

Fostering Financial Stability for Small Businesses in East Harlem:

Pivoting to Local Community Development in the face of crises



May, 2021

PREPARED FOR: Union Settlement

Jackie Tesman, LMSW - Project Manager, Buy Local

PREPARED BY: Ana Milena Prada

Milano School of Policy, Management, and Environment, The New School

THE
NEW
SCHOOL

MILANO

UNION
SETTLEMENT

TABLE OF CONTENTS

Executive Summary	3
Introduction	5
Limitations	7
Background	8
Potential of Local Economic Development to combat inequality	11
The Importance of being small, local, self-financing, and independent	12
Small Businesses and the vibrancy of the city	13
Debunking the competitive myth between small Business and Street vendors	14
Small Businesses in NYC	16
Current political and economic factors that impact this work	18
Methodology	19
Nature of the Problem	20
East Harlem Commercial Assessment	21
East Harlem Employment Assessment	22
Leakage Analysis and implications	23
Economic Development Challenges in East Harlem	25
The digital divide	27
Self-financing (in)capacity and inequitable access to capital	28
Key findings	37
Criteria	38
Alternatives	41
Program goal 1: Purchasing strategies	41
Program goal 2: Collaborative Strategies	51
Program goal 3: Advocacy work	61
Recommendations	63
Conclusions	65
Appendix A – Case Studies	66
Appendix B – Glossary and Definitions	71
Appendix C – Final Matrix Analysis	73
Appendix D – Bibliography	74

EXECUTIVE SUMMARY

BACKGROUND

One year into the Pandemic of the Covid-19, as businesses were subjected to operational restrictions and New Yorkers stayed home to stop the spread of the virus, consumer spending has dramatically declined in the City. The Manhattan Chamber of Commerce reported that foot traffic in Manhattan at the end of August was down nearly 40 percent compared to pre-COVID times.¹ According to an August 2020 report by the City Comptroller, small business revenues have dropped 26.4 percent since January, ranking NYC 40th among the 52 largest American cities.² As online sales become a more significant aspect of the consumer shopping experience, certain mom-and-pop shops without an online presence may face difficulty remaining competitive. This change in consumer shopping preferences may also disproportionately hurt immigrant-owned businesses and family-owned mom-and-pop shops that are less flexible to change.

For this reason, this Professional Decision Report explores different challenges and possibilities of survival for small businesses in New York City. The underlying question is how locally owned businesses can be more resilient to crises and consumer spending shifts? This question brings us to the Central Policy Issue: *Which strategies can be implemented in East Harlem to boost the income stream and foster local small businesses' financial stability through purchasing, and collaboration strategies?*

METHODOLOGY

The research methodology consisted of utilizing a combination of secondary sources, primary source documents, quantitative data, and interviews. The secondary sources included a wide range of types, such as policy briefs and reports, academic articles, and news articles. The policy reports provided me with details on overall trends, relevant data, policy solutions, and extensive picture analysis of the retail trends. The interviews and council meeting's hearings provided me with invaluable insight into the challenges, expectations, and dreams of small local businesses. Also, academic journals provided thoroughly researched analyses on the impact of the Covid-19 and economic crises on retails and possible policy responses. Finally, because covid-19 is still an issue and we are still months away from coming back to normal, news articles provided highly up-to-date reporting on which specific retails and neighborhoods experienced successes and failures.

CRITERIA

1. **Efficiency:** Will focus on the Alternative's effect to either increase income stream or lower fixed costs. As well as Time to implementation.
2. **Flexibility:** Flexibility refers mainly to the Alternative's ability to affect all retail sectors, some sectors, or only one sector.

¹ "Indicators of Progress," Manhattan Chamber of Commerce, <https://www.nycindicators.com/>

² "Save Main Street: A Crash Program to Help Save NYC Small Businesses", New York City Comptroller Scott M. Stringer, August 5, 2020, available at: https://comptroller.nyc.gov/wp-content/uploads/documents/Save_Main_Street_8_5_20.pdf

3. **Feasibility:** Assesses the feasibility of implementing the proposed alternative by considering anticipated community support and Union Settlement capacity to implement.
4. **Equity:** focuses on an Alternative's capacity to foster long-term skills for retailers to react to change by maximizing local self-reliance. Additionally, it measures the ability of the Alternative to remain relevant over time.

ALTERNATIVES: The alternatives will be bundled into two Policy strategies, Purchase strategies and Collaboration strategies. Each of these options will encompass different Alternatives that will be analyzed individually.

1. **Purchase Strategy:** These strategies focus on business models for local purchasing, often branded around “Buy Local” or “Think Local First.” The focus on consumer action makes sense since a consumer makes purchasing choices daily, sometimes many times per day, which affords multiple entry points into changing behavior. The other Alternatives occur much more irregularly. Some of the most well-known Merchants networks have turned to buy-local as the primary strategy. This report will explore three models, web directories, coupon books, and loyalty cards.
2. **Collaboration Strategy:** Collaborative Strategies focus on building on distributed networks of connected individuals and communities versus centralized institutions, transforming how we can produce, consume, finance, and learn. There are different focuses of the collaborative economy; groups of local businesses can improve their competitiveness through joint branding, joint marketing, joint procurement, joint delivery, joint locations, and joint savings (more broadly known as purse strategies).

RECOMMENDATION

Based on research about local economic development, this report will not follow the classic recommendation structure of choosing one Alternative. Throughout the analysis, it was determined the importance of addressing this issue holistically. For this reason, the recommendation will be phased out into three parts. The first part will focus on strengthening the already existing Buy Local Initiative with a pumping up sales volume strategy. The second phase will focus on how Union Settlement can help small businesses pivot to Community-led Business development that would boost their self-financing capacity. And finally, it will recommend policies that Union Settlement can advocate for on the legislative level to cover small businesses’ needs.

INTRODUCTION

Union Settlement is one of the oldest organizations in New York City, providing community-based services and programs that support the immigrant and low-income residents of East Harlem since 1895. It is one of East Harlem's most prominent social service agencies. It serves more than 10,000 people annually through early childhood education, youth development, senior services, job training, the arts, adult education, nutrition, counseling, a farmers' market, community development, and neighborhood cultural events. It is the third-largest employer in East Harlem. Union Settlement has historically been a social service provider. However, this situation changed in 2014 when the Businesses Development Center was established.

In 1999, the East Harlem Business Capital Corporation (BCC) helped local businesses through technical assistance and training. They assisted both existing businesses and entrepreneurs with different services. In 2014, this agency closed. To survive, they reached out to Union Settlement for assistance. In that same year, Union Settlement and BCC joined and created the Businesses Development Center to continue the work they had previously been doing.

In the last few years, they BDC has established several programs, like meet merchants Monday, working together, West and the Buy Local Program. The East Harlem buy local program was created three years ago by Union Settlement and East Harlem Community Alliance to encourage residents and companies to spend dollars close to home. With \$250,000 in funding from Citigroup, Buy Local East Harlem works to get consumers to purchase from local businesses and local businesses to contract with one another. The impact ends up being more than the sum of its parts. When local companies are thriving and growing, they hire neighborhood residents who pump money back into the local economy.

During the summer of 2020, Buy Local expanded its mandate, launching a strategy to get small businesses and large anchor institutions, like Mount Sinai in East Harlem, buying from neighborhood suppliers. However, one of the biggest challenges has been that small businesses, especially mom and pops, cannot address big institution's needs like Mount Sanai or Metropolitan Hospital. There are scale limitations, but more importantly, product limitations. Most of the equipment that these big corporations require are PPEs, and there are not many businesses in E.H that can provide these goods on such a big scale. For that reason, big Institutions end up buying from Amazon or Staples in bulk.

The project has had different initiatives like pop-up markets, meet and greets, and book clubs. For example, hospitals have hosted pop-up markets and other events where local vendors showcase and sell their goods. However, small businesses continue to struggle to find their way into big institutions and local customers' supply chains. Specially because East Harlem's businesses are both small in scale and in product variety and availability, they would have to get the products

first and then resell it, acting as intermediary and increasing product prices. It can take some convincing and a lot of show-and-tells, especially in a city like New York, where consumers and businesses have thousands of choices for where to spend their money, not to mention countless options online. Union Settlement is looking for a new initiative that can boost their Buy local project. They want to make a project available where the community can help these businesses and debunk the myth that local businesses are a poor bet for economic development because their goods services cannot compete against global companies.

For many years, East Harlem has been considered a welcoming home for immigrants and entrepreneurs regardless of its continual social and economic challenges. East Harlem sits between 96th Street to the south, 5th Avenue to the west, and the Harlem River to the north and east. East Harlem's connectivity to lower Manhattan, the Bronx, and Upstate has cultivated a multi-cultural community served by a series of commercial corridors. Unfortunately, by 2016 Harlem had one of the highest retail vacancies in NYC, with 14 percent representing 110 empty storefronts³. High vacancy rates could be a product of increasing rents, structural disinvestment and a perception of low demand for products. Today Harlem is home to about 668 Storefronts, ranging from Restaurants, Hair, Nail, and Beauty Salons to Furniture Stores and Auto repairs.

East Harlem's unique characteristics continue to attract new immigrants who slowly keep subtly transforming the community by doing the difficult work of putting down roots. Mexicans join the Puerto Ricans to radically realign, define and controvert notions of the *Latino*⁴ community. West Africans, along with Third Avenue, mix ideas of African, American, and Black. Asians are linked to the urban space in a network of restaurants and bodegas. Finally, the gradual appearance of downtown money and upwardly mobile whites signals the latest and most pervasive migration yet.

East Harlem is a community defined by the attachments of its inhabitants. Most of the people interviewed showed me how their life's stories are rooted so deep and quickly in this community that has historically hosted the city's most recent arrivals. It is a place in constant tension and contention for place, where new immigrants keep challenging the old claims. Today, business owners and tenants feel this cycle reemerge, but this time with a different face, the face of gentrification.

CENTRAL POLICY ISSUE

This report will seek to address which strategies can be implemented in East Harlem to boost the income stream and foster locally owned small businesses' financial stability.

³ Rep. *Neighborhood 360° Commercial District Needs Assessment*. New York City, NY, 2016.

⁴ See explanation in Appendix B

Limitations

Community-Based Organizations (CBOs) face many challenges to implementing policies that can successfully alleviate and mitigate the communities' structural inequalities. The biggest challenge that I encountered for this research was the possibility of finding comprehensible quantitative, statistical, and spatial data about small businesses in East Harlem. This includes information about their demographics, locations, ownership, rent prices, supply, and demand, and gender, ethnic and racial identities.

Access to open data and information

Business establishments in the United States are officially tracked by North American Industry Categories, commonly known as NAICS codes. These codes include categories that cover shopping, eating and personal services that are generally open for walk-ins during business hours and constitute some of the most common destinations for nonwork, school, or recreational trips in cities. The specific information about these businesses is, however, distributed in different databases around NYC. Some of the databases are part of the Department of Labor, The Small Businesses Services, the Health Department, The Department of Consumer Affairs. Each department has its way of collecting and distributing information.

This scattered information makes it challenging to make an understandable and meaningful

Access to data means strengthening civic capacity and governance. This includes enhancing the data capacities of other local institutions and promoting a culture of learning and collaboration.

analysis of the *local small businesses*⁵, specifically to make a demographic and local economic assessment like the one conducted in 2016 in partnership between the SBS and Union Settlement. These are fundamental to understanding the obstacles and opportunities for expanding local small businesses. They should include a *leakage analysis*⁶ and qualitative data involving focus groups, extensive interviewing. These analyses are constantly needed to make informed economic development decisions. They have to include more

precise information like, which businesses are locally owned, the financial status of those businesses, rent costs, vacancy rates, ethnic, gender, racial identities, and leakage analysis by location and prioritizing vacant shops. These are relevant characteristics to build a comprehensible retail landscape of East Harlem. Without this information, it is challenging to develop targeted programs for these small businesses. This information is accessible to other big businesses and

⁵ See definition in Appendix B

⁶ See definition in Appendix B

corporations through paid platforms like ESRI or Infogroup and gives them invaluable information for success.

48% of New York City's small businesses are **immigrant-owned**, and in some neighborhoods, small businesses **employ up to 42%** of the neighborhood population.

Additionally, little information exists to capture businesses using lending products outside of traditional bank loans. 48% of New York City's small businesses are immigrant-owned, and in some neighborhoods, small businesses employ up to 42% of the neighborhood population. Yet, it seems like there is virtually no information about their ability to access financing to start, maintain, and grow their businesses. As a result, though this analysis is

comprehensive, the communities with the most significant needs may be underrepresented. It is essential to generate better business open data, to provide meaningful, strong protections and equitable access to resources for all of New York's small businesses.

Finally, data is a valuable asset for businesses to market to their customers in today's digital world and enhance operations. Some third-party companies, such as particular delivery and reservation platforms used by restaurants and bars, do not share their own customer's data with these businesses or restrict how it is used. Passing a law providing businesses ownership of their customer data (and related analytics) that third-party companies collect is fundamental to bridge the *digital divide*⁷.

BACKGROUND

This section will contain an overview of the problem and context for why this work matters and a description of the current political and economic factors that impact this work. In the end, you will have a notion of the state of small local businesses in the U.S and NYC, their importance, past and contemporary challenges as well as their forthcoming. Finally, we will delve briefly into what makes East Harlem such a special place, its local business owners' challenges, and expectations.

One of the fastest-growing segments of the labor market in the U.S since 2012 is people moving towards self-employment. According to YE⁸, a business database from the University of Wisconsin, between 2015-2019, small businesses (2-9 employees) represented 68.8 percent of

⁷ See definition on Appendix B

⁸ Ye timeline indicators: Explore economic activity in your community. (n.d.). Retrieved February 09, 2021, from <https://youreconomy.org/index.lasso?year1=undefined&year2=undefined&state=NY&msa=&county=36061>

the total establishments in New York County⁹, and by 2019 they employed 21.68 percent of total employees. Self-employed businesses, sole proprietorships, or one-employee establishments accounted for 0.67 percent of employment. It is essential to consider that “with less than 3 percent of outside investment, microbusinesses employ 260 percent more people than venture-backed firms and generate about 77 percent of the GDP that venture capital-backed firms do”¹⁰.

By 2006 Five supermarket chains sold 42 percent of all the groceries in the U.S, Home Depot and Lowe’s account for 45 percent of hardware and building supplies, and Barnes & Noble and Borders control half of all bookstore sales.¹¹ Most concerning of all, according to Stacy Mitchell, a researcher at the Institute for Local Self-Reliance, “Wal-Mart now captures nearly 10 percent of all U.S. retail spending. Wal-Mart is the largest grocer in the country, the largest music seller, the largest jeweler, the largest furniture dealer, and the largest toy seller.”¹²

Today, retail has taken various innovation formats; it has moved from the pre-war city's main streets to shopping malls in the early inner suburbs to the box stores and power centers to e-commerce. These transformations have meant more prominent and larger commercial facilities, making it even more difficult for independent operators to set up shop. Small businesses face many challenges. People in these establishments have to be extraordinarily creative; they often do not have time and capital resources to think about the future. Most small business owners have to do everything themselves, accounting, cleaning, cooking, inventory; they have to do everything to maintain profitability, which means taking over most of the tasks themselves. Maintaining profitability in such a competitive market has become more complex, specifically today with business shifting online and the digital divide between business and big corporations like Amazon. By 2017, retail e-commerce has grown 16 percent, and it accounted for 9 percent of all sales. This commerce is supported, according to research, by the fact that two-thirds of millennials prefer online shopping to brick-and-mortar stores.¹³

In some respects, big-box store competition also places “mom-and-pop” retailers at a competitive disadvantage. Statistics from the Center for an Urban Future (CUF) indicate that 2017 was the ninth consecutive year where there was a net increase in national chain stores citywide.¹⁴ Dunkin’ Donuts has the most extensive presence of any national retailer, with 612 stores throughout New York City. MetroPCS, Subway, Starbucks, and T-Mobile complete the other top

⁹ *Ibid.*

¹⁰ Pickman and Claudia Viek, “Do-it-Yourself Economic Growth”, *Economic development journal* 13, no.1, 2014 pag. 21

¹¹ Stacy Mitchell, *The Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America’s Independent Businesses* (Boston: Beacon Press, 2006).

¹² *Ibid.*

¹³ Interview with Robert Gibbs. www.asla.org/ContentDetail.aspx?id=53690.

¹⁴ *State of the Chains Report*, THE CENTER FOR URBAN FUTURE, December 2017, https://nycfuture.org/pdf/CUF_StateOfChains_2017.pdf.

five chain stores, with 445, 433, 317, and 236 locations, respectively.¹⁵ The Bronx, Manhattan, Brooklyn, and Queens all had more chain outlets in 2017 than they did in 2016.¹⁶

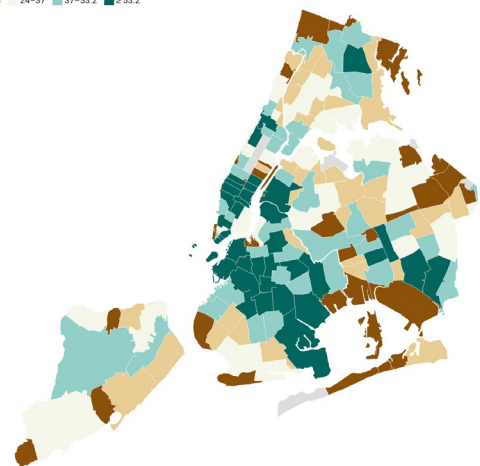
East Harlem, located in northeastern Manhattan, has one of the largest Puerto Rican communities in New York City. About half of the population identifies as Hispanic and nearly one third identifies as African-American. The neighborhood has become more diverse as the number of residents from other ethnic groups has grown. East Harlem has a complex retail landscape that has experienced constant change and disinvestment. As a low-income community of Manhattan, its people and businesses have endured generations of compounding disinvestment, now made worse by a relative surge of gentrifying reinvestment. The diverse tenants and business owners have sought to maintain its rich cultural heritage. Even as they currently struggle with an influx of more affluent residents drawn to the neighborhood's comparably low cost of living, accessibility to Lower Manhattan, and sense of place.

This is a community that is in constant fear of displacement. And as Covid-19 hit and the already existing challenging conditions were exacerbated, people demand for a community economic development that addresses the mechanisms of displacement imposed by the market. Its stakeholders, including local businesses, residents, organizations, anchor institutions, and elected officials, keep advocating for investment in the area. An investment that benefits existing residents, entrepreneurs, and businesses, and that historic community assets like La Marqueta can and should return to their role as a platform for the equitable development that this community deserves.

M/W-OWNED BUSINESS CERTIFICATION

Number of M/W owned businesses per ZIP Code

■ < 16 ■ 16-24 ■ 24-37 ■ 37-53.2 ■ > 53.2



Source: Department of Small Business Services (SBS) - Created with Datawrapper

Map. 1 M/W-owned business certification in NYC by Zipcode

On the other hand, it is fundamental to address the fact that East Harlem is composed of what can be considered as micro-businesses, businesses with nine employees or less, which makes the neighborhood particularly vulnerable to crises. This assumption and further discussions on the challenges, forthcoming, and state of retail and their importance and history will be addressed in the following pages. This report will assume that most of the micro-businesses are locally owned due to a lack of comprehensible and precise data on the demographics and compositions of the retail landscape of East Harlem. Primarily, as shown in Map 1, East Harlem is

¹⁵ *Ibid.*

¹⁶ *Ibid.*

among the Community Boards with the highest number of *M/W owned businesses*¹⁷ certification in NYC.

Potential of Local Economic Development (LED) to combat inequality

In our global environment today, thriving and economically *vibrant communities*¹⁸ depend upon adapting to fast-changing national and international market forces. Yet many local governments still have a complex web of business regulations, permitting procedures, land management practices, and outdated infrastructure, which inhibit the ability of businesses in their communities to respond both to crises and new market opportunities. In addition to stifling local government regulations, many small businesses have limited business planning and management skills, poor access to markets and market knowledge, and almost no capital for investment. Individuals often lack experience taking personal initiative and neither see nor know how to seize opportunities. LED is a process that brings together resources from within and outside the community to address these challenges and to promote economic growth in a systematic and organized manner at the local level.

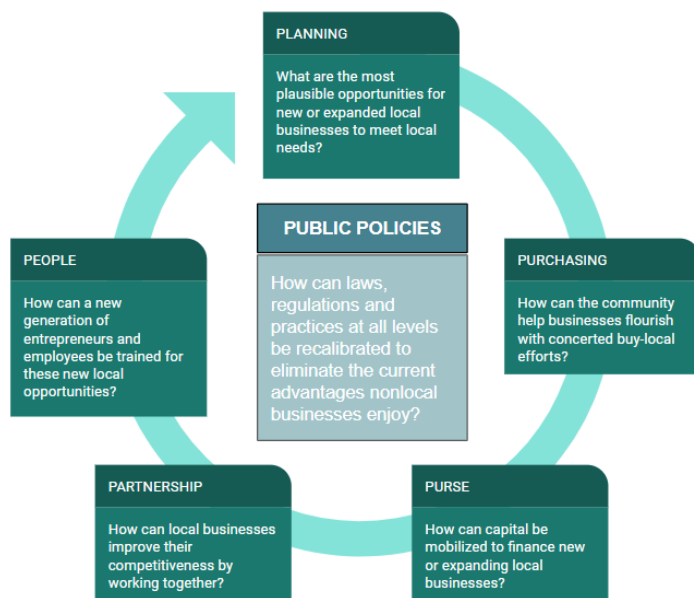


Image 1 Economic development's concepts

These six concepts will be used as a Framework to approach the programs Union Settlement could implement through its Business Development Center to help Small Businesses improve their profit margins and foster financial stability.

One way of improving LED, according to research, is through fostering local ownership of business and self-reliance of a community¹⁹. Economic growth does not happen in the void; it takes effort, vision, and collective action. Michael Shuman, an economist, attorney, author, entrepreneur, and a leading visionary on community economics, elaborates that local economic development should embrace six concepts. Planning, Purchasing, People, Partners, Purse, and Public Policy. Each P poses an important question, as you can see in Image 1.

¹⁷ See Appendix B for definition

¹⁸ See Appendix B for definition

¹⁹ The small mart revolution

The importance of being small, local, self-financing, and independent:

“Invoking a different approach to the marketing of culture is meaningful, because it **reinstates ethnicity too place**, upholding diversity in cultural production while fostering a remembrance and **connection to the past with the hope that it is not so easily disregarded in the future.**”

Arlene Dávila

In this report, I claim that cities thrive when a large number of small, locally-owned, self-financing, and independent businesses are given space to flourish. By ‘small’ we will refer to a business that is small enough to fit into the typical main street area where urban commerce was initially intended to be. By ‘local,’ we mean a business located in a community; by ‘Self-financing and independent,’ we mean that the effective ownership and control are not subsumed under a larger corporate entity or bank. In this sense, ‘small’ becomes a standard of scale constrained and imposed by the urban fabric; ‘local’ is a standard of rootedness in a community and its willingness to invest and remain in it. Finally, ‘self-financing and independence’ is a standard of

freedom to be nonconformist and capable of deciding how to deliver a service or provide goods. These definitions will provide us with a fundamental analytical framework to understand the local economic development in terms of their small businesses' resilience and health.

Before digging into a more thorough analysis of local small businesses in NYC and the U.S, it is fundamental to understand the role and definition of Small, Local, self-financing, and independent businesses as a framework of economic development. In the first place, not all small businesses are prosperous. A small business could be one that perhaps remains small because of scarce resources of time and money. In this sense, a small business can be small by force, but it can also be small by choice or strategy. An owner of a retail store can choose not to expand to focus on customer satisfaction instead, or a corporate chain can use ‘small’ as part of their business strategies, such as Starbucks or Dunkin’ Doughnuts.

‘Local’ in the context of a business rooted in a community represents retail proximity to most residents. It is fundamental here to understand that the definition of ‘proximity’ varies greatly by scale, location, and demographic characteristics of the population. In urban landscapes, such as NYC, the standard might be ‘walkability: ‘How long does it take me to walk to my local store’? This, however, also varies extensively based on age and household composition. Younger people might be more willing to walk long distances to get what they want than older people, expanding or narrowing the impact of a local retailer in the neighborhood. The concept of ‘local’ also implies that the business fits local needs and is sufficiently rooted in the community to understand what those needs are and when those needs are not being met. More importantly, is its possibility of

adaptability, the capacity to offer price discounts to those with less willingness to pay, and a reliance on trust, making them more accessible and safer to residents.

This last point is tight to the 'independent and self-financing dimension of small business. Whereas the local dimension focuses on the "geographic" setting, these dimensions focus on how much discretion the business has. In other words, how much "freedom of choice" the business owner has to, for example, offer price discounts on the spot or pivot to other business models. This includes how much agency the retail owner has in both managerial and financial terms. In this sense, a small business could be local but lack independence or include freedom but be decidedly non-local.

The metrics of small, local, and self-financing and independent criteria provide us with a metric to understand the extent to which a neighborhood can both be resilient to shock and flourish economically. Recent research on urban growth has examined a number of these measures as important indicators of a neighborhood's performance. For example, Glaeser and Kerr found that a 10 percent increase in average establishment size within a city region was associated with a 7 percent decline in employment growth. In other words, "an abundance of small independent businesses is one of the best predictors of urban economic growth²⁰."

Small Business and the vibrancy of the city life:

Modern Urban planners have perpetuated the paradigm of the need to separate the uses and activities of city life. It seems like they have lost sight of the vital communion between work and leisure, commerce, and study. We cannot deny the significant role that local regulatory policies play in maintaining segregated communities. A city constructed where a vast distance separates different specialized facilities like schools, retail, office, library, and place of worship deprives communities of easy and affordable access to amenities.

A significant part of major urban centers' vibrancy lies in their small businesses' presence and dynamism. It does not matter whether it is a small Puerto Rican restaurant in East Harlem or a local auto repair shop owner. These diverse and small entrepreneurs contribute to local economies' strength through their positive impact on spillover effect, local supply chains, ecological footprint, and local labor markets and community development through participation in local initiatives, like BID²¹ and Merchants organizations. Small Businesses and the location they occupy in neighborhoods form an integral part of this country's social fabric and community spirit. Urban economists such as Ed Glaeser note that a more significant number of small, independent firms and abundant new start-ups experience faster income and employment growths than cities with one or two major employers.²²

²⁰ Glaeser and Kerr, "what makes a City Entrepreneurial?"

²¹ Business Improvement District

²² Glaeser and Kerr, "what makes a City Entrepreneurial?"

Also, Andres Sevtsuk, Associate Professor of Urban Science and Planning at the Department of Urban Studies and Planning at MIT, argues that by purchasing products from local suppliers, furniture, and office supplies from local sellers, or by using local transportation, construction, and maintenance contractors can produce a robust and positive multiplier effect on a local economy. One study conducted by Civic Economics that compared economic multiplier effects of local versus chain bookstores found that for every dollar spent at a local store, 45 cents circulated back into the local economy. There is evidence that a chain store, on the other hand, spread three times less back to the local economy²³. Retail transactions typically directly represent around 7% of the local economy²⁴, but when combined with those from the various suppliers that support shops and food, beverage, and personal service providers in a town, a more significant share of the local economy is affected. The more integrated a local economy is, the more its wealth passes around to its neighborhood. We should not lose sight of Jane Jacobs's prescient observation about how self-appointed public characters such as small shopkeepers, local barbers, and local restaurants enhance local life's social structure and create more vibrant and healthy communities.

Debunking the competitive myth between small Business and Street vendors:

This report's central argument is that retail landscape planning should include all actors, including formal and informal stakeholders, by recognizing both of them as fundamental resources for understanding the local retail landscape and addressing retail and food security. It is essential, for example, to acknowledge the work informal food systems do and their clear contribution to food systems and the urban economy. They highly contribute to preserving food culture, ethnic food availability, and urban food security, particularly for low-income households²⁵. By looking at the street vending dynamics, we can see that this division between formal and informal is more blurred than it appears to be. The main customers of street vendors are women with children, workers in nearby businesses, and other actors in the formal sector (warehouses or restaurants, for example).

On the other hand, street vendors working in the downtown area purchase their supplies from formal businesses. According to the Informal Economic Monitoring Study (IEMS)²⁶, fruit and vegetable vendors are more vulnerable than vendors of other goods and services. Also, research suggests that most women vendors are working precariously at risk of severe poverty. This finding

²³ Civic Economics. (2002). *Economic impact analysis: A case study, local merchants vs. chain retailers*. Retrieved from https://d3n8a8pro7vhmxc.cloudfront.net/liveable-city-atx/pages/29/attachments/original/1404368422/Eco_Impact_Independents_vs_national_chain.pdf?1404368422.

²⁴ Shuman, M. H. (2007). *The small-mart revolution: How local businesses are beating the global competition*. San Francisco, CA: Berrett-Koehler Publishers.

²⁵ (Women in Informal Employment, 2017, page 30)

²⁶ *Ibid.*

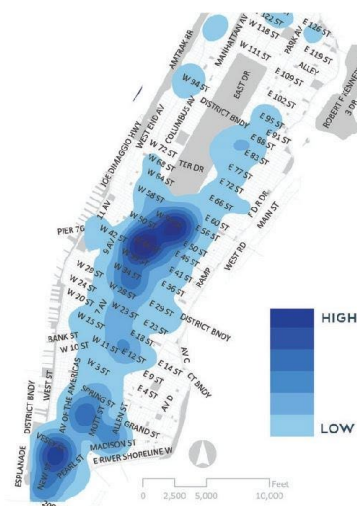
aligns with previous research observations: Women vendors are more frequently conned to lower-paid, higher-risk segments of the vending industry²⁷.

By 2011, most mobile food vendors in New York were Middle Eastern and South Asian immigrants²⁸. As this might not be the case of East Harlem, which is primarily a Latino neighborhood, it helps us put into context the socio-economic characteristics of mobile vendors. It is essential to consider that while vending income can vary depending on the zone, it is located, most food vendors do not earn much and see it as a last resort or a step towards opening a brick-and-mortar business²⁹. However, Street Vending has become more attractive for independent workers because of the business model structure. Especially because street vendors are not burdened by excessive bureaucracy or adherence to rules and formalities, business start-up costs are much lower than those of brick-and-mortar businesses. Street vendors tend to locate on denser commercial streets as they benefit from higher levels of foot traffic. This creates tension between brick-and-mortar retailers and vendors. Retailers often claim that vendors create unfair competition. However, research suggests that food carts can help make a neighborhood more vibrant³⁰. The survey also concludes that there are "no official statistics" on the number of demographics of the vendors who sell food, assorted merchandise, and art throughout the city.

This study, called ‘Food Cartology: Rethinking Urban Spaces as People Places’, concluded that ‘food carts provide significant community benefits to neighborhood livability by fostering



Source: "Live Xyz." Accessed March 26, 2021. <https://share.livexyz.com/>.



Source: "Street Vendor in New York City." SPACES OF MIGRATION. Accessed March 26, 2021. <https://www.spacesofmigration.org/?research=street-vendor-in-new-york-city>.

Map. 2 DISTRIBUTION OF STREET VENDOR IN NYC AND EAST HARLEM

²⁷ *Ibid*

²⁸ Devlin, R. (2011). 'An area that governs itself': Informality, uncertainty and the management of street vending in New York City. *Planning Theory*, 10 (1). 53–65.

²⁹ *Ibid*

³⁰ Chapell, H., Katon, P., Koski, A., Li, J., Price, C. and Thalhammer, K. 2008. 'Food Cartology: Rethinking Urban Spaces as People Places'. Accessed 30 January 2021. https://pdxscholar.library.pdx.edu/usp_murp/42/

social interactions, walkability, and providing interim uses for vacant lots.’ In this sense, Food carts could contribute and should be considered as an essential measure in the creative use of empty space, animating such spaces, and increasing visitorship to the area. This could be a possible intervention for the Park Avenue Corridor and the viaduct, which require urgent intervention. Similarly, an assessment conducted by Economic Roundtable in Los Angeles suggests that brick-and-mortar retail and restaurants located close to street vendors were more likely to grow their businesses between 2007 and 2011 compared to those farther from vendors.³¹

The highest concentration of Street Vendors near East Harlem is located on 125th street in Central Harlem.³² This street is a perfect example of the diversity of street vendors in NYC. There you can find all kinds of merchandise, from fruit stands, hat stands, music stands, to incense stands. However, as you walk closer to East Harlem, this picture starts to dissipate slowly. Even though 125th Street is a vital part of East Harlem’s social, cultural, and economic fabrics, this street is not absent of its challenges. With the highest vacancy rate, 25 percent in the neighborhood³³, struggling small businesses, and a need for a better streetscape, the corridor could greatly benefit from an Improvement. Street vendors could help revitalize 125th street by increasing foot traffic.

Let's look closely at the distribution of vendors in East Harlem. We can see that most of them are Green carts or Fruit and vegetable stands³⁴. As I mentioned before, fruit and vegetable vendors are more vulnerable than vendors of other goods and services because of their goods' longevity and duration. On the other hand, Street vendors tend to locate in high-density and traffic areas. The lack of street vendors in East Harlem compared to other places in NYC (Map 2.) might also indicate a lack of vibrancy and foot traffic in the area. In this sense, the lack of urban vibrancy understood as a proxy to the activity intensity and the attraction, diversity, and accessibility of a place is proof of the historical public disinvestment of East Harlem.³⁵

Small Businesses in NYC

The State of New York defines ‘small business’ as one which is resident in this state, independently owned and operated, not dominant in its field, employs one hundred or fewer persons,³⁶ and ‘microbusiness’ as any firm with fewer than twenty-five employees.³⁷ Small Businesses in East Harlem have an average of eight employees, while New York City has an average

³¹ Yen Liu, Y. (2015). *Impact of L.A. Street Vendors on Brick and Mortar Establishments*. Economic Roundtable. Los Angeles, CA.

³² “Street Vendor in New York City.” *SPACES OF MIGRATION*. Accessed March 26, 2021. <https://www.spacesofmigration.org/?research=street-vendor-in-new-york-city>.

³³ Rep. *Neighborhood 360° Commercial District Needs Assessment*. New York City, NY, 2016.

³⁴ “Live Xyz.” Accessed March 26, 2021. <https://share.livexyz.com/>.

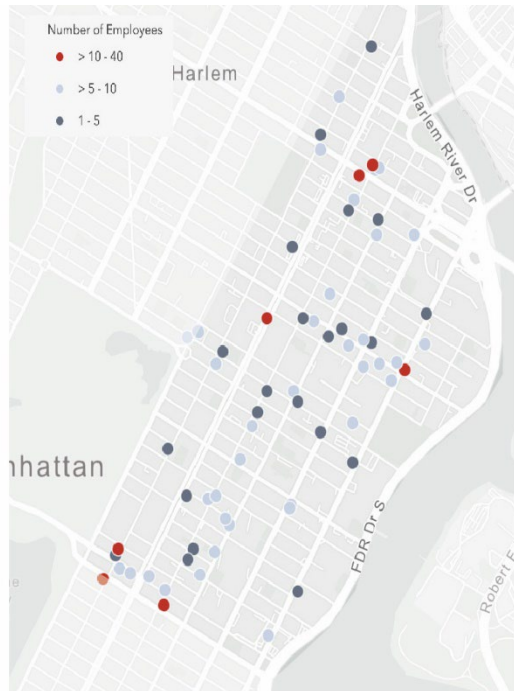
³⁵ Wu, C.; Ye, X.; Ren, F.; Du, Q. *Check-in behaviour and spatio-temporal vibrancy: An exploratory analysis in Shenzhen, China*. *Cities* 2018, 77, 104–116. [CrossRef]

³⁶ N.Y. ECON. DEV. LAW § 131.

³⁷ N.Y. ECON. DEV. LAW § 134.

of forty³⁸. More importantly, more than 80% of Food and Restaurants employ 3-10 people (Map 3), making East Harlem, according to research, particularly vulnerable to financial hardship³⁹. Vulnerabilities of *microbusinesses*⁴⁰ include a low five-year survival rate, low cash flow or reserves coupled with the intermingling of business and personal finance, limited relationships with mainstream lenders or financial institutions, and discriminatory or predatory institutional practices directed toward entrepreneurs of historically marginalized backgrounds⁴¹.

Even in the strongest economic climate, a little over two-thirds of businesses survive at



Map 3. NUMBER OF EMPLOYEES IN FOOD & RESTAURANTS
IN EAST HARLEM

least two years, and only about half survive at least five years⁴². Especially vulnerable are communities of color and women who are subjected, as mentioned before, to a cross-section of structural barriers to business ownership and growth, including lack of personal or household wealth and access to capital. Similar studies suggest that women-and-minority-owned microbusinesses have average sales of about 67 percent to 91 percent of their male-or-White-owned counterparts⁴³. This combination of lack of personal or family wealth, lower sales, and inadequate access to safe credit options create an environment in East Harlem where it is hard even to start a small business, let alone be able to survive an unprecedented financial or liquidity crisis, like the one we are experiencing right now.

In New York State, according to a 2017 report, 584,843 businesses, or 98 percent of businesses, had fewer than 100 employees,⁴⁴ and 409,571 businesses had fewer than 20 employees.⁴⁵ In New York City, of the approximately 220,000 businesses located in the City, 98 percent are small (fewer than 100 employees), and 89 percent are very small (fewer than 20

³⁸ ESR, *Business platform GIS*.

³⁹ *The cascading effects of Covid-19 on microbusinesses and the U.S Economy*

⁴⁰ See Appendix B for definition

⁴¹ *Ibid*

⁴² ESRI.

⁴³ *The cascading effects of Covid-19 on microbusinesses and the U.S Economy*

⁴⁴ *Annual Report on the State of Small Businesses, EMPIRE STATE DEVELOPMENT*, https://esd.ny.gov/sites/default/files/2018-ESD_Annual_Report_SmallBiz.pdf.

⁴⁵ *Ibid*.

employees).⁴⁶ In New York City, small businesses were also responsible for nearly a quarter of the new hires in the City between 2007 and 2012.⁴⁷ In 2017, in New York City, the number of people employed at businesses with fewer than 20 employees was more than 650,000.⁴⁸

Concerning microbusiness with less than ten employees, in the United States of America, there are about 3.8 million micro-businesses that made up 74.8 percent of all private-sector employers in 2016, and they provided 10.3 percent of the private-sector jobs.⁴⁹ Given the importance of microbusinesses to our economy, it is critical to New York's global competitiveness to create an environment where it is easy for small businesses to open, operate, and grow.⁵⁰ We need ways and methodologies to understand microbusinesses' needs better; reliable and timely updated data is essential.

CURRENT POLITICAL AND ECONOMIC FACTORS THAT IMPACT THIS WORK

Inequality deepens in the face of Covid-19

Today, months into the COVID-19 pandemic, it is no secret that nearly every aspect of life has been upended, and nowhere is that more apparent than in the retail industry. We have new definitions of busy shopping districts, packed restaurants, and bustling strip malls. Even in cities that have entered Phase 3 and lifted stay-at-home orders, customers have changed their shopping habits, shifting dollars away from local stores or not spending. A survey from Tech.co, a news and events organization for startups, entrepreneurs, and technology enthusiasts, found that 80 percent of small business owners say COVID-19 has hurt their businesses.⁵¹ The progressive nature by which the virus spreads has caused governments worldwide to shut down businesses, schools, religious and cultural institutions and mandate various social isolation levels. While this has helped limit the spread of the virus, stay-at-home orders have had a catastrophic impact on economic markets, particularly small businesses that thrive from regular contact with their community and neighbors.

Some small businesses have found an opportunity to pivot and go digital, given that consumers are spending 76%⁵² more on online shopping than the previous year. However, the digital divide

⁴⁶ 2017 Small Business First Report, New York City Department of Small Business Services, <https://www1.nyc.gov/assets/smallbizfirst/downloads/pdf/small-business-first-report.pdf>.

⁴⁷ *Ibid.*

⁴⁸ Annual Report on the State of Small Businesses, EMPIRE STATE DEVELOPMENT, https://esd.ny.gov/sites/default/files/2018-ESD_Annual_Report_SmallBiz.pdf.

⁴⁹ Brian Headd, Small Business Facts, the Role of Microbusiness Employers in the Economy, *ECONOMIST*, August, 2017, <https://www.sba.gov/sites/default/files/508FINALAug17Microbusiness.pdf>.

⁵⁰ 2017 Small Business First Report, New York City Department of Small Business Services, <https://www1.nyc.gov/assets/smallbizfirst/downloads/pdf/small-business-first-report.pdf>.

⁵¹ Published: Jun 30, 2. (2020, July 22). 80% of small business owners SAY Pandemic hurts business - 55% feel positive about the future Retrieved February 09, 2021, from <https://smallbiztrends.com/2020/06/covid-hurt-small-business-majority-optimistic.html>

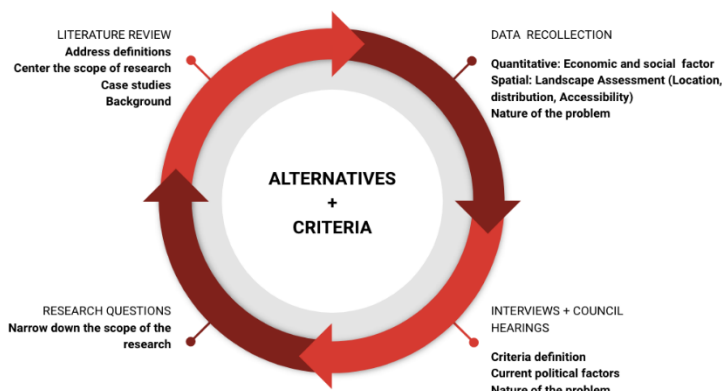
⁵² *Ibid.*

remains the central gap for small businesses to compete fairly with big corporations. The Manhattan Chamber of Commerce reported that foot traffic in Manhattan at the end of August was down nearly 40 percent compared to pre-COVID times.⁵³ According to the research firm Opportunity Insights, small business revenues dropped over 65% in NYC in early April compared to January 2020.⁵⁴ As of September 29, small business revenues were still down close to 40% compared to January 2020.⁵⁵

The drastic drop in consumer spending in the City and the resulting loss in revenue for businesses have made it difficult for business owners to continue paying rent. The Hospitality Alliance surveyed over 500 restaurants, bars, nightclubs, and event venues in NYC about their rent obligations in August. The resulting report found that approximately 87 percent of respondents did not pay their full rent in August, while over 60 percent of landlords did not waive rent payments for restaurants, bars, and clubs.⁵⁶ The current outlook for many small businesses is dire as they experience massive revenue declines but must continue paying the exact fixed costs, such as rent, as pre-COVID times. Camilla Marcus, the owner of the restaurant “west bourne” in Soho, wrote in an op-ed about her business’ closure, “Restaurants are universally facing a simple and stark equation: our income has been cut by 75%, but most of our operating costs, including our rent, remain the same. And, there's no end of the tunnel in sight.”⁵⁷

METHODOLOGY

The research methodology consisted of utilizing a combination of secondary sources,



Graph. 1 METHODOLOGY DIAGRAM

primary source documents, quantitative data, and interviews. The secondary sources included a wide range of types, such as policy briefs and reports, academic articles, and news articles. The policy reports provided me with details on overall trends, relevant data, policy solutions, and extensive picture analysis of the retail trends. The interviews and council meeting’s hearings provided me with invaluable insight into the challenges, expectations,

⁵³ “Indicators of Progress,” Manhattan Chamber of Commerce, <https://www.nycindicators.com/>.

⁵⁴ “Percent Change in Small Business Revenue” available at: <https://tracktherecovery.org/>

⁵⁵ *Id.*

⁵⁶ “August 2020 Rent Survey”, NYC Hospitality Alliance, available at: <https://thenycalliance.org/assets/documents/informationitems/ZjN6w.pdf>.

⁵⁷ Camilla Marcus, “I’m closing my restaurant thanks to Covid-19, but it won’t be goodbye”, CNN, September 3, 2020, <https://www.cnn.com/2020/09/03/opinions/westbourne-restaurant-closing-covid-19-marcus/index.html>

and dreams of small local businesses. Besides, academic journals provided thoroughly researched analyses on the impact of the Covid-19 and economic crises on retails and possible policy responses. Finally, because covid-19 is still an issue and we are still months away from coming back to normal, news articles provided highly up-to-date reporting on which specific retails and neighborhoods experienced successes and failures.

The most relevant part of the methodology for this study was the interviewing process. This process was conducted through structure and semi-structured interviews. I got to talk to different businesses owners in East Harlem. Some of them through Union Settlement's assistance and some other CBO's like AHND, Ascendant and Hope. Beside this, I assisted to different discussion spaces, like community spaces, academic discussions and city council meetings. I talked to different experts on the subject, like former and current business owners, financial institutions, and SBS officials. Most of the businesses interviewed asked to remain anonymous, so their names will not be disclosed throughout the report.

NATURE OF THE PROBLEM

East Harlem's history is embedded in both its built environment and its people. Sometimes, these two aspects contradict and complement each other. The countless stories of East Harlem are written in the sidewalks and storefronts, the abandoned buildings and corner bodegas, the public schoolyards and project courtyards as much as it is written in the lives of Puerto Ricans, African Americans, Italians, Mexicans, West Africans, and Chinese, new immigrants and old. To understand this neighborhood, one must understand how people transform their built environment and how at the same time, it transforms people. In the northeastern boundary of Manhattan, more than one hundred thousand people live in about two hundred blocks.

The true centerpieces of East Harlem economy seem to be the corner bodegas, and the ethnic retails. They appear to represent the diversity of mom-and-pop stores in the neighborhood; there is hardly a block without at least one of those. From 96th Street to 125th to Fifth Avenue to the East River, East Harlem is a neighborhood of contrasts, tensions, resistance, and constantly changing. Most East Harlem buildings are seven-story maximum, providing it with a low scale neighborhood feeling that is sometimes interrupted by the towers of public housing projects at 98th, 106th, 110th, 112th, and 125th. Without stores and restaurants, the design of superblocks of public housing stole the street life from its tenants, but they represent some of the largest public housing concentration in New York City⁵⁸. Other large buildings with affordable housing and

⁵⁸ East Harlem. Housing Plan. January 11, 2018. Office of Neighborhood Strategies. NYC Department of Housing Preservation & Development .

commercial space such as Taino Towers represent in many ways the result of neighborhood demands for affordable housing.

116th street and 106 street corridors mark the cultural crossroad of Puerto Rican and Mexican East Harlem. On the other eastern side, at Pleasant avenue, with an array of mixed commerce, remains the last vestige of Italian Harlem. And there, in what seems like the least-visited corner of East Harlem, on the ruins of a factory, lie Home Depot and Costco. West of Fifth Avenue, 125th, known as Martin Luther King Jr. Boulevard, is Central's Harlem's economic development and urban renewal area. This street extends all through East Harlem and has meant for many a disruption of African American culture. Third Avenue is home to some West Africans who have taken up residence in East Harlem; they arrive from different parts like Ghana and Nigeria. East Harlem is not known for being a Chinese enclave. However, their presence is felt in both housing and small businesses along Second Avenue. Businesses that are owned and operated by members of an ethnic group and that offer culturally specific goods and services to co-ethnic consumers are known as ethnic retails⁵⁹. And even though there is no specific data on the number and variety of ethnic retail in East Harlem, walking around and actively participating in the neighborhoods is enough to understand the presence and importance of these retails for the community.

East Harlem Commercial assessment



Map 4 Commercial corridors in East

In 2016, the Department of Small Business Services' Neighborhood 360 Initiative conducted a "Commercial District Needs Assessment" of East Harlem. The study identified four major commercial corridors in the neighborhood, 125th street, Lexington Ave, 3 Ave, and 2 Ave. Of the existing businesses studied in 2016, 80 percent rented their spaces. Affordability is a consistently pressing issue in New York City, not only regarding housing but also within the commercial sector, particularly small businesses. The businesses affected are not new box stores but small mom-and-pop shops that have become staples of the neighborhood. The study found that the average business in East Harlem had four employees and had been in operation for 13 years. For these longstanding businesses, rising rents cannot be absorbed and can easily lead to

⁵⁹ Yves Cabannes and Cecilia Marocchino, eds., *Integrating Food into Urban Planning* (UCL Press, 2018), <https://doi.org/10.2307/j.ctv513dv1>. Chpt 6, 7

increased debt and relocation or closing, resulting in even greater vacancy than is already witnessed.

One of East Harlem's most critical Commercial Corridors is 125th Street, a Business Improvement District and transit-accessible home to various small businesses and cultural institutions. The 116th Street corridor marks the center of “El Barrio,” and embodies the thriving Hispanic and Latino community that has kept growing in the neighborhood for several decades. Mexican and Dominican restaurants line the commercial strip, surrounded by shops offering affordable goods for local shoppers and visitors. Right next to 116th street, on the intersection with the Park Avenue corridor, sits ‘La Marqueta,’ a historically relevant neighborhood market that has housed Latino-owned small businesses and other vendors for many years. Moving to the south of East Harlem, we find the Lexington, 3rd, 2nd, and 1st Avenue corridors and the 110th and 106th cross streets. These corridors offer a modest array of restaurant, retail, and cultural options for the neighborhood.

According to the SBS's commercial district needs assessment, there were a total of 778 Storefronts in East Harlem and about 1,750 businesses in 2016⁶⁰. Among the most numerous businesses were restaurants and bars, grocery and liquor stores, personal service businesses (such as beauty salons), pharmacies, and clothing stores. According to reports, the number of businesses in East Harlem increased by 37 percent between 2006 and 2016, faster than the citywide growth rate (19%). Despite the increase, 14 percent of the storefronts were vacant in 2016⁶¹.

Employment assessment in East Harlem

The COVID-19 pandemic and resulting shutdown of the City's economy led to a dramatic increase in unemployment, disproportionately affecting foreign-born City residents and City residents of color. To address this crisis, WKDEV, NYCEDC, and SBS have offered several new resources to get City residents back to work while directly handling other situations caused by the pandemic. Besides assisting small business owners, SBS is responsible for connecting job-seeking City residents with employers and developing City residents' workforce skills.⁶² SBS utilizes recruitment expertise and industry input to offer skill-building training in in-demand industries to

⁶⁰ Rep. *Neighborhood 360° Commercial District Needs Assessment*. New York City, NY, 2016.

⁶¹ *Ibid.*

⁶² See N.Y.C. Dep't of Small Business Services, “Careers,” <https://www1.nyc.gov/site/sbs/careers/careers.page> (last visited March 16, 2021).

City residents, including in technology, healthcare, manufacturing, construction, transportation, food, media, and entertainment.⁶³

The concentration of large medical facilities, such as Mount Sinai Hospital, makes health care the largest employer in East Harlem. By 2016 medical facilities were the largest employers. They represented only 2 percent of the businesses and were responsible for 68 percent of the private sector jobs. The retail sector, however, was responsible for 2,620 jobs, or 7 percent of area jobs⁶⁴. These jobs had an average annual salary of \$29,000, lower than the citywide average for retail employment (\$40,400). Economic growth is reported to be strong in East Harlem. By 2016, private sector employment reached a record 39,980 jobs, one-third more than ten years earlier. The number of businesses and total sales has also increased rapidly⁶⁵. The private sector's average salary was the fifth-highest of the 55 Census-defined neighborhoods in New York City. However, only 6 percent of the residents worked in East Harlem, and household income was the seventh-lowest in the City.

On the other hand, the number of retail jobs in East Harlem increased by 940 between 2006 and 2016, representing 10 percent of the private sector jobs added during this period. More than half of the retail job gains occurred in 2010 after the East River Plaza opening. Since then, there has been little change in retail employment. On the other hand, the leisure and hospitality sector (with an average salary of \$31,100) accounted for 2,210 jobs in 2016 (6 percent). Most of the jobs (80 percent) were in restaurants and bars. The sector added 960 jobs over the past ten years. Most food businesses in East Harlem employ 3-10 people, with an overall average of 8 employees. More than two-thirds of businesses had fewer than five employees, and more than three quarters had fewer than ten employees. While only 2 percent of the businesses employed 100 or more workers, they accounted for 68 percent of the area's jobs. The smallest businesses in terms of the number of employees are located along 116th street and have between 3-5 employees⁶⁶.

Leakage Analysis and implications

One way to recognize East Harlem's business opportunities is to measure local leaks. Leakage means the outflow of dollars on outside goods and services that could cost-effectively be

⁶³ See Testimony by N.Y.C. Dep't of Small Business Services First Deputy Commissioner Jackie Mallon before the NYC Council Committee on Small Business and Committee on Civil Service and Labor, November 27, 2017, <https://legistar.council.nyc.gov/MeetingDetail.aspx?ID=572237&GUID=A407E508-5171-4681-9446-3A890DA2E914&Options=info|&Search=>

⁶⁴ "An Economic Snapshot of the East Harlem Neighborhood" (Office of the New York State Comptroller, December 2017), <https://www.osc.state.ny.us/files/reports/osdc/pdf/report-9-2018.pdf>, 3.

⁶⁵ An Economic Snapshot of the East Harlem Neighborhood" (Office of the New York State Comptroller, December 2017),

⁶⁶ ArcGIS Business Analyst data

produced locally⁶⁷. Plugging leaks, mainly if done through locally owned businesses, provides an excellent opportunity for bringing new solid catalysts for economic multipliers into the economy. Among the valuable results of leakage analysis are⁶⁸:

- ❑ Policymakers have a clearer vision of how to allocate scarce public resources for economic development.
- ❑ Existing small-business proprietors have a better sense of promising expansion opportunities, and entrepreneurs see the most profitable markets for startups.
- ❑ Local banks, lenders, and investors can better calibrate their allocations of commercial capital.
- ❑ Foundation, nonprofits, and grassroots groups have a clearer sense of who to mobilize for community action.
- ❑ Consumers can better appreciate the potential payoffs of buying more goods and services locally.



Map 5. 2017 TOTAL RETAIL LOCAL SPENDINGS AND GAINS IN 2017 BY BLOCK GROUP

Measuring leakages, however, turns out to be very challenging for small communities and is a fundamental capacity to foster *self-reliant businesses*⁶⁹. Leakage analysis is measured by understanding the difference between estimated spending by local residents on retail goods and estimated sales by local retail businesses. Retail leakage occurs when consumer demand exceeds retail *supply*⁷⁰ in a designated trade area. On Map 4, a positive value (brown colors) indicates leakage of retail sales and represents net consumer spending that retailers outside of the trade area are capturing. A retail surplus occurs when retail supply exceeds consumer *demand*⁷¹ in a designated trade area. On the Map, a negative value (green colors) indicates an excess of retail

⁶⁷ Michael H. Shuman & Doug Hoffer. *Leakage Analysis of the Martha's Vineyard Economy: Increasing Prosperity through Greater Self-Reliance*. Martha's Vineyard Commission, August 2007. 5

⁶⁸ *ibid.*

⁶⁹ See Appendix B for definitions

⁷⁰ See Appendix B for definitions

⁷¹ See Appendix B for definitions

sales and may signify a market where retailers draw customers from outside the trade area. One of those high surplus areas of retail sales is where Costco is located on the eastern boundary of East Harlem.

The commercial assessment showed some worrisome data in terms of leakage analysis. From the 26 retail sectors considered in the analysis, only eight sectors were generating a surplus of retail sales. Full-service restaurants, Health & Personal stores, Miscellaneous Store Retailers, and other General Merchandise Store were among the highest-scoring retail sectors. On the contrary, Department Stores (Excluding Leased Departments), Clothing Stores, Electronics & Appliance Stores, Grocery Stores, Gasoline Stations are among the retail sectors with the lowest capacity to meet local demand. A typical retail location model postulates that store owners are expected to locate at points of maximal demand; “as closely as possible to the consumers demanding their commodity bundle; and to retailers who, by supplying complementary commodity bundles, attract the desired clientele⁷²” However, some planning scholarships have indeed focused on commercial redevelopment as part of neighborhood economic development planning. Still, no one has directly focused on retail environments and provided the necessary knowledge to small local businesses to understand where their businesses could be most successful. Their services are most needed by their community.

New York City can be a challenging place for small businesses to operate. For any retail business to stay in business, it needs to bring in enough revenue to justify a long-term existence. The fact that revenues need to exceed costs for a business to remain viable is essential for business economics. In the long run, unprofitable businesses vanish. Staying afloat can be a delicate act, especially for businesses whose revenues literally depend on the number of people walking in the door but whose costs depend on complex structures. This situation becomes especially difficult for businesses like those located in East Harlem that lack the political, economic, and structural power to influence those forces.

Economic Development Challenges in East Harlem

Impacts of local disinvestment strategies in low-income communities

Most of the studies on the disadvantages of low-income neighborhoods like East Harlem have focused on public community facilities' quality. However, the quantity and quality of local private amenities, such as grocery stores and restaurants, can also have essential quality of life implications for communities. Some research suggests that a smaller number of retails implies a

⁷² Kathryn G Wheeler, “STREET VENDING POLICY AND PARTNERSHIP OPPORTUNITIES IN NEW YORK CITY,” n.d., 89.

more limited choice, and the lack of competition leads to higher prices where “the poor pay more” for many basic goods and services⁷³. Literature suggests that the goods most likely to be sold at neighborhood stores include groceries, health and beauty products, and general household items, such as cleaning and household supplies. In addition to retail, some prime services like laundry services, coffee shops, and limited-service restaurants, and beauty salons were considered in this report.⁷⁴

Meltzger and Schuetz’s research suggests three retail characteristics relevant to understanding the relationship between retail and healthy communities. Firstly, they suggest that poor and minority neighborhoods currently have much smaller average stores for nearly all the retail categories considered in the study. This indicates a smaller range of product choices within each store, which may result in higher prices than in larger establishments. Secondly, poor neighborhoods are more disadvantaged in foodservice than in retail, and within retail, the differences are smallest for basic necessities, such as grocery stores and pharmacies. Also, poor neighborhoods have a much higher proportion of unhealthy chain restaurants. However, predominantly Latino neighborhoods have more diverse food services and greater physical access to retail corridors than mainly White and Black neighborhoods. Together, these results suggest that residents in relatively low-income neighborhoods like East Harlem have retail activity nearby but are less clustered and are composed of smaller and less diverse options (both of which could have implications for the goods' quality and cost and services).

Finally, the results showed that low-income neighborhoods have greater access to transit and more retail space per building. This is important because, despite possessing some characteristics that would theoretically make these neighborhoods more appealing to retail businesses, they still face less retail access overall. In this sense, it is crucial to conduct more localized economic development studies to understand the real impact that Street commerce has on generating economic, health, and environmental benefits for East Harlem. Especially because Main Streets primarily serve communities of color that have been historically subjected to a cycle of policies whose effect has been the dismantling or gentrification of their neighborhood.

Social psychiatrists have argued for years that retail access, not only housing accessibility, specifically its capacity to foster social cohesion, is a condition for optimal health. Retail and street composition and design are fundamental pieces for fostering a high quality of life⁷⁵. City planners and policymakers ought to consider developing policies that promote social cohesion in the built

⁷³ Rachel Meltzer and Jenny Schuetz, “Bodegas or Bagel Shops? Neighborhood Differences in Retail and Household Services,” *Economic Development Quarterly* 26, no. 1 (February 2012): 73–94, <https://doi.org/10.1177/0891242411430328>.

⁷⁴ *Ibid*

⁷⁵ Andres Sevtsuk, *Street Commerce: Creating Vibrant Urban Sidewalks*, 1st edition, *The City in the Twenty-First Century* (Philadelphia: University of Pennsylvania Press, 2020).

environment. In her book, *Barrio Dreams, Puerto Ricans, Latinos, and the Neoliberal City*, Arlene Davila, a Puerto Rican Professor of Anthropology and American Studies at New York University, examines the cultural politics of urban space in East Harlem in the context of gentrification and social change in 2004.⁷⁶ According to her at the time, one of the central contradictions in East Harlem is “the treatment of culture as industry to attract jobs, business, and profits and the simultaneous disavowal of ethnicity and race as grounds for equity and representation⁷⁷. This is relevant because ethnicity and race are the basis on which urban spatial transformations are being advanced and contested but are also characteristics by which neighborhoods are being rendered attractive and marketable to new constituencies through the construction of cultural amenities rezoning.

From Brick and Mortar to Big box to Amazon, the Digital Divide

A specific situation that has contributed to the disappearance of small businesses in NYC and East Harlem has been rezoning to bring private investment to disinvestment communities as a strategy to boost the local economy by generating jobs. It would be naive to ignore that development pressures in East Harlem have resulted from public policies and financing aiming to encourage real estate development throughout northern Manhattan, including the neighborhoods of West, Central, and East Harlem.

“I remember when Pathmark disappeared, we fought so hard and just like that it was gone, that can happen to any of us...”

BUSINESS OWNER

An example of this is the rezoning project of Harlem’s historic 125th Street, which led to the disappearance of a large supermarket that was an essential source of healthy food for East Harlem⁷⁸. This Up-zoning project contributed to the displacement of a large one-story Pathmark supermarket. Although the loss of one food retailer may not seem significant, this particular retailer’s presence in East Harlem was the product of a long struggle in the community for access to a full-service supermarket⁷⁹.

Another project that affected retailers greater was the rezoning to redevelop a industrial site (‘brownfield’) in East Harlem, explicitly designed for a big box food retail format. The primary planning goal was to turn the site into a commercial facility that would generate tax revenue, create jobs and capture sales revenue that would otherwise be lost to nearby suburban shopping

⁷⁶ Arlene M. Dávila, *Barrio Dreams: Puerto Ricans, Latinos, and the Neoliberal City* (Berkeley: University of California Press, 2004).97

⁷⁷ Arlene M. Dávila, *Barrio Dreams: Puerto Ricans, Latinos, and the Neoliberal City* (Berkeley: University of California Press, 2004).2

⁷⁸ Yves Cabannes and Cecilia Marocchino, eds., *Integrating Food into Urban Planning* (UCL Press, 2018), <https://doi.org/10.2307/j.ctv513dv1>.

Chpt 6,11

⁷⁹ *Ibid.*

centers. Its effect on retail was to create commercial space to accommodate Costco and Target and eventually an Aldi supermarket. The City Planning Commission and City Council approved the rezoning, yet, despite the significant effect of a new Costco and Target (and later Aldi) on food access in East Harlem, the consequences for food availability and impacts on other retailers in the community seemed not to have been foreseen by the rezoning, nor were the consequences for competing for food businesses or the health of the neighborhood residents.

Although local politicians constantly praise the role of small and medium-sized enterprises, too often the focus of economic development effort is put on attracting big firms like Costco or Aldi, at times with significant tax breaks and subsidies from public money, with the hope that this firm generates the needed jobs and growth. However, urban economists such as Ed Glaser have pointed out that the opposite is true, that places with more significant numbers of small independent firms experience faster income and employment growth.⁸⁰

“The future is already here, it’s just not evenly distributed”

WILLIAM GIBSON

Another factor that has contributed to the disappearances of businesses is the arrival of e-commerce. For many businesses, especially for long-standing local businesses, the internet is seen as an enemy. Businesses and organizations have witnessed how Amazon has destroyed brick-mortar bookstores and how e-commerce generally threatens to eradicate other retailers. For example, some of the interviews revealed that businesses worry about Google, Grubhub, and Facebook replacing geographically defined communities with virtual ones that diminish the place's importance. One of the businesses mentioned how infuriating and frustrating it is for them not to control the data they are generating and the control on the marketing strategy in geographic and consumer base terms. “I have no control over how my business is advertised, where it is advertised and when, this infuriates me, because I am paying for a service I don’t even have proof is working.”

The City has not yet conducted a comprehensive study of the specific disruptive impact e-commerce has had on traditional retail.⁸¹ However, it is undeniable that the rise of e-commerce and the restrictions posed by zoning regulations cause difficulties for local business owners. Union Settlement for example, reported that some of the anchor institutions and businesses they have reached out to prefer to buy in bulk from Amazon or Staples than to go through the hassles of buying local. Some local businesses do not account for the economy of scale needed to serve large-scale institutions and would work more as intermediaries than as primary providers to these

⁸⁰ Glaser, E. “What makes a City Entrepreneurial?” *Journal of economic geography*

⁸¹ *Ibid*

institutions, increasing the cost of purchase. Moreover, Amazon and similar online shopping platforms are too convenient; they provide lower prices and free deliveries.

Small Business and the digital divide: change in purchasing patterns

These preexisting digital divide conditions have only been exacerbated by COVID-19, which forced small businesses into developing a greater online presence. Before the pandemic, about 90 percent of commerce in the US took place in physical locations, but COVID-19 forced many small businesses to embrace more technology and move some of their operations online.⁸² The need for an increased digital presence is clear as so much activity has rapidly shifted online since the pandemic forced the temporary closure of so many aspects of the economy. Most often, the first step towards having an online presence is the development of a website. Unfortunately, many small business owners, whose businesses hadn't previously relied on much, if any, online activity, don't have the tools or the know-how when it comes to developing a website or marketing their business activities online.

“Things have always worked this way; people would pass by and would just enter and get serviced. I don't think this will necessarily change; we need the pandemic to be over, and I am sure things would go back to normal.”

Business owner

Some businesses in East Harlem have received various assistance in this regard. Institutions like Harvard Business School Club of New York have developed programs to assist local small businesses with technical expertise in establishing a successful online presence. A business mentioned having received assistance with Digital Marketing strategy and tactics. However, not all businesses have had access to this assistance, or they just don't think they need it. Other businesses mentioned

feeling overwhelmed by having to shift their business online. One business said: “Things have always worked this way; people would pass by and would just enter and get serviced. I don't think this will necessarily change; we need the pandemic to be over, and I am sure things would go back to normal.” Other businesses had an opposite opinion, “things are never going to go back to the way they were, we need to be able to pivot and change how businesses have always been done so far.”

Business' website seems to be one of the only ways to represent and advertise its products and services, especially in light of the pandemic's in-store capacity restrictions.⁸³ Even before the

⁸² Heather Kelly, “Small businesses turned to technology to survive the pandemic. But it may not be enough,” *Washington Post*, June 22, 2020, <https://www.washingtonpost.com/technology/2020/06/22/small-business-tech-pandemic/>.

⁸³ Canberk Arinci, “How Effective Website Design Can Help Small Businesses Navigate COVID-19,” *Digital Agency Network*, September 10, 2020, <https://digitalagencynetwork.com/how-effective-website-design-can-help-small-businesses-navigate-covid-19/>.

pandemic began, the lack of an effective online presence was a significant impediment to many small business's success. According to a 2019 survey, approximately 40 percent of small businesses did not have a website, with 28 percent reporting that they had no plans to develop one.⁸⁴

“By 2019, retail ecommerce sales will hit an estimated \$1.67 trillion and make up 7.4 percent of the total retail market”

DOUG STEPHENS

According to some web design professionals, a business's website prior to the pandemic might have been simply to advertise its storefront business.⁸⁵ However, suppose that business is forced to temporarily shut down or see a long-term drop of in-person business. In that case, the website now has to become the primary method by which that business reaches its

customers.⁸⁶ Therefore, it is recommended that such a website be made as effective as possible in reaching a business' customers to facilitate their user experience and accurately convey the business's identity.⁸⁷

As online sales become a greater aspect of the consumer shopping experience, certain mom-and-pop shops without an online presence may face difficulty remaining competitive. This change in consumer shopping preferences may also disproportionately hurt immigrant-owned businesses and family-owned mom-and-pop shops that are less flexible to change. While takeout has historically been a staple for restaurants in Chinatown, participating on third-party delivery platforms is much less common for such restaurants.⁸⁸ As immigrant and minority-owned businesses tend to be undercapitalized operations with a smaller financial cushion,⁸⁹ they may have less of an ability to spend money and time to develop a strong online marketplace. The City Comptroller report similarly argued that small businesses, many of which operate on thin margins, may be deeply affected by the acceleration of e-commerce and e-delivery.⁹⁰

Finally, research developed by the Center for Global Research Development on the Impact on Online Shopping Behaviors and Impacts on the Physical Store suggests that online stores' main advantages are low cost, timeliness, and information superiority. However, physical stores can

⁸⁴ Kelsey McKeon, “How Small Businesses Use Websites in 2019”, *Visual Objects*, <https://visualobjects.com/web-design/top-web-designers/small-business-websites-2019>.

⁸⁵ Kelsey McKeon, “How Small B usinesses Use Websites in 2019”, *Visual Objects*, <https://visualobjects.com/web-design/top-web-designers/small-business-websites-2019>.

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

⁸⁸ Pete Wells, “Chinatown Is Coming Back, One Noodle at a Time”, *The New York Times*, August 3, 2020, <https://www.nytimes.com/2020/08/03/dining/chinatown-outdoor-dining-coronavirus.html>.

⁸⁹ Tracy Jan, “A new gentrification crisis: The coronavirus recession could wipe out minority-owned businesses, fueling displacement from historic ethnic neighborhoods”, *The Washington Post*, July 31, 2020, <https://www.washingtonpost.com/business/2020/07/31/ethnic-enclaves-gentrification-coronavirus/?arc404=true>.

⁹⁰ “Save Main Street: A Crash Program to Help Save NYC Small Businesses”, *New York City Comptroller Scott M. Stringer*, August 5, 2020, available at: https://comptroller.nyc.gov/wp-content/uploads/documents/Save_Main_Street_8_5_20.pdf.

provide better services and are more trustworthy than online stores. The relationship between online and physical stores is not only competitive but also cooperative. Both stores can play their own strengths to gain market shares and collaborate with each other as a hybrid business model. For example, Domino's Pizza model reflects this idea. Customers can make an order and pay online, then pick it up from the nearest store or request a delivery service. A hybrid model emphasizes both stores' advantages and might be the primary business model in the near future.⁹¹

"A Bank once reached out to me. But I knew I was just a quota for them... Nothing happened at the end. I used four credit cards to pay for my business"

Business owner in East Harlem

Our purchasing choices are based on our economic decisions, which are at the same time based on our income level. Deciding whether or not to purchase from the Internet is a significant dilemma that consumers face in electronic commerce. The decision-making process is complex and multi-faceted. Social status and

impact, lifestyle, habits, attitudes and beliefs, and situational factors all play a role in the ultimate choice that we make. Influencing this pattern is not an easy job, but communities and policymakers have made considerable efforts to develop creative ways of targeting it, specifically focusing on Buy-local strategies. Some of these ideas include web directories, loyalty cards, coupon books, local credit cards, among others.

Self-financing (in)capacity and inequitable access to capital

The costs of retail and service businesses can be divided into four parts. First, there are the costs of goods that a store must acquire before offering them to consumers. These costs are called variable costs because they can vary month to month or year to year. Second, are operating space costs. This may include rent, percentage rent, or loan payments on the space that a business owns. Third are utility costs such as electricity, security, cleaning fees, and so on. And fourth, there are labor costs, salaries, and wages for workers, including a cut for the business owner. The last three parts encompass what is known as fixed costs since they typically do not vary from month to month and remain somewhat predictable throughout lease terms and employment contracts. It is really the balance between fixed costs and variable costs that determines whether a shop is sustainable and how many competing shops can occupy a market area.

One of the most critical barriers preventing entrepreneurs from starting businesses and small businesses from growing is inadequate access to financial capital. Starting with entry, the importance of personal wealth as a determinant of entrepreneurship has focused on an extensive

⁹¹Doug Stephens, *Reengineering Retail*. (Figure 1 Publishing, 2017), <http://www.myilibrary.com?id=995485>.

body of literature. Numerous studies using various methodologies, measures of wealth, and country microdata explore the relationship between wealth and entrepreneurship. Most studies find that asset levels (e.g. net worth) measured in one year increase the probability of starting a business by the following year.⁹²

The biggest and principal concern for them is the lack of knowledge to access and use financial capital. Interviews suggested that immigrants and minority entrepreneurs rely heavily on informal sources to finance their businesses. Many businesses mentioned that the most common source of startup capital to immigrant-minority-owned firms is personal or family savings, with roughly all businesses, interviewed reporting this startup capital source. Other familiar sources of

“New York is not looking out for us. They are looking out for the people who've got good financial statements and credit.”

Business owner in East Harlem

startup capital used by them are credit cards, online loans, personal or family assets, and home equity loans. There is no research or direct evidence from Institutional datasets documenting these patterns. In contrast to the lack of research on access to financial capital among minority-owned businesses, extensive literature examines the impact of financial capital on small business formation and

performance more broadly. The literature indicates that access to financial capital is one of the most critical determinants of small business creation and success.⁹³

According to the report by ANHD, *The Forgotten Tenants: Forty-eight percent of New York City's Immigrant Small Business Owners surveyed reported a lack of access to capital. The neighborhoods surveyed possessed similar demographics to East Harlem. They were either primarily Black or Latino or with a large number of immigrant communities. These interviews revealed that businesses primarily do business in cash and cannot keep detailed records and books. They might also have complications in their immigration status, impacting their ability to access loans and build credit. However, when asked about the support they received during the pandemic from their primary financial services provider, businesses were most satisfied with CDFIs and small banks' support.*⁹⁴ The most important expected challenges varied by businesses' size and industry and the owners' race and ethnicity. The small credit business survey reported that credit availability was the primary concern among Black-owned businesses, while Hispanic businesses were mainly concerned by demand for products/services.⁹⁵

⁹² *Immigrant Entrepreneurs and Small Business Owners, and their Access to Financial Capital*

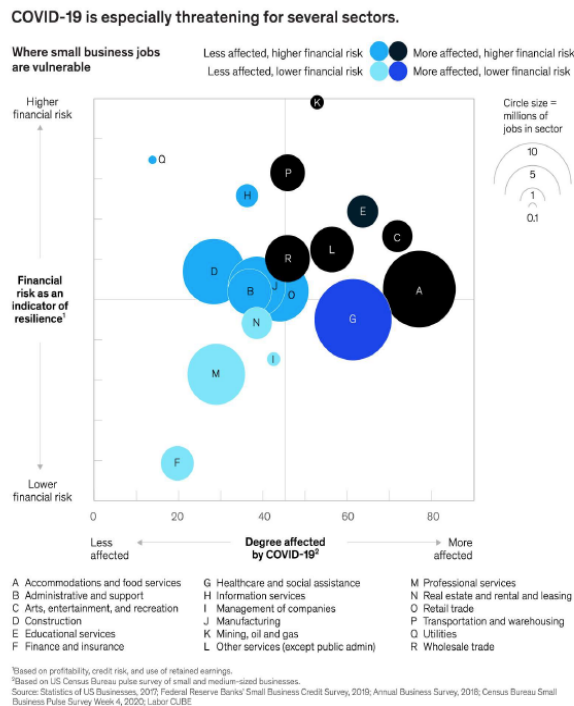
⁹³ | Earlier studies include Evans and Jovanovic (1989), Evans and Leighton (1989), and Meyer (1990). See also Holtz-Eakin, Joulfaian, and Rosen (1994), Lindh and Ohlsson (1996), Black, de Meza and Jeffrey (1996), Blanchflower and Oswald (1998), Dunn and Holtz-Eakin (2000), Fairlie (1999), Johansson (2000), Taylor (2001), Holtz-Eakin and Rosen (2004), and Fairlie and Krashinsky (2008).

⁹⁴ *SMALL BUSINESS CREDIT SURVEY 2021 REPORT ON EMPLOYER FIRMS*

⁹⁵ *Ibid.*

Many owners, including those interviewed in East Harlem, feel that they have been shut out of traditional financing options, both from financial institutions and city resources. A retail owner in East Harlem remarked, “New York is not looking out for us [Small Businesses]. They are looking out for the people who've got good financial statements and credit. I didn't even have a bank account until 2021 because I never needed it. We worked with money orders.... Most of the People that qualify [for financing from the city] do not need it. They could perfectly go and get it from Chase. We need it because we will never get it from big banks.”

Other Interviews in East Harlem revealed that grants and not loans were most effective in mitigating their financial problems. Other issues such as trust, non-institutional relationships, and not understanding debt and financial concepts were significant challenges for businesses of color to access public loans. According to the Small Business Credit Survey⁹⁶, 37% of Businesses that did not apply for the PPP loans were not sure they would qualify, and 23% thought the process was too confusing. On the other side, it is important to understand that most households' single most significant asset is equity, which can be invested directly into business starts or used as collateral to obtain business loans. However, that becomes a burden for neighborhoods with low ownership rates.



Graph. 2 EFFECTS OF COVID-19 ON RETAIL SECTORS

East Harlem has one of the lowest homeownership rates, with a 7.2 % compared to a 32% in NYC. Together with financial institutions' requirements to access loans, these realities make businesses in East Harlem especially vulnerable to predatory lending institutions like online lenders. Some of the interviews showed small local businesses were not willing to put themselves in the situation of losing their only assets to be able to open a business. “I have tried to reach out to a variety of financial institutions, but I am just a quota for them. They want businesses to put their houses as collateral. How detached are they from our realities? I prefer to rely on family and myself than in banks.”

These challenges have been documented in past reports like “*Taking Care of Business: Understanding Commercial Displacement in New York City*”, the Association for Neighborhood &

⁹⁶ <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report>

Housing Development (ANHD). They cited commercial warehousing, barriers to securing finance, and lack of government resources as threats to all small businesses' wellbeing in the city⁹⁷. However, the particular needs of immigrant small businesses in neighborhoods have gone largely unexplored.

It's Time for the Hospitality Industry to Listen to Minority and Women-owned Businesses

“We are not only here to make money and provide for our families, but we are also here to build community, especially around food.”

Business owner in East Harlem

It is crucial to keep in perspective that not all immigrant and minority businesses are ethnic retails. As stated at the beginning of this chapter, ethnic retails focus on service-specific ethnic needs. Even though there is no official data about ethnic retails in East Harlem, most of these businesses are Food service related. Another

relevant understanding of ethnic retail is the concept of a food desert, which has come to dominate research and policy debates around food environments and their impacts on health and poverty. Evidence suggests that low-income neighborhoods of color lack large supermarkets and may have limited access to fresh, affordable, and healthy foods⁹⁸. However, other authors argue that this conceptualization, which implies an absence of healthy food, is misleading and potentially detrimental to poor communities' health because it ignores the contribution of smaller stores, particularly that of so-called ethnic markets.⁹⁹ It is also essential to consider that current applications of the food desert concept reflect classed and racialized biases of the food environment that ignore the everyday geographies of food provision in immigrant communities while favoring external private interventions.

Studies of refugee and immigrant integration indicate that food is central in supporting emotional and physical wellbeing, developing social ties, and sustaining communities both culturally and economically. On the other hand, research on food security and ethnic retails conducted in City Heights in San Diego suggested that ethnic markets supply fresh produce at a lower price on average than non-ethnic markets do. Food services, though requiring capital, are accessible and have relatively low barriers to entry for low-income entrepreneurs. Food retails particularly useful in health and community development because many low-income communities have a rich heritage of knowledge and food production expertise¹⁰⁰. Culinary practices can represent cultural identity and provide bridges to engaging all ages and skill levels in a community.

⁹⁷ Association for Neighborhood Housing and Development, “Taking Care of Business: Understanding Commercial Displacement in NYC,” December 2017.

⁹⁸ Joassart-Marcelli, P., Rossiter, J. S., & Bosco, F. J. (2017). Ethnic markets and community food security in an urban “food desert.” *Environment and Planning A: Economy and Space*, 49(7), 1642–1663. <https://doi.org/10.1177/0308518X17700394>

⁹⁹ Joassart-Marcelli, P., Rossiter, J. S., & Bosco, F. J. (2017). Ethnic markets and community food security in an urban “food desert.” *Environment and Planning A: Economy and Space*, 49(7), 1642–1663. <https://doi.org/10.1177/0308518X17700394>

¹⁰⁰ Mancari, J. (2017), *Refugee Farmers Growing in Houston's Food Desert*, *Bittersweet Monthly*.

“We want to be given the opportunity to feed our own community.”

Business owner in East Harlem

Covid-19 has proved to be especially threatening for several business owners, but especially for full-service restaurants. As we can see in Figure 1, accommodations and food services are among the most affected sectors

in the US and bear a high financial risk. The drastic drop in consumer spending in the City and a resulting loss in revenue for businesses has made it difficult for business owners to continue paying rent. The Hospitality Alliance surveyed over 400 restaurants, bars, nightclubs, and event venues in NYC about their rent obligations in October. The resulting report found that approximately 88 percent of respondents could not pay their full rent in October. Around 59 percent of landlords did not waive rent payments for restaurants, bars, and nightclubs.¹⁰¹ The current outlook for many small full-service restaurants in East Harlem is dire as they experience massive revenue declines but must continue paying the exact fixed costs, such as rent, as pre-COVID times.

The City’s Open Restaurants program provided a boost to the restaurant industry. In comparison, around 9,700 restaurants participate in the program, representing only a third of total restaurants in the city.¹⁰² Interviews with local food services businesses in East Harlem revealed two crucial things. Firstly, the most successful programs that helped food stores to manage and even grow throughout the crisis were the opportunity to take part in food relief programs. This provided them with enough money to cover debt and to lower the uncertainty of variable costs. It also provided them with the possibility of minimizing the risks of wasting food by knowing the exact amount of supplies they would need in advance. A restaurant owner interviewed suggested that programs like the “Food act” should be made permanent to allow local businesses to feed their communities actively and adequately. “We want to be able to regain control of what we eat. I think restaurants in East Harlem are more than capable of taking over the task of feeding our community.”

“Commercial displacement becomes cultural and ethnic displacement”

Arlene Dávila

¹⁰¹ N.Y.C. Hospitality Alliance, *October 2020 Rent Survey*, <https://thenycalliance.org/assets/documents/informationitems/22Rtf.pdf>.

¹⁰² Erika Adams, “Outdoor Dining Will Return Next Year, Mayor Says”, *NY Eater*, August 3, 2020, <https://ny.eater.com/2020/8/3/21352532/outdoor-dining-extended-nyc>.

When immigrant neighborhood resources vanish, jobs, community spaces, and affordable resources in low wealth communities of color also disappear. As Arlen Davila said, commercial displacement becomes cultural and ethnic displacement. While frequently entrenched in the same dominant discourses and processes, the dreams and aspirations of Puerto Rican and Latino culture stakeholders in El Barrio are starkly at odds with the paradigms generalized by the neoliberal policies they must maneuver.¹⁰³ The reality is that cultural and ethnic belongings are being fueled by various political and commercial interests and are thus not about to fade, as long as they are profitable. For better or for worse, the neoliberal city feeds from the symbolic, particularly from culture and identity. For longtime residents who already face rising rents, an increase in the cost of essential goods and services creates additional financial pressure and intensifies their chance of displacement. “I don't work for myself. I used to work for the Landlord, and now because of Covid, I work to survive,” a business’s owner interviewed remarked

¹⁰³ Arlene M. Dávila, *Barrio Dreams: Puerto Ricans, Latinos, and the Neoliberal City* (Berkeley: University of California Press, 2004).

Key Findings

- a. Small businesses, especially ethnic businesses are both essential to foster local economy and for the social cohesion and optimal health of the neighborhood.**
 - i.* According to FEMA¹⁰⁴, 40 percent of microbusinesses never reopen after a disaster and another 25 percent, that do reopen, fail within a year.

- b. Access to financial capital is one of the most important determinants of small business creation and success**
 - i.* Traditional Financial Institutions underserve minority-owned Small Businesses and existing city resources lack exposure, efficacy, and accessibility
 - ii.* Small businesses use primary personal/family assets and credit cards as a capital resource, which makes them vulnerable to financial hardship and stifles their growth.
 - iii.* Difficulties to access low interest credits makes small businesses vulnerable to online predatory lending.
 - iv.* Small businesses were most satisfied with CDFIs and small banks' support

- c. East Harlem is not a small but a microbusiness neighborhood. We need better data and methodologies to better understand their needs.**
 - i.* Demographic and socio-economic data
 - ii.* Usage of alternative lending products
 - iii.* Leakage analysis by sector and location

- d. East Harlem does not have a prosperous local economy since 2010**
 - i.* Only six percent of residents work in East Harlem
 - ii.* Health care is the largest employer, but represent only 2 percent of businesses
 - iii.* From the twenty-six-retail sector in East Harlem, only eight are generating surplus in retail sales.
 - iv.* Retail sectors represent seven percent of the jobs and have an average salary of \$29,000, 39 percent lower than city wide.
 - v.* 80 percent of jobs in leisure and hospitality were in restaurants and bars

- e. Microbusinesses need to bridge the digital divide and financial illiteracy**
 - i.* Building a digital foundation must go beyond a promotional campaign for digital products. It is about building the awareness, knowledge, and confidence of their microbusiness customers so they have all they need to interact responsibly in the digital world. Digital capacity is also about data knowledge and ownership.
 - ii.* Businesses need Information to help them identify their most pressing financial service needs during the immediate crisis and learn what solutions are available to them, such as potential scenarios where restructuring their loan or business may make sense, the importance to put together a short-term budget for family and business, or ideas for reducing expenses. Support means not only giving information, but making sure clients understand and know exactly what they need to do first.

¹⁰⁴Federal Emergency Management Agency

Evaluative Criteria

To evaluate the recommendations, the following criteria were used: Efficiency, Flexibility, Feasibility, and Equity. The outcomes of the recommendation's assessment are provided in the 'Analysis' section of this document.

Efficiency: This criterion will focus on the extent to which an Alternative can improve profit margins. It will especially focus on the Alternative's capacity to either increase the income stream or lower fixed costs. Retailers, especially nowadays, are constantly scrambling to raise cash flow. Grassroots efforts turn to bake sales and food-to-door collections. More sophisticated nonprofits submit proposals to local foundations or seek sponsorships. The result is an uneven stream of money and unpredictable flow of activities, always vulnerable to the next donor who says "no". An efficient Increase income stream for East Harlem will focus on an Alternative that can produce more foot traffic, more orders and/ or more contracts.

"Access to financial capital is one of the most important determinants of small businesses creation and success"

SBA office of Advocacy

Lowering fixed prices is a bit more complicated but just as efficient as increasing income streams. This can be achieved through Alternatives that facilitate partnerships and help groups of local businesses achieve competitive advantages that they could never achieve independently. Some examples are product bundle or sharing spaces strategies. We have learned throughout the report that there is power in shopping at locally owned businesses. The dollars spent at a local retailer often significantly impact product options and services than when these dollars are spent at chains or online retailers. The efficiency of an Alternative to improve profit margins will benefit retailers and local residents as well.

Additionally, it will also address the time it will take to implement the Alternative. Today's environment is uncharted territory for most retailers. Government-imposed lockdowns, social distancing guidelines, rapid consumer behavior changes, and uneven demand for different product categories have introduced challenges to retailers in East Harlem. Time has become a big ticking time bomb for retail's recovery and finding a prompt and efficient solution to their problems is fundamental.

Flexibility: Flexibility refers mainly to the Alternative's ability to affect all retail sectors, some sectors, or only one sector. If the Alternative can be implemented in all retail sectors, it will rank 'High'. Some sectors will rank 'Medium' and will be understood as more than one sector.

“The duration of the crisis, has already exceeded the early predictions; and businesses are now expecting to operate in crisis mode for an extended period”

Mckinsey

Finally, if the Alternative only serves one sector, it will rate 'Low'. Throughout the report, we have learned the importance of a diverse retail sector to boost the local economic multipliers, which increases income, wealth, and jobs. Also, a diversity of retailers ensures lower prices and that residents' basic needs can be met. A marketplace of hundreds of small businesses is the best way to ensure innovation and low prices over the long term. For these reasons, a flexible Alternative that can be implemented through all sectors is an important metric.

Feasibility: Feasibility in this report refers to the political feasibility of the recommendation. It will assess the feasibility of implementing the proposed alternative by considering anticipated community support and Union Settlement capacity to implement. Union Settlement's Business Development Center (BDC) offers a variety of assistance programs to maintain, expand or create new businesses in East Harlem, and develops Projects to assist in the marketing of established business. It is vital that the Alternatives don't fall outside these capabilities and can feasibly be implemented. This will include cost estimates and how applicable the recommendation is by Union Settlement. Furthermore, it will address the Alternative's political feasibility by assessing the willingness of Retail owners to take part in the program. The assessment will be based on the qualitative information retrieved from the Interviews and the Council Hearings of the Committee on Small Business.

Equity: In this report, Equity will be understood as an Alternative's capacity to be resilient, in other words, to foster long-term skills for retailers to react to change. I recognize that the term “Resilience” is everywhere, and everywhere, it seems, it means something a little different. This term has been broadly used to describe people and systems that bounce back from negative experiences and disturbances. Given the rapid change happening in the environment, technology, and society today, the term's general use reflects the need for its implementation. The metric for this alternative will be High, Medium, and Low.

Focusing on the capacity of an Alternative to maximize local self-reliance is fundamental for retailers today. In other words, fostering the ability of a business owner to exercise relative power over their businesses: this includes how they structure their business model, their capacity to pivot to other models, how resources are shared and allocated in their communities, and how decisions made by the government, corporations and other businesses affect them.

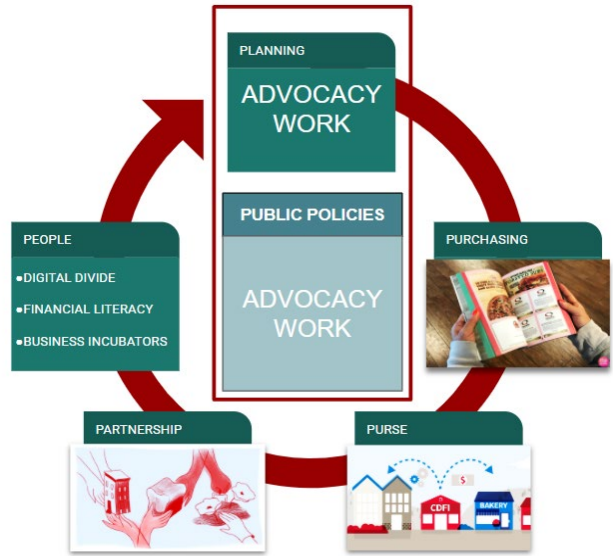
“Small businesses, especially microbusinesses are more vulnerable to crises and more likely to experience financial hardship”

SBA office of Advocacy

Self-reliance can be achieved through different means at different scale levels. For East Harlem, Self-reliance means three things, access to more capital, financial literacy (including an understanding of local market dynamics), and local strong social networks with shared norms, values, and understandings that facilitate cooperation within the community. In this uniquely severe global crisis, retailers need new operating models and networks to respond quickly to the rapidly shifting environment and sustain their shops through the trials ahead.

Additionally, this criterion measures the Alternative's ability to remain relevant over time as the city continues to experience economic uncertainty. In other words, the power of the recommendation to persist through time and remain helpful to Retailers. The magnitude of the uncertainty organizations face in this crisis, defined partly by the frequency and extent of changes in information about it, means that the Alternative must enable continuous learning and adaptable responses as situations evolve. A real equitable environment for small business owners means they will have the capacity to create, develop and sustain their business in the long run if they wish to.

ALTERNATIVES: There are three roles that Union Settlement can take on concerning small businesses in East Harlem. They can be implementers, running programs and services, such as Buy- local initiatives and courses on financial literacy. They can act as facilitators, including creating and maintaining a safe and open environment for sharing ideas. They can work on establishing trust and links between institutions and businesses. Other people see differences and can find and use similarities to develop a foundation for building bridges to collaboration. Finally, they can be advocates, which includes



Graph. 3 ALTERNATIVES RATIONAL

activities and publications that aim to influence public policy, laws, and budgets by using facts, relationships, media, and messaging to educate government officials and the public.

The first three Alternatives will focus on Union Settlement implementation of purchasing strategies and address different ways of influencing people’s purchasing decisions. The second part will focus on Union Settlement’s facilitation capacity by analyzing collaboration strategies, including partnership and purse principles. Finally, advocacy work will be included as a recommendation of possible next steps that Union Settlement can implement to help create and foster a healthier, more equitable, and resilient environment for small businesses in East Harlem.

Program Option 1. Pumping up the sales through Purchase Strategies:

These strategies focus on business models for local purchasing, often branded around “Buy Local” or “Think Local First.” Some of the most well-known Merchants networks have turned to buy-local as the primary strategy. According to Michael H. Shuman, for the roughly two hundred communities that have formed local business alliances affiliated with either BALLE¹⁰⁵ or AMIBA¹⁰⁶, the starting place is often a buy-local campaign. The focus on consumer action makes sense since a consumer makes purchasing choices daily, sometimes many times per day, which affords multiple entry points into changing behavior. The other Alternatives occur much more irregularly.

¹⁰⁵Business Alliance for Local Living
¹⁰⁶ American Independent Business Association

For example, investment decisions are harder to organize action around since most people make this decision less often and are not as informed.

Shifting purchasing decisions has enormous potential; if a modest fraction of a community's consumers shifts a fraction of their spending toward local businesses, the economic boost could be considerable. A recent study in British Columbia found that a shift of just 10 percent of purchases in the province could create 31,000 new jobs paying \$940 million in new wages¹⁰⁷. According to Shuman, thousands of other US communities without formal business alliances promote local purchasing through signage, advertising, stickers on stores, Handbooks, coupons, and websites to direct consumers to local businesses. Various strategies can be implemented to increase local purchasing. This first part will review three; Coupon Books, Reward Cards, and Market places (web-directories)

Alternative 1. Status quo, East Harlem Marketplace: The internet is ultimately a tool for sharing information and for recollecting data. And if local businesses are as competitive as the data exposed in this report suggest, better information might be their savior. This might prove true, especially for ethnic and minority-owned businesses that offer great value to their communities but lack marketing knowledge and have difficulty reaching beyond a small loyal customer base.

Buy local Eats Harlem MarketPlace works as a Showcase Community server or a web directory that enables people to access a comprehensible array of 97 businesses in East Harlem. This directory hosts a considerable variety of local businesses, from bike shops, car service, grocery stores to massage services and Gyms. The page hosts the general information and location of businesses and gives visitors the possibility to engage with them through quotes and pictures. However, one of the biggest challenges of this program mentioned in the interviews is the lack of traffic and visibility.

Web Directories have been the norm for the world wide web and for search engine optimization for a long time. But are they still relevant in this age of advanced AI Updates? According to Moz research, web directories and local citations still appear to be a small ranking factor, especially for local businesses¹⁰⁸. However, as Head of Web SPAM at Google John Mueller said, "in general, no". The keywords in that answer are "in general", community directories such as East Harlem MarketPlace are not only about information, but they are a source of traffic and trust. In other words, the actual returns come from its credibility.

¹⁰⁷ Matt Cunningham and Dan Houston, "Independent BC: Small Business and the British Columbia Economy," February 2013

¹⁰⁸ "Local Search Ranking Factors Study 2018 - Local SEO," Moz, accessed April 7, 2021, <https://moz.com/local-search-ranking-factors>.

The most challenging part for most web directories to achieve, like East Harlem MarketPlace, is visibility and web traffic. Organizations are constantly asking themselves how to drive people to their page? especially with other big web directories like “Google My Business” and YELP in the picture. These corporations capture a great deal of traffic that otherwise could be directed to local directories. Most of the businesses interviewed manifested feeling tricked and lied to by these corporations. They complained about their lack of transparency and their disproportionate requirements to buy their services.

An example of this is that businesses get charged by YELP for “clicks”. This means they get charged for every person that looks at their profile, regardless if this person ends up buying from them or not. They also mentioned there is no way for accountability. They do not know where and how their businesses are being marketed and have no saying in that decision.

A successful example of an organization that managed to address these challenges was an online directory of local businesses called ShopMidland.com. Through a so-called “guerrilla marketing strategy”, that consisted of massively plastering signs around town saying “ShopMidland.com: Support Your Community” they managed to capture community interest. As interest exploded, the Chamber of Commerce backed the effort, and soon it managed to sign up 100 businesses in the community, each sporting signs promoting the website on the storefronts¹⁰⁹.

Analysis

	<i>Efficiency</i>	<i>Flexibility</i>	<i>Feasibility</i>	<i>Equity</i>
<i>MarketPlace</i>	MEDIUM-LOW	HIGH	HIGH	LOW-MEDIUM

As mentioned before, one of the biggest challenges for web directories is to bring traffic to their pages. Many directory companies invest heavily in Search Engine Optimization (SEO) and Pay-Per-Click services to drive traffic to their websites so that listings on their websites will become more valuable. Another way organization successfully manage to bring people to their websites is through branding and marketing campaigns. The web directory itself does not increase businesses’ reach without the support of other marketing tools. However, if the branding and marketing are done right, this alternative can achieve good *economies of scale*¹¹⁰ by putting hundreds and even thousands of businesses in one place. For this reason, this Alternative ranks Medium-Low.

¹⁰⁹ Michael Shuman, *The Local Economy Solution: How Innovative, Self-Financing “Pollinator” Enterprises Can Grow Jobs and Prosperity* (White River Junction, Vermont: Chelsea Green Publishing, 2015).

¹¹⁰ See Appendix B for definition

In terms of Flexibility and Feasibility, this Alternative ranks High. In the first place because it is a highly suitable strategy for all kinds of businesses. On the other hand, because this Alternative has already been implemented and hosts more than 90 businesses, it has proven to be highly Feasible. In terms of Resilience, it ranks Low-Medium. Even though this strategy has the potential to be long-lasting, it does not provide strong self-reliance unless it is partnered with specific targeting strategies like online purchase and click analytics. This partnering will provide the businesses with data and a web-based purchase space to better target their customers.

Some strategies small businesses can use to complement web directories and benefit from digital marketing include:¹¹¹ 1) establishing an online presence via a website; 2) advertising through social media by creating profiles on platforms such as Facebook, Instagram, and Twitter; 3) creating a robust list of contacts to market through email and maintain customer relationships; 4) using video streaming to connect to customers and highlight products and services that a business offers; 5) utilizing search engine optimization to make a business' products and services more easily discoverable on search engines; and 6) utilizing pay per click advertising, which allows a business to advertise its website to users who are searching on a search engine for words related to such business, thus making such campaigns highly targeted and cost-effective as the business only pays for the ad when it is clicked on.

Alternative 2. Loyalty cards: This Alternative focuses on considering Loyalty Cards as an Alternative to boost the income stream and foster local small businesses' financial stability and as a first step to bridging the digital divide. Businesses Purchase initiatives are the most commonly deployed strategies and have attracted a variety of innovators.

It is helpful to step back and think about the challenges of loyalty cards. How can this alternative get the vast majority of the community to carry these cards? If businesses have to pay for processing the card, whether through a fee or just the time it takes to handle the transactions, how can you prove that the benefits exceed the costs? How can Union Settlement spread the system from community to community cost-effectively? Working through these questions' details can require two very different kinds of expertise: marketing and technology. Expertise that business owners typically do not have, but that Union Settlement could have or acquire. Without creative marketing, even the most impressive technology platform sits unused in cyberspace. This situation applies to other technology platforms such as marketplaces.

¹¹¹ Michael Shuman, *The Local Economy Solution: How Innovative, Self-Financing "Pollinator" Enterprises Can Grow Jobs and Prosperity* (White River Junction, Vermont: Chelsea Green Publishing, 2015).

An example of a successful reward card is Supportland. This program was officially launched in August 2010, with twenty-seven businesses and zero users. Within a month, about six thousand people had signed up.¹¹² The system is basically two products: a paperless punch card system, allowing each “punch” to be used for rewards at the issuing business; and a loyalty program where users accumulate points that can be cashed in for rewards at business across the network. Whenever a customer presents a participating business with a Supportland card or a mobile app, the business just needs an Internet connection to fulfill the transaction (See appendix C for a full description of the process). However, this can be deemed challenging for certain businesses in East Harlem and could require some high investment in infrastructure.

Loyalty reward cards can also be seen as tech tools used by business alliances or similar groups. It provides a technological platform that goes beyond the simple creation of a card. It provides a business network with all the technology, the billing infrastructure, the help-desk support, and the basic functionality of points counting. This platform could be very beneficial to businesses, especially as proof of whether the campaign is being successful. New analytical tools can also contribute to the success of this Alternative. With a mobile app or an integrated hardware system, businesses could gather information about nearby customers, preferences, and networks.

This strategy could allow collaboration between businesses with similar customers and help local businesses identify crossover partners and bring them together to conceive joint readers for their customers. This collaboration will render the local purchasing experience of the customer deeper each time another business is involved. The ultimate goal is to provide a service that allows listed local businesses to modify their content online, issue gift certificates and coupons, and showcase weekly deals.

Analysis

	<i>Efficiency</i>	<i>Flexibility</i>	<i>Feasibility</i>	<i>Equity</i>
<i>Loyalty Cards</i>	MEDIUM	HIGH	MEDIUM	LOW-MEDIUM

In assessing Loyalty Cards against the criteria mentioned above, Efficiency ranks Medium. Even though Loyalty Cards improve the profit margins by increasing visibility, loyalty, and foot traffic to businesses, it does not rank well in time to implementation. In the first place, it needs technology infrastructure adjustments, like card readers or digital cashiers, which might take a

¹¹²Michael Shuman, *The Local Economy Solution: How Innovative, Self-Financing “Pollinator” Enterprises Can Grow Jobs and Prosperity* (White River Junction, Vermont: Chelsea Green Publishing, 2015).

long time to plan. Secondly, it requires technical assistance support programs for small businesses that are not familiar with this technology.

In terms of Flexibility, this alternative ranks High. Loyalty cards and their more traditional variations like punched cards are broadly used in all kinds of industries and businesses sectors. However, if not done collectively with other businesses the cards can become one more card for customers to carry and remember they have, which might exhaust them.

In this case, Feasibility ranks Medium. This Alternative, as mentioned before, will require businesses to acquire some sort of technology to validate these cards, and even the applications that do not require technological devices still require some kind of technical savviness rendering it challenging for certain retailers. This might not be attractive for businesses that are not interested in shifting their business model or acquiring new equipment, especially now with so much financial burden. On the other side, this would be a reasonable and feasible program to be implemented in the Buy Local East Harlem. The only hurdle could be requiring some kind of constant technical support system for small businesses in the program.

Additionally, it ranks Low-Medium in terms of Equity. It is important to note that these digital cards aren't just great for boosting profits, but they are also fantastic at giving insight into how customers interact with a business. People's buying preferences, cashed-in incentives, and spending habits can all be collected from punch cards, mainly digital punch cards. This done right could greatly benefit and empower small businesses in East Harlem and use the insights for future marketing, targeted advertisement, and customer retention efforts. This will give businesses the necessary capacity to foster long-term technical skills and will maximize local self-reliance by increasing their ability to influence purchasing decisions in their neighborhood and remain relevant over time.

Alternative 3. Coupon Books: This Alternative focuses on considering Coupon books as an Alternative to boosting the income stream and foster the financial stability of local small businesses and as a first step to bridging the digital divide. Businesses Purchase initiatives are the most commonly deployed strategies and have attracted a variety of innovators. There are various strategies that can be implemented to increase local purchasing. Coupons are both a great motivator and advertising tool. They can be sold on an individual basis or in bulk directly to consumers. Some companies sell physical coupon books, for example, charging a fraction of the total savings contained in the book but still bringing in enough money to cover printing fees and sales expenses. Convincing as many businesses as possible to provide coupons for the bulk product is essential to making this business model work.

Coupon books specially promote discounts from participating businesses directly to consumers, providing a valuable service for both groups. Businesses profit from working with coupon companies by boosting traffic in their stores and encouraging first-time visits. Consumers benefit from direct cost savings for goods and services in the market. This business model of coupon books seems to be simple. It consists of convincing existing businesses in East Harlem to submit coupons to drive consumer traffic to member businesses. Insert graphics and illustrations to make the booklet look attractive visually and draw consumer's attention. Add quotes, statistics, and business success stories to educate users about the local economy. And then sell the product through the participating businesses, including local bookstores. This strategy's ultimate goal is to give residents space to identify great deals, become more familiar with the full range of local business offerings, and shift their loyalty toward these businesses.

Some of the guidelines for best practices for coupon books include but are not limited to¹¹³:

- ❑ They should be distributed in a variety of ways. They can be leveraged to be used as a self-mailer to existing customers or to generate leads to prospects. They are also a good handout at trade shows, markets, book stores and travel agencies.
- ❑ Coupons need to have a clearly defined offer. Coupons that are vague don't get used. Using wording like \$10 off a specific item is essential. Also is including the normal price of the item so consumers can easily see the value.
- ❑ The better the offer's value, the more bite the coupon will have, and the more business will be generated.
- ❑ Call to action: Also known as an expiration date. The date should not be too far out, but also not so close they cannot take advantage of it.
- ❑ Include particular limits—example: one per customer.
- ❑ Include Market items or services that are timely or seasonal. If people buy a product at a specific time of the year, give them a reason to buy from you and not the competitor by putting a special offer in their hands.
- ❑ Promote new products or services constantly.
- ❑ All standard rules for ads and postcards apply to coupons, such as compelling headlines, promoting benefits, and calling to action. A coupon is, in essence, an ad message, and you still have 2 to 3 seconds to get their attention and create interest.
- ❑ Include QR codes to drive traffic to your website. The best idea is to have them register for some sort of giveaway or promotional offer. If the landing page is set up correctly, you can capture contact information.
- ❑ Include a promotional code to allow you to track responses.
- ❑ Never honor a coupon that has expired. The reason is that it trains your customers and prospects that your coupon and offer expirations are meaningless and that they can get the deal anytime. This is one of the reasons advertising response rates decrease.

¹¹³ "The Do's & Don'ts of Coupon Marketing," *Wilson Printing USA* (Mark Hale, January 2, 2015), <https://wilsonprintingusa.com/learn-marketing/dos-donts-coupon-marketing/>.

'Where the locals Go'

An example of a successful coupon Book in the U.S is 'Where the locals Go,' created by Michelle Long, Executive Director of Business Alliance for Local Living Economies (BALLE) in Bellingham. The business model consisted of convincing sustainable Connections members to submit coupons to encourage consumers to buy from local businesses. Their first revenue-generation product was a coupon book which became the number one bestselling book at their most famous local bookstore. Tourists also bought copies at the city's visitors' center. The book contained information and success stories about the sponsoring business, including advertisements and encouraging people to support their local businesses.

An independent survey by Applied Research Northwest found that 69 percent of Bellingham consumers are now paying attention to businesses' local character, 58 percent have begun localizing their purchasing habits, and business proprietors regard Local First as one of the most compelling reasons they are thriving¹¹⁴. So impressive were their accomplishments that in 2009 the Natural Resources Defense Council named Bellingham as the # 1 "smarter" small city in the United States¹¹⁵. However, after many years of steadily selling 2,500 copies, the 2013 edition saw a significant drop of 1,600. Today their Local First campaign tactics include store signs, posters, advertisements, loyalty cards, and almost every other conceivable form of marketing to motivate residents to buy local.

Analysis

	<i>Efficiency</i>	<i>Flexibility</i>	<i>Feasibility</i>	<i>Equity</i>
<i>Coupon Books</i>	HIGH	HIGH	HIGH	LOW-MEDIUM

In assessing the Coupon Book against the criteria mentioned above, Efficiency ranks High. When used effectively, coupons, specifically coupon books, will help businesses increase sales by improving customer appearance and purchase frequency. They also help boost traffic by recruiting new customers, enticing new movers, channeling a competitor's traffic, re-activate former customers, and selling more products¹¹⁶. These outcomes will automatically increase the income stream by pumping up the sales.

¹¹⁴ Michael Shuman, *The Local Economy Solution (White River Junction: Chelsea Green Publishing, 2015)*, 75.

¹¹⁵ Stacey Schultz, "Seeking a Pacific Northwest Gateway for U.S. Coal," *Science (National Geographic, February 10, 2021)*, <https://www.nationalgeographic.com/science/article/111020-coal-port-pacific-northwest>.

¹¹⁶ "Coupon Marketing: How Do Coupons Work for Small Businesses?" RTN, November 30, 2017. <https://www.rtn.net/coupon-marketing-how-do-coupons-work-for-small-businesses/#:~:text=Coupons%20are%20a%20cost%20Defective,before%20making%20any%20purchase%20decision>.

According to a survey conducted by Bazaarvoice and CMO Council¹¹⁷ Coupons can influence purchase decisions made by consumers across age and income demographics. Consumer behavior has evolved, especially with the rise of smartphones and mobile culture, but according to them, this has done nothing to diminish consumer appreciation for discounts and coupons. While many factors can be a major influence on internet user purchase decisions in the U.S., coupons, and discounts, have the biggest influence. Coupons and discounts represent a 31-point lead ahead of the next biggest influence according to the survey, where 71% of respondents pointed to coupons and discounts and 40% of respondents said recommendations from family and friends, 35% cited brand advertising and 22% cited brand recommendations for similar or complementary products¹¹⁸. In terms of what discount the coupon offers, money off the purchase total is the best bet. AYT Market Research survey in October 2016 found types of discounts US Internet users prefer to receive with coupons.

In terms of Flexibility, this alternative rates High. Research suggests that Coupons are effective for every retail industry, but the most use is probably for groceries. To get a bit more specific, 94% of all internet users are interested in coupons for grocery shopping, and that isn't relegated to older generations. Nearly the same percentage of Millennial internet users (93%) want the same thing¹¹⁹. However, it's worth noting that coupon savvy millennials also use coupons for:

- ❖ Cosmetics (69%)
- ❖ Apparel (62%)
- ❖ Home goods (60%)
- ❖ Restaurants (57%)

According to Nielsen¹²⁰, the types of stores most likely to see coupon redemption are grocery stores and department stores (41%), although clothing stores aren't far behind (39%). However, there are coupon books from auto dealerships to heating and air contractors to restaurants. The coupon booklet concept works for most business models. Lawyers, dentists, and chiropractors can use coupon books as a sort of client referral program as well.

Feasibility ranks High as well. Some of the interviews revealed that businesses have been using Print Coupons as an independent strategy to attract new consumers. We learned along with the report that there is a digital divide between small businesses and big corporations. Even though this digital divide should be addressed, I believe a Coupon book, especially one that is

¹¹⁷ *A Network for senior marketing decision makers dedicated to high-level knowledge exchange.*

¹¹⁸ "Coupons Continued (And Growing) Influence Over Major Purchasing Decisions." *SKUlocal*, April 26, 2017. <https://www.skulocal.com/insights/coupons-continued-and-growing-influence-over-major-purchasing-decisions/>.

¹¹⁹ *Ibid*

¹²⁰ "Newswire: For U.S. Consumers, Different Stores Mean Different Smartphone Shopping Behavior." *Nielsen*. Accessed April 1, 2021. <https://www.nielsen.com/us/en/insights/article/2012/for-u-s-consumers-different-stores-mean-different-smartphone-shopping-behavior/>.

digital and printed, could be the first step for businesses to start familiarizing themselves with purchasing strategies. Coupons might feel for certain moms and pops and small businesses as a more familiar solution and might give them some sense of control over what is happening with the advertisement and the impact on their business. Some of the businesses complained about a lack of control over the ways Yelp or Grubhub is advertising their business. They expressed the need to understand the reach of the advertising. A Coupon book could give this tangible sense of control and progress to the small business, especially to those who are not familiar with web-based technical marketing innovations. For this reason, the anticipated support of the community ranks High. Simultaneously, similar conversations have been conducted with Union Settlement, who showed interest in this type of strategy since the beginning.

Opposite to Feasibility, this Alternative rates Low on Equity, primarily because of two things. It has a temporary impact on purchasing choices. It is most practical to attract first-time customers. The retaining of customers depends on other factors independent of this Alternative, like customer service and trust. Coupon book initiatives have experienced in the last years a decrease in sales due to the rise of other big “deal” companies like Groupon and LivingSocial, which provide deeper discounts for very short periods of time, say 40% for a day, which has reshaped the coupon market¹²¹. Many businesses complain today that Groupon and similar companies are creating a coupon culture, where consumers have no loyalty to any business but to the next “big deal”. Consumers seem increasingly numb to relatively small discounts such as those on Coupon Books. However, print coupons are still the single most effective type of coupon, nearly a third of all internet users turn to print circulars for coupons before shopping trips. About 79% of internet users like paper coupons even though they also use digital coupons¹²². These situations could be mitigated by leveraging the already existing Buy Local East Harlem Marketplace to generate gift certificates and coupons and showcase weekly deals simultaneously online.

Other organizations have been thinking of shifting toward creating a mobile app that might reward local purchasing¹²³. An app might be of additional help because it can provide analytics, the details on who exactly is buying the coupons, and how exactly consumers are using them. This information can help improve the product, advertising, sales strategy and provide insight into undeserving businesses. On the other hand, Online coupon distributors can leverage ad placement services to sell advertising space on their websites. Online pay-per-click ad placement services pay a certain amount to website hosts each time an ad is viewed and even more when it is clicked. This business model can allow a coupon company to give away coupons for free, relying on sheer traffic volume to drive advertising income. This income strategy can be combined with others to

¹²¹ Michael Shuman, *The Local Economy Solution* (White River Junction: Chelsea Green Publishing, 2015), 77.

¹²² “Coupons Continued (And Growing) Influence Over Major Purchasing Decisions.” *SKUlocal*, April 26, 2017. <https://www.skulocal.com/insights/coupons-continued-and-growing-influence-over-major-purchasing-decisions/>.

¹²³ *Ibid.*

create a more robust and complete coupon business model. Also, Web-based coupon companies can make money through affiliate programs and relationships with other deal distributors. A large online retailer or coupon company pays another website to lead traffic to its own deals in an affiliate relationship. Smaller coupon companies can list larger coupon distributors' deals, sending their own traffic on to the larger company and receiving a commission on any resulting income. If both online and printed Coupon books are implemented, this Alternative will rank higher.

Program option 2: Fostering financial stability through collaboration: But what exactly is this "collaborative economic approach"? For some theorists of the movement, it begins with a redefinition of economic space itself¹²⁴. The dominant neoclassical story paints the economy as a singular space in which market actors (firms or individuals) seek to maximize their gain in the context of scarce resources¹²⁵. These actors play out their profit-seeking desires in a realm defined by the market's dynamics and the state. Opposite to this narrow approach, collaborative economics embraces a plural and cultural view of the economy as a complex social relationship space. Individuals, communities, and organizations generate livelihoods through many different means and with many different motivations and aspirations just to maximize individual gain. The economic activity validated by neoclassical economists represents, in this view, only a tiny fraction of human efforts to meet needs and fulfill desires.

In other words, a collaborative economy means building on distributed networks of connected individuals and communities versus centralized institutions, transforming how we can produce, consume, finance, and learn. Collaboration has always been a part of economic development. It is not a new phenomenon. Recent developments in technology and digital platforms have allowed wider and faster interactivity and connectivity between producers and consumers, which has enabled shared production and consumption around common objectives¹²⁶. There are different focuses of the collaborative economy. Local businesses' groups can improve their competitiveness through joint branding, joint marketing, joint procurement, joint delivery, joint locations, and joint savings (more broadly known as purse strategies).

Alternative 1. Partnering with CDFIs and focusing on financial literacy: This proposal focuses on considering a partnership between Union Settlement and CDFIs as an alternative to boosting the income stream, fostering financial stability, and as a first step to bridging the discriminatory access to capital of small businesses in East Harlem. While the term "community development financial institutions" or "CDFI" is relatively new, the concept itself is part of a rich history of self-help credit.

¹²⁴ "Coupons Continued (And Growing) Influence Over Major Purchasing Decisions." *SKUlocal*, April 26, 2017. <https://www.skulocal.com/insights/coupons-continued-and-growing-influence-over-major-purchasing-decisions/>.

¹²⁵ Andres Sevtsuk, *Street Commerce: Creating Vibrant Urban Sidewalks*, 1st edition, *The City in the Twenty-First Century* (Philadelphia: University of Pennsylvania Press, 2020).

¹²⁶ Doug Stephens, *Reengineering Retail*. (Figure 1 Publishing, 2017), <http://www.myilibrary.com?id=995485>.

CDFIs certified by the U.S. Treasury Department can be banks, credit unions, or nonprofits. They raise the capital they lend, and they get investing power through grants or low-interest loans provided by the government or banks. The current CDFI industry began taking shape in the late 1960s and early 1970s. Some of the first organizations dedicated to community development were created out of governmental efforts to address poverty alleviation and racial discrimination.

Till now, both Hope community inc and Union Settlement have been in charge of awarding grants on behalf of the New York City Department of Small Business Services (SBS). Hope was awarded a grant in 2010 by Councilmember Melissa Mark-Viverito (District 8) through SBS's Avenue NYC program to launch a merchant organizing and placemaking campaign. In 2020, Union Settlement, though Council Member Diana Ayala, Manhattan Borough President Gale Brewer, and the NYC Economic Development Corp. joined forces to offer a \$4,000,000 Grant Program to East Harlem's small businesses in need of COVID-19 financial assistance. These Grant Programs, however, are not enough to serve the 778 businesses located in East Harlem. A partnership with larger equitable financial institutions is fundamental to address the capital deficit that businesses experience in East Harlem.

Community Development Financial Institutions (CDFIs) are private-sector financial intermediaries with community development as their primary mission. While CDFIs share a common mission, they have a variety of structures and development lending goals. There are six basic CDFIs: community development banks, community development loan funds, community development credit unions, microenterprise funds, community development corporation-based lenders and investors, and community development venture funds. All are market-driven, locally-controlled and private-sector organizations.

As discussed throughout the report, inadequate access to financial capital is a crucial constraint limiting the growth of minority-owned small businesses in East Harlem. Entrepreneurship plays an important role in building wealth in families and communities of color, but the opportunity to start and grow a business is not equal for minority-owned businesses. For a country with one of the most vibrant capital markets globally, the challenge remains in getting the right kind of investment to those who need it most. Research shows that persistent gaps can explain these disparities in access to financial capital¹²⁷.

We have learned that small businesses in East Harlem that need financing often find themselves at a crossroad: apply for a traditional bank loan that is difficult or almost impossible to get and requires an asset as collateral but has lower interest rates. Apply to an online loan that's

¹²⁷ "Executive Summary - Disparities in Capital Access between Minority and Non-Minority Businesses." *Minority Business Development Agency*, April 19, 2017. <https://archive.mbda.gov/page/executive-summary-disparities-capital-access-between-minority-and-non-minority-businesses.html>.

quickly approved but can end up being much more expensive in the long run or use a mixture between credit cards and family savings. According to the Institute for Local Self-Reliance, since 2006, communities of color like East Harlem have lost more small community banks than other communities in the U.S. East Harlem. For example, it has very few banks and even fewer credit unions. In this particular case, Online lenders have stepped up to fill the gap with internet-based technologies that allow for more efficient loan processing and lower transaction costs but with much higher interest rates¹²⁸. Large banks are the most common type of lenders applied to overall, regardless of race. Generally, Black- and Latino-owned businesses are less likely to apply for financing at small banks and more likely to use at community development financial institutions (CDFIs) and online lenders, relative to white-owned firms¹²⁹.

The U.S. The Department of the Treasury certifies CDFIs and mandates that at least 60 percent of CDFIs financing goes into low- and moderate-income (LMI) populations and other underserved communities¹³⁰. Another fundamental aspect of CDFIs is that they also provide borrowers they serve with technical assistance, financial guidance, and add-on loans for business expansion. They seek to minimize risk for borrowers with simpler and more specific loan products than other lenders, which would greatly benefit small businesses in East Harlem. CDFIs offer business loans on terms that aim to create the best possible outcomes for both their borrowers and investors.

For example, recently Next Street recently partnered with New York-based National Development Council through their Grow America Fund to help launch an initiative that directed Paycheck Protection Program loans to low- and moderate-income communities in New York City. This initiative was in partnership with the City of New York, Amalgamated Bank, and the Inherent Foundation. Together, they helped deploy more than \$23 million in loans to 232 businesses owned by low-income entrepreneurs or people of color who would have otherwise been left behind.¹³¹

Analysis

	<i>Efficiency</i>	<i>Flexibility</i>	<i>Feasibility</i>	<i>Equity</i>
<i>Partnering with CDFIs</i>	LOW	HIGH	MEDIUM	MEDIUM

In assessing the partnership with CDFIs against the aforementioned criteria, Efficiency ranks ‘Low’. Firstly, Loans are essential for businesses to start, improve, and expand. However,

¹²⁸ Mitchell, Stacy. “Report: Fewer Small Businesses Are Receiving Federal Relief Loans in States Dominated by Big Banks,” March 29, 2021. <https://ilsr.org/banking-consolidation-ppp-report/>.

¹²⁹ Lindsay Li / November 20. “Report Demonstrates Gaps in Access to Capital for Minority-Owned Small Businesses.” Opportunity Finance Network, November 20, 2017. <https://ofn.org/articles/report-demonstrates-gaps-access-capital-minority-owned-small-businesses>.

¹³⁰ “Community Development Financial Institutions Fund.” Department of Treasury. Accessed April 4, 2021. <https://home.treasury.gov/system/files/266/12.-CDFI-Fund-FY2019.pdf>.

¹³¹ <https://ofn.org/articles/cdfis-outperform-other-paycheck-protection-program-ppp-lenders>

they do not directly affect the business model structure and increase the fixed costs. Most small business borrowers have used loans in many ways to help sustain and expand their businesses. A few examples include applying the funding for working capital, inventory, and equipment or improving leased or owned space. These uses, however, do not have a direct impact on either lowering the fixed costs or increasing income streams. Secondly, creating a partnership just for the sake of collaborating will be a waste of time. Union Settlement would need to have a good sense of what they want the results of any partnership to be before considering it, and this might take considerable time. Especially when looking for specific CDFIs whose service's area matches that of Union Settlement.

Finally, getting a loan even from CDFIs can take lots of paperwork, time, and money. The length of the application process will vary according to the CDFI, the business, and the time it takes to gather the necessary documents. Regardless, CDFI application processes tend to take longer than some other business loan sources (such as online installment loans or short-term loans)¹³². The whole application procedure could take anywhere between a week and two months. Besides asking about personal and business information, lenders will request to see several business documents. Each lender asks for different forms, but the following are commonly required¹³³:

- ❖ Bank statements
- ❖ Tax returns
- ❖ Legal documents
- ❖ Profit and loss statements
- ❖ Balance sheets
- ❖ Debt schedule
- ❖ A/R aging report
- ❖ Business plans

In terms of Flexibility, CDFIs also rate High. CDFIs finance an array of businesses ranging from small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing. One of the major issues of CDFIs is visibility. According to Linda Levy, CEO of Lower East Side People's Federal Credit Union, located in East Harlem, they have not been getting enough Business loans applications in the last few years. In the interview conducted to her she mentioned this might be due to a lack of visibility in the community and that people believe they only provide mortgage loans. For this reason, even though CDFIs are closer to the neighborhood level than standard banks, to implement projects on the ground, CDFIs must partner with community-based solid organizations (CBOs) and community development corporations (CDCs), like Union Settlement to get the Loan where they are most needed.

¹³² Motola, Posted by: Chris. "What Is A CDFI & Is A CDFI Loan Right For My Small Business?" *Merchant Maverick*, March 5, 2021. <https://www.merchantmaverick.com/take-business-loan-cdfi/#:~:text=Long%20Application%20Process&text=Regardless%2C%20CDFI>

¹³³ Approximate duration of the loan process given by Linda Levy, CEO of Lower East Side People's Federal Credit Union

Concerning Feasibility, this alternative rates Medium. Both Business and Union Settlement would benefit from connecting with different stakeholders and increasing their networks to strengthen their organizations. Organizations can expand their scope and resilience through collaboration with other players. For years, Lind Levy, whose organization has worked in East Harlem for years, mentioned her interest in collaborating with Union Settlement and small businesses. She said: “We are open for every business and organization that wants to come. We would benefit greatly from expanding our reach and helping other organizations and businesses to access financial literacy and capital.” Businesses, however, might remain reluctant to partner with CDFIs. The challenge of course, is that we have entered an era of declining trust (though to varying degrees) in government and institutions of all types. This poses severe challenges to those organizations seeking to engage communities in effective discussion, decision-making, and participation processes.

Most businesses interviewed showed reluctance to access more credits because they are afraid of falling into more debt. But most of them repeatedly mentioned the need to expand their financial and technical knowledge considerably. As one of the businesses interviewed noted: “We are expected to understand financial jargon and logic with only one course. When the person teaching us had about five years to do that, we need more repetitive and constant financial and technical assistance tailored to our needs”. Even though Union Settlement already delivers technical assistance, businesses mentioned that they need much more support. Partnering with organizations like True Fund and Lower East Side People’s Federal Credit Union will allow businesses to access a more expanded portfolio of numerous types of programs and initiatives to fit small businesses' varied requirements.

As for Equity, these Alternative rates Medium. In times of crisis, Resilience becomes a necessary condition for businesses to survive. In those cases, a business will need to deploy migration strategies, such as shifting its business portfolio mix across products, channels, or business models to maximize opportunities and minimize adversity. The main lever for this is capital allocation. Besides this, extreme circumstances usually need more decisive reallocation, which requires both financial knowledge and the mental agility to see new risks and opportunities before it’s too late. A key concept here is self-reliance: Many companies will be visiting and piloting new models under changing conditions, but only those that allocate sufficient capital with sufficient speed will succeed in shifting the center of gravity of their business.

For example, The U.S. The Department of the Treasury surveyed 13 regional CDFIs, including LIIF, to assess the storm's impact on the CDFIs themselves, their borrowers, and the communities they serve. They concluded that CDFIs showed a better ability to understand and meet the needs of communities quickly. A concluded that CDFIs played a significant role in supporting the recovery in those communities on the East Coast that were in dire need of the devastation caused by Superstorm

Sandy¹³⁴. More recently, CDFIs were finally allowed to become PPP lenders, showing remarkable success, outperforming much larger and better-capitalized lenders, according to the Opportunity Finance Network (OFN), the national association CDFIs¹³⁵. The PPP experience demonstrated that when CDFIs are empowered with supportive policies coupled with capital, they outperform other lenders¹³⁶. However, it is crucial to keep in mind that while CDFIs offer different levels of loan programs, some only lend up to \$250,00, which might not be sufficient for some small businesses.

Finally, the Biden administration has signaled its commitment to increased funding for CDFIs, which will help create a more favorable environment for them to thrive. The new administration views CDFIs to close the racial wealth gap and help minority-owned small businesses attract capital. More specifically, Biden's plan doubles CDFI funding. It expands its capacity to offer both micro-loans to small start-ups and larger loans to existing small businesses that have the ability to grow. Biden will use the Small Business Opportunity Fund to strengthen CDFI stability and lend through targeted policies, such as those proposed in the *Jobs and Neighborhood Investment Act*¹³⁷. Partnering with CDFIs will ensure small businesses in East Harlem have the necessary resources and independence to make the required changes to survive. Impact assessments have proved CDFIs have a record of successfully mobilizing private sector resources to achieve positive community development impact, especially in times of greatest need. CDFIs are on the front lines providing vital financing and services to underserved communities across our country before, during, and after a crisis¹³⁸.

Alternative 2. Lending circles: This Alternative focuses on how the community can fight Investment discrimination by turning community practice into a credit-building activity and self-financing strategies. These systems take a variety of forms, often leveraging information technology to empower individuals, corporations, nonprofits, and government with information that enables distribution, sharing and reuse of excess capacity in goods and services. A familiar premise is that when information about goods is shared, those goods' value may increase, for the business, for individuals, and the community.

Informal lending circles, a form of friends-and-family borrowing, have been around for centuries, embedded in cultures worldwide. Lending circles help participants raise money for various expenses such as car down payments, debts, and small-business investments. The Circles

¹³⁴ "Why CDFIs Often Create Better Lending Outcomes for Small Businesses." *CNote*, September 30, 2020. <https://www.mycnote.com/blog/why-cdfis-often-create-better-lending-outcomes-for-small-businesses/>.

¹³⁵ *Ibid.*

¹³⁶ *Ibid.*

¹³⁷ "Why CDFIs Often Create Better Lending Outcomes for Small Businesses." *CNote*, September 30, 2020. <https://www.mycnote.com/blog/why-cdfis-often-create-better-lending-outcomes-for-small-businesses/>.

¹³⁸ Mitchell, Stacy. "Report: Fewer Small Businesses Are Receiving Federal Relief Loans in States Dominated by Big Banks," March 29, 2021. <https://ilsr.org/banking-consolidation-ppp-report/>.

consists of people lending money to each other at no or very low cost. The group members collectively decide on the amount to be loaned, say, \$1,000. Each member contributes part of that amount, \$100 apiece, to the pool of funds every month, and one member gets the full \$1,000 each time. “The loan carries no fees and no or very low interest, depending on the group’s arrangement.”¹³⁹ Informal lending circles agree to an order of payouts, which can change if one member has an urgent need for the money. By the 10th month, all participants will have received \$1,000 and all the loans will have been totally paid off. The loan carries no fees and no or very low interest, depending on the group’s arrangement. There is a strong social incentive to pay back the loan successfully because lending circles consist of people you know and trust.

The credit building part works as follows: Four people have a lending circle together and each put in \$100 per month. Each month, they take turns getting \$400 until everyone has had a turn. Person 1 needs \$400 to buy equipment for her business. Person 2 has supplies for school. Person 3 has credit card debt they are paying down. And Person 4 is expecting a tax bill. Every time a person makes a payment on time, it’s reported to the credit bureau. The result is that everyone gets and pays back a loan of \$400 over the four months. And all the participants see an average credit score increase of 49 points in just six months. This process partnered with financial classes. They can better manage their money and meet financial goals.

Once a member has received the collected money, he must continue contributing but will not receive the lump sum until all the members have had a chance to receive it once. When the last member has received the sum, the group may decide to start a new cycle. At each round, all the members of the Saving Group contribute a previously agreed amount. During the first round Person 1, will receive the pot. During the second round, the pool will go to Person 2. Person 3 will receive the pool during the third round and so forth. At each meeting, the money is collected and given to one member using a PayPal account. Once a member has received the collected money, he must continue contributing but will not receive the sum until all the members have had a chance to receive it on.

This practice is known by many different names across the world: Susus throughout Africa, Paluwagan in the Philippines, Lun-hui in China, and Tandas in Mexico¹⁴⁰. Participants may not have access to a bank or may not be a good candidate for a traditional loan, or they may just prefer getting loans from people they know and trust. And trust is a fundamental part if not the most essential part of this Alternative. If your businesses want to go formal, there are lending service

¹³⁹ Simone Baldassarri, “Money GO Rounds: Lending Circles,” *money GO rounds: Lending Circles*, accessed April 7, 2021,

¹⁴⁰ Simone Baldassarri, “Money GO Rounds: Lending Circles,” *money GO rounds: Lending Circles*, accessed April 7, 2021, <http://www.collaborativefinance.org/community/lending-circles>.

apps like eMoneyPool and eSusu, and companies like Mission Asset Fund. All three report members' financial activities to credit bureaus to help build their credit.

Alternative 2. Food/ Retail Hubs: The collaborative alternative can be understood as socio-economic systems built around the sharing of human and physical resources. These systems include the shared creation, production, distribution, trade, and consumption of goods and services by different people and organizations. Some of the most common collaborative systems are focused on food. Thus, this Alternative will address ways in which the Food hubs models can help businesses boost their gains by lowering fixed costs and increasing income stream. According to interviews, the highest proportion of operating costs for businesses goes on rent and salaries, with utilities, insurance, maintenance, and debt servicing, taking up the majority of the remainder of operator budgets and socializing these costs could significantly improve small businesses finances.

The kitchen incubator industry in the US is an example of a food hub model. This alternative provides a supportive infrastructure for small businesses and food entrepreneurs. Many businesses following this model are community-focused and mission-driven, supporting a mixture of for-profit and nonprofit organizations¹⁴¹. Something that came up constantly in some council meetings was the fact that Food business entrepreneurs looking for access to kitchen space tend to lack support and resources that are typical pathways to success. A shared facility or incubator's key role is to provide business support and cluster benefits to its members. Data collected by “the food corridor” suggests there is support provided in key areas and room for improvement. While a majority offer licensing and business counseling, only 30 percent of operators track at least one member success outcome, down from 50% in 2015. This suggests there is an understanding gap for the industry and its impact¹⁴².

On the other hand, as the online food and retail delivery market is predicted to grow tenfold over the next decade, ghost kitchens are seen as a primary growth vehicle for restaurant delivery platforms.¹⁴³ Ghost kitchens integrate restaurants and delivery services into the same space, creating a more seamless ordering and delivering system, partially connecting the digital divide.¹⁴⁴ Ghost kitchen providers characterize their industry as “the inexorable logic of the market, a further optimization of an already efficient system.”¹⁴⁵ Corey Manicone, CEO of Zuul Kitchens, predicts that in the future, restaurants will only have one or two flagship locations in a

¹⁴¹ Colpaart, Ashley. “Kitchen Incubators: A Growing Industry Embracing Tech and Supporting Food Entrepreneurs.” *The Food Corridor*, February 20, 2020. <https://www.thefoodcorridor.com/2020/02/20/kitchen-incubators-report-2020/>

¹⁴² *Ibid*

¹⁴³ Engel Bromwich, Farm to Table? More Like Ghost Kitchen to Sofa, *The New York Times*, (Dec 24, 2019) <https://www.nytimes.com/2019/12/24/style/ghost-kitchen-food-delivery.html>

¹⁴⁴ Colpaart, Ashley. “Kitchen Incubators: A Growing Industry Embracing Tech and Supporting Food Entrepreneurs.” *The Food Corridor*, February 20, 2020. <https://www.thefoodcorridor.com/2020/02/20/kitchen-incubators-report-2020/>

¹⁴⁵ *Ibid*

single market, with ghost kitchens throughout the surrounding area: “Have a Zuul in every neighborhood.”¹⁴⁶(See appendix B for more information)

Many facilities have noted as their greatest challenge the industry's regulatory climate, particularly licenses and legislation. Many local municipalities lack a regulatory framework for commercial shared kitchens, leading to unique food safety and storage challenges. The complexity of the multitude of regulations relating to food production puts limits on many facilities. To better respond to these challenges and scale with the industry, it is generally considered valuable to partner with other organizations¹⁴⁷.

The Network for Incubator and Commissary Kitchens is the largest informal network of shared kitchens. Run by The Food Corridor staff, this private Facebook group is a space for 1400 shared kitchen owners, operators, and community partners to ask questions, share best practices and opportunities, and provide mutual support. In October 2019, The Food Corridor hosted the network in Austin, Texas, for the 2nd annual Food Incubation Summit. The two-day event was geared at food incubator administrators, commissary kitchen operators, and ecosystem service providers supporting the industry. The summit’s educational sessions in the form of panels, quick-fire talks, and one-to-one mentoring sessions covered topics ranging from innovative approaches to membership, operations, and policies to designing and implementing incubation programs.

Analysis

Since applying these last two strategies would require Union Settlement to take on a more active role as facilitator and not necessarily as partner or implementer, the analysis of both the food hubs and lending circles will be done jointly.

	<i>Efficiency</i>	<i>Flexibility</i>	<i>Feasibility</i>	<i>Equity</i>
<i>Collaborative economics</i>	HIGH	MEDIUM	MEDIUM-LOW	HIGH

Some examples of efficiency in collaborative economics include shared spaces strategies like street markets, food hubs, and ghost kitchens, which lower fixed costs by sharing rent costs and goods or increase income stream by increasing foot traffic and attracting more people to one place. Tucson Originals, for example, represents about 50 restaurants and buys foodstuffs and kitchen equipment in bulk for the members, which brings down input prices and strengthens the

¹⁴⁶Colpaart, Ashley. “Kitchen Incubators: A Growing Industry Embracing Tech and Supporting Food Entrepreneurs.” *The Food Corridor*, February 20, 2020. <https://www.thefoodcorridor.com/2020/02/20/kitchen-incubators-report-2020/>

¹⁴⁷ *Ibid*

entire local restaurant community. On the other hand, even though they don't address profit margins, they can be an interest-free way to build credit when payments are reported to the credit bureaus. José A. Quiñonez, founder and chief executive of the Mission Asset Fund Research, suggests that credit scores on average have risen about 165 points for those in his Lending Circles programs.¹⁴⁸ These examples hardly exhaust the list of ways in which collaboration can reduce costs and increase profits. For this reason, this Alternative rates 'High' on Efficiency.

Collaboration is a universal strategy; however, most retail collaboration strategies are centered around food services. Lending circles and purse collaboration strategies are also universal, but not all business sectors might be open to financial collaboration, especially those who do well by themselves. For this reason, this Alternative ranks Medium in Flexibility.

Business ecosystems, such as food hubs, street markets, Ghost kitchens, and lending circles, can significantly increase businesses' collective resilience through access to new capabilities, improved adaptability, and reduced fixed cost of entry into businesses, where assets can now be shared. Shared platforms essentially create "real" insurance against the unexpected through investment in shared execution, adaptation, and innovation mechanisms. Lending circles will give owners access to small capital to address unforeseen issues with their business. This will give businesses the long-term skills to react to change and maximize local self-reliance. For this reason, this Alternative rates "High" on Equity.

Food hubs are a crucial part of local and regional food systems. They help small and midsize entrepreneurs grow their customer base by pooling products from many businesses and selling it to larger institutions, including school districts, restaurant groups, and more. The USDA's Agricultural Marketing Service lists more than 240 food hubs in its directory, and each of those food hubs is slightly different. Other food hubs and shared spaces business models like Hot Bread Kitchen in East Harlem can function as a culinary job training center for immigrant and minority women and a food incubator businesses program.

East Harlem once had the iconic Park Avenue Retail Market, which would later become La Marqueta, spanning five buildings from 111th Street to 116th Street. It once teemed with dozens of vendors and customers, many from Puerto Rico and the Dominican Republic. People in East Harlem comment that they could buy everything from rice, beans, and coffee to sandwiches and slices of pizza. Unfortunately, today, the market has been whittled down to a single building on Park Avenue at East 115th Street. Now, people in the neighborhood can get their fresh meat and produce at supermarkets or housewares at stores like Costco. However, there could be a

¹⁴⁸ Nykiel, Teddy. "How a Lending Circle Helps You Build Credit." *NerdWallet*, October 15, 2020. <https://www.nerdwallet.com/article/loans/personal-loans/lending-circles-help-borrowers-build-credit>.

possibility of revitalization of the Park Avenue corridor to bring an East Harlem Street Market, significantly leveraging all the vacant lots and parking lots along the corridor

The idea that businesses only want to compete against each other might not be as true as it seems. Some of the interviewed businesses manifested their willingness to create spaces where they could all flourish and succeed as a diverse and healthy ecosystem. Some of the interviewees expressed sentiments like: “How can I save myself by drowning the other businesses? we need a collective solution to our problems”. Another business mentioned: “I want other businesses in Harlem to be independent and employee-owned, and I want to be able to take part in that process”. The number of people interviewed might not represent the whole neighborhood. Still, it shows that there is some interest at least from a few businesses to start some collaboration between each other, with the understanding that together they are better off. However, the feasibility to implementing any of the collaborative economic strategies depends more on the businesses themselves than on Union Settlement. Unlike the other two, this alternative needs to capture three critical things: political support, public interest, and large amounts of capital. There is not much that Union Settlement can provide but guidance and support. For this reason, this Alternative rates “Medium-Low” in Feasibility.

Option 3. Advocacy work: During the interviewing process, I learned of the many challenges small businesses experience in New York City. Through that process, it became evident that to achieve real and lasting change; it is necessary to assist residents in navigating New York’s economic and political systems, by listening to them, and taking guidance from their ideas and priorities. Working side-by-side with community members, elected officials, and other community-based organizations is essential to tackle the critical issues to the businesses and to craft solutions that can be transformed into policy.

Feed act: Some of the issues and ideas that were shared by businesses were the possibility to advocate for the extension and long-term implementation of the Feed act. A business mentioned: “ We as locally-owned restaurants want to be able to serve our community, we want to be the ones in charge of feeding our kids, our elderly and whoever needs it. For this, we would need the Feed act to become permanent law. This is not only about us helping our community but also about our financial stability”. A bipartisan group of lawmakers is working to increase federal aid for emergency food distribution in response to the COVID-19 pandemic. The FEMA Empowering Essential Deliveries (FEED) Act will allow local and state governments to partner with restaurants on initiatives that feed people in need. It also calls on the Federal Emergency Management Agency (FEMA) to cover 100 percent of the cost. Though FEMA assistance typically covers up to 75 percent of emergency and disaster expenses, the FEED Act will waive regulations on this limit. If this pandemic has shown us anything, it's the need to innovate. Its emergency aid packages such as

the Feed act could be an opportunity to advance long-term investment in local and regional food system infrastructure through increased self-reliance of local food suppliers like local restaurants and other resources for ensuring food safety.

Data Availability on Microbusinesses: The US Office of Advocacy partially funds the Statistics of U.S. Businesses (SUSB) program, an employer firm size database produced by the U.S. Census Bureau. The SUSB's employer data include the number of firms, number of establishments, employment, and annual payroll for employment firm size categories by location and industry. In addition to firm size data, receipt data and size categories are available. The data is available online; however, it is only updated on a five years basis, during years ending in two or seven. According to the SUSB data from 2015, there were 3.7 million micro-businesses in the United States. In 2017, the number of microbusinesses had grown to 3.8 million, which equals three percent (2.6%) or 100,000 new businesses in only two years. For a large city like New York City, to ensure that microbusinesses have adequate SBS assistance, it is essential to collect and advocate for the data about these businesses annually. This data will further help examine the role of microbusiness in the New York City economy; the contribution microbusinesses make in improving competition, encouraging economic and social mobility for city residents, spurring production, expanding employment opportunities, and stimulating innovation entrepreneurship.

Storefront tracker: Helen Rosenthal's "Storefront Tracker" legislation will require citywide registration of commercial storefront and 2nd floor spaces for the first time. It will also mandate an online, searchable database with every commercial space occupancy in the five boroughs. It will provide comprehensive data on both current vacancies, rent, and commercial strips at risk, critical to developing a more effective government response to our vacancy crisis. This legislation was passed in 2019, and it has not been implemented yet. Actively ensuring that this legislation becomes a reality is crucial for small businesses around NYC.

Retail rent control: United for Small Business NYC (USBnyc), a coalition of NYC community organizations dedicated to protecting small businesses from displacement, sees commercial rent stabilization as a way to ease the burden. "Removing the ability of speculative landlords to implement outrageous rent increases is really important to prevent displacement," says Karen Narefsky, senior organizer for equitable economic development at Association for Neighborhood & Housing Development (ANHD), which convenes USBnyc. USBnyc is currently campaigning for Intro 1796, a commercial rent stabilization bill that Brooklyn Councilmember Stephen Levin introduced last November. Just as apartments in New York City are rent stabilized, it would create a board that determines an acceptable annual rent increase that landlords could not exceed.

RECOMMENDATIONS (See Appendix C for detailed Matrix)

Based on research about local economic development, this report will not follow the classic recommendation structure of choosing one Alternative. Throughout the analysis, it was determined the importance of addressing this issue holistically. For this reason, the recommendation will be phased out in 4 parts. The first part will focus on strengthening the already existing Buy Local Initiative with an added Purchasing strategy. The second and third phase will focus on how Union Settlement can help Small businesses pivot to Community-led Business development that would boost their self-financing capacity. And finally, it will recommend policies that Union Settlement can advocate for on the legislative level to cover small businesses' needs.

The recommended path to fostering financial stability for small businesses starts with a purchase strategy. In this specific case, with a Coupon Book. Unlike other purchase strategies, Coupon books can serve as marketing tools to boost sales rates and increase customer loyalty and foot traffic. Even though physical coupons are more expensive to incorporate into the marketing strategy than digital ones, they target different ages, even if they incur in printing, insertion, and distribution costs. They can be included in takeaway orders sent with Grubhub, Doordash or UberEats. Leveraging these platforms to market the book and the marketplace internet page can be a great strategy to boost visibility.

Basic coupon marketing strategy is simpler to implement than the other strategies. It consists of giving out vouchers or codes that users can redeem in exchange for discounts and free items. The benefits of this strategy are numerous, including¹⁴⁹:

- ❖ Helping you drive more sales by making tempting offers.
- ❖ Getting more return customers.
- ❖ Driving more traffic to your store and attracting interest via social media.
- ❖ Clearing out unwanted product stock.

Purchasing strategies like coupons, local debit, gifts, and loyalty cards naturally embrace partnership. A coupon book, if done right, can also be a type of collaborative marketing strategy (See Appendix A). Individual businesses can leverage their already existing customers to advertise the book and expand people's understanding of the variety of small businesses in East Harlem. Also, leveraging the increase of online orders to use as a marketing platform for other businesses

¹⁴⁹ "Coupon Marketing: How Do Coupons Work for Small Businesses?" RTN, November 30, 2017. <https://www.rtn.net/coupon-marketing-how-do-coupons-work-for-small-businesses/#:~:text=Coupons%20are%20a%20cost%20Defective,before%20making%20any%20purchase%20decision.>

can help increase the book's reach beyond East Harlem boundaries. With each sale, a customer could get the book's advertisement and a link to the place where it can be purchased. The book can also serve as a place where individual business stories can be shared to create some kind of familiarity and attachment to businesses in East Harlem. Additionally, coupons can also be a great way to advertise East Harlem Marketplace by using it as a strategy to bring traffic to the page. Including accessories into the design like QR codes to divert the youngest and most technologically savvy customer to the page while at the same time keeping the traditional printed coupon for those who like to keep it less technological.

In a severe crisis, uncertainty can reach extreme levels, and the standard way of working becomes overstrained. At such times traditional management operating models rarely prove adequate, and retailers with inadequate or obsolete processes can quickly find themselves facing existential threats. It is urgent to understand that those communities that are best able to withstand future crises, whether pandemics, climate disruptions, or financial meltdowns, will be the ones that thrive economically. They will be the places where residents feel secure enough to live, innovate and prosper.

In this sense, partnerships and collaboration strategies are fundamental for small businesses to be competitive in a rapidly changing world. They are a perfect way of building resilience and also provide another way to think about economies of scale. Mainstream economics as mentioned before, tend to judge businesses by their size. Bigger businesses are supposed to achieve better economies of scale. But collaboration and partnership allow local businesses to achieve economies of scale, not through endless growth but through carefully constructed collaborations. What limits local businesses from creating these partnerships is the absence, not of good models, but of needed capital. And that is why both Alternative 2 and 3 are fundamental to create a healthy and resilient ecosystem of businesses in East Harlem. Partnership and collaboration also allow businesses to access knowledge and skills that otherwise would be impossible to get. Technical skills, like the use of online platforms for marketing, and financial literacy, are fundamental skills for businesses to be competitive in today's world.

On the other hand, collaborative strategies with incubators and coworking spaces like food hubs, street markets, and ghost kitchens are important to maintain community-relevant spaces, lower fixed prices, create resilient communities and generate economies of scale at a local level. However, these alternatives need planners and policies to incorporate these models into their place-making efforts. Also, every alternative needs start-up assistance from community financial institutions. A healthy ecosystem of businesses is self-renewing and self-regenerating. That is where public policy for local economic development comes in.

CONCLUSION

In regular times businesses already face numerous barriers, challenges, and uncertainties of varying consequence. Owners deal with challenges by relying on established structures and processes, which are unequal in essence. These are supposedly designed to reduce uncertainty and support calculated bets to manage the residual risks. However, in a severe crisis, uncertainty can reach extreme levels, and the standard way of working becomes overstrained. At such times traditional management operating models rarely prove adequate, and businesses with inadequate, outdated processes can quickly find themselves facing existential threats.

We have learned from this crisis that retailers must be willing and able to adapt quickly to internal and external forces. Resilient organizations should be able to begin looking for opportunities once the worst of the crisis is past and purchase strategies are not long-term because they are based on competition and the notion that loyalty is based on price. Loyalty needs to be built on smart shopping and an inspiring vision. Long-term strategies should focus on building a meaningful sense of community: a community of local businesses that partner together; a community of consumers that support community-nurturing local businesses; and a community of these kinds of communities across New York City.

On the other hand, entrepreneurship and workforce development programs should focus on those who most need inclusion. This means embracing social inventions like worker cooperatives, Foodhubs, Retail incubators, and community land trusts. We need to understand that Pools of capital are preferable to one-off investments because they can diversify risk, and something small locally owned businesses cannot take likely is Risk.

Many of the experts in the committees I attended suggested that successful businesses will be shifting to more experience-focus businesses. This will make room for a dynamic and structural change of the shopping space. Experiences will be the most valuable product of the next century, and these experiences will engage our hearts, minds, and bodies. How businesses sell what they sell will ultimately set them apart from Companies like Amazon and create the intangible value consumers are willing to spend more of their money on.

Jointly management models are a way to put local businesses in the center of economic development by favoring local development over individual consumption policies. We should strive to build an economy that is structured around connections of mutual interdependence. These changes, however, do not need to be implemented at once. There can be incremental changes, and merchants' organizations, prototyping and lending circles are a perfect place to start building trust and capacity.

APPENDICES

APPENDIX A

This appendix offers a review of the purse, purchase, and partnership approaches of several cities and organizations. These case studies were selected based on stakeholder consultations and literature reviewed associated with the report and aim to flesh out anecdotes and explore approaches that might be deployed in NYC. The success of various cities in tackling economic development strategies offers paths to self-financing for small businesses in East Harlem.

Case Studies

Purchasing strategies: Coupon Book

Program: Chinook Book

City: San Francisco

Key challenge: How can the community help its businesses flourish with concerted buy-local or “Local First” efforts?

Key approach: Pumping up the Sales Volume

Initially launched in 2010, the mobile Chinook Book was built off a successful print edition and contained several hundred retail coupons for green and local businesses. With over 100,000 users in 5 metro areas, Chinook Book is the leading provider of mobile coupons for the healthy lifestyle consumer. The Chinook Book is an app that helps people discover more sustainable ways to live, work, and play through inspiring stories, savings, rewards, and prizes. With mobile offers that can be redeemed online or in-store, plus monthly giveaways of gifts, groceries, and more, people always find a new way to save while helping your community thrive.

Items of relevance for Union Settlement:

- ❖ Chinook Book customers redeemed 1.2 million Chinook Book coupons at 2,457 locations.
- ❖ They have been most effective with local Grocery Stores and Dining, followed by Home & Garden and Fashion & Gifts.
- ❖ It started as a book and mutated into a practical mobile app
- ❖ The 2011 edition even includes three free RTD Transit passes for LightRail or buses
- ❖ All products and services appearing in Chinook Book must meet specific environmental and community criteria that examine the ecological impacts of a product's creation, use and disposal. Generally, a product or service can meet Chinook Book criteria in one of four ways:
 - ❖ Third-party certification such as USDA Organic, Energy Star, etc.,
 - ❖ Self-certification, like rBST-free or Low-VOC
 - ❖ Custom Chinook Book surveys
 - ❖ Reducing environmental impact through substitution, i.e. using public transportation instead of a personal vehicle.

Purchasing strategies: Local Loyalty Cards

Program: Supportland

City: San Francisco

Key challenge: How can the community help its businesses flourish with concerted buy-local or “Local First” efforts?

Key approach: Pumping up the Sales Volume

Supportland works to keep money in the local economy by functioning as one interactive marketing entity - on a scale with any national chain - while maintaining each member business's independence. The network's strength relies on several technology tools, including a city-wide rewards card with points and rewards freely exchanged cross-business, a paper-less punch card, and mechanisms for custom collaborative marketing campaigns. In 2015co-founder Katrina Scotto di Carlo announced the company is changing its name to Placemaker to reflect the mission better and help expansion¹⁵⁰. The platform offers a digital punch card that lets retailers reward their customers with “merits.” But it goes beyond that to let customers earn and spend those points across a network of local businesses. To engage customers, it also offers “tokens” that can be reached during unique promotional campaigns, hearts that can be earned across the network on Valentine's Day, or maple leaves on Canada Day, which convert into merits¹⁵¹.

Items of relevance for Union Settlement:

- Operate as a community network
- Members are able to gain the benefit of economies of scale while still holding independent values
- A recent Place maker analysis found that customers that visit a business that is engaged on the platform visit an average of nine other businesses in the network¹⁵².
- They get access to a large pool of shared customers,
 - constantly changing menu of rewards and promotions to entice customers,
 - enhanced customer engagement, and a
 - data analytics dashboard that lets retailers glean valuable insights from transaction data.

¹⁵⁰ [Bizjournals.com, www.bizjournals.com/portland/blog/techflash/2015/10/from-supportland-to-placemaker-pie-alum-has-a-name.html](http://bizjournals.com/portland/blog/techflash/2015/10/from-supportland-to-placemaker-pie-alum-has-a-name.html).

¹⁵¹ *Ibid.*

¹⁵² *About Amy Cortese, Amy Cortese is an award-winning journalist and the author of Locavesting (Wiley), and Amy Cortese is an award-winning journalist and the author of Locavesting (Wiley). A Loyalty Network That Aims to Magnify the Power of Local Business. 14 Dec. 2015, newsroom.cisco.com/feature-content?type=webcontent&articleId=1733436.*

Partnership strategies: Ghost Kitchens and Shared Hubs

City: New York

Program: Zuul

Key challenge: How can local businesses improve their competitiveness by working together as a team?

Key approach: Teaming up to win

Summary observation: The more common ghost kitchen model operates like a commissary kitchen, a shared kitchen space that restaurants can use for online ordering and delivery-only purposes. Restaurants typically pay a monthly membership fee that covers rent, infrastructure, commercial equipment, and other services such as dishwashing and cold storage space.¹⁵³ Restaurants that lease space in these ghost kitchen facilities produce food orders directly for third-party delivery platforms, which provide couriers to deliver orders to consumers. As storefront restaurants may have difficulty producing food for both dine-in customers and food delivery, renting space in a ghost kitchen facility can help restaurants free up space and time in their brick-and-mortar restaurants. These types of ghost kitchens have decreased overhead costs, as they employ only a few cooks answering online orders.¹⁵⁴ While a traditional restaurant can cost millions of dollars to open, opening a ghost kitchen restaurant can cost as little as \$20,000 and rented spaces can be as small as 200 square feet.¹⁵⁵ For example, SushiYaa, a sushi chain restaurant in Dallas, operates five brick-and-mortar restaurants but these five restaurants produce food for nearly two dozen online-only virtual restaurants, selling separate menus and dishes such as bento boxes poke and dumplings, which are only available for delivery on UberEats.¹⁵⁶

Items of relevance to Union Settlement: *Unintended Consequences of Ghost Kitchens:* The expected loss of business for brick-and-mortar restaurants and the shift of chain stores from storefront locations to delivery-only ghost kitchens may also have the unintended effect of eradicating community gathering places for City residents.¹⁵⁷ Professor Loza commented, “My question is, where people actually come from different backgrounds, where will they have to interact?”¹⁵⁸ Marci Chatelain explains, “I think this structure of putting the preparation of food behind closed doors, it really disadvantages people who need the brick-and-mortar experience — or who really need to access the internet, warm up between shifts at a job, have a meeting point for them and their kids.”¹⁵⁹

¹⁵³ Maggie Hennessy, *Are Ghost Kitchens the Future?* QSR Magazine, (July 2019), <https://www.qsrmagazine.com/technology/are-ghost-kitchens-future>

¹⁵⁴ *Ibid.*

¹⁵⁵ Richard Barkham Et. al. 2019 U.S. Food In Demand Series: Restaurants, CBRE Research, (November 13, 2019), <http://cbre.vo.llnwd.net/grgservices/secure/US%20Food%20in%20Demand%20Restaurants%20November%202019.pdf?e=1580227024&h=921d142a16987e8b83de8d99d3cdeb8c>

¹⁵⁶ Whitney Filloon, *Uber Eats' Path to Delivery Domination: Restaurant Inception*, Eater, (October 24, 2018), <https://www.eater.com/2018/10/24/18018334/uber-eats-virtual-restaurants>

¹⁵⁷ John Engel Bromwich, *Farm to Table? More Like Ghost Kitchen to Sofa*, *The New York Times*, (Dec 24, 2019) <https://www.nytimes.com/2019/12/24/style/ghost-kitchen-food-delivery.html>

¹⁵⁸ *Ibid.*

¹⁵⁹ *Ibid.*

Purse strategies: Local Investment Fund

Program: Farm Works

Key challenge: How can local capital be mobilized to finance new or expanding local businesses?

Key approach: Addressing Investment discrimination

City: Nova Scotia

Summary observation: FarmWorks Investment Co-operative Limited was incorporated as a for-profit Co-operative on May 18, 2011 by an association of community leaders concerned about social, economic and cultural needs. FarmWorks promotes and provides strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians. There is significant potential for agriculture and food production to benefit health, employment, and the Provincial economy. FarmWorks Community Economic Development Investment Fund (CEDIF) enables Nova Scotians annually to purchase common shares in a diversified portfolio of businesses that yield meaningful financial returns on investments. These investments provide subordinated debt financing for farms, food processors, and value-added food producers, helping to increase the viability and sustainability of agriculture and the security of a healthy food supply¹⁶⁰.

FarmWorks creates meaningful partnerships with investors and with loan recipients, with businesses and other lenders. These partnerships contribute to the growth of food-related enterprises across the province¹⁶¹. FarmWorks Directors and Advisors identify enterprises that will successfully and sustainably increase production and profitability and work closely with them to mentor and promote their businesses. Guidelines for measuring and reporting outcomes are in place for supported businesses and for the Board¹⁶².

Items of relevance to Union Settlement. Characteristics of loans:

- ❖ No application or legal fees and there are no charges for any assistance provided by Directors
- ❖ Loans are unsecured, and no chattel security is taken
- ❖ No payments are required for the first three months following the month in which the loan is granted
- ❖ No interest charges for prepayment of all or part of the loan balance
- ❖ Businesses submit brief semi-annual reports and annual Financial Statement Procedure
- ❖ Preliminary Application

¹⁶⁰ *Ibid.*

¹⁶¹ "About - FarmWorks Investment Co-Op, Nova Scotia." *FarmWorks Investment Coop Nova Scotia RSS*, farmworks.ca/about/.

¹⁶² *Ibid.*

APPENDIX B: Glossary and Definitions

Latino: Latino, Latinx, Afro-latino, are controversial terms that are sometimes used interchangeably, even if they are not. They are used in different ways and by different people. Latinx is mainly used as a neutral variation of Latino, more widely used by the LGBT community. Afro-latino is a term used by the black afro Caribbean community who feels their identity erased by Latino and Latinx terms. In this research, I will be using Latino as a general term to refer to East Harlem's population. However, I want to recognize that there are diverse nationalities, sexual orientation, genders, racial and ethnic identities that insect in that term.

Small local business: Are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and/or less annual revenue than a regular-sized business or corporation. Small refers specifically to the retail's physical size, local means that it is rooted in a community. Rootedness means that businesses have ties and relationships in the neighborhoods that goes beyond an economic logic.

Leakage: Is a situation in which an income exits an economy instead of staying within. In retail, leakage refers to consumers spending money outside the local market. For instance, crossing a border to buy goods instead of making the same purchase from local shops.

Digital divide.

M/W owned businesses: Is a business that is owned, operated, and controlled by a U.S. Citizen(s) or U.S. permanent resident(s) who are women and/or members of designated minority groups, including:

- ❖ Black
- ❖ Hispanic
- ❖ Asian-Pacific
- ❖ Asian-Indian
- ❖ Native American

Vibrant communities: Originally, it was described as the number of people in and around streets or neighborhoods. Now, it is commonly associated with activity intensity, the diversity of land-use configurations, and the accessibility of a place.

Spillover effect: A spillover is a situation or feeling that starts in one place but then begins to happen or has an impact somewhere else.

Local supply chain: Local supply chains mean lower transport costs, lower supply chain risk, greater sustainability.

Ecological footprint: This is the impact of a person or community on the environment, expressed as the amount of land required to sustain their use of natural resources.

Microbusinesses: The Small Business Administration (SBA) defines microbusinesses as those with 1-9 employees. You may see other definitions for different states or localities. Micro Businesses

work like other small businesses, but they may have difficulty getting credit and funding for startup and expansion.

Supply: A stock of a resource from which a person or place can be provided with the necessary amount of that resource.

Demand: An insistent and peremptory request, made as if by right.

Ethnic retail: Businesses that are owned and operated by members of an ethnic group, and that offer culturally specific goods and services to co-ethnic consumers.

Ghost kitchen: Is a commercial cooking space with no dine-in option.

Food Hubs: A centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products.

Economies of scale: Economies of scale are cost advantages reaped by companies when production becomes efficient. Companies can achieve economies of scale by increasing production and lowering costs. This happens because costs are spread over a larger number of goods. Costs can be both fixed and variable.

APPENDIX C: Evaluation matrix

<i>Program Goal</i>	Program option	Efficiency	Flexibility	Feasibility	Equity
Purchasing strategies	Web Marketplace	MEDIUM-LOW	HIGH	HIGH	LOW-MEDIUM
	Loyalty cards	MEDIUM	HIGH	MEDIUM	LOW-MEDIUM
	Coupon Books	HIGH	HIGH	HIGH	LOW-MEDIUM
Collaboration strategies	CDFIs	HIGH	LOW	LOW	MEDIUM
	Food hubs	MEDIUM	LOW	MEDIUM	MEDIUM
	Lending Circles	LOW	HIGH	LOW	HIGH

APPENDIX D: Works Cited

1. 2017 Small Business First Report, New York City Department of Small Business Services, <https://www1.nyc.gov/assets/smallbizfirst/downloads/pdf/small-business-first-report.pdf>.
2. "August 2020 Rent Survey", NYC Hospitality Alliance, available at: <https://thenycalliance.org/assets/documents/informationitems/ZjN6w.pdf>.
3. Annual Report on the State of Small Businesses, EMPIRE STATE DEVELOPMENT, https://esd.ny.gov/sites/default/files/2018-ESD_Annual_Report_SmallBiz.pdf.
4. "A Call for Action and Collaboration", Partnership for New York City, July 2020,, <https://pfnyc.org/wp-content/uploads/2020/07/actionandcollaboration.pdf>.
5. ANHD, Understanding Commercial Displacement in NYC,_" December 2017.
6. Annual Report of the Office of Economic Research, Report 2017, SBA, https://www.sba.gov/sites/default/files/OER_2017_Annual_Report.pdf.
7. Association for Neighborhood Housing and Development, "Taking Care of Business:
8. Understanding Commercial Displacement in NYC,_" December, 2017
9. Brian Headd, Small Business Facts, The Role of Microbusiness Employers in the Economy, SBA, 2015, https://www.sba.gov/sites/default/files/Microbusinesses_in_the_Economy.pdf.
10. Brian Headd, Small Business Facts, The Role of Microbusiness Employers in the Economy, ECONOMIST, August, 2017, <https://www.sba.gov/sites/default/files/508FINALAug17Microbusiness.pdf>.
11. "Brick-and-Mortar Retailers Fight Back" Mastercard, <https://www.mastercardservices.com/sites/default/files/2018-09/brick-and-mortar-retailers-fight-back.pdf>
12. Camilla Marcus, "I'm closing my restaurant thanks to Covid-19, but it won't be goodbye", CNN, September 3, 2020, <https://www.cnn.com/2020/09/03/opinions/westbourne-restaurant-closing-covid-19-marcus/index.html>
13. Canberk Arinci, "How Effective Website Design Can Help Small Businesses Navigate COVID-19," Digital Agency Network, September 10, 2020, <https://digitalagencynetwork.com/how-effective-website-design-can-help-small-businesses-navigate-covid-19/>.
14. Chapell, H., Katon, P., Koski, A., Li, J., Price, C. and Thalhammer, K. 2008. 'Food Cartology: Rethinking
15. City of Seattle, Civil Emergency Order: Restricting Restaurant Delivery and Pick-Up
16. Commission Fees, April 24, 2020, available at: <https://durkan.seattle.gov/wp-content/uploads/sites/9/2020/04/Emergency-Order-Delivery-Fee-Cap-4-24-2020.pdf>.
17. City and County of San Francisco, Office of the Mayor, Mayor London Breed Announces Delivery Fee Cap to Support San Francisco Restaurants During COVID-19 Pandemic, April 10, 2020, available at: <https://sfmayor.org/article/mayor-london-breed-announces-delivery-fee-cap-support-san-francisco-restaurants-during-covid>.
18. City of Jersey City Office of the Mayor, Executive Order – Third-Party Food Service Fee Cap, May 7, 2020, available at: https://jerseycitynj.gov/UserFiles/Servers/Server_6189660/File/City%20Hall/Mayors%20Office/Mayoral%20Executive%20Orders/2020/Executive%20Order%20Food%20Delivery%20App%20Price%20Cap%20-%205.4.20.pdf.
19. Civic Economics. Economic impact analysis: A case study, local merchants vs.chain retailers. Retrieved from https://d3n8a8pro7vhmx.cloudfront.net/liveablecityatx/pages/29/attachments/original/1404368422/Eco_Impact_Independents_vs_national_chain.pdf?1404368422, 2002

20. Connie Loizos, In the heated cloud kitchens race, Kitchen United aims to kill with kindness, here's its playbook, Techcrunch, (Nov 19, 2019) <https://techcrunch.com/2019/11/19/in-the-ghost-kitchen-race-gv-backed-kitchen-united-aims-to-kill-with-kindness-heres-its-playbook/>
21. Comptroller Scott M. Stringer, August 5, 2020, available at: https://comptroller.nyc.gov/wp-content/uploads/documents/Save_Main_Street_8_5_20.pdf
22. Devlin, R. 'An area that governs itself': Informality, uncertainty and the management of street vending in New York City. Planning Theory, 2011
23. Digital Success.com, "13 Small Business Marketing Strategies for Business Growth During and After The COVID-19 Crisis,"
24. ECONOMIST, August, 2017, <https://www.sba.gov/sites/default/files/508FINALAug17Microbusiness.pdf>.
25. Empire State Development, Annual Report on the State of Small Businesses, https://esd.ny.gov/sites/default/files/2018-ESD_Annual_Report_SmallBiz.pdf.
26. Engel Bromwich, Farm to Table? More Like Ghost Kitchen to Sofa, The New York Times, (Dec 24, 2019) <https://www.nytimes.com/2019/12/24/style/ghost-kitchen-food-delivery.html>
27. Erika Adams, "Outdoor Dining Will Return Next Year, Mayor Says", NY Eater, August 3, 2020, <https://ny.eater.com/2020/8/3/21352532/outdoor-dining-extended-nyc>.
28. Erika Adams, High-Profile NYC Restaurants Are Moving into Soho's New 'Ghost Kitchen' for Delivery Only, Eater NY (Aug 26, 2019), <https://ny.eater.com/2019/8/26/20833153/zuul-kitchens-opening-sweetgreen-junzi-sarges-soho-ny>
29. Glaser,E. "What makes a City Entrepreneurial?' Journal of economic geography Planning for Retail Diversity: Supporting NYC's Neighborhood Businesses, <https://council.nyc.gov/land-use/wp-content/uploads/sites/53/2017/12/NYC-Council-Planning-Fr-Retail-Diversity.pdf>.
30. Gregory Bresiger, "'Plight' of small businesses felt across New York City," NY Post, July 28, 2019, <https://nypost.com/2019/07/28/plight-of-small-businesses-felt-across-new-york-city/>
31. "Governor Cuomo Launches "Empire State Digital" with Global E-Commerce Companies to Accelerate New York's Small Businesses' Ability to Compete in the Digital Economy", October 1, 2020
32. Heather Kelly, "Small businesses turned to technology to survive the pandemic. But it may not be enough," Washington Post, June 22, 2020, <https://www.washingtonpost.com/technology/2020/06/22/small-business-tech-pandemic/>.
33. Hudson Riehle and Melissa Wilson, Harnessing Technology to Drive Off-Premises Sales,
34. National Restaurant Association, (2019) https://www.restaurant.org/Downloads/PDFs/Research/research_offpremises_201910.
35. "Indicators of Progress", Manhattan Chamber of Commerce, <https://www.nycindicators.com/>.
36. "Insights From Dual Surveys Reveal the Striking Impact of Crises on Small Businesses" Salesforce, <https://www.salesforce.com/news/stories/insights-from-dual-surveys-reveal-the-striking-impact-of-crises-on-small-businesses/>.
37. Is The Kitchen Dead? USB Investment Bank, (June 18, 2018), <https://www.ubs.com/global/en/investment-bank/in-focus/2018/dead-kitchen.html>
38. Jennifer Gould Keil, NYC restaurateurs setting up 'ghost kitchens' New York Post, (October 6, 2019) <https://nypost.com/2019/10/06/nyc-restaurateurs-setting-up-ghost-kitchens/>
39. Jenn Ladd, "How Philly's new food-delivery law changes the rules for Grubhub, DoorDash, and other services", July 30, 2020, The Philadelphia Inquirer, <https://www.inquirer.com/food/philadelphia-caps-third-party-delivery-fees-restaurants-pandemic-20200730.html>.
40. Jessica Young, "US ecommerce sales soared a record 44.4% in Q2 as pandemic sends shoppers online", August 18, 2020, <https://www.digitalcommerce360.com/article/quarterly-online-sales/>.

41. Joassart-Marcelli, P., Rossiter, J. S., & Bosco, F. J. (2017). Ethnic markets and community food security in an urban “food desert.” *Environment and Planning A: Economy and Space*, 49(7), 1642–1663. <https://doi.org/10.1177/0308518X17700394>
42. John Engel Bromwich, Farm to Table? More Like Ghost Kitchen to Sofa, *The New York Times*, (Dec 24, 2019) <https://www.nytimes.com/2019/12/24/style/ghost-kitchen-food-delivery.html>
43. Joe Pinsker, “The Winter Will Be Worse”, *The Atlantic*, August 5, 2020, <https://www.theatlantic.com/family/archive/2020/08/winter-us-coronavirus-pandemic-dangerous-indoors/614965/>.
44. Jonathan Maze, Kitchen United Gets Another \$40M, *Restaurant Business*, (September 19, 2019) <https://www.restaurantbusinessonline.com/financing/kitchen-united-gets-another-40m>
45. John Koetsier, “COVID-19 Accelerated E-Commerce Growth ‘4 to 6 years,’” *Forbes*, June 12, 2020, <https://www.forbes.com/sites/johnkoetsier/2020/06/12/covid-19-accelerated-e-commerce-growth-4-to-6-years/#3e743144600f>
46. Jose Vasquez, Why Are Small Businesses so Important for the Economy?, *HUFF POST BLOG*, April 18, 2017, https://www.huffingtonpost.com/entry/why-are-small-businesses-so-important-for-the-economy_us_58f61f9ae4b048372700db75?ncid=engmodushpimg00000004.
47. Kathryn Roethel Rieck, Which Company is Winning the Food Delivery War? Second Measure, (November 21, 2019) <https://secondmeasure.com/datapoints/food-delivery-services-grubhub-uber-eats-doorDash-postmates/>
48. Kelsey McKeon, “How Small Businesses Use Websites in 2019”, *Visual Objects*, <https://visualobjects.com/web-design/top-web-designers/small-business-websites-2019>.
49. Maggie Hennessy, Are Ghost Kitchens the Future? *QSR Magazine*, (July 2019), <https://www.qsrmagazine.com/technology/are-ghost-kitchens-future>
50. Mancari, J. (2017), Refugee Farmers Growing in Houston?s Food Desert, *Bittersweet Monthly*.
51. Manhattan Chamber of Commerce, “Indicators of Progress,” <https://www.nycindicators.com/>.
52. Matt Cunningham and Dan Houston, “Independent BC: Small Business and the British Columbia Economy,” February 2013
53. McKinsey & Company, “Lives and livelihoods: Assessing the near-term impact of COVID-19 on US workers,” April 2, 2020, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lives-and-livelihoods-assessing-the-near-term-impact-of-covid-19-on-us-workers> (projecting that the food services industry has the highest number of vulnerable jobs nationwide – Exhibit 3)
54. “Monthly Retail Trade” U.S. Department of Commerce, available at: <https://www.census.gov/retail/index.html>
55. MOIA, “State of Our Immigrant City: Annual Report, _” March, 2018
Mike Isaac and David Yaffe-Bellany, The Rise of the Virtual Restaurant, *The New York Times*, August 14, 2019, <https://www.nytimes.com/2019/08/14/technology/uber-eats-ghost-kitchens.html>
56. Meltzer, Rachel, and Jenny Schuetz. “Bodegas or Bagel Shops? Neighborhood Differences in
57. New Jersey Senate Bill 2437, available at: <https://legiscan.com/NJ/text/S2437/id/2203307>.
58. New York State Department of Labor, Labor Statistics for the New York City Region: NYC Current Employment Statistics (CES) Latest Month, available at: <https://www.labor.ny.gov/stats/nyc/> (last accessed on October 21, 2020).
59. New York Immigration Coalition, “Blueprint for Immigrant New York, _” November, 2017.
60. N.Y.C. Dep’t of Small Business Services, “Careers,” <https://www1.nyc.gov/site/sbs/careers/careers.page> (last visited March 16, 2021).
61. N.Y.C. Dep’t of Small Business Services First Deputy Commissioner Jackie Mallon before the

62. NYC Council Committee on Small Business and Committee on Civil Service and Labor, November 27, 2017, <https://legistar.council.nyc.gov/MeetingDetail.aspx?ID=572237&GUID=A407E508-5171-4681-9446-3A890DA2E914&Options=info|&Search=>
63. N.Y.C. Hospitality Alliance, October 2020 Rent Survey, <https://thenycalliance.org/assets/documents/informationitems/22Rtf.pdf>.
64. Opportunity Insights, Percent Change in Small Business Revenue, <https://tracktherecovery.org/>.
65. Pete Wells, "Chinatown Is Coming Back, One Noodle at a Time", The New York Times, August 3, 2020, <https://www.nytimes.com/2020/08/03/dining/chinatown-outdoor-dining-coronavirus.html>.
66. Pickman and Claudia Viek, "Do-it-Yourself Economic Growth", Economic development journal13, no.1, 2014.
67. Retail and Household Services."Economic Development Quarterly 26, no. 1 (December 27, 2011): 73 94. <https://doi.org/10.1177/0891242411430328>.
68. Richard Barkham Et. al. 2019 U.S. Food In Demand Series: Restaurants, CBRE Research, (November 13, 2019), <http://cbre.vo.llnwd.net/grgservices/secure/US%20Food%20in%20Demand%20Restaurants%20November%202019.pdf?e=1580227024&h=921d142a16987e8b83de8d99d3cdeb8c>
69. "Save Main Street: A Crash Program to Help Save NYC Small Businesses", New York City Comptroller Scott M. Stringer, August 5, 2020, available at: https://comptroller.nyc.gov/wp-content/uploads/documents/Save_Main_Street_8_5_20.pdf.
70. Shannon Bond, Internet Traffic Surges As Companies And Schools Send People Home, NPR.org, March 17, 2020, <https://www.npr.org/2020/03/17/817154787/internet-traffic-surges-as-companies-and-schools-send-people-home>.
71. Stacy Mitchell, The Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses (Boston: Beacon Press, 2006).
72. Shuman, M. H. (2007). The small- mart revolution: How local businesses are beating the global competition. San Francisco, CA: Berret- Koehler Publishers.
73. The Center For Urban Future, Report State of chains, December 2017, https://nycfuture.org/pdf/CUF_StateOfChains_2017.pdf.
74. The City Of New York, Mayor's Management Report (2020) at 243-248, available at <https://www1.nyc.gov/assets/operations/downloads/pdf/mmr2020/sbs.pdf>.
75. Tim Bradshaw and Shannon Bond, Travis Kalanick Secretly Ramps Up Kitchen Venture after Uber Exit, Financial Times, (Feb 14, 2019), <https://www.ft.com/content/282a2382-304c-11e9-8744-e7016697f225>
76. The NPD Group, Feeding the Growing Appetite for Restaurant Apps, <https://www.npd.com/wps/portal/npd/us/news/infographics/2018/feeding-the-growing-appetite-for-restaurant-apps/>.
77. The Philadelphia Code, Chapter 9-5000, available at: https://phila.legistar.com/LegislationDetail.aspx?ID=4553673&GUID=0DE18EE1-E462-4B1E-B58F-746F39D76748&Options=ID%7cText%7c&Search=200344&fbclid=IwAR02ax6pEBPrAZVOYk4jBY5ydrD_ZbeiA2WwwroV9E-CFOeQD4MKzlp5I-U
78. Tracy Jan, "A new gentrification crisis: The coronavirus recession could wipe out minority-owned businesses, fueling displacement from historic ethnic neighborhoods", The Washington Post, July 31, 2020, <https://www.washingtonpost.com/business/2020/07/31/ethnic-enclaves-gentrification-coronavirus/?arc404=true>.
79. Travis Kalanick sets sights on Europe, Asia with new venture, The Real Deal, (February 17, 2019), <https://therealdeal.com/2019/02/17/travis-kalanick-sets-sights-on-europe-asia-with-new-venture/>
80. Urban Spaces as People Places'. Accessed 30 January 2021. https://pdxscholar.library.pdx.edu/usp_murp/42/

81. Whitney Filloon, UberEats' Path to Delivery Domination: Restaurant Inception, Eater, (October 24,2018), <https://www.eater.com/2018/10/24/18018334/uber-eats-virtual-restaurants>
82. Ye timeline indicators: Explore economic activity in your community. (n.d.). Retrieved February 09, 2021, from <https://youreconomy.org/index.lasso?year1=undefined&year2=undefined&state=NY&msa=&county=3606>
1
83. Yen Liu, Y. (2015). Impact of L.A. Street Vendors on Brick and Mortar Establishments. Economic Roundtable. Los Angeles, CA.