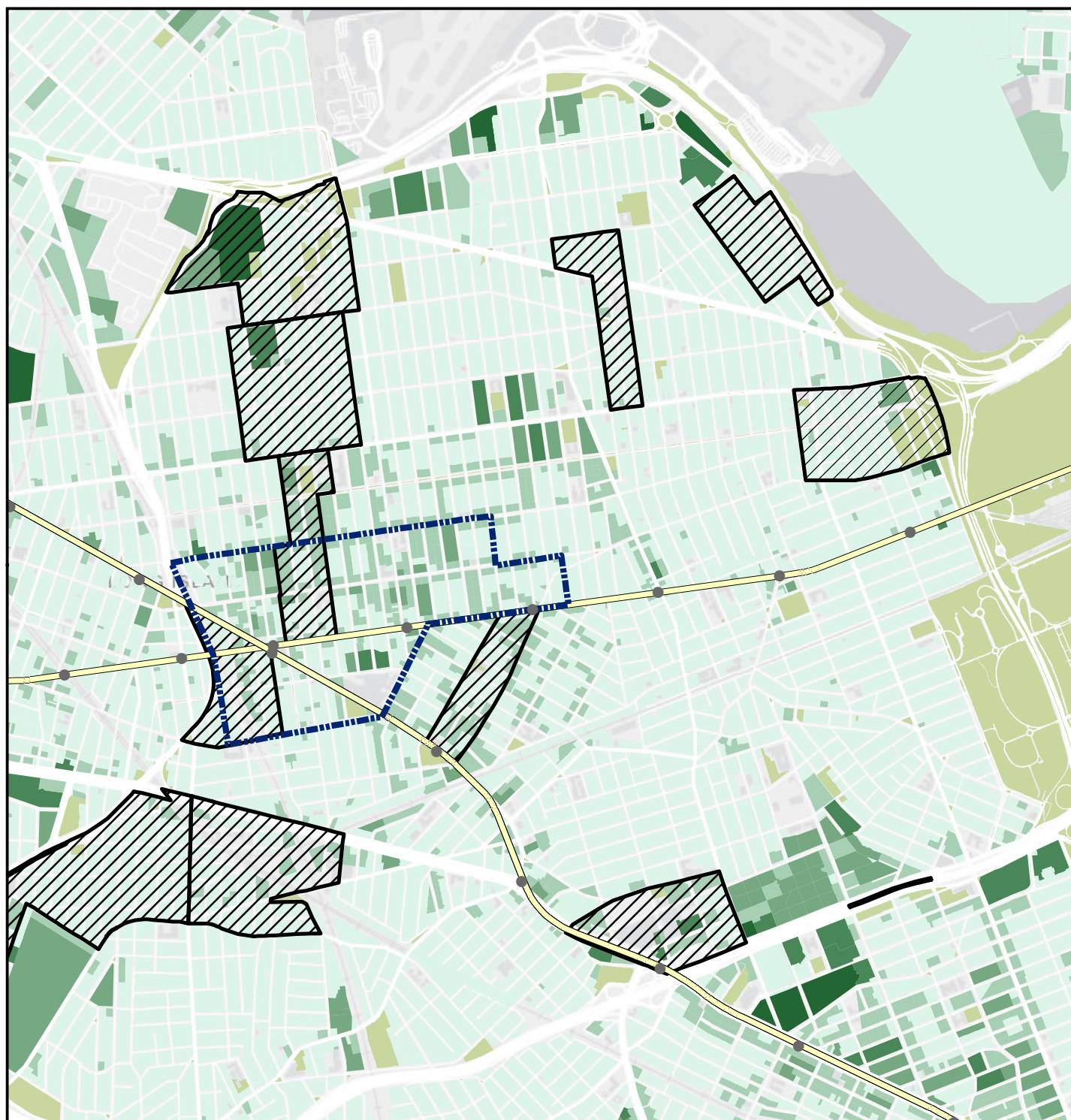


Map 5 – 2016 Tax Appraisals and Rapidly Changing Census Tracts 2011-2015

This map of Jackson Heights uses tax appraisal data for 2016 is coupled with rapidly changing census tracts scoring a 3 or a 4. Some tracts that are changing occur in areas where the properties are valued in the lowest category, from \$0 - \$1,000,000. Publicly owned properties have been omitted.



Tax Appraisal Data 2016, Rapidly Changing Census Tracts 2011-2015



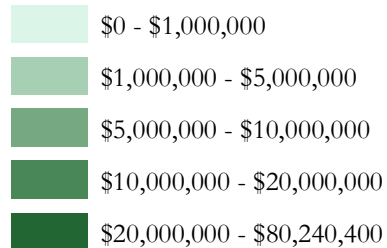
Date Created: 2/9/2018

Source: 2015 ACS 5-Year Estimates,
City of New York



0 0.125 0.25 0.5
Miles

Total Value



Chhaya Boundary



RCCT Score 3 or 4



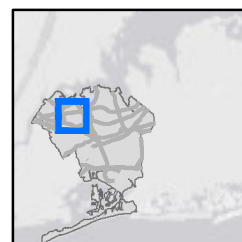
Parks



Subway Lines



Subway Stations



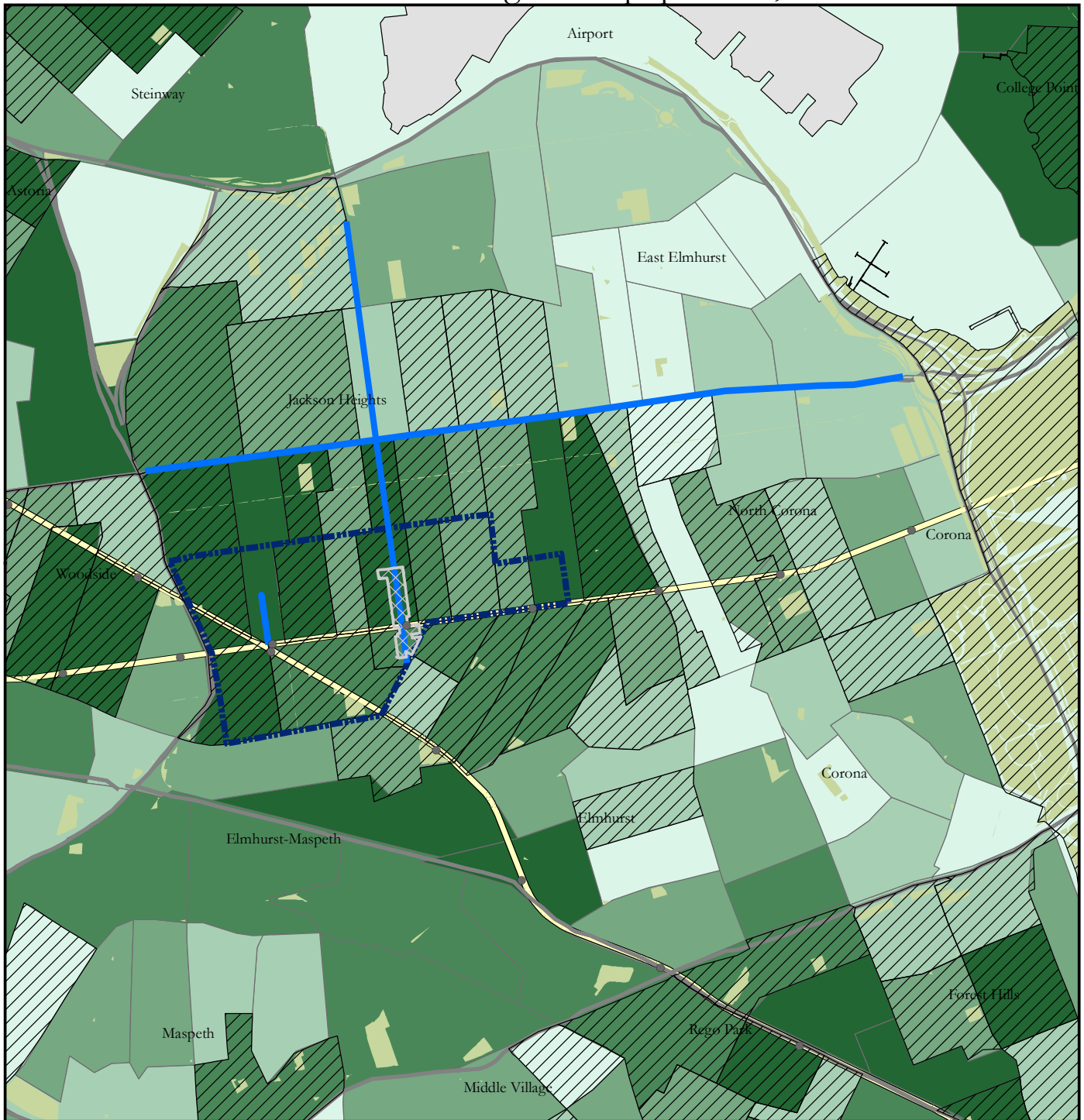
Map 6 – Number of SBA Loans 2015 and Census Tracts with Declining Foreign-Born Populations

This map shows the aggregated SBA loan amount per census tract for 2015, and census tracts that decreased in foreign born population from 2000-2015. Darker census tracts represent census tracts with a higher number of SBA loans made in 2015. Further analysis is needed to compare the profiles of SBA Loan borrowers to existing small business owners to identify any changes in business owners and the accessibility of capital.



Small Business Loans -Total Number of Loans

Census tracts that decreased in foreign born population, 2011-2015



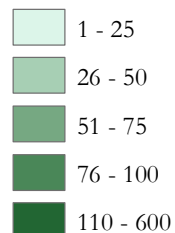
Date Created: 2/9/2018

Source: PolicyMap (CRA), City of New York



0 0.125 0.25 0.5 Miles

Number of SBA Loans



Chhaya Boundary



Foreign Born % Decrease



82nd Street BID



Parks



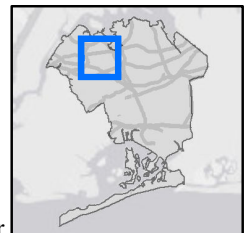
Major Commercial Corridor



Subway Lines



Subway Station



Voices from Jackson Heights Small Businesses

During a site visit, NALCAB staff spoke with a few business owners in the area. These conversations highlighted the impact local small business owners face as immigrants and minorities themselves and as traditionally offering goods and services to the culturally diverse residents. We have highlighted the following two meetings.

Business: Acupuncture Practice

"We could probably find something cheaper in Flushing, but our clients from here would not get on public transportation to come find us and continue our services. We don't want to lose our clientele."

The owners of a small acupuncture practice have significant concerns about the affordability of their rental space. For over ten years they have provided affordable acupuncture to typically low-income residents in Jackson Heights. Their business is seen as one-of-a-kind within the community, providing culturally relevant services by speaking Spanish and understanding the gender dynamics of the Southeast Asian culture.

Their services may be unique, but their rental circumstances are not. With rent increasing an average of \$1,000 per year, their business is longer profitable. Shifting operations to a more affordable neighborhood will not offset increasing rent because the culturally sensitive components of the business model does not lend itself to success outside of the culturally diverse Jackson Heights community. Purchasing property within Jackson Heights is not an option due to a lack of affordable commercial space and zoning restrictions. Because of the purchasing costs and the lack of tenant protection policies, the owners live in fear of potential eviction.

Business: Beauty Shop

"My business has slowed down due to deportation fear. Some of my clients are saving their money in case they get deported, instead of getting their hair done."

Located within the boundaries of a Business Improvement District, this beauty shop similarly has experienced a steady increase in rent for several years. This year more than ever she is concerned about rent increase, as she has witnessed similar businesses in the area get priced out and forced to leave or close. Additionally, this beauty shop has a primarily Latino clientele who has responded to the current anti-immigration sentiment and actions from the federal government by becoming more conservative with their spending to preserve resources for themselves in the case of deportation. The owner herself has become more vulnerable simply by serving a client base primarily composed of a vulnerable population.

These two businesses are good but unfortunate examples of small businesses at risk of displacement, with several of the previously discussed risk factors such as renter vulnerability and changing clientele specifically applicable to their situation.

Chhaya's Efforts to Protect Small Businesses

Ultimately, the factors resulting in the displacement and significant financial impact on the small businesses of Jackson Heights can be tied to the lack of available and implemented preservation capital, policies and programs. There are no basic protections or rent regulations established for commercial tenants which serves a striking contrast with what is available for residential renters. Although the city's Department of Small Business Services (SBS) provides some programming and training opportunities for small businesses, currently those opportunities do not address the impact of rising rents and displacement on the successes of small businesses or the city policies that help this occur. One of the programs through the SBS focuses on commercial revitalization without a consideration for the impact of revitalization on affordability of tenant space.



Within existing policies there also remain a variety of loopholes that provide landlords with the opportunity to push out small businesses.

Chhaya CDC assists in the preservation of the small businesses that help establish the character of the Jackson Heights neighborhood by using the previously identified strategies of community engagement and organizing, technical assistance, and policy and advocacy.

Community engagement and organizing: Chhaya is developing a needs assessment that will include a door-to-door survey and focus groups in addition to further policy research in order to better understand the challenges faced by Jackson Heights small business owners. Data collection efforts include information regarding commercial development, cost of rent for commercial tenants, shifts in demographics of small business owners, problems encountered as a business owner, and general needs of the neighborhood's small businesses. This process will also serve as a means for Chhaya to further connect with the community specifically around business issues.

Technical Assistance: Chhaya plans to develop and grow a small business program targeted at preserving immigrant-owned and immigrant-serving small businesses by building off the information collected through the needs assessment. In maintaining its cultural relevance, Chhaya staff will provide language assistance to the participating small business owners as needed.

Policy and advocacy: In addition to developing a small business program, Chhaya will also be using the needs assessment to inform a small business advocacy platform. Within the Gentrification Action Plan, staff identified multiple policy platforms and proposals from across the city targeting small business issues such as affordability and commercial tenant harassment that will help inform policy advocacy. These platforms, in addition to the information gathered from the needs assessment and other research, will guide Chhaya's policy-related efforts.

In addition to the technical assistance mentioned above, NALCAB has also provided Chhaya with technical assistance related to geographic information System (GIS) mapping. This will allow for the visual representation of neighborhood change over time, commercial property ownership, (potentially) information collected through their needs assessment survey, such as the commercial rent rate, and other sources. Access to data-oriented maps will likely provide the most help for programmatic activities. This and other data can also illustrate evidence of need for small business assistance within Jackson Heights when advocating for policy changes or applying for grants to help fund their small business program.



Conclusion: The Importance of Preserving Small Businesses

Small businesses in the United States create jobs, provide cultural goods and services, and shape communities. They provide economic and creative opportunities for many people, particularly Latinos and immigrants. Preserving the institutions that shape a neighborhood requires a critical examination of the impact of neighborhood change with an intentional focus on gentrification's role on the neighborhood's small business. Doing so will require the involvement of communities, institutions, and stakeholders at all levels, from small business owners to policy makers. The engagement of local communities as investments and anticipating neighborhood change are critical to the success of any efforts to effectively preserve small businesses.

To better understand the challenges small business owners face in changing neighborhoods and the challenges in overall markets, more in-depth research is needed. Often small business-related information and data is provided at a general level. Specification of data relating to specific minority groups such as Latinos is needed in order to better understand gaps in existing processes and to address needs specific to certain communities. Information about how neighborhoods and businesses are dealing with the effects of neighborhood change, including gentrification could also be more specifically studied and shared, with the intention of developing collaborations between communities in the future.

NALCAB is invested in providing additions to this field of research to benefit its network which contains many members who work with small businesses that are facing major changes as a result of neighborhood change, including gentrification. As NALCAB continues to expand its Equitable Neighborhood Development work across the country and build off the organization's Small Business Development work, developing an understanding of the impacts of neighborhood change and potential methods of preserving small businesses will be a priority. Future work includes but is not limited to:

- Utilizing the lessons learned from the development of this report and apply them to other markets, including Miami, FL;
- Greater access to private market commercial data, including retail analytics with predictive modeling and changes in businesses over time by location;
- Access to lending data, including race/ethnicity and national origin of borrowers;
- Conducting and analyzing small business surveys to understand rent and lease patterns, barriers to accessing capital and technical assistance needs;
- Asset mapping, including real estate pipelines and public investments;
- Policy and advocacy for small businesses – “fair housing” for small business owners;
- Accessing capital for preserving and creating small businesses in appreciating markets through property and land acquisition, business incubators and coop models, including the role of Community Development Financial Institutions (CDFIs), and;
- Understanding the social and economic value of culturally-driven commercial corridors versus national chains and commonly solicited businesses/corporations incentivized to relocate.

While it is easy to say that neighborhood change, including gentrification and the development it brings harms small businesses, the unaddressed real issue rests on the fact that changes befall to a neighborhood or commercial area without consideration for its long-term impact on local residents and business owners. The key is to find a balance between the provision of services that make small businesses special and unique to their location and to also cater to a new population seeking different products. Policy changes driven by community based advocacy is the key to equitable and affordable spaces for low- and moderate-income residents and small business owners.





Understanding the Impacts of Neighborhood Change on Small Business

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