New Development: Friend or Foe to Chinatown Small Businesses?

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ABSTRACT

Chinatowns in cities like Boston, New York, or Philadelphia have well established reputations as vibrant ethnic neighborhoods that draw tourists as well as working-Chinese immigrants. The individual businesses that line the streets of Chinatown are crucial to creating these unique urban neighborhoods. As cities are undergoing a new era of growth and real estate activity in urban centers is booming, the impacts on small businesses has not yet been widely researched. This thesis uses Chinatowns (in Boston, New York, and Philadelphia) as case studies to uncover the impacts of new real estate developments on small businesses. The research relied on a mixed-method approach, utilizing quantitative data from city reports or census data, as well as qualitative data derived from interviews with local stakeholders, particularly small business owners. The broad categories of impact documented include: (1) changes to inventory and availability of ground floor retail space, (2) a homogenization of storefront design, (3) changes to the residential community, and (4) rise in occupancy costs. In contrast, the top concerns identified by business owners were (1) the image of Chinatown as dirty and (2) the availability of parking. This thesis was not able to fully address the mismatch between the impacts of development and the concerns of business owners but is an area that deserves more research. The conclusion of this thesis provides readers with a preliminary framework for assessing displacement risks that can be applied to other ethnic districts and suggests possible interventions that can mitigate some of these risks.
ACKNOWLEDGMENTS

This thesis would not have been possible without the generosity of small business owners in Chinatown who donated their time and shared their insights with me. In each city that I visited, numerous individuals who had served the community for decades were willing to sit down with me for two to three hours to answer my many questions. During this process, the knowledge that I gained exceeded the narrow confines of my research question and gave me a more nuanced understanding of local Chinatown neighborhood dynamics. I came to see and understand the neighborhood that I grew up in with a different perspective. This thesis was truly a passion project that I will carry with me for the rest of my personal life.

I would also like to thank the members of my thesis committee; Karl Seidman and Tunney Lee from MIT DUSP and Debbie Chen from Asian Community Development Corporation for the many hours that they spent with me formulating my research question, refining my methods, and helping me distill my findings.
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INTRODUCTION

As the desire for urban living has grown, the capacity to house existing and new residents in urban areas has been severely stretched. Whereas the era after WWII was marked by outmigration of the middle class from cities and divestment from urban neighborhoods, since the 1990s, there has been a dramatic reversal in population flow and more people, particularly the generation dubbed as “millennials,” are flocking to cities every year. The growth in demand for housing in cities has already outpaced supply. As a result, property values in many urban neighborhoods have skyrocketed and new real estate activity has overwhelmed and transformed many urban neighborhood. Luxury condominiums, luxury apartment buildings, and new hotels have started to appear in neighborhoods that primarily serve low-income immigrant and minority communities. As a result, stories of low-income residents being pushed out due to rapidly rising rents or due to a property owner’s redevelopment project are now commonly covered in the news. In this context arose the current debate around neighborhood change, or gentrification, where on one hand it seems like residents may gain from increased investment in their neighborhood but on the other hand, they also run the risk of being priced out if market mechanisms run their course. Over time, many local organizations have developed robust strategies, arguments, and mechanisms for preserving residential affordability in a neighborhood. A commonly accepted metric of affordability, called “rent-burdened,” is now understood as households that spend 30 percent or more of their income on housing (Schwartz & Wilson, 2008). According to the 2015 American Community Survey data, over 42 percent of households in the U.S. are paying 35 percent or more of their income in rent. This is severely felt in major cities like Boston, New York and Philadelphia with 41.3, 44.9, and 49.5 percent, respectively, paying more than a third of their income in rent.

The real estate building boom in urban areas has acutely affected Chinatowns across the nation. Many of these are historically low-income neighborhoods that were havens for “undesirable” immigrant, minority, and homeless populations. In recent years, however, their proximity to transit and to downtowns has made them extremely valuable land for real estate investors. In Boston, New York, and Philadelphia’s Chinatowns, land development issues have produced intense conflicts between development proponents and the community. In New York, the 800-foot tall One Manhattan Square tower currently under construction on South Street sparked intense outcry from the community because it replaced one of the few large grocery stores in the area. Over 400 people turned out at protests organized by The Coalition to Protect Chinatown and the Lower East Side (Wishnia, 2015). For years, Boston Chinatown residents were battling against Tufts University expansion plans to convert a government owned parcel into a parking lot and are now protesting the multiple hotels proposed for the neighborhood (Conti, 2017). In Philadelphia, the community successfully fought to stop the siting of a baseball stadium in 2000 and then a proposed casino nine years later.

During these battles, community groups mobilized to push back against new developments that they believe will dramatically change the demographics of the community from working class families to primarily affluent, white, non-family households. Much of the
concerns around neighborhood change in Chinatown is centered on the displacement risks for low-income, immigrant Asian families that rely on the network of friends and relatives, affordable housing, food, goods, and services available in the neighborhood. As a result, community groups in Chinatown have become quite adept at organizing residents to speak up. However, because residents are the main target population in neighborhood engagement and neighborhood preservation efforts, small businesses have not been part of the conversation. Neighborhood community plans, city plans, and news reports on neighborhood change in Chinatown have largely focused on residential affordability. While affordable housing is now a fairly established priority for most Chinatown communities, fostering and supporting the commercial base of Chinatown has only been mentioned in brief.

The impacts of neighborhood change on small business have not been extensively studied. On one hand, the neighborhood may be where small businesses find their customers, workers, or suppliers and preservation of this ecosystem is crucial to survival. Business owners may have cultivated sources of social capital or local funding avenues that tie them to the community. Businesses who rent space also face displacement pressures if commercial rents increase or if new development demolishes their existing commercial space. Furthermore, it is unclear whether new developments provide spaces appropriate for small ethnic businesses to replace the business that they displaced. On the other hand, business owners may also see new developments as a new source of customers. Small business owners can also be property owners and want to see property values increase. There is currently limited understanding of where business owners stand when it comes to neighborhood change and new developments. Understanding the perspective of business owners as stakeholders with interests in shaping neighborhood development decisions will be crucial for city officials and local community organizations. The findings of this research will help improve our ability to protect vibrant ethnic enclave small businesses as urban neighborhoods are experiencing rapid changes.

While businesses are often seen as transient and not rooted to a specific place, I believe that Chinatown’s small businesses have a significant investment in the neighborhood due to the benefits they accrue from being part of a robust enclave economy and the strong personal and cultural ties that they develop with the community. As cities are developing plans for the future, it is crucial to develop a framework for including small business interest, especially if these businesses represent a significant provider of jobs, goods, and services for residents. This research can help investigate the parts of the commercial base in Chinatown that are at risk and determine what strategies or interventions can help stabilize ethnic commercial districts like Chinatown.

Statement of Purpose

The purpose of this master’s thesis research is to understand the ways that ethnic enclave small businesses are impacted by, perceive, and respond to socioeconomic and spatial changes in their neighborhood. Small businesses play a vital role in providing jobs and wealth-building opportunities for residents that may not have alternatives. This is particularly true in ethnic enclaves, which are spatial concentrations of ethnic residents and ethnic-specific economic activities. Enclave businesses primarily serve and employ immigrants that are typically low-
income and face significant barriers to entering the mainstream economy. While significant research has been conducted on small businesses as a tool to create neighborhood change and on the ways in which small businesses can benefit neighborhoods, there is a gap in the literature around the impacts of neighborhood change on small businesses, particularly in ethnic enclaves.

For the purposes of this research, ethnic enclave businesses owners are defined as non-white individuals operating a business within a spatially defined ethnic enclave. While the specific type of ethnic enclave studied in this research is Chinatown, the findings of this research may be translated to other ethnic neighborhoods challenged with adapting to rapid socioeconomic and spatial changes in their neighborhood. I see the components of this research as four parts:

1. identifying characteristics of enclave small business owners in Chinatown;
2. identifying the ways enclave small business owners in Chinatown are impacted by the changes in Chinatown (e.g. rising property values, changing demographics, new real estate developments);
3. understanding the ways these small business owners perceive and respond to these changes; and
4. proposing potential strategies for addressing these concerns and incorporating the Chinatown business community into neighborhood stabilization/preservation efforts.

This research will have a particular focus on the impacts of new real estate development projects. Land is a scarce resource and the history of many Chinatowns include heated battles against government-sponsored land use changes (e.g. highway expansions, institutional expansions, casinos, or stadiums). The current iteration of land use changes is more inconspicuous and relies on individual market actors to replace existing uses with the new “highest and best use.” Documenting and tracking the collective impact of individual projects is crucial to understanding the scope of what is happening. While none of these projects will individually threaten the stability of a neighborhood, the cumulative effect may be significant.

One of the hypotheses that spurred this research was that the rising cost of commercial space poses a significant threat to survival of small businesses in Chinatown. The Institute for Local Self-Reliance (ILSF) issued a report in April of 2016 to bring attention to the rising cost of leasing commercial space for small businesses. In their 2016 Independent Business Survey, 59 percent of independent retailers reported being worried about the escalating cost of rent, with one in four describing it as a top challenge. They outlined out the following five causes as the sources behind rapidly growing and increasingly unaffordable commercial rents:

- **Soaring commercial real estate prices** – A global surplus of capital seeking higher returns is flooding into urban commercial real estate, contributing to speculative run-up in prices.
- **Increasing popularity of cities** – Cities are booming as more people seek walkable, mixed-use, urban districts. While this has increased opportunities for business, it has also driven up demand for small storefront space, with the rise in rents often significantly outpacing sales growth.
• **The growth imperative of national chains** – National chains have saturated the suburbs and are under pressure from shareholders to show square footage growth year after year.

• **Limited and declining supply of small spaces** – Older urban buildings are being redeveloped or razed, and the projects that replace them often provide spaces that are designed for chains and are too large to be suitable or affordable for local entrepreneurs.

• **Preference for national companies over independent business in commercial and real estate financing** – Banks and other lenders often provide lower interest rates or better terms if a property owner or developer has signed national, brand-name tenants.

ILSF outlined a range of ideas that elected officials, business owners, and community leaders have come up with for keeping space affordable and ensuring that entrepreneurs continue to thrive:

• **Broaden ownership** by helping small businesses buy their buildings or create more opportunities for community ownership of commercial buildings.

• **Reduce the power imbalance in landlord-tenant negotiations** by providing small businesses certain protections and rights during lease renewal (e.g. arbitration, minimum lease terms).

• **Zone for local business environment** to ensure an ample supply of small spaces and a mix of different types of businesses, and establishing design requirements for commercial corridors.

• **Set aside space for local businesses in new developments** above a certain size or in a certain location.

• **Create a preference for local businesses in publicly owned buildings** and setting aside space for local, neighborhood-serving businesses.

• **Recognize businesses as cultural landmarks** and providing them with subsidies and protections.

The applicability of each of these strategies to Chinatown will vary depending on the context. The challenge with designing interventions for small businesses is there is no universally applicable metric to understand when forces outside their realm of control are unduly affecting a business. For example, there is no commercial equivalent to a “rent-burdened” household. Affordability depends on a large variety of factors, including but not limited to the type of business and location. Ultimately, there is no perceived reasonable ceiling on commercial rents as long as the business can generate enough revenue to support that rent. Furthermore, it is hard to distinguish between a local business that is struggling because their product or operations are failing, or if external factors out of their control, like their rent rising exorbitantly, is causing the decline. The reasons for a business closing or moving is multi-faceted and more complex than household decisions to move. Therefore, instead of “affordable” commercial space, there needs to be a more nuanced understanding of the factors that contribute to healthy and vibrant neighborhood business environment. Structural issues that affect the ease or cost of doing businesses (and are outside of business owner’s control) are justifiable areas for government support or intervention.
Unpacking the linkages between neighborhood change and small businesses is difficult, partially because the reasons for business closures are difficult to pinpoint. Furthermore, while small businesses may face challenges associated with rising rents, changing customer base, and rising costs, in comparison to residential displacement, businesses face more tempered impacts. First, long term leases of five-plus years typical of commercial leases (sometimes with renewal options) provides a greater level of stability. This gives businesses time to adjust their business model, shift their cost structure, or look for a new commercial space. Secondly, not all businesses rely on the local customer base. The enclave has regional network of suppliers and customers that extends beyond the geographic boundaries of the Chinatown neighborhood. As opposed to residential displacement which affects multiple families, small business that occupy the ground floor are likely to be the only business affected, making collective action difficult. These are just some of the factors that contribute to why local community organizations have not effectively engage the business community group in neighborhood preservation efforts. Advocates for small businesses need to understand the impact on businesses to justify their proposed interventions.

Understanding the impacts of new developments on the ethnic commercial district is important not just for the business owners, but also affects (1) employees of the businesses and (2) co-ethnic residents of the neighborhood and region that rely on services provided by enclave businesses. Furthermore, city officials often tout ethnic commercial districts as “amenities” that make the city attractive for tourists and residents. There are non-economic benefits that accrue to the city from having authentic and unique commercial corridors. As the ILSF report demonstrated, cities have started recognizing this and are exploring appropriate interventions to protect its commercial corridors from the heightened real estate activity occurring in urban centers over the past decade. The findings of this thesis will provide some context-specific tools for protecting ethnic small businesses from some of the neighborhood-level externalities that result from real estate development.

Methodology

This research relies upon a comparative case study method to highlight similar trends as well as divergence across contexts. Comparative case studies involve the analysis and synthesis of the similarities, differences, and patterns across cases. All three Chinatowns are located in areas of the city that are attracting significant interest from real estate developers and will likely experience some demographic and socioeconomic changes due to new developments. Through a comparative case study, we can discern the key factors that contribute to the mechanisms through which business owners are motivated to acquiesce and adapt, to push back and resist, or to simply give up and exit. Chinatowns in Boston, New York, and Philadelphia were selected due to the following shared characteristics:

- Located in close proximity to the downtown or central business district,
- Increasing influx of non-Asian population and new real estate developments that are seen as threat to continued existence of the ethnic enclave,
- Vibrant “living Chinatown” that has a significant population of ethnically Chinese people, living, shopping, and working there,
Historical (and potentially continued) existence of strong family associations that own land
Strong local non-profit organizations that have historically focused their work on affordable housing and workers' welfare, and
The presence of other concentrations of immigrant Asian enclaves in the same metropolitan area that directly complement or compete with the historical Chinatown core.

However, these case studies also demonstrate the following differences that may lead to a different business and real estate landscape:

- Demographics and size of the Chinatown
- Strength of the city’s real estate market
- City zoning and land use policies
- Strength of neighborhood business organizations

A further elaboration on the differences amongst the three Chinatowns will be provided in Chapter Two.

My case study research for each city’s Chinatown will focus on the following three questions:

1) What is the historical and current context of the residential and business community Chinatown?

   To address this question, I reviewed Chinatown community reports, official City reports on Chinatown, Census data, newspaper articles, and journal articles. This provided a baseline understanding of the composition of ethnic businesses, types of business owners, and other key stakeholders (e.g. civic organizations, nonprofits, and business networks) involved in shaping Chinatown’s business environment. The goal was to gain sufficient context to guide interviews conducted with business owners and understand the Chinatown “ecosystem.”

2) What are the major socio-economic or spatial changes affecting Chinatown over the past ten years?

   While ten years is somewhat of an arbitrary cut-off point, the period of 2006-2017 has some significance since it represents the years during and after the most recent real estate bubble. The socio-economic changes in Chinatown have already been heavily documented by various reports and in academic literature, so I relied heavily on secondary sources for this portion of the research. Some original analysis was done using American Community Survey data to understand population change in the Chinatown commercial core over the ten-year period.

   In order to document development changes over the past ten years in each of the Chinatowns, I used a combination of field observations, interview data, Google Maps, local government websites, and news article searches to compile a database of development projects happening in the commercial cores of Chinatown. Field observations allowed me to pick up developments that are currently under construction, as well as identify buildings that were
potentially recently built. Google Map helped discern the previous land use prior to
development. News articles and interviews provided supplementary information about
development projects already identified and helped identify projects overlooked during my
field observations. Furthermore, I conducted field observations about retail spaces, which
included the size and type of retail, the clientele, interior décor, type of building, and urban
design (e.g. seating, dining areas, fountains or other focal points, landscaping, lighting, removal
/addition of street parking, specially paved sidewalks, etc.).

A significant challenge in documenting real estate changes in New York and
Philadelphia was the lack of publicly accessible development proposal documents. In Boston,
there is a public repository of all large developments on the Boston Planning and Development
Agency’s (BPDA) website. New York and Philadelphia have no equivalent repository of
documents. However, New York has a wealth of local watchdogs that blog about new
development changes and local news sources that bring attention to real estate sales, new
development proposals, and construction progress. Compared to Boston and New York there
was significantly less information available about developments happening in Philadelphia’s
Chinatown. I hypothesize that the reasons for this are (1) the current scale of Philadelphia
Chinatown developments make them less newsworthy; (2) there are fewer entrenched interests
that are anti-development in Chinatown, especially when many of them are infill projects on
surface lots, and; (3) overall Philadelphia is still a city that is recovering from disinvestment so
the general community is more welcome to development projects.

3) How do business owners perceive and respond to these changes?

My research to answer this question was primarily through interviews with small
business owners in Chinatown, local community organization staff, city officials and
administrators, and other key informants. Across the three cities, I conducted 33 interviews, 12
in New York, 11 in Boston, and 10 in Philadelphia. Within each city, I conducted interviews
with local non-profit staff, city officials and small business owners. While I was able to
interview some non-profit organizations and city officials through phone, all interviews with
business owners were conducted in-person at their place of business. Interviews varied greatly
in length depending on the willingness of the interviewee to spend time with me. Some were as
short as 10 minutes whereas some lasted for almost 2 hours. My contacts with business owners
were mostly obtained through door knocking and showing up at their place of business. A
select few interviews were obtained through word-of-mouth. Furthermore, since I am only
conversant in the dialects of Cantonese and Mandarin, I was unable to speak with non-English
speaking Fujianese business owners. Food and restaurants establishments make up a large bulk
of businesses in Boston and in Philadelphia; therefore the views of the interviewees may be
more reflective of that industry.

Organization of Thesis

The remainder of this thesis will be organized into four chapters. Chapter One will
contain a survey of literature relevant to the topic of this thesis. This includes an overview of the
history of immigration, settlement patterns, and physical characteristics of Chinatown in New
York, Boston, and Philadelphia. I will provide a brief survey of the literature around ethnic enclaves and benefits that accrue from small businesses. Lastly, this chapter will cover the limited number of studies that have tackled the issue of neighborhood change impact on small businesses.

Chapter Two and Three will present the findings to my three main research questions. Chapter Two will cover the characteristics of Chinatown business owners, the types of businesses in Chinatown, and changes to the Chinatown business ecosystem. Chapter Three will cover the specific real estate and commercial space changes observed across the three Chinatowns over the past ten years, the impact that those changes have had on small businesses, and primary concerns reported by business owners.

Lastly, in Chapter Four I will present some thoughts on the implications of my research findings for city organizations and local community groups working on small business economic development and neighborhood preservation.
CHAPTER 1

History of Chinese Immigration to New York, Boston, and Philadelphia

The size and demographics of Chinatowns are largely determined by the federal immigration and economic policies affecting the ebb and flow of Chinese immigrants into the U.S. as well as municipal polices that affect the settlement patterns of Chinese in America. Furthermore, the history of Chinese settlement within each city provides important context and on the evolution and existing landscape of real estate in Chinatown. For this reason, we will conduct a brief overview of Chinese immigration to the U.S. in general and their settlement patterns in each of our case studies.

Migration of Chinese to the United States dates all the way back to the 1840s during the era of the Gold Rush and construction of the Transcontinental Railroad. However, due to restrictive immigration laws like the Chinese Exclusion Act of 1882, the Chinese American population remained relatively small. According to the Census, in 1960 there were only 237,000 Chinese Americans in the U.S. The passage of the Immigration and National Amendments of 1965 marked the contemporary era of Chinese immigration to the U.S. and radically transformed the socioeconomic make-up and geographic distribution of the Chinese American population. Unlike the 19th century, post-1965 Chinese immigrants are predominantly skilled: China is now the principal source of foreign students in U.S. higher education, and the second largest recipient of employer-sponsored visas (Hooper & Batalova, 2015). As shown in Figure 1, the Chinese immigrant population increased from 384,000 in 1980 to over two million in 2013. The latest 2015 American Community Survey reported 3.69 million Chinese Americans (which includes foreign-born and native-born) in the United States. China has been on the U.S. Citizenship and Immigration Services’ list of top 10 immigrant-origin countries since 1980. In 2013, foreign-born Chinese still accounted for nearly two-thirds of the Chinese American population.¹

According to data from the 2014 American Community Survey, New York City has the single largest concentration of Chinese Americans in the U.S. with 549,181 (6.5 percent of population). Philadelphia has the 8th largest concentration of Chinese Americans in the U.S. with 35,732 Chinese Americans (2.3 percent of population). While the city of Boston is only the 13th largest

¹ Among approximately 3.79 million Chinese now living in the United States, 2.2 million were born in China, according to the report by the UN Department of Economic and Social Affairs. (Kate & Hooper, 2015)
concentration of Chinese Americans in the U.S. with 29,472 Chinese Americans (4.5 percent of population), among all metropolitan areas the Boston-Cambridge-Newton MSA actually has the 5th largest concentration of Chinese Americans (after New York MSA and several MSAs in the West Coast) with 133,241 Chinese Americans.

New York
Throughout its history, New York City has always served as a main point of entry for immigrants, first from Germany and Ireland in the 1840s and 1850s, and then from Southern and Eastern Europe in the late 19th century. They settled in ethnic neighborhoods, started businesses, joined trade unions, and political organizations, and built churches. In the 1860s, New York's Chinese population was only about 150, but quickly rose to more than 2,000 in the 1870s as they were driven from the West by violent anti-Chinese movements as employment opportunities collapsed with the completion of the transcontinental railroad. The laundrymen who constituted nearly half of the population were scattered throughout the metropolitan area. However, commercial activity became concentrated in a few core streets, Mott, Pell and Doyers, which neighbored the Italian enclave. The scattered laundrymen worked in daily isolation, journeying to Chinatown on weekends for social interactions. The combination of a contracting Italian population due to the outmigration of middle and upper class to the suburbs in the 1950s and loosened immigration laws in 1965 provided New York’s Chinatown with the space and increased population necessary for expansion. Today, New York’s Chinatown is a tourist destination in its own right and is in close proximity to the Lower East Side, a hip area with lots of new bars, cafes, and art galleries, and SoHo and Tribeca, two neighborhoods that are known to be more upscale and are highly sought-after residential areas.

During the earliest years of New York’s Chinatown, the population was primarily Taishanese-speaking Chinese immigrants occupying the areas south of Canal, west of Bowery, north of Worth, and east of Mulberry. However, after 1965, there came a wave of Cantonese speakers from Hong Kong and Guangdong province and Cantonese became the dominant tongue. Furthermore, in the 1980s, a small and growing Fuzhou immigrant population started expanding east of Bowery into an area that was still predominantly Jewish and Puerto Rican. Because of cultural differences and co-ethnic stereotyping, Fuzhounese often did not mingle with the Cantonese. In the 1990s, the Chinese population also began moving into western sections of the Lower East Side, which was populated by Eastern European Jews 50 years earlier, and Hispanic 20 years earlier. The influx of Mandarin and Fujianese speakers helped Chinatown expand its boundaries from the historic seven-block area around Mott and Mulberry Streets to an estimated 55-block area from the East River to City Hall and from St. James Place to well-north of Canal Street (see Figure 2). In 2010, Chinatown and Little Italy Historic District was listed in the National Register of Historic Places. A majority of buildings in Chinatown are three to seven story brick walk-up tenement buildings from the mid-19th through early 20th century buildings. Late 19th and early 20th century factories and loft buildings are also common throughout the neighborhood (“Chinatown and Little Italy Historic District,” 2010).
While Chinatown's residents have become more culturally diverse, they share similar socioeconomic status; many are recent arrivals, have low levels of education, speak little or no English, hold low-wage jobs, and live in poverty. The reasons for this are that while Chinese immigrants today are on average highly educated and skilled, immigrants who choose to reside in Chinatown are reliant on the enclave for employment, housing, and services. In New York’s Chinatown, the median household income is $29,524 for Asian Pacific Islanders (API), compared to $50,284 citywide (Li, Leong, Vitiello, & Acoca, 2013; American Community Survey 2010). The percentage of rent-burdened households in New York Chinatown is 56 percent, where rent regulated units can go for as much as $2,500 per month, in contrast to the $934 per month that is affordable to the average four person family. Between 2004 and 2014, the median assessed value in Chinatown for rental buildings of eleven or more units increased by 103.1 percent and average tax levy increased by 97% (Pratt Center for Community Development, 2013). The elderly are a significant presence; 17 percent of the household heads in the core area of Chinatown were 65 or older compared with 12.1 percent citywide. Despite cramped conditions, family households continue to represent 72.9 percent of households in the neighborhood. A majority of residents continue to stay in the neighborhood, despite lack of space and deteriorating housing conditions, due to easy access to jobs and services (Zhou, 2009).

Over the course of the last decade, satellite Chinatowns have also emerged in Flushing, Queens and Sunset Park, Brooklyn. As Chinese immigrants have more options, many are opting out of Manhattan’s Chinatown and moving to Brooklyn or Queens (see Figure 3). Thus, we see a

**Figure 2 New York Chinatown Area Past & Present**

![Map of New York Chinatown Area Past & Present](image_url)
5.9 percent population decrease in Manhattan Chinatown from 2000 to 2010 (Li et al., 2013). The population of Chinese Americans in each of the satellites have surpassed New York's Chinatown in population and in some ways have become the preferred destination for new immigrants. Figure 3 illustrates the growth of Asian population in Brooklyn and Queens from 2000 to 2014. While Manhattan’s Asian population has declined 23.8 percent, the Asian population in Brooklyn and Queens has increased 59% and 39% respectively. Over those 14 years, the Asian population in Brooklyn’s Chinatown (42,169) surpassed the Asian population in Manhattan’s Chinatown (36,960), and the Asian population in Queens grew to more than double the Asian population in Manhattan’s Chinatown (77,892).³

Figure 3 New York Asian Population 2000 -2014

The authors of this report included a significant portion of the Lower East Side in this population calculation.³ The author’s calculation of Asian population in the Chinatowns of Queens, Brooklyn, and Manhattan was based on identifying census tracts with significant concentration of Asians and its contiguous tracts. Areas with greater than 4,000 Asians in one census tract was considered having a “significant concentration.” Census tracts around the census tract with high Asian population were incorporated in the calculation based on author’s knowledge of the spatial extent of the Chinatown.

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³ The author’s calculation of Asian population in the Chinatowns of Queens, Brooklyn, and Manhattan was based on identifying census tracts with significant concentration of Asians and its contiguous tracts. Areas with greater than 4,000 Asians in one census tract was considered having a “significant concentration.” Census tracts around the census tract with high Asian population were incorporated in the calculation based on author’s knowledge of the spatial extent of the Chinatown.
Boston

Like New York, Boston has had a long history as a point of entry for millions of individuals and families moving to the United States. During the 19th and early 20th century, Boston was a significant destination for immigrants from Western Europe. In the 1880’s, Chinatown had formed on Harrison Avenue between Essex and Beach Street, a neighborhood that was formerly tenement housing for Irish, German, and Jewish immigrants. The area was undesirable because of the many streetcar routes that ran through the neighborhood. However, the proliferation of transportation also provided easy access to Chinatown for the hundreds of laundrymen scattered throughout the Greater Boston region. Chinatown served as a community base for the isolated laundrymen and had stores selling groceries, restaurants serving familiar foods, barber to cut and trim queues, village associations where letters from home could be picked up, and kinsmen to talk to. Chinatown slowly grew beyond Harrison Avenue as the building of the Eli along Beach Street, an above ground subway line, led to degraded property values. The Irish and Germans who had first settled this area left followed later by Syrians and Greeks. At the end of World War I, laundries peaked as the main driver of Chinatown’s economy. Chinese restaurants, which had first appeared to serve the needs of the Chinese themselves, became popular among non-Chinese. The number of restaurants in Boston’s Chinatown grew to serve not only Bostonians, but suburbanites (Lee, n.d.).

After the 1965 Immigration Reform Act, like New York, there was an influx of new people, including university-educated immigrants from Hong Kong, Taiwan, and Southeast Asia. The end of the Vietnam War and normalization of relations between U.S. and China brought more people into Chinatown, the South End, and then to Brighton. In 1976, the Communist government in Vietnam confiscated the property and businesses of ethnic Chinese (Sino-Vietnamese) who had dominated commerce. Hundreds of thousands of Sino-Vietnamese fled to the United States and Boston was one of the areas of resettlement for these refugees. In 1979, the Family Reunification Agreement permitted the reunification of family members left behind in China. To accommodate the needs of these new residents, housing, shops and restaurants expanded into the former garment factory buildings (Lee, n.d.).

From the 1970s-1990s, a major concern for Chinatown was the adjacent Combat Zone, an area with adult movies, strip joints, prostitution and drugs. The district formed due to the Government Center Project in 1962, which cleared Scollay Square and pushed the adult entertainment businesses down Washington Street. However, the Combat Zone slowly disappeared with increased enforcement, generational change, the wide availability of X rated DVD’s, and the Internet. With the demise of the Combat Zone, Chinese businesses (many of them Sino-Vietnamese) expanded along Beach St and onto Washington Street in the early 2000s. However, this was also accompanied by major developments projects at the edge of Chinatown on Washington Street, including luxury condominiums, hotels, rehabilitated theaters, and movie complexes. Emerson College and Suffolk University have rehabilitated or built dormitories and teaching facilities. Today Boston’s Chinatown is contiguous with very attractive residential and commercial neighborhoods like the South End, the Theater district, and the Financial district (see Figure 4). Furthermore, Chinatown is also contiguous with Emerson College, Suffolk University, and Tufts University.
Following the trend of New York, Boston Chinatown’s populations is generally poorer, more linguistically isolated, and older than the overall population. In Boston’s Chinatown, forty-one percent of households have incomes less than $15,000 and fifty-three percent of people age five or older speak an Asian or Pacific Islander language at home. The percentage of the population that is elderly over the age of 65 is 14.6 percent, slightly above the citywide average of 10.1 percent (the 2010 Chinatown Master Plan reported that the elderly population was closer to 21 percent). While the population of Asian or Pacific Islander has increased from 4,881 in 1990 to 5,848 in 2010, the proportion of the Chinatown population that is Asian has dropped from 70 percent to 46 percent. The reason for this is that non-Hispanic White population had tripled in the same period, from 1,313 in 1990 to 5,383 in 2010. In contrast to New York Chinatown where family households still predominate, the proportion of family households in Boston Chinatown is dropping, with the most significant drop from 1990, at 73.5 percent, to 2000, at 55.3 percent. Furthermore, households living “in group quarters” significantly increased from 5.2 percent in 1990 to 23.8 percent in 2010. The AALDEF Report attributes this change to increased college and post-graduate students living in the area.

As Massachusetts’ Chinese American population has increased, satellite “Chinatowns” have also emerged in Malden and Quincy. While the Chinese population in Boston has not changed much over the past decade, there has been significant growth in the Chinese population in Malden and Quincy. However, these remain primarily as residential clusters and Boston’s Chinatown remains the primary commercial core that provides ethnic goods and services for the Chinese population.
Figure 4 Boston Chinatown 1938 – 2014
Source: Tunney Lee’s Chinatown Atlas
Philadelphia

Philadelphia was never a major port for immigrants like Boston and New York. Prior to the Civil War, Philadelphia received around five percent of all immigrant arrivals. After WWI, the numbers dwindled to less than one percent. After reaching New York, the additional two-week voyage around Cape May and up the river necessary to land on Philadelphia’s shores was quite tedious and made the city significantly less attractive to early immigrants that traveled mainly by ship. Furthermore, at the turn of the century Philadelphia’s economy was based on skilled and semi-skilled workers rather than massive concentration of unskilled laborers, making Philadelphia even less of a draw for low-skilled immigrants. Because many of these skilled workers were well paid, many of them could afford to buy row homes that now line a majority of Philadelphia’s streets. By the twenties, nearly half of all Philadelphians owned their own residences, and the city’s population density was remarkable low.

In stark contrast to this wealth was the growing number of unattached, migratory laborers for temporary work that emerged in manufacturing, construction, mining and farm labor. The sporadic nature of the employment resulted in a standard of living that rarely exceeded subsistence level for an extended period. Migratory labor populations often settled in areas with easy access to transportation and access to amenities suited to tastes and means of poor, male laborers. In the late nineteenth century, this resulted in the emergence of Skid Row, centered around Eighth Street between Vine and Arch Street (see Figure 5). Formerly a neighborhood of affluent residents, who left their large houses in the period after the Civil War, the area became a haven for cheap lodging houses (Metraux, 1999).

Philadelphia’s Chinatown started in the 1870s on the outskirts of Skid Row. From the 1910s to the 1940s, Chinese merchants and laundrymen expanded around the block of 900 Race Street. Although many Chinese men lived and worked in laundries across the city, they were not integrated into these neighborhoods; Chinatown functioned as their true home and the center of the Chinese community in the city. The rise in immigration from China after 1965 transformed Philadelphia’s Chinatown into a family-oriented community with churches, businesses, and social/cultural organizations established to improve neighborhood life, preserve Chinese culture, and provide services to a growing number of immigrants. From 1940 to 1980, the boundaries of Chinatown expanded greatly north to Wood Street, south to Arch Street, and east-west Eighth to Twelfth Street as this area became more or less exclusively Asian in character. However, this growth of Chinatown coincided with emerging city plans, as early as 1945, for a crosstown expressway and other urban redevelopment projects in and around the neighborhood core. An expansion of Independence Mall closed off the eastern boundary, the Gallery/Market East mall the southern, and the Convention Center occupied a western border on Eleventh Street (see Figure 5).

Reflecting Chinese immigration patterns in the U.S., Philadelphia’s Chinatown received an influx of immigrants from Hong Kong in the 1970s, refugees from Vietnam (many ethnically Chinese) in the 1980s, and then mostly Mandarin-speaking or Fujianese-speaking immigrants after the 1990s. Today, Chinatown remains a primary entry point for Chinese immigrants to Philadelphia. Chinese Americans from southern New Jersey and around Pennsylvania travel all
the way to Philadelphia on the weekends to shop, dine, attend events, and, on Sundays, go to church. Family banquets and other significant gatherings continued to occur in Chinatown, and a majority of traditional family, regional, and business associations remained located there. Today, Philadelphia’s Chinatown is several blocks north of Market East, the central spot in the city for upscale and hip dining, and several blocks west of Independence Mall and Olde City, another hub for restaurants and bars. As the neighborhoods around Chinatown become more upscale, there will inevitably be spillover effects in Chinatown. In the last decade, we have already seen the growth of new condominium and rental housing built in Chinatown.

At 5,923, the residential population in Philadelphia’s Chinatown is relatively small compared to the Chinatown of Boston and New York (see Table 1). For decades, a significant proportion of Chinese lived in South Philly and in Olney area. In 2010, the median household income for Asian in Chinatown was $32,411, slightly lower than the Philadelphia MHI of $36,251 and fairly comparable to Boston and New York Chinatown MHI (Li et al., 2013). In contrast to Boston and New York, where elderly are a large proportion of the population, the elderly population in Philadelphia Chinatown, at 8 percent in 2010, has dropped below the citywide average of 12.1 percent. The reasons for this being that while the actual population of elderly has stayed stable and even increased slightly, the total population in Philadelphia Chinatown had doubled from 2000 to 2010.4 Like Boston, the proportion of family households in Philadelphia Chinatown has also been steadily dropping over the decades from 61.2 percent in 1990, to 57.4 percent in 2000, and now to 48.6 percent in 2010.

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4 The boundaries that AALDEF used for Philadelphia Chinatown is significantly larger than the extent I utilized, which focuses on the main commercial core streets. The AALDEF calculation of Philadelphia Chinatown population extends one block farther south and eight blocks farther north.
Figure 5 Philadelphia Chinatown
### Table 1 Chinatown Case Studies
Quantitative data collected from AALDEF 2013 Report (1) unless otherwise specified

<table>
<thead>
<tr>
<th>Demographics and Size of Chinatown</th>
<th>BOSTON</th>
<th>NEW YORK</th>
<th>PHILADELPHIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Asian or Pacific Islander (1)</td>
<td>46%</td>
<td>45%</td>
<td>42%</td>
</tr>
<tr>
<td>Population Growth 2000 – 2010</td>
<td>39.7%</td>
<td>-5.9%</td>
<td>108.2%</td>
</tr>
<tr>
<td>Chinatown Asian Pop MHI</td>
<td>N/A</td>
<td>$29,524</td>
<td>$32,411</td>
</tr>
<tr>
<td>Citywide MHI (2)</td>
<td>$50,684</td>
<td>$50,285</td>
<td>$36,251</td>
</tr>
<tr>
<td>Population over 65</td>
<td>14.6%</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>Citywide Pop over 65 (2)</td>
<td>10.1%</td>
<td>12.1%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Family Households</td>
<td>47.4%</td>
<td>72.9%</td>
<td>48.6%</td>
</tr>
<tr>
<td>Non Family Households</td>
<td>28.8%</td>
<td>23.9%</td>
<td>32.8%</td>
</tr>
<tr>
<td>In Group Quarters</td>
<td>23.8%</td>
<td>3.2%</td>
<td>20.5%</td>
</tr>
</tbody>
</table>

(1) The Chinatown boundaries used for the AALDEF Report extend beyond areas where there is a significant cluster of Asian residents, which is why Asian or Pacific Islander population is only 50% of Chinatown’s population. The commercial core of Chinatown is significantly smaller, but for purposes of cross-sectional and longitudinal baseline data, we will rely on the AALDEF data.

(2) American Community Survey 2006-2010
Ethnic Enclaves

Historians and sociologists have extensively studied the characteristics, behavior, and experiences of immigrant groups and there is a wealth of ideas around the benefits and drawbacks of the residential clustering patterns of immigrants. Many of the original theories about ethnic enclaves assumed that the enclave was simply a step on the socioeconomic ladder for immigrants to achieve their eventual goal of socioeconomic and residential mobility. The function of enclaves were to meet group members’ immediate survival needs and help them establish a foothold in their new land. However, in the long-run enclaves were perceived as obstacles that discourage immigrants from learning English and the American ways, stifling their incentive to make contact with members of the dominant group and mainstream institution, and trapping them in isolation (Zhou & Lin, 2005). However, Portes articulated an alternative narrative of ethnic enclaves in his study of the Cuban immigrant population in Miami. Portes put forth the concept of an “ethnic enclave economy,” and argued that the enclave is more than just a shelter for the disadvantaged. Instead of become increasingly “devalued” as immigrants assimilate and achieve socioeconomic success, the ethnic enclave possesses the potential to develop a distinct structure of economic opportunities as an effective alternative path to social mobility.

While Chinatowns continue to house a population that is lower-income, more linguistically isolated, and lower skilled, it would be simplistic to conclude that the enclave is hindering the economic and socioeconomic mobility of its residents. There are tangible benefits that come with living and working in the enclave that cannot be replicated in the mainstream economy. In Zhou’s study of garment workers in New York’s Chinatown, she found that for these garment workers, jobs are easier to find, working hours are more flexible, employers are more tolerable of the presence of children, and private affordable childcare were within close walking distance from work. The formation of small businesses enabled both Chinese owners and workers to avoid competition with the larger society. Business owners can serve as role models among coethnics and train prospective entrepreneurs. The relationships between co-ethnic owners and workers, as well as customers, generally transcend the normal contractual monetary bond but have an additional layer due to cultural norms around reciprocity (Zhou, 2005). On the other hand, Chinatown is also known for paying extremely low wages, poor working conditions, providing minimal to no job security or benefits to employees, and long hours.

Whether the tradeoff between the benefits and drawbacks of the enclave is a debate that has left us at a standstill between whether devoting resources to support these enclaves or getting people out of these enclaves is better for immigrant outcomes. Both approaches have benefits and drawbacks, and after decades of debate about which is better, I would take the stance that neither can be established as a definitely better option. I agree with Zhou in that “what matters most is that self-employment is an option over unemployment, that it creates job opportunities for an individual as well as for others in or out of the ethnic group, that is provides economic resources for the family and children, that it empowers group members with economic independence, and that it opens up a viable path for social mobility for individual group members and their groups as a whole” (Zhou, 2004). If that is the case, then just as we have dissected the mainstream economic structure, we must dissect the ethnic enclave. Portes’ “ethnic enclave economy”
provides an important framework to understand the characteristics of the enclave economy as an alternative opportunity ladder that seeks to achieve the same results as acculturation into the mainstream economy. This alternative framework is a starting place to identify the qualities of an ethnic enclave that are important to preserve and will help develop justifiable policy interventions.

Portes & Manning (2005) identified three prerequisites for the emergence of an ethnic enclave economy: (1) the presence of a substantial number of immigrants, with business experience acquired in the sending country; (2) the availability of sources of capital, and; (3) the availability of sources of labor. Portes emphasizes the importance of the first factor, arguing that the requisite labor can be drawn from family members and recent arrivals and capital sums required are usually small and can be accumulated from individual savings or pooled resources in the community. The growth trajectory of Chinatowns would support Portes’ theory, given that changes in U.S. immigration policies and continued influx of Chinese immigrants seemed to have been the primary catalyst that spurred major Chinatowns to evolve from their “immigrant ghetto” status into a vibrant economic enclave. The growing demands of the ethnic population allowed the enclave economy to diversify and grow beyond the undesirable margin industries like restaurants and laundries. Businesses sprouted left and right to adjustment and settlement needs of new immigrants and were no longer confined to entry level, low prestige, and labor-intensive activities. With a sufficiently large enough ethnic consumer base, it gives rise to a wide variety of higher level, white-collar, and knowledge intensive occupations, ranging from doctors, lawyers, accountants, to other white-collar, service oriented occupations such as bankers, insurance, and real estate agents, retailers, and wholesalers (Zhou, 2009).

Portes & Manning (2005) also identified the importance of a spatial concentration of business, residents, and labor for enclave businesses, especially in their early stages. It provides business with proximity to the ethnic market that they serve; proximity to each other which facilitates exchange of information, access to credit, and other supportive activities; and proximity to ethnic labor supplies (Portes & Manning, 2005). In Chinatowns, while access to the ethnic market and labor supply is still important, the dispersal patterns of wealthier Chinese to the suburbs and the proliferation of easy transit access, has reduced enclave business dependence on a proximate customer and labor base. Even if their employees no longer live in Chinatown, most firms are still able to employ a predominantly co-ethnic labor. The spatial concentration of business however, remains to be an important factor that will not diminish in importance. The large entrepreneurial class in Chinatown like Boston, New York, and Philadelphia have formal and informal ways in which they support each other and strengthen the enclave.

Business networks and linkages continue to exist in Chinatown, although the forms they take may have changed over time. During the exclusion era, most Chinese residents and businesses in ethnic enclaves were supported and controlled by family, clan, or district associations. Oftentimes, the mercantile elite were also the leaders of these ethnic institutions. The owner of a popular restaurant was likely to be the head of a family association and was inclined to hire his own relatives and friends who in turn spread the word about his restaurant. Business owners and workers could find each other through interpersonal relationships within Chinatown and never have to step outside of Chinatown. While family associations have declined in
importance as the primary platform to establish these bonds, the relationship between enclave businesses, employees, and the greater community have continued, albeit in different forms. A business association of some kind usually exists to enable networking amongst business owners. Employees continue to be recruited through word of mouth. For new immigrants, networks are established through ethnic or kinship ties. However, for the growing second-generation entrepreneurs, this word-of-mouth occurs through local university networks (e.g. Asian fraternities/sororities) and community based non-profits. Both networks not only provide access to a source of labor but also continue to play a role in helping spur community support to spread the word about the enclave business.

The relationships between enclave businesses and the community, customers and employees has never been a simply contractual business relationship. Enclave businesses in Chinatown provide work, education, access to health care, recreation, and a variety of other services without residents ever leaving the bounds of the ethnic economy. High level of institutional completeness intertwined with the enclave economy creates a physical site where coethnics of diverse class backgrounds meet one another face-to-face and rebuild social networks that have been disrupted through the process of immigration. Zhou (2009) argues that many new immigrants who have acculturated into American ways and residentially assimilated into white middle-class suburbs are now returning to their own ethnic community to organize among their co-ethnics, culturally, socially, and politically. Today’s Chinese American community has become more diverse, less geographically bounded, and less cohesive. However, the fact that Chinese immigrants that have assimilated continue to return to their own ethnic communities indicates that a fixed notion of the ethnic community as an isolated entity no longer applies. These trends point to a “paradoxical outcome of immigrant adaptation. They imply that becoming American while maintaining Chinese ethnicity is not just a possibility but an increasingly preferred choice among Chinese Americans (Zhou, 2009).” Within the enclave, valuable bridge ties that cut across class and spatial boundaries can emerge to prevent social isolation among disadvantaged co-ethnic group members (Zhou, 2004). This allows new immigrants to form lives and move ahead economically despite their limited knowledge of the host culture and language.

The Portes framework is helpful to understand how the spatial concentration of residents and businesses in Chinatown may yield benefits that are not easily quantifiable and difficult to observe from the outside. Furthermore, as resiliency of Chinatown’s ethnic enclave economy is tested by internal and external changes, coming back to this framework will help identify the core factors that allowed the enclave to thrive in the first place.

**Neighborhood Change and Small Businesses**

As more urban neighborhoods are no longer struggling from disinvestment but face gentrification pressures, the appropriate tactics to stabilize neighborhood businesses has not yet been extensively explored. However, a small but growing body of work has begun to examine the effects of gentrification on retail displacement. One of the few studies that actually tried to link the two was Rachel Meltzer’s study of retail offerings in New York. Meltzer (2016) concluded that gentrification is associated with both business retention and disruption. A majority of businesses stays in place, and displacement is no more prevalent in the typical gentrifying
neighborhood. However, when businesses do leave gentrifying neighborhoods, their spaces tend to sit vacant for relatively longer periods. Rising rents could then influence the kinds of businesses that opt into the neighborhood, and by association, the range and prices of products that they sell.

In assessing the impact of gentrification on neighborhood small businesses, one of the most obvious linkages is rising commercial rents. In March of 2016, Mayor Marty Walsh released the City of Boston’s Small Business Plan, and a stated goal of the plan was to increase the availability, accessibility, and affordability of real estate to small businesses. They found that consumer-facing local service firms need commercial storefronts that are increasingly expensive. In September of 2016, the New York City Council Committee on Small Business held a hearing titled *Zoning and Incentives for Promoting Retail Diversity and Preserving Neighborhood Character*. They cited various academic reports and news reports documenting the challenges of rising rents and forced eviction that small businesses are facing throughout the city. In 2016, the Philadelphia Association of Community Development Corporations (PACDC) worked with graduate students at the Woodrow Wilson Policy school to produce a report titled “Resiliency in Times of Change: Supporting Philadelphia Small Businesses in Gentrifying Neighborhoods.” They found that commercial rents in Philadelphia have surged significantly in the last decade, with some neighborhoods experiencing an increase of as high as 167 percent from 2005 – 2015. Despite evidence that may suggest a need to change business practices and address rising costs, “gentrification was not at the forefront of business owners’ concerns. Instead small business owners interviewed for this project highlighted day-to-day challenges related to Philadelphia’s business climate, citing problems with financing, City programs, and the cleanliness and safety of corridors.” Greenberger’s (2013) study on retail dynamics in Greenpoint, Brooklyn also found that when asked how rents have changed, “for those still in business few complaints were made; most business owners were simply happy that they had signed their lease when they had.” This suggests that small business owners may not be accurately assessing their economic environment or that they may not feel empowered with the tools necessary to address the gentrification impacts on their neighborhood. Therefore, small business owner awareness and empowerment will be key to increase small businesses participation in neighborhood preservation efforts.

Limited small business participation in community efforts is a commonplace phenomenon. In the past, the responsibility of the business community was seen as primarily providing financial or in-kind contributions or the volunteer activities of business executives and employees in their areas of expertise. Affirming the role of small business owners as a long-term stakeholder in the community will be pivotal to mounting small business resistance to displacement pressures. In Curran’s study of businesses in the mechanical engineering and business service sectors in the UK, they found that the level of local linkages was patchy and had limited attachment to locality. Even in cases where social responsibility was regarded as an important business issue, researchers found that organizational or individual involvement appears to be relatively ad hoc and driven predominantly by the personal attitudes, values and beliefs of the individual owning and/or managing the respondent organizations (Worthington, Ram, & Jones, 2006). Similarly, Fenwick and Lange’s (2008) study of social responsibility among small business owners found that despite commitment to social responsibility and building community, they saw it as an individual responsibility and were reluctant to work cooperatively.
Business owners pragmatically restricted their engagement in ideological debates or social activism to retain business credibility with a wide range of customers. They were ultimately cautious about coordinating their efforts with other organizations and wanted to remain distant from radical activity and ideological pronouncements. Even in cases where neighborhood small business owners were able to mount a successful campaign of retail restructuring in Fort Greene, Brooklyn, the merchants failed to develop mechanisms to sustain their vision and advance commercial revitalization (Sutton, 2010).

However, there are also risks of business participation in neighborhood decision-making. This may give businesses an arena in which to influence the division of resources. Representatives of businesses are not free of their organizations’ interest and prone to consider decisions according to narrow considerations. Instead of increasing community power, businesses may exploit it. Businesspeople are also often associated with the high or middle socioeconomic class, thus their participation may further widen the gap between decision makers and the lower class community. The involvement of business representatives may weigh down the process, especially if there are cultural differences between social and business organizations in terms of the social codes and symbols of the decision-making process (Boehm, 2005) may create communication problems and tensions. In creating space for small business owners to participate, we must also be cognizant of these risks.

The impact of retail displacement not only affects small business owners but can also be detrimental to the local community. Meltzer and Schuetz’s (2011) study explored how retail services change over time, particularly in neighborhoods undergo rapid economic growth and they found that gentrifying neighborhoods often experience a significant increase in independent businesses. While at first this may sound like a positive boon for residents, particularly since low-income neighborhoods have historically suffered from retail disinvestment, research has demonstrated that there can be negative effects of a changing retail landscape. Greenberger’s (2013) study of Greenpoint, Brooklyn retail changes illustrates that while new businesses were predominantly locally owned, they were catering to clients with greater disposable incomes than the mom-and-pop shops found throughout the rest of the neighborhood. Freeman (2006) found that while increased retail investment has led to increased safety and the availability of essential goods and services, many long term residents were also wary of higher-income resident moving into neighborhoods and forcing local businesses to close as a result (Freeman, 2006). This alienation was further reinforced by Deener (2007) who documented how the changing character of retail offerings allowed new residents to take “symbolic ownership” over the street’s identity and excluded long-term low-income residents in the process. The non-economic value of retail to neighborhood character was first highlighted by Ray Oldenberg (1997) who stresses the importance of “third places” as places of socializing and social leveling. However, changes in the neighborhood retail landscape in gentrifying neighborhoods often do not serve the function of being third places and are potentially just as detrimental to neighborhood character as chain retailers.

This growing body of work has important implications for this research on the impact of real estate development on small businesses in Chinatown. First, while documenting the actual change in rents in Chinatown is important, we must also understand the attitudes of business
owners towards rent changes. Secondly, understanding the existing level and type of involvement of the small business community (both formal and informal) will be crucial to charting the path forward for how the city can help small businesses respond and adapt to neighborhood change. Lastly, the impacts are not isolated to small business owners. Businesses are a part of the neighborhood character and provide value to the surrounding residents. In the process of understanding when it is appropriate to intervene, the impact borne by vulnerable populations will help justify devoting public resources to this issue.
CHAPTER 2

Changes in Boston, New York, and Philadelphia Chinatown Businesses

As discussed earlier, the continued growth of immigration from China to the United States plays a significant role in replenishing, strengthening, and reinforcing the importance of Chinatown. However, the increased diversity of Chinese immigrants settling in Chinatown in recent decades has led to more complex internal dynamics. Lin’s (1998) characterization of internal tensions between the traditional mercantile elite, typically dominated by first-generation, and new labor and community organizations, typically second or later generation, is further complicated by linguistic divisions within the mercantile class between older Cantonese immigrants and newer Fujianese immigrants (Zhou, 2009). These internal divisions have implications to understanding how changes in the residential population, in the availability and types of commercial spaces, and commercial rents can have differential impacts and responses among Chinatown business owners.

In addition to internal community changes, the changing demographics of people living and visiting Chinatown may alter the Chinatown economy and businesses. Businesses in the neighborhood may also see their capital, labor, and consumer market change. Just like the wave of Chinese immigration changes in the past few decades led to the rise of white-collar professional services in Chinatown, how has the revival of urban neighborhoods and new high value developments affected the business community in Chinatown? This is a moment in time where Chinatown can embark on very different paths depending on how community members (businesses and residents) respond and adapt to the changing conditions around them.

Internal Dynamics of New vs Old Business Owners

For much of late twentieth century, the Cantonese speaking population has been the dominant mercantile class that occupy most of the traditional core areas in many Chinatowns. As Fujianese immigrants started developing their own mercantile class, they were often boxed out from starting businesses in the core of Chinatown. Instead, they were relegated to the periphery, and as a result, we can often see a clear spatial segregation between the old Cantonese and new Fujianese communities. Through the course of this research, I saw this spatial division reflected visibly in New York and Philadelphia’s Chinatowns. In New York, the historical core of Chinatown along Mott and Doyer Street is heavily Cantonese whereas East Broadway is the Fujianese outgrowth from the historic core. Similarly, in Philadelphia we see the Cantonese businesses and family association buildings clustered along Race Street and the outgrowth of new Fujianese businesses clustered on Arch Street. Interestingly, this same pattern has not quite emerged in Boston’s Chinatown. A probable reason for this may simply be that the Fujianese population in Boston is not significant enough to support their own mercantile class.

New entrepreneurs in Chinatown generally fell into two main groups: recent Fujianese immigrants, some of which immigrated here as teenagers, and second generation Chinese Americans. While there are new entrepreneurs with limited English-proficiency and education, this new generation of business owners are generally more educated and have higher English-
proficiency than the older Cantonese business owners. The younger entrepreneurs that I interviewed were English-proficient, college-educated, and some had other careers before deciding to open a business in Chinatown. One new owner in Philadelphia used to work as a community organizer in Chinatown but became a restauranteur as an opportunity to bring his siblings back together to run the venture. He believes that things in Chinatown are better than before and wanted his siblings to see that also. Another business owner in Philadelphia had worked for a large IT company and first got involved in Chinatown as an investor of a new restaurant. However, he became so excited by the new ideas he had for making the business better that he wanted to start his own. He and his wife now own multiple food establishments in Chinatown and are driven by the idea of finding a replicable business model. A number of young second-generation Chinese-American entrepreneurs in New York have received significant attention from local news sources and blogs. Many of them went to college locally, grew up New York, and are now starting trendy new businesses that cater to college students and young professionals, often gaining traction on social media.

New entrepreneurs encounter many difficulties related to charting out their business plan, but for the purposes of this research, I focused on their ability to find and afford commercial space in Chinatown. In Boston, multiple sources confirmed that the demand for space is so high that no commercial spaces ever go on the market as available for rent. Instead, vacancies are filled immediately through word-of-mouth and the space is rented out to a new tenant before the previous tenant’s lease even ends. Philadelphia’s younger entrepreneurs also reported having significant difficulty with finding space, reporting anywhere from four to eight months of searching before finding availability. In such supply-constrained markets, realtors are not helpful to new entrepreneurs because realtors prioritize giving information to their close connections. Boston did not even have a realtor for commercial spaces. Compared to Philadelphia and Boston, New York Chinatown’s commercial space market was significantly less supply constrained. The reasons for this may largely have to due to the loss of the garment industry, the after effects of 9/11, and significant competition from satellite Chinatowns. The increased supply of space due to conversions of factory buildings and reduced demand have led to much greater vacancy in New York. Further discussion of vacancy in New York will be in Chapter Three.

Older Cantonese business owners (and their successors) are much better established and may have ties that can help them with their ability to either stay in their commercial space or find a new one. Those who have been there for decades may even own building(s) or rent from a family association that they have close ties with. Several older business owners who have been in Chinatown for decades reported that while they do not have a formal lease with the property owner, they are not concerned with being evicted. One business owner even said she preferred this month-to-month lease so that she can have greater flexibility. When asked what she would do if the rent was hiked significantly, she said she would simply retire. Another owner who ran a food manufacturing business on Ludlow Street, an area that is experiencing significant new development, said his relationship with the property owner was so strong that he was not worried about losing his commercial space.

Historically, Chinese small business owners do not work alone. A survey of ownership structure of Chinese restaurants in 1938 reported that 57 percent were partnerships, 33 percent
individuals, and 10 percent incorporated (Lin, 1998). This culture of partnership-based entrepreneurship was still evident in Boston and Philadelphia, where several individual, family, or collectives owned multiple businesses. Many of these are business owners that have ties to family associations or are successors of families that have been in Chinatown for decades. In Philadelphia a group of new Fujianese entrepreneurs are mimicking this model and forming a partnership amongst restaurateurs and investors to pool the human and financial capital necessary to have their hands in multiple businesses.

The business model of new businesses in Chinatown is vastly different from the past, partly because the start-up and operating costs are so much higher. This is particularly true in New York where occupancy costs are at least two to three times higher than in Boston or Philadelphia. A small business consultant in New York Chinatown cited that the high start-up costs of opening up a restaurant makes dessert shops the more feasible option for entrepreneurs interested in the food and beverage business. Furthermore, these are higher margin businesses where their customers are much less price sensitive than the traditional customer base of Chinatown. For example, new dessert shops often occupy a small 500 square feet storefront and charge anywhere from $7-$9 for ice cream, while a traditional Chinese restaurant occupies a 1,700 square feet space and also charges $7.50 for an entire entree. The regular clientele of these new, hip establishments are young professionals and Asian international students that are less price sensitive compared to the traditional customer base, such as seniors and homemakers that notice every $0.25 change in prices. Restaurants and bakeries that have an older traditional Chinese clientele cited that raising prices is a very tricky issue and can run the risk of seniors boycotting their store for a mere $0.25 rise in prices. Furthermore, since they have always relied on a captive market of ethnic Chinese, older businesses are not well versed in marketing their store to attract new customers. It is much more difficult to adapt one’s business model when one’s customers are extremely loyal but also extremely resistant to change. Rising rents combined with declining local clientele puts traditional businesses that serve the ethnic Chinese population in a very precarious position. All three Chinatowns have a good number of businesses, particularly bakeries, which cater to this price sensitive customer base.

These differences suggest that both new entrepreneurs and more established businesses stand to the gain and lose in varying ways. Younger entrepreneurs have greater ability to pivot, adapt, and adjust to the preferences of new residents moving to the neighborhood. They are also more likely to seek out and successfully obtain commercial spaces in new developments. However, rising rents and limited supply of commercial spaces are significant barriers for new entrepreneurs. On the other hand, long established businesses are less able to change their business to match new resident needs and may not have a sustainable business model to sustain new levels of operating costs driven by rising rents and property taxes. This is particularly true for businesses selling traditional goods with low profit margins. However, this older generation of Cantonese businesses may also be less concerned about business displacement because (1) they are closer to retirement are less concerned about the long-term future of their businesses; or (2) those who own their building may stand to personally gain from selling to developers. However, from interviews, it did not seem like any of these older business owners are actively seeking or looking for to opportunities to sell off their land but neither did they cite any staunch attitude
against selling in favor of community interests. Overall, both groups seem resigned to the rising rents that their neighborhood was experiencing. The scale of rent increases, and their variation across cities, will be discussed further in Chapter Three.

While ties to family associations were crucial several decades ago, the power of these associations have eroded over time. Family associations play a role in stabilizing Chinatown by being patrons of its members’ businesses (financial support, word of mouth marketing, funneling business opportunities, etc.). On the other hand, they can also play a role in raising the barriers of entry for new entrepreneurs if they have a monopoly over the limited storefronts available in the neighborhood. Currently, a majority of family association members are elderly Chinese men. Unless they are able to recruit a new generation, their influence will eventually dissipate, opening up more opportunities for new entrepreneurs but also leaving Chinatown more susceptible to displacement of Chinatown businesses and residents as they sell their land. In Boston, there are one or two landowning family associations with significant power and that are highly organized and informed about the landscape of real estate changes in and around Chinatown. In New York, family associations hold a significant percentage of the land in the core of Chinatown, but much of their influence seems to be through service provision. The scale of New York Chinatown and the magnitude of value that can be reaped from land may be too large for family organizations to manage. Philadelphia’s family associations seem to be rapidly waning in influence and multiple sources seem to have the impression that associations were selling off their property.

The “mini-ecosystem” of Chinatown Businesses

Chinatown in Boston, Philadelphia, and New York have all achieve a significant size and scale such that the types of businesses in the enclave are fairly diversified. As Zhou (2009) documented in her study of New York’s Chinatown, while there are low prestige and labor-intensive activities, there are also a wide variety of higher level, white-collar, and knowledge intensive occupations. This diversification of Chinese-owned enterprises within the enclave enabled businesses to create a self-sustaining mini-ecosystem where income and expenditures are circulated and multiplied within the enclave. Lin (1998) attributes Chinatown’s low employment rate, locally driven rehabilitation of the built environment, and significant generation of business tax revenue, to the enclave’s strong inter-industry linkages. A dollar once earned “never leaves.”

In each Chinatown, evidence suggested that local businesses not only serve retail customers but can also act as wholesalers to other businesses within the enclave. Some achieve sufficient scale to serve the regional market and others are even engaged in export activities. Local grocery stores conduct wholesale business with restaurants in the community as well as in the greater region. One interviewee suggested that the catchment area for Boston grocery stores spans from southern Vermont down to eastern Connecticut (where New York’s grocery stores start to take over). A grocery/health product storeowner in New York Chinatown stated that they have never relied simply on local retail customers and have had their own warehouse and associated export business. Bakeries also often have a dual purpose of serving retail customers and being wholesalers to local restaurants. A large number of flower shops are not oriented at individual consumers but see funeral homes in Chinatown as their target customer. This inter-connectedness
of business helps make them stronger and more resilient to economic changes and sudden cost increases. This is particularly important to the low-margin businesses that are common in Chinatown. The loss of a particular business, or loss of a particular industry, can have ripple effects to the rest of the enclave. Therefore, a resiliency strategy for Chinatown’s commercial district may be to reinforce and strengthen the linkages amongst businesses.

On the other hand, the rise and fall of various industries within Chinatown throughout its history is reflective of the ephemeral nature of all business models and the ability to adapt to the loss is crucial. No business model is resilient to the inevitable changes in consumer preferences, technology, and cultural norms. For example, the internet completely obliterated bookstores and significantly challenged the relevance of brick-and-mortar retail stores. In New York’s Chinatown, bookstores have declined precipitously and only two of the dozen or so bookstores remain. Retail clothing stores were also extremely popular in Chinatown until the 1990’s when American brands became cheaper. Several clothing stores remain on East Broadway, but the need for clothes imported from China has largely eroded. As older trends die, new trends emerge and each era has particular industries that are in a growth period, with new businesses opening in rapid succession. Multiple stakeholders in New York and Philadelphia cited the herd-like nature of new entrepreneurs as a significant challenge, leading to high turnover and quick oversaturation of the market. In New York, services for the elderly, such as medical offices, pharmacies, and adult care centers, have increased exponentially and competition has completely driven down margins. Figure 6 provides a quick sampling of the numerous pharmacies that have exploded in New York Chinatown. Young and hip food establishments like bubble tea and Thai rolled ice cream shops have proliferated in Chinatowns. In 2016, over a span of less than seven months, three ice cream stores, all within several blocks of each other, opened up on Allen Street in New York. In Philadelphia, the large and growing international student population has spurred the growth of new karaoke shops and some have already started to fizzle out. Endeavors to support the resiliency of the commercial district in Chinatown must be sensitive to the rapid erosion of the first-mover advantage, as others will quickly replicate successful models that appear in the enclave.
Second Generation Asian American Entrepreneurship in Chinatown

As discussed earlier, every business model reaches a point where it is no longer relevant and every business owner will retire at some point. Therefore, new entrepreneurs are critical to replenishing the business community with new energy and new ideas. Second generation Asian Americans are a source of new entrepreneurs that are transforming the business community from all directions. Some are taking over for their family, some are starting from scratch, and others are doing something in between. Take the He Zhen Snap Button Company for an example (see Figure 7). This store has been operating on Mott Street (in New York) for over 30 years but last year it became part button shop and part gallery space (Simone, 2014). The storeowner’s daughter, Amy Li, had pursued an advanced degree with the dream of being a curator, but had found it
extremely difficult to find affordable gallery space. Hence, she pitched the idea to her father of using the front room of his button shop and he agreed. In between entertaining her own customers, Amy also helps translate between for her dad and his customers. Now, some customers come in for art and some customers come in for buttons. As young Asian Americans who grew up in the neighborhood come back, they will have an impact on transforming the community according to their second-generation experiences and desires, distinct from the ones oriented towards the immigrant-working class. This can be seen in the transformation of older establishments as well as the formation of new ones through entrepreneurship.

In New York, Nom Wah Tea Parlor is one of the best-known examples of the old becoming new and hip again (see Figure 8). Located on Doyers Street, one of the original streets of New York Chinatown, Nom Wah has been around since 1920. The family that currently owns it has been operating the restaurant since 1974. In 2010, 37-year-old Wilson Tang assumed the reins from his uncle, and he immediately remodeled and updated the kitchen, and worked to establish a presence for Nom Wah on Facebook, Twitter and Instagram. It is now one of the most popular spots in Chinatown with lines out the door every weekend. Tang grew up in Ridgewood, Queens, majored in business at Pace University and worked for Morgan Stanley as an analyst. At one point, he opened up a bakery on Allen Street but ended up closing it and going back to Wall Street. When his uncle decided to retire, he could not
resist the opportunity to take over Nom Wah in 2010. In 2015, he opened up a second outpost in Philadelphia’s Chinatown and a third outpost is in the works (Stern, 2016). This transformation of old becoming new again is also happening in Boston, spearheaded by the Moy siblings. The Best Little Restaurant was revamped in 2016. The dishes are now cooked by executive chef Mark O’Leary, the bare-bones room has been redecorated with vintage martial arts posters, red lanterns, and entryways lined with mah-jongg tiles. Amidst this décor we have Stevie Wonder and Bee Gees playing in the background (First, 2016).

In the process of reinventing older businesses, some Asian Americans see the preservation of the business’s historical identity as an ideological stance against erosion of the enclave’s character. For example, Mei Lum, the current owner of Wing On Wo, a porcelain shop in Chinatown that has been in operation since 1925, has received a significant amount of media attention for dropping everything she was doing in order to take over the store, and stop it from being sold to developers (see Figure 9). Since taking over the store, Mei Lum has launched the W.O.W. Project, a non-profit based at Wing On Wo, which aims to “engage the community to shape the future of Chinatown by bringing together youth, elders, business owners, and concerned residents in conversation and innovate idea generation.” The W.O.W. project has hosted multiple workshops and panels at the store since Mei Lum has taken over. Mei Lum says their story has drawn many people to their store and sales have actually gone up.

Pearl River Mart, established in 1971, has also received significant press since they were forced out of their store after a significant rent hike. The significant community support they received spurred them to re-open a brick and mortar store, albeit in a much smaller space. This time the mezzanine floor of their store included a small upstairs gallery space (see Figure 10). In January the space was home to an exhibit was organized by the Chinatown Art Brigade, which is a local coalition of artists who seek to use art to address broader issues of displacement and gentrification in Chinatown. “The idea is work not only with residents and tenants,” said Betty
Yu, cofounder of the Art Brigade, “but also small businesses and landmark businesses in Chinatown that really have a stake in the gentrifying community (Lindberg, 2017).”

Figure 10 Pearl River Mart Art Gallery

In all of the examples presented so far, the entrepreneur capitalized and built upon on their family’s existing resources and connections. For those without these local connections, it is extremely difficult to find space and capital to start an enterprise. In Boston and Philadelphia, the lack of retail space availability is a significant limiting factor. In New York, high occupancy and operating costs make amassing sufficient startup capital difficult. Therefore, many young Chinatown entrepreneurs have to find ways to start small, hence the burst of ice cream shops. Many of the new ice cream shops opening up in Chinatown are started by native Chinese American New Yorkers. Michael Tsang and Jason Liu, two longtime friends who were born and raised in Chinatown, opened up an ice cream store called SoftSwerve in 2016. Items on the menu are inspired by nearby city spots, such as Astor Place, and Chinatown spots, with special sentimental value for the owners. “Coming up with the menu, we started thinking about how we came up with the inspiration for the ice cream and our roots in the neighborhood.” A dessert called Mott and Mulberry — matcha soft serve topped with crushed Oreos and chocolate drizzle — has special sentimental value for the owners, said Tsang, explaining the two streets represent the cross section of Chinatown, known for its green tea, and Little Italy, known for its chocolate stocked bakeries (Hobbs, 2016).

The example of Wing On Wo and Pearl River Mart illustrates how business owners, particularly those that are second-generation Asian Americans, can be engaged in neighborhood preservation efforts through their business. Furthermore, both of the aforementioned examples have benefited from their ideological stance against gentrification. These stories also demonstrate that businesses can play an important role for the community that goes beyond what they are...
selling. In addition to these exemplar cases of business owners taking ideological stances described above, businesses also serve as important places for people to socialize and form community. The blurring between pure “businesses” and “cultural institutions” is reflective of the multiple roles that businesses play in the community as a Third Place (Oldenburg, 1997). For example, many of the larger restaurants in Chinatown still serve as the de-facto banquet halls for weddings, local non-profit fundraisers, and Chinese New Year celebrations. These banquet halls are important because of their:

1. **Scale** – These events are large functions that require a sufficiently large capacity
2. **Culture specific services** – The décor used and food served during Chinese weddings and Chinese New Year celebrations are very culture specific.
3. **Affordability** – Most other spaces of that size outside of Chinatown are likely to be significantly more expensive. Furthermore, restaurants often give local non-profit organizations and family associations a discount as their contribution/support of their work.

On a smaller scale, local bakeries are also very important to the local community. In all three Chinatowns, I observed bakeries serving as social spaces for the elderly. They often buy a single pastry and a small drink (the bill coming out to less than $2) and sit at the bakery for the rest of a morning with a newspaper and some friends. With such cramped housing in Chinatown, just like how young people like to hang out at bars, these elderly residents hang out at their local bakery. Further elaboration on the ways in which Chinatown’s small business provide social value to the community is important to help legitimize and guide the role of small businesses participation in community preservation efforts.

**Chinatown as Business Incubator**

Chinatown acts as an incubator for second generation Asian American entrepreneurs and enables them to test out their ideas in a consumer market that they understand. Furthermore, the concentration of so many services and supplies locally make it quite easy for a new entrepreneur to acquire accounting services, legal help, banking services, etc.

Each Chinatown provided some level of neighborhood-based services and resources for entrepreneurs. In New York, the Chinatown Manpower Project (CMP), located right in the heart of Chinatown on Mott Street, provides a range of resources to help entrepreneurs jump-start and develop their businesses. They have annual business fairs, provide state certified business trainings, and offer one-on-one business consultant services. In an interview with the previous business development director at CMP, it seemed like he had talked with almost every one of the new businesses starting up in the neighborhood, knew the story behind many of the businesses, had local connections to various owners, and was friends with everyone. Comparatively, in Philadelphia and Boston, the local entrepreneurial development system is embodied in networks that are more informal. In Boston, the main entity that provided business advice and support to those who wanted to start a new business was the Chinatown Business Association (CBA), which is a volunteer-run, membership-based organization. The CBA is extremely dependent on leadership of the local business owners, has no dedicated staff providing assistance, and has lapsed in the past due to lack of leadership. The main issues that CBA focuses on is helping
businesses get through local city government bureaucracy to get the necessary permits and approvals. Philadelphia’s entrepreneurial development system is similarly informal. In the past, the Chinese Consolidated Benevolent Association (CCBA) provided assistance to budding new business owners, but as the CCBA has become more dormant, the main engine of new businesses in Chinatown seems to be a group of entrepreneurial individuals pooling together resources and strategically developing expertise around navigating city bureaucracy. At one point PCDC stepped in to fill this role, but has discontinued this initiative in the last few years after losing city funding. A Business Service Manager from Philadelphia’s Department of Commerce also assists local business owners, but mostly in the form of troubleshooting, directing business owners to where they can get help, and translation. This is similar to the role that Chinatown Main Streets in Boston plays.

All three Chinatowns have seen food and beverage businesses grow in popularity amongst new entrepreneurs. Part of this has to do with the reputation that Chinatown has had (or is developing) as an ethnic-Asian food haven. Philadelphia, in particular, has been getting significant attention from local news sources as the frontier of new and interesting food options. Craig LaBan, from Philly.com is a particular fan and has followed the Chinatown food scene quite closely. In New York, the incubation value of Chinatown is particularly true for those doing food related endeavors, as there are a plethora of local markets and restaurant supply stores. From the perspective of a budding Asian-American entrepreneur who grew up in the neighborhood, Chinatown is the perfect starting ground for a food related endeavor because it has a combination of tourist traffic and locals (from around the city), has easy access to cheap supplies, and a friends and family customer base. In fact, a local business consultant said local Asian fraternities and sororities are a major source of support for these new ice cream shops. Their friends help publicize them through social media and help create hype around the store. Furthermore, at the scale of a small dessert shop, the cost of buying fruit from the local fruit stands is the same as buying them wholesale.

The benefits of the enclave economy continues to accrue for young Asian American entrepreneurs who are capable of expanding their network to beyond Chinatown’s borders. Over the past decade, many businesses started by Asian Americans in Chinatown have expanded beyond Chinatown to other parts of the city as well as other cities. Several years ago, we could see this in the rapid proliferation of bubble tea (aka boba tea) stores. The Kung Fu Tea owners (three young Asian Americans) opened their first store in 2009 in Flushing, New York and the company is now a large franchise with locations all across the U.S. and in Taiwan. Other Asian American bubble tea franchises that have emerged in the last couple of years from Chinatowns include Vivi’s and TeaDo. Rolled ice cream stores have also expanded beyond Chinatown. TenBelow has branches throughout the Lower East Side in New York and Juicy Spot expanded from New York Chinatown to Boston Chinatown. Xi’an Famous Foods, started in 2004 by an immigrant family, began in a small storefront in an old mall on East Broadway. Today there are eight locations all across New York. Dumpling Café, which first started in Boston’s Chinatown, now has two sister stores in the Back Bay and Allston (Bhang, 2016).

The ability of the enclave to serve as an alternative pathway, and not one of last resort, is illustrated by the success of these entrepreneurs. They are not just operating in the margin
industries but one of their own interest. The elements of Chinatown that foster and support these entrepreneurial activities were not fully explored in this thesis. However, evidence suggests that there is reason to believe that there are ways in which Chinatown plays the role of an incubator for these young Asian American entrepreneurs. Further exploration can help identify the particular elements of Chinatown that warrant protection as the neighborhood undergoes demographic and spatial changes.
CHAPTER 3

Real Estate Developments in Chinatown and Their Impacts on Small Businesses

New real estate development is one of the most visible and drastic changes that can happen to urban neighborhood. They bring with them new types of economic activities, draw in a new population of users, and alter the urban form. Some of the most contested issues in urban neighborhoods occur around the rights of different groups to use, change, and benefit from land. As discussed in the introduction, Chinatowns in Boston, New York, and Philadelphia all have a history of contested land battles to protect and preserve the enclave from institutional expansion, land takings for large public projects, and large urban redevelopment schemes (like a baseball stadium or casino). While the community has achieved significant gains, such as the significant stock of affordable housing in Boston built with the support of the City, the preservation of the ethnic enclave continues to be an ongoing battle. Affordable housing to protect the immigrant population from displacement has become a well-known ask from the community, but is that all we need to preserve the vibrancy of the enclave? What other ways do we want to moderate new development in Chinatown?

In order to answer this question, I documented the real estate developments in each Chinatown over the past ten years and explored their impacts from the perspective of another crucial stakeholder to the Chinatown enclave, its small businesses. Chinatowns are mixed-use neighborhoods with significant commercial activity. In AALDEF’s report, they documented the land use of parcels in Chinatown and found that commercial and mixed-use parcels represented 71 percent of Boston Chinatown, 68 percent of New York Chinatown, and 65 percent of Philadelphia Chinatown (see Table 2). From this, we can see that commercial activity plays a significant role in defining the character of Chinatown.

Table 2 Chinatown Land Use
Source: AALDEF Chinatown Then and Now Report

<table>
<thead>
<tr>
<th></th>
<th>Boston</th>
<th>New York</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Parcels</td>
<td>734</td>
<td>3,652</td>
<td>799</td>
</tr>
<tr>
<td>% Commercial</td>
<td>53</td>
<td>25</td>
<td>39 (3)</td>
</tr>
<tr>
<td>% Mixed Use</td>
<td>18</td>
<td>43</td>
<td>26</td>
</tr>
<tr>
<td>% Residential</td>
<td>19</td>
<td>15</td>
<td>18 (3)</td>
</tr>
<tr>
<td>% Institutional</td>
<td>11</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>% Parking</td>
<td>N/A</td>
<td>N/A</td>
<td>7</td>
</tr>
<tr>
<td>% Industrial</td>
<td>1</td>
<td>2</td>
<td>0.5</td>
</tr>
<tr>
<td>% Open Space</td>
<td>1</td>
<td>2</td>
<td>0.1</td>
</tr>
<tr>
<td>% Vacant Lots</td>
<td>3</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Median Height of Buildings (stories)</td>
<td>5</td>
<td>5.25</td>
<td>3</td>
</tr>
</tbody>
</table>
For the remainder of this chapter, I will first describe the real estate market and types of developments happening in each Chinatown, and then I will briefly discuss the current health of Chinatown’s commercial district in relation to the past as important context before finally delving into the impacts of the new developments on small businesses. Since the focus of this thesis is the impacts on small businesses, I paid particular attention to whether a site had ground floor retail prior to development and whether ground floor retail was replaced after development. Furthermore, in cases where ground floor retail was replaced, I documented the nature of the ground floor retail to determine whether the character of the retail space had changed. The main categories of impact I will discuss include: (1) changes to the inventory and type of retail space (2) changes in the local customer base, (3) increases in property taxes.

Real Estate Market

The most readily accessible indicator of the strength of the residential real estate markets was median house values and median contract rents. The AALDEF 2013 Report utilized census data on house values and contract rent to understand the relative strength of the real estate market across the three cities, as well as the rate of change within each city across time. While interpreting the values calculated for New York Chinatown, it is important to note that the borders of Chinatown utilized by AALDEF includes the entirety of the Lower East Side. As shown in Table 3, the median housing value in 2010 is high in Boston and New York Chinatowns, particularly when compared to Philadelphia Chinatown. Furthermore, in each city, when compared to the citywide median house value, the median house value in Chinatown was much higher, signaling that there is a significant higher value new construction potential in Chinatown even when compared to the rest of the city. In terms of median house value change over the past ten years, both New York and Philadelphia experienced over 250 percent increase, whereas Boston experienced only a 50 percent increase. Since all three are located in urban core areas, the median house value growth in New York and Philadelphia is likely driven by the addition of new condominium units to the housing stock and increased demand for ownership housing in cities. In terms of median contract rents, all three Chinatowns had comparable rents, and, surprisingly, with Philadelphia actually coming out at the top. Boston experienced the highest increase from 2000 to 2010 with a doubling of rents. This combined with the median house value data, suggests that Boston’s real estate market may have been more concentrated in rental housing. This cursory analysis of the real estate markets in each Chinatowns helps provide some insights into the residential product types that may occur in Chinatown and the pace at which real estate values are increasing.
Table 3 Strength of Chinatown Real Estate Markets

<table>
<thead>
<tr>
<th></th>
<th>Boston</th>
<th>New York</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinatown Median House Value (2)</td>
<td>2000 - $390,000</td>
<td>2000 - $167,917</td>
<td>2000 - $73,200</td>
</tr>
<tr>
<td></td>
<td>2010 - $583,850</td>
<td>2010 - $684,388</td>
<td>2010 - $262,700</td>
</tr>
<tr>
<td>2010 Citywide Median House Value (1)</td>
<td>$395,200</td>
<td>$513,900</td>
<td>$135,200</td>
</tr>
<tr>
<td>Chinatown Median Contract Rent (2)</td>
<td>2000 - $422</td>
<td>2000 - $534</td>
<td>2000 - $493</td>
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<tr>
<td></td>
<td>2010 - $859</td>
<td>2010 - $851</td>
<td>2010 - $931</td>
</tr>
<tr>
<td>2010 Citywide Median Contract Rent (1)</td>
<td>$1,073</td>
<td>$960</td>
<td>$656</td>
</tr>
</tbody>
</table>

(1) American Community Survey 2006-2010;
(2) Calculated by AALDEF report authors but based on 2006-2010 ACS data.

While each Chinatown was located in a city with different economic and real estate conditions, some trends cut across all three cases. Table 4 provides a summary of real estate projects documented in Boston, New York, and Philadelphia Chinatown. First, residential projects continue to represent a significant proportion of new developments, reflecting the larger market trend of residentially focused value drivers of urban core development projects. While condominium projects were popular prior to the most recent financial crisis of 2008, market rate rentals have grown as the preferred product type. Second, hotels, which did not have a presence in Chinatown in the past, were increasing their presence. There were also several notable differences across the three Chinatowns. First, Boston’s projects were significantly taller, with the average height being 18 stories. The reasons for this is likely due to a confluence of real estate market conditions (high land values and high demand for new housing) and local zoning and development review processes that enable such tall buildings to be approved. Second, New York had a much more diverse set of development product types, with a sizeable share of residential, office/retail, and hotel projects. The scale of New York Chinatown, both in terms of sheer number of blocks the neighborhood encompasses and the size of the population, may help explain the greater diversity of projects. Lastly, Philadelphia Chinatown had a much greater proportion of rehabilitation projects compared to New York and Boston. This suggests that the real estate market in Philadelphia has not yet reached a point where it draws enough capital to do multiple large, ground-up, development projects. However, the recent Philadelphia Redevelopment Authority announcement of plans to build four new buildings (senior rental, hotel, market rate rental, and an office building for a legal aid organization) on 8th and Vine, one of which will be 14-stories, suggests that this may be changing in the near future. Below is a table summarizing the development projects that I documented over the course of this research.

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5 While Chinatown had cheap single room occupancy short-term rentals, it did not have hotels that would be attractive to tourists.
6 This average would increase if we excluded affordable projects, all of the market rate projects were 20 stories or higher.
Table 4 Real Estate Projects in Boston, New York, and Philadelphia Chinatown

<table>
<thead>
<tr>
<th></th>
<th>BOSTON</th>
<th>NEW YORK</th>
<th>PHILADELPHIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>12</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Affordable Rental</td>
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<td>0</td>
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</tr>
<tr>
<td>Market Rate Rental</td>
<td>6</td>
<td>5</td>
<td>8</td>
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<tr>
<td>Mixed-Income Rental</td>
<td>1</td>
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<td>0</td>
</tr>
<tr>
<td>Condominium</td>
<td>1</td>
<td>7</td>
<td>3</td>
</tr>
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<td>Hotel</td>
<td>5</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Retail/Office</td>
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<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Other/Unknown</td>
<td>0</td>
<td>2</td>
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</tr>
<tr>
<td>Total # of Projects</td>
<td>18</td>
<td>38</td>
<td>17</td>
</tr>
<tr>
<td>Average Height (stories)</td>
<td>18</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Rehab Projects</td>
<td>1</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Boston

I documented eighteen development projects that have either been completed, under construction, or proposed in the Boston Chinatown area over the past ten years. Most of the new construction projects were built on surface parking lots, on vacant lots, or on lots with vacant buildings. The heights of these buildings ranged from six stories to 29 stories and averaged at 18 stories, but all of the luxury rental buildings were at 21 stories or higher. Two-third of projects were residential projects. Of the twelve, eleven were rental projects, of which four were affordable, one was mixed-income, and the remaining six were luxury rentals. This supports the previous conclusion that Boston Chinatown’s real estate market is more heavily concentrated in the rental housing market. However, compared to New York and Philadelphia Chinatown, the inclusion of significant affordable housing development in this current rental market boom is unique to Boston’s Chinatown.

There is significant controversy over new hotel developments in and around Boston Chinatown. Since the scale of Boston Chinatown is smaller, each new hotel development can create significant change to the character of the neighborhood. The first hotel that was built near Chinatown was the 26-story W Hotel and Residences in 2009. While arguably this is not strictly within Chinatown’s borders, opponents would say that the edges of Chinatown is where displacement risk is the highest. Since 2009, there had not been much hotel activity until the past two years, with one approved and three proposed. Opposition groups, the most vocal of which is the Chinese Progressive Association, argue that these development groups do not benefit the local neighborhood and take away one of the scarcest resources of Chinatown, land. The Chinatown Main Streets commented that while hotels could potentially benefit local businesses, the high-end chain or boutique hotels are unlikely to lead to tourism money being spent in Chinatown. A mid-range hotel is more likely to bring visitors that spend time in Chinatown.
Furthermore, traffic impacts is a major concern for businesses since it could deter the suburban Chinese clientele from visiting Chinatown.

**New York**

I documented 38 development projects over the past ten years in New York’s Chinatown that are either completed, under construction, or proposed. The types of developments in New York Chinatown was quite diverse with eighteen hotels, six office/retail, and twelve residential. The average height of new developments was eleven stories, ranging from a three-story retail building to a 24-story hotel building. Of the thirty-eight projects, only seven were rehabilitation projects.

**Hotels**

![Figure 11 Hotel Proliferation in New York Since 2004](image)

Local community groups and activists have pointed to the plethora of new luxury hotels in Chinatown as a sign of gentrification. From 2006 to 2017 over 1,700 hotel rooms have been, or are scheduled to be, built in Chinatown. Several projects were stalled during 2007-2009 due to the financial crisis and lack of financing available but were resumed in recent years. This backlog further contributed to the slew of new hotel development in the neighborhood. One of the tallest hotel developments, at 22 stories, is currently under construction in the heart of Chinatown on 50 Bowery Street. This new hotel will surpass the 19-story Wyndham Gardens hotel that was erected in 2012. This high proportion of hotel developments reflects the current boom of hotel development in New York overall. Over the past ten years, the number of visitors to the City increased from 37.8 million to 54.3 million, an increase of 43.6%. During the same time, visitor spending grew from $18.9 billion to $38.8 billion (Pratt Center for Community Development, 2015). New Hotel developments mirrored this trend with 180 hotels built between 2004 and 2013, an increase of 35%. The Pratt Center created a map of new hotel proliferation in New York since 2004 (see Figure 11) and highlighted Chinatown, as one of several neighborhoods that have experienced a recent burst of hotel developments.

**Apartments and Offices**

There were twelve primarily residential projects, of which none are slated as affordable. Although no new developments have added to the stock of deed restricted affordable housing in
Chinatown, there is a significant stock of affordable rental apartments in the neighborhood preserved through rent-control or rent-stabilized units. However, since newly constructed or substantially rehabilitated units (defined at replacing 75% of building-wide and apartment systems) are exempt from rent regulation, overtime this stock of affordable units will decline without a new stock of affordable units. There were four projects with a significant office component, three of which were office condominium projects.

**Philadelphia**

I documented seventeen development projects in Philadelphia, of which seven have been rehabilitation projects. There was a complete pause in activity between 2006 and 2013 in Chinatown and then a burst of activity in the past three years. All of the projects have been ten stories or less with the exception of the two large development projects currently underway, Eastern Tower, a primarily market rate residential project spearheaded by the local community development corporation, Philadelphia Chinatown Development Corporation, and the large mixed-use development on 8th and Vine. Similar to Boston, a majority of new construction projects have been infill along side streets, replacing vacant lots or surface parking lots. The most recently announced development scheme for 8th and Vine Street will replace a large 140,000 square feet surface parking lot with four new buildings (1 senior housing, 1 hotel, 1 apartment, 1 Equal Justice center).

At thirteen, residential buildings represented the greatest proportion of development projects. Eight are market rate rentals, three are condominiums, and two are affordable rentals (both are more geared to seniors rather than families). Prior to 2007, all the projects in Chinatown were residential condominium projects. However, the recent upswing in real estate activity has been more dominated by rental housing. Interviews with stakeholders and business owners seem to suggest that while condominiums brought many Chinese residents in, the new rental projects have added a significant number of higher-income non-Asian residents to the neighborhood. This can be corroborated by perusing the project records of early condominium projects like Ten Ten and Lofts at Winton. Individuals with Chinese surnames dominate the project records of these developments.

**Implications for Chinatown Businesses**

The type of real estate development occurring in each Chinatown has important implications for small businesses.

---

7 Rent control limits the rent an owner may charge for an apartment and restricts the right of any owner to evict tenants. A maximum base rent is established for each apartment and adjusted every two years to reflect changes in operating costs. Rent stabilization provides protections to tenants besides limitations on the amount of rent. Tenants are entitled to receive required services, to have their leases renewed, and may not be evicted except on grounds allowed by law. The Rent Guidelines Boards set rates for rent increases in stabilized apartments. Source: New York State Division of Housing and Community Renewal Office of Rent Administration. Fact Sheet #1. Rent Stabilization and Rent Control. [http://www.nyshcr.org/Rent/FactSheets/orafacl.pdf](http://www.nyshcr.org/Rent/FactSheets/orafacl.pdf)
<table>
<thead>
<tr>
<th>(1) No Prior Ground Floor Retail</th>
<th>New York</th>
<th>Boston</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) No New Ground Floor Retail</td>
<td>8</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>(3) New Ground Floor Retail</td>
<td>2</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>(4) Unknown</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Net effect (3)</td>
<td>2</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>

| (5) Had Prior Ground Floor      |          |        |              |
| (6) No New Ground Floor Retail  | 10       | 1      | 0            |
| (7) New Ground Floor Retail     | 17       | 1      | 2            |
| (8) Unknown                     | 0        | 1      | 1            |
| Net effect (7) – (5)            | -10      | -2     | -1           |

| Unknown                         | 1        | 1      | 2            |

| Total Projects                  | 38       | 18     | 17           |

| Increase/(Decrease) in Projects with Ground Floor Retail* | (8) | 3 | 3 |

*This calculation ignores properties where we do not know if there was prior ground floor retail or if ground floor retail was created after development.

Changes to the Inventory of Retail Space

At the most basic level, whether new developments replace, add new, or take away ground floor retail space will affect the inventory of space. While the absolute number of retail spaces added or taken away documented in this research is not a large number, this analysis explores the question of whether the commercial character of Chinatown may be undermined by new development (see Table 5).

In New York, a majority of the projects, 27 out of 38, had prior ground floor retail spaces, of which some projects had multiple retail spaces. After development, the pre-existing 27 projects with retail spaces were reduced to 17, representing a loss of ten (or more) retail spaces. Of the ten development sites that did not have prior ground floor retail, after the development, two ground floor retail spaces were created. The net effect of the 38 documented projects was a loss of eight ground floor retail spaces. This is actually an underestimate of actual number of retail spaces lost because some developments removed multiple storefronts. In Figure 12, the same building in New York Chinatown is pictured in 2007 and 2016, and we see that seven retail spaces have been consolidated into space for a single bank. In Boston and Philadelphia, a majority of developments were on sites that had no prior ground floor retail. While not all of the new developments included ground floor retail, the overall net effect is an increase in number of buildings with ground floor retail.
Infill projects are typically seen as beneficial for the city and neighborhood, but with respect to its impacts on Chinatown’s commercial corridor, there may be none or even negative effect if it deadens the street. While the removal of vacant lots is important to improve the attractiveness of the neighborhood (to residents and visitors), there are particular uses that do not bring pedestrian activity. Retail businesses are particularly sensitive to changes in street activity. In an urban setting, having a continuous string of shops on both sides of a street is the ideal environment to have good pedestrian activity. New hotel developments, which were numerous in New York and growing in both Boston and Philadelphia, are the most likely to remove retail spaces and deaden the street. In New York, only four out of the eighteen hotel projects included ground floor retail. Even in cases where there is ground floor retail, the façade and character of spaces included in new developments are often more controlled and sanitized.
The impact of a few developments on pedestrian activity can be quite significant for Boston and Philadelphia's Chinatown commercial corridors that a small geographic footprint. For example, the AVA Theater District is a 29-story luxury apartment building in Boston that was built in 2015. As seen in Figure 13, the ground floor space is partially an entrance to a parking garage and partially taken up by a large lobby space. While the glass is aesthetically attractive, a large building like this along Boston's core commercial corridor could completely deaden the street from pedestrian activity. Retail depends significantly on having a chain of continuous businesses to draw pedestrians down the entire commercial corridor. Breaking the continuity of the retail corridor can significantly hurt businesses that are at the edges of the commercial corridor and cut them off from the pedestrian activity in the core. Another example is the Archstone building on 660 Washington Street, Boston, where the building's façade on Beach Street is full of loading bays. Even though the main entrance of the Archstone is flanked by an Asian restaurant, Q Restaurant, it treats Beach Street, one of the main commercial corridors of Chinatown, like its back door. This not only removes prime space for a commercial business but also creates a hazard for pedestrians walking along the street.

In Philadelphia, the impact of new developments on pedestrian activity and vibrancy of the street was even more nuanced. Even if these developments included ground floor retail space, over time, retail space storefronts in the new developments became more standardized and homogenized, losing much of the character of individual storefronts. Figures 15 to 18 demonstrate the progression that occurs as one goes from a typical street in Chinatown in Figure 15, to a block dominated by a row of similar tenements in Figure 16, and then an entire block taken up by a single building in Figure 17 and 18. Storefronts blend in seamlessly with the building and delineation between one storefront and another becomes difficult to discern. Chinatown is known for its colorful awnings and facades that create an exciting pedestrian experience. If unchecked, this trend will make the streets of Chinatown significant more sterile.
**Figure 15**
Traditional Commercial Corridor in Philadelphia Chinatown
(10th Street, between Cherry and Arch Street)

**Figure 16**
Older Development Spanning an Entire Block in Philadelphia Chinatown
(9th Street, between Race and Spring St)

**Figure 17**
Pearl Condos in Philadelphia Chinatown
(9th Street between Arch and Race)

**Figure 18**
Grandview Condominiums with Vacant Ground Floor Space
(On corner of 11th Street and Vine Street)
Types of Retail Spaces

For residential projects, which represented a majority of Boston and Philadelphia’s new developments, the inclusion of retail space is optional, and even if retail space is included, the tenanting strategy is likely to be one oriented at providing their desired residents with amenities. Jordan Claffey, the Executive Vice President for retail at RFR Realty, said to the New York Post, “In almost all cases, our retail is an amenity to whatever’s happening above (Cuozzo, 2017).” This can lead to a change in the mix of businesses in Chinatown to cater more to the needs of the new residential population. Of the three Chinatowns, Boston’s new developments were the most clearly favored towards non-traditional Chinatown commercial tenants. Retail spaces were often coffee shops, banks, or higher end restaurants. In Philadelphia, the early condominium often partitioned off the ground floor into multiple retail spaces that were rented out or sold to Asian-owned businesses. There have not been enough new developments with ground floor retail in recent years to determine if the types of retail tenants in the new developments are different from the rest of the neighborhood.

In New York, the character of new retail spaces is not yet clear since many of the projects documented with retail are still under construction or vacant. However, one trend that warrants attention is the sustained and growing interest that the banking industry has in opening up branches in Chinatown. Motivated by the high savings rate among Chinese Americans and overseas capital flow from China, American and overseas banks have invested significantly in the neighborhood. In 2007, Canal Street had some of the wealthiest branches in New York City with nearly $6 billion in deposits spread across three-dozen retail banks. Given that most branches in New York have less than $100 million in deposits, Canal Street is royalty in the retail banking world (Balla, 2007). Chinatown is identified as a key strategic market for banks. The growth of banks in New York Chinatown has continued. For example, the development on 159 Canal Street, which was pictured in Figure 12, will be occupied by a bank.

The growth of banks can also be seen in Boston and Philadelphia Chinatowns. While most banks in Massachusetts are looking to shrink, new branches are opening up in Boston Chinatown. Deposits at Bank of American, Citizens, Santander, East West Bank, and Cathay Bank in Boston Chinatown grew by nearly 40 percent from mid-2012 to mid-2015, crossing the $1 billion threshold, according to FDIC data (Ryan, 2016). That is more than five times the pace of deposit growth citywide. The newly built One Greenway, a mixed income development in Chinatown, will house another new branch of East Cambridge Savings Bank. While Philadelphia Chinatown has not achieved the same status, their residents are well serviced with an HSBC, an Abacus Bank, and two Asian Bank branches in an area less than two blocks wide and three blocks long.

While the accessibility of local banks provide significant benefits to residents and businesses, it also has significant impact on the physical landscape of Chinatown. In the 1970s and 1980s, banks were key facilitators of bringing major overseas capital flows into New York Chinatown. In addition, many bank branches take up large commercial spaces and are especially attractive high credit tenants for a landlord. While they are unlikely to displace existing non-bank small businesses, simply due to the quality or small size of most existing storefronts, they are a likely new tenant for new developments with ground floor retail. Many of the new commercial
office developments being built in New York Chinatown are anchored with a large bank tenant. In Philadelphia, two of the four bank branches in Chinatown are in new developments, the Pearl Street Condominiums and 1027 Arch Street Lofts. Similarly, in Boston, the newest bank branch to open up in Chinatown was in the new One Greenway mixed income development.

Changes in Local Customer Base

Residential developments, which were popular across all three Chinatowns, affect the demographics of the neighborhood. While the developments documented in this thesis are not completely responsible for the changes in total population and the changing racial composition presented in Table 6, the boom of rental housing in Chinatown is a contributing factor to the population change. Furthermore, if the existing housing stock is only several stories high, the impact of a single twenty-story development can be quite significant. While the impacts of new developments on the residential community is a separate topic, the residential base is a natural source of customers and employees for neighborhood businesses.

Table 6 Boston, New York, and Philadelphia Population Change 2000-2010

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2010</th>
<th>2000-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td><strong>BOSTON</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian or Pacific</td>
<td>5,242</td>
<td>57%</td>
<td>5,848</td>
</tr>
<tr>
<td>Islander</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>2,703</td>
<td>29%</td>
<td>5,383</td>
</tr>
<tr>
<td>Total Population</td>
<td>9,196</td>
<td>100%</td>
<td>12,843</td>
</tr>
<tr>
<td>Non-family</td>
<td>2,150</td>
<td>23.4%</td>
<td>3,697</td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NEW YORK</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian or Pacific</td>
<td>59,320</td>
<td>48%</td>
<td>52,613</td>
</tr>
<tr>
<td>Islander</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>19,529</td>
<td>16%</td>
<td>23,314</td>
</tr>
<tr>
<td>Total Population</td>
<td>124,165</td>
<td>100%</td>
<td>116,722</td>
</tr>
<tr>
<td>Non-family</td>
<td>22,996</td>
<td>18.5%</td>
<td>27,915</td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PHILADELPHIA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian or Pacific</td>
<td>1,421</td>
<td>49%</td>
<td>2,464</td>
</tr>
<tr>
<td>Islander</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>509</td>
<td>17%</td>
<td>1,697</td>
</tr>
<tr>
<td>Total Population</td>
<td>2,924</td>
<td>100%</td>
<td>5,923</td>
</tr>
<tr>
<td>Non-family</td>
<td>679</td>
<td>23.9%</td>
<td>1,943</td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AALDEF, Chinatown Then and Now
In Philadelphia and Boston’s Chinatown, most of the developments were infill projects that brought new residents in without directly replacing any previous residents. Furthermore, many of the rehabilitation projects in Philadelphia took old factory buildings and turning them into residential lofts. While there was no direct displacement, the shift in development types from condominiums to luxury rental housing means that the new residents attracted to these new developments are more likely to be non-Chinese and non-family households. This is because most immigrant Chinese families, regardless of income level, typically prefer to purchase rather than rent. For example, in Philadelphia Chinatown, of the 100 condominium units built in The Pearl, 99 were Asian (Blumgart, 2017). For this reason, in Boston and Philadelphia we see an increase in all populations, but a disproportionate increase in Non-Hispanic White population and a significant increase in non-family households. Furthermore, in New York, even though we saw a decrease in total population, we still saw a significant increase in non-family households. Real estate developers are partly responding to demographic shifts but also partly contributing to creating this demographic shift with new market rate rentals. The impact of this demographic shift is strongest in New York since overall Chinatown population is decreasing while the Chinatown Asian population is also decreasing. Older businesses who may have relied on the local Asian population as a significant proportion of their customer base may have trouble adjusting.

Increased Property Taxes

Increased development activity in Chinatown will also inevitably lead to increased property taxes. As redevelopment occurs, even if one does not change anything about one’s own property, the assessed value will increase because land values have gone up. Many buildings in Chinatown are low-rise tenements with ground floor retail and apartments above. Interviews with landlords demonstrated a common practice to shield low-income residents from rent increases by passing a bulk of the costs of increased property taxes to the commercial tenant. Leases in Chinatown are structured so that commercial tenants pay a certain percentage (typically around 50 percent) of increased property taxes from the base year. The base year rent already includes the existing property tax levels, so new leases will simply see a higher base rent compared to existing tenants that are paying a lower base rent plus the increase in property taxes. While businesses owners did not point this out as a significant concern, New York Chinatown BID’s Executive Director, Wellington Chan, gave significant emphasis to this issue of property taxes.

Using city tax parcel data, I was able to calculate the median change in assessed property value in Boston and New York Chinatowns. In New York, the median assessed value for property tax purposes increased from $315,900 in 2007 to $530,752 in 2016, a 68 percent increase (see Figure 19). While the New York City tax parcel database did not provide actual property taxes charged, I was able to approximate property taxes by multiplying (1) the tax rate for each

---

8 I relied upon the median assessed property value rather than the average because there is a significant distortion in the average due to a small number of parcels that are either extremely large or have significantly larger buildings that skews the average up. A median value is more representative of the magnitude of change most property owners experience.
parcel based on its tax class and (2) the current applicable assessed value. The median change in gross property tax increased from $105,437 in 2007 to $193,477 in 2016. On a per square foot basis, the median change in gross property tax from 2007 to 2016 was $1/SF/year. The median size of parcels in New York Chinatown is around 2,500 square feet.

Figure 19 Change in Assessed Property Value in New York Chinatown 2007 - 2016 ($/SF)

To contextualize what the magnitude of this change is on small businesses owners, Table 7 presents a real example of changes in property taxes and rent from 2007 to 2017 for a particular business in Chinatown. In this example, the property tax increase of $64,096 is equivalent to one-third of the increase in annual rent. While this is a property located on Mott Street, an extremely busy and desirable street in Chinatown, the increases in rent and property taxes are not exemplar or out of the ordinary. This simplified representation of property tax increases illustrates that even if a landlord is not trying to push rents higher, and are simply trying to cover monthly costs, by itself, higher property taxes can lead to a significant increase in occupancy costs for the tenant. Even though contractually, the landlord can only passes 50 percent of property tax increases to

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New York City has a system of adjustment to moderate property tax increases even as assessed market value of the property increases quickly. Therefore, there the tax rate is applied to an interim assessed value, not the actual assessed value of the property for that year.
tenants, when the lease expires, property owners can seek to recapture the entire property tax increase with higher rents. Rent stabilized and rent control apartments that characterize many of the residential units in Chinatown and prevents the property owner from passing on too much of the property taxes and other operating costs on to residents.

Table 7 New York Chinatown Example of Property Tax Impact (2007 – 2017)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Market Value</th>
<th>Taxable Assessed Value</th>
<th>Stories</th>
<th>Annual Property Tax (entire building)</th>
<th>Annualized Base Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,565,000</td>
<td>$665,010</td>
<td>5</td>
<td>$82,890</td>
<td>$360,000</td>
</tr>
<tr>
<td>2007</td>
<td>$353,000</td>
<td>$158,850</td>
<td>5</td>
<td>$18,794</td>
<td>$180,000**</td>
</tr>
</tbody>
</table>

$ Change $1,212,000 $506,160 $64,096 $180,000
% Change 343% 319% 341%

Source: New York Department of Finance

Increases in Boston property values was also quite significant, going from $629,000 in 2007 to $886,500 in 2016, representing a 43 percent increase (see Figure 20). The median gross property tax levied on property owners in Chinatown increased from $6,586/year to $8,525/year. On the per square foot basis, the median change in property tax from 2006 to 2017 was $1.37/SF/year, coming out at slightly higher than New York. The median size of parcels in the Boston’s core Chinatown was around 1,300 square feet, significantly smaller than New York’s median parcel size.

Figure 20 Change in Assessed Property Value in Boston Chinatown 2007 – 2016 ($/SF)

Similar to New York, I took a particular example to contextualize the impact of property tax increases on a small business in Boston (Table 8). In this case, the parcel’s annual property taxes increased by $5,600 while the annual rent for the commercial space increased by $4,800. The
A business owner located in this particular building said that his rent increase is similar to what other similar spaces have experienced. The reason why the rent increases have not kept pace with property tax increases is unclear.

### Table 8 Boston Chinatown Example of Property Tax Impact (2007-2017)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Assessed Value</th>
<th>Stories</th>
<th>Annual Property Tax (entire building)</th>
<th>Annualized Base Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$909,000</td>
<td>4</td>
<td>$17,339</td>
<td>$36,000</td>
</tr>
<tr>
<td>2007</td>
<td>$531,000</td>
<td>4</td>
<td>$11,738</td>
<td>$31,200</td>
</tr>
<tr>
<td>$ Change</td>
<td>$378,000</td>
<td></td>
<td>$5,600</td>
<td>$4,800</td>
</tr>
<tr>
<td>% Change</td>
<td>71%</td>
<td></td>
<td>48%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Boston City Assessing Department

A similar analysis for Philadelphia’s Chinatown was not conducted due to the city’s implementation of the Actual Value Initiative (AVI) in 2013. The goal of AVI was to update assessed property values across the entire city for a more fair property tax levy system. Figure 21 is a screenshot from the City of Philadelphia’s property website, demonstrating the huge jump in assessed market value for a property on 909 Arch Street. After the AVI was implemented, the property’s value increased in value by over $1,000,000 even thought this simple two-story building had not undergone any major renovations. This policy intervention makes comparison to New York and Boston meaningless. Furthermore, as a part of AVI, Philadelphia introduced a transitional system to gradually increase property taxes but the data for actual gross tax was unavailable. To some extent, this new valuation may provide a signal to existing property owners that they should redevelop because their real estate is worth so much more. One interviewee revealed that the property owner of 909 Arch Street is planning to add additional residential units on top of the existing structure.

**Figure 21 Example of Impact of AVI on Property Values in Philadelphia**
(Source: property.phila.gov)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Value</th>
<th>Taxable Land</th>
<th>Taxable Improvement</th>
<th>Exempt Land</th>
<th>Exempt Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,296,400</td>
<td>$630,000</td>
<td>$666,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2016</td>
<td>$1,296,400</td>
<td>$630,000</td>
<td>$666,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2015</td>
<td>$1,296,400</td>
<td>$630,000</td>
<td>$666,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2014</td>
<td>$1,296,400</td>
<td>$630,000</td>
<td>$666,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2013</td>
<td>$230,000</td>
<td>$47,964</td>
<td>$25,636</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2012</td>
<td>$230,000</td>
<td>$47,964</td>
<td>$25,636</td>
<td>$0</td>
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<tr>
<td>2011</td>
<td>$230,000</td>
<td>$47,964</td>
<td>$25,636</td>
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</tbody>
</table>

Property assessments are a reflection of the expected market value of the property. To some extent, this system of property tax assessment puts pressure on landlords and tenants to
convert their space into the “highest-and-best-use” to produce more financial value, particularly in neighborhoods where land value is skyrocketing. However, for long time holders of property in Chinatown who are not using land as an investment vehicle this puts them in a tough spot. Their four- or five-story walk-up may have one or two ground floor tenant and low-income immigrant tenants in the apartments above. The revenue that they can reap from the property is limited even though the “market value” is much higher. They can increase rent on the commercial ground floor but that means their rent may only be affordable for higher margin businesses. Slowly, this may push out many of the low-margin affordable businesses serving the local low-income community. However, some may make the counter argument that this is good for the community if there are more high-margin businesses that can pay employees more and create a more mixed-income community.

Chinatown Commercial District Health

Before delving into the actual and/or perceived impacts of new developments on small businesses, I will briefly discuss the current health of Chinatown’s commercial district in relation to the past to provide some context for why business owners reflected particular attitudes.

Boston

In Boston, the Chinatown commercial core has always been small and concentrated, extending only a block or two away from Beach Street (see Figure 22). Interviews with key

![Figure 22 Map of Boston Chinatown Commercial Corridor](Map adapted from Tunney Lee’s Chinatown Atlas)
stakeholders and business owners suggests that the current state of Chinatown is seen as a high point of the commercial district. Having overcome the new highway construction that cut through Chinatown in the 1960's, the proliferation of “undesirable” Combat Zone businesses along the border of Chinatown in the 1970's and 1980's, and the expansion efforts of Tufts during the 90's, the challenges facing the neighborhood today are perceived as much less threatening and some would even say fairly trivial. While there has clearly been expensive, luxury developments (e.g. Archstone, Millennium Place, Radian) in close proximity to Chinatown, much of it was on vacant or dilapidated land parcels. Furthermore, many news articles cite new development as what finally pushed out the Combat Zone (Grillo, 2013). Most recently, the economic recession had a significant impact on the Chinatown business community and many stores had to close during in 2007 – 2009 period.

Today, an empty storefront with a ‘For Rent sign’ is a rare sight in Boston’s Chinatown. Even though most properties in Chinatown include ground floor retail, the current supply of retail space is not enough to match demand. As the regional Asian population continues to grow, there is great potential for Chinatown businesses to grow. The Asian population in the Boston-Cambridge-Newton metropolitan statistical area was 328,256 in 2015 compared to 274,732 in 2010 (American Community Survey). Along Beach Street, Harrison Street, and Washington Street the storefronts are decently sized ranging, from 4,000 to 10,000 square feet on the ground floor. However, because much of the existing stock of real estate in Chinatown are old row houses converted into mixed-use buildings, a good proportion of commercial spaces are not truly “ground floor” but require customers to walk down or up a short flight of stairs to enter the store (see Figure 23). These spaces are usually between 1,100 to 1,400 square feet and are very typical of storefront along Tyler and Hudson Streets.

The current stock of retail spaces in Chinatown has implications for the types of businesses that the commercial corridor attracts. Because many of these buildings have been grandfathered into new building codes, they do not have to be ADA compliant. However, if a business owner does too much to improve the space, they may trigger building codes that render the renovation costs exorbitant (this dynamic means that regardless of how many “storefront improvement” programs the city has, Chinatown business owners who are located in building code non-compliant buildings are unlikely to take advantage of the program). This can be significant
deterrent to new entrepreneurs when they are considering their options. A young Asian American entrepreneur, who has specifically elected to avoid opening a business in Chinatown, pointed to the benefits that he accrues from renting space in a newly constructed building. If your business is attractive enough to be considered an amenity for the residents, he said that you could get very attractive rents as well as significant tenant improvement allowances.

New York

New York Chinatown expanded rapidly from the traditional core along Mott and Doyers during the 1980’s and 1990’s. Major factors contributing to the expansion of Chinatown include the growth of the garment industry in Chinatown and the influx of new immigrants from the Fujian Province. Chinese businesses and residents extended east past the Manhattan Bridge and into the west edge of the Lower East Side. Unlike Boston, where there is a residential section and a commercial section (with apartments above) of Chinatown, in New York almost the entirety of Chinatown streets are filled with mixed use buildings. The core of Chinatown may have the highest pedestrian activity, but the commercial corridor extends throughout the entire neighborhood. Retail spaces came in all shapes in sizes in Manhattan’s Chinatown. At first commercial storefronts populated the ground floor level of tenement houses along the historic core. The rapid expansion and growth of the New York Chinese population led to intense competition for space and storefronts along the eastern expansion of Chinatown were often subdivided. Figure 24 represents a simple stylized characterization of ground floor retail spaces in Chinatown. Similar to Boston’s conversion of townhouses into mixed-use apartments, formats B, C, and D were local innovations by property owners and business owners to adapt existing spaces to meet their needs.

Figure 24 Ground Floor Spaces in New York Chinatown

However, in the last decade, the hundreds of factories that slowly closed shop and moved abroad has left a large vacuum in its place. Local stakeholders speculated that the garment district industry probably brought 40,000 additional people to Chinatown, about half of which lived in Chinatown and the surrounding area. Furthermore, in the aftermath of 9/11, the closing of Park Row, a major road for cars traveling into Chinatown, has had a significant dampening effect on businesses (Buckley, 2007; Kim, 2016). Without garment factories and an overall depressed economy in New York City after 9/11, many of these garment workers moved to satellite Chinatowns or farther out in search of jobs. As population and traffic flow in Chinatown continue to decrease, many of the “mini-malls” along East Broadway with a single storefront split amongst a row of stalls are starting to empty out. What used to be large bustling malls in Chinatown are
also emptying out, though it is unclear how much bad economic conditions versus bad management has contributed to these vacancies. Whereas “For Rent” signs were extremely rare in Boston and Philadelphia, vacant storefronts were visible along many of New York Chinatown’s streets. Figure 25 represents a cataloguing of vacant ground floor commercial spaces seen on the streets of Chinatown in December of 2016.

![Figure 25 Vacancies (in red) Documented in New York Chinatown](image)

Another implication of the loss of the garment district was the need to adapt a large stock of vacant factory buildings into a new use. According to a realtor who has been working in Chinatown for over three decades, the conversion of factory buildings to offices has create a glut of supply in the Chinatown office market. He states that office vacancies were usually around ten percent in the past, but now they are probably closer to 20 to 30 percent.

The high vacancy level (combined with high rent) is reflective of what is happening across all of New York. According to a retail report from the Real Estate Board of New York, vacancy is as high as 31 percent on portions of Fifth Avenue and 20 percent in SoHo (Geiger, 2017). Justin Levinson received significant press coverage for his interactive map that showed a massive amount of vacancies in Manhattan, most notably in SoHo and Lower Manhattan. The New York
Post reported how on Broadway from 49th to 58th streets, “a mere handful of actual stores and restaurants can be found amid banks, pharmacies, glorified fast-food outlets – and vacancies (Cuozzo, 2017).” Bradley Mendelson, from Colliers’, reported “sidewalk-level Times Square locations are up to $2,500 a square foot versus $400 just 15 years ago.” While Chinatown has particular economic forces that have contributed to a suffering retail market, the broader citywide trend of rising vacancies and unrealistically high rents also contributes to the troubles of Chinatown’s commercial corridor. Unlike the other two Chinatowns, which are growing, New York Chinatown is in a place of transition, whether this leads to a permanently smaller Chinatown is not yet clear.

Philadelphia

Philadelphia’s Chinatown has received significant influx of new immigrants as the overall attractiveness of the city improves. Furthermore, with New York being only a two-hour bus ride away, those who find New York too crowded and too competitive may see Philadelphia as an attractive alternative. As the City’s image has improved, the reputation of Chinatown itself has also improved significantly in the past ten years. Arch Street between 10th and 9th Street is now heavily populated by new Fujianese immigrant enterprises and the Trocadero Theatre is one of few non-Asian establishments that remain on that block. Like Boston, Philadelphia Chinatown is on the rise and businesses are fully renting up any available space.

Retail spaces in Philadelphia were quite large and spacious. Most storefronts were 2,000 square feet or larger. Furthermore, storefronts had sizeable windows that were inviting to customers. One stakeholder interview revealed that this was actually a recent change. As the neighborhood became safer and had less crime, new businesses gradually installed more glass facades, whereas many of the older businesses had brick walls and opaque doors that prevented one from peering inside.

Perspective of Chinatown Small Business Owners

Now that we have established some context around each Chinatown’s commercial district health, we will delve into the seven categories of impact discussed with business owners: (1) risk of displacement, (2) the image of Chinatown, (3) the customer base, (4) parking and transportation access, (5) retail space availability, lease terms, and rent, (6) property taxes, and (7) housing.

(1) Risk of Displacement

Similar to the findings of the PACDC report titled “Resiliency in Times of Change: Supporting Philadelphia Small Businesses in Gentrifying Neighborhoods,” small business owners did not express strong opinions about new real estate developments in Chinatown. Most expressed a general awareness that the neighborhood is changing, real estate values are rising, and the growth of non-Chinese residents in the community. While uncertainty about future tenure stability is a concern, more immediate concerns of staying competitive, building a customer base, and paying the bills makes speculative concerns about the potential of future commercial rent growth takes somewhat of a backburner (especially since most commercial leases are for several years). Furthermore, they often accept rising rents as just another cost, amongst many, that they need to
balance. One small business owner said, “Chinatown business will survive by working harder and do whatever is necessary. They will find a way. Restaurants will always be around, but to attract millennials they need to keep the streets cleaner.” No one expressed the perception that rapidly rising rents would be “unfair,” rather they simply accept it as an inevitable change. This is similar to the findings of Fenwick and Lange (2008), where small business owners tend to stay away from ideological debates. As a result, small businesses owners are often not organized and do not advocate for their interests when a community is negotiating with developers.10

While there is a common story told in the media of Chinatown being at risk of displacement, some business owners and local organization staff did express a belief that New York Chinatown is too difficult for outside actors to redevelop. The thousands of small parcels that make up Chinatown, often housing dozens of low-income, immigrant families who are difficult to evict without negative press, is seen as a significant deterrent. The current zoning in the core of New York Chinatown limits the floor-to-area ratios to six and certain districts are further designated as manufacturing districts that restrict residential development. In New York, small parcels combined with low FAR makes it difficult to achieve a scale large enough to attract large developers. Furthermore, the sizeable number of office and residential condominium buildings further reduce redevelopment opportunities. One stakeholder in New York characterized Chinatown as “magnificently resistant to gentrification.”

While Boston Chinatown’s parcels are similarly small, zoning approvals are a heavily negotiated process. Therefore, it is possible to build high on a small parcel to achieve scale. This is what we are starting to see with some of the new hotel proposals in Boston Chinatown. Furthermore, given the small size of Boston’s commercial core, a single large landowner could put the entire neighborhood at risk. The significant concentration of ownership in Chinatown erodes the natural development barrier created by small individual parcel size. For example, an individual owns the entire block on Washington Street between Kneeland and Beach.

In Philadelphia, land parcels are decently sized and there are a significant number of parking lots with development potential; there is significant profits that can be reaped from the neighborhood as real estate values continue to rise. However, as discussed earlier, the real estate market in Philadelphia’s Chinatown is on the rise and only starting to attract significant development attention.

(2) **Image of Chinatown**

In a 2004 survey of retail professionals, crime and the perception of crime was the most commonly identified barrier to new retail development in underserved markets (Hoyt, 2005). Retailers recognize that even when the perception is incorrect, these perceptions affect shopping behavior. Factors such as cleanliness of streets and sidewalks, the condition of public infrastructure, the presence or absence of graffiti, and dozens of other small factors may have a large influence over which retailer local consumers choose. Overcoming these conditions is

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10 A caveat to this is that there are certain business owners who are either property owners or have significant influence within the community that may advocate for their own interests.
difficult since it require changing the behavior of public and private actors and changing social norms on the street.

In all three Chinatowns, business owners and stakeholders also reflected this concern about cleanliness, crime, and public perception of their neighborhood. This was particularly true in Boston and Philadelphia. In the not too distant past, Boston Chinatown faced challenges of combating prostitution and drug usage in the neighborhood and Philadelphia Chinatown faced significant crime and gang violence. While those days are mostly in the past now, many businesses still saw it as an obstacle to attracting more customers and expressed a desire to promote the neighborhood as a destination. Part of the discontent was also directed inward at fellow business owners, particularly restaurant owners for not doing their part to improve the neighborhood’s image. The dirty bathrooms of Chinatown businesses was repeatedly mentioned in different conversations. The image of Chinatown as dirty was seen to not only detract tourists and non-Chinese customers, but also makes it unattractive for wealthier middle-class Chinese families who have moved out to the suburbs to come back.

These concerns may speak to why most city-sponsored neighborhood business development organizations focus heavily on street festivals and sweeping the streets. A majority of New York Chinatown BID and Boston Chinatown Main Streets budgets go towards these efforts to improve the image of neighborhood. The primary activities of the Chinatown Main Streets program seemed to be coordinating neighborhood beautification efforts, managing the neighborhood patrol, putting on an annual Lunar New Year festival and an annual food festival, as well as coordinating city services during emergency events. Similar to Boston’s Chinatown Main Streets program, New York Chinatown’s BID also host activities throughout the year to promote the district. The BID’s budget was $1,372,168 in 2016, of which over half at $750,000 was allocated to sanitation expenses, $481,162 was allocated on general & administrative, $108,485 was allocated to marketing and holiday lighting expenses. The budget allocated for sanitation in Chinatown is double that of the average BID (though aside from two other BIDs, Chinatown has the largest number of blocks covered in its service area). While these initiatives are important to small businesses, they may not provide strategies for a gentrifying neighborhood that needs help with preserving its businesses.

(3) Customers

As discussed earlier when describing the impacts of real estate developments on small businesses, new residential high-rise developments can significantly change the residential base in Chinatown. All three Chinatowns saw an increase in the number of new luxury apartment rentals and hotels. The net impact that these development had on Chinatown differs between cities.

In Boston, business owners reported that while new developments increased the residential base, most of the new residents are unlikely to be regular patrons of the traditional Chinatown stores that constitute a majority of the district’s businesses. Some owners are trying to cater to new populations while other see this attempt as futile, seeing yuppies and non-Asians as exhibiting a fleeting interest in their products that will fade as time continues.
Furthermore, while the displacement of local residents may be concerning, it was not considered life threatening since they do not see the local community as their only customer base. Regardless of whether Chinese live in the proximate area or not, businesses believe that this neighborhood will remain a commercial hub for Chinese. Those who move out to Quincy, Malden, or the ethnoburbs, will still travel back either by public transit or by car to shop for ethnic goods and socialize. Overall, they did not seem to express much excitement nor resentment towards new developments in the neighborhood.

New York Chinatown’s local customer base has been declining and rising real estate values combined with new real estate developments are indirectly contributing to the decline. While it is not clear if new developments directly displace residents, an interview with a realtor made the point that the rising popularity of Chinatown means that many landlords are now being pickier about who they rent to. Some Chinese landlords may choose to favor renting to non-Chinese because they can pay rent on time and are unlikely to live in overcrowded conditions. As the residential base changes, landlords change their standards of what market rents should be and who they think are “preferred tenants.” Overall, rising rents and landlords cracking down on previously overcrowded living arrangements (often to reap higher rents or make it easier to sell the property) has further contributed to the outmigration of Asian residents from Manhattan Chinatown to satellite Chinatowns of Flushing and Sunset Park.

From 2000 to 2014, a tabulation of Asian residents of core Chinatown census parcels revealed that the population dropped from 48,528 to 36,960, representing a 23.8% decrease (see Figure 26). The owner of Fong Inn Tofu said, “the neighborhood has changed a lot. When I was a kid, this was all hustle and bustle. Now it’s so quiet. No one lives here anymore.”
Manhattan Chinatown
Asian Population from 2000 to 2014
(decreased by 23.8%)

(top)
Population in 2000:
48,528

(bottom)
Population in 2015:
36,960

In contrast to New York, Philadelphia Chinatown business owners expressed the belief that the addition of more residential projects added to the vibrancy of the neighborhood. More foot traffic and activity on the street throughout the day and reduced crime made the area more attractive. Furthermore, many of the emerging new restaurants in Philadelphia Chinatown cater towards college students and young professionals and benefit from the changing residential base.

(4) Accessibility of Chinatown: Transportation & Parking

Transportation and parking are typical concerns of most businesses because it can be a significant factor in determining whether customers patronize your business or not. Chinatowns in all three cities are at prime transportation hubs. Boston’s Chinatown sits between the Orange Line and Red Line, is adjacent to South Stations (a major regional bus and train hub), and is next to the I-93 on and off ramps. New York’s Chinatown sits atop several major train lines, the 6, F, B, D, N, Q, and R lines. Furthermore, this transportation network is supplemented with private
mini-vans that run straight from Chinatown to Flushing, Queens or 8th Avenue in Brooklyn for about $2.75 (the same as a train fare). Philadelphia’s Chinatown is accessible by the main Broad Street Line as well as adjacent to the Jefferson Station on the commuter rail. The Vine Street Expressway also provides easy car access to Chinatown. All three Chinatowns have emerged as major long distance bus transit hubs (for both Chinese-run and non-Chinese run bus lines). These transportation networks are key to the continued prosperity of Chinatown and allow people to easily congregate in Chinatown regardless of whether they live in the neighborhood or not. Furthermore, in Boston, Chinatown has also emerged as a hub for arranging employee pick-ups for businesses that are located all around Massachusetts and the surrounding region. For this reason, even as people have moved out to Quincy, Malden, or other areas, many of the working class still travel back to Chinatown to hop onto vans to bring them to work. This creates a natural pedestrian traffic for businesses and serves to strengthen Chinatown’s place as the core commercial hub for ethnic Chinese.

Figure 27 Parking in New York

Despite such robust transportation networks, stakeholders in New York and Philadelphia Chinatowns expressed significant concerns about parking. The issue is not simply about the inventory of available parking but the cost of parking. Business owners believe that if the costs for parking for an hour is almost equivalent to half or the entire price of one’s meal (a noodle dish is typically around $7-8), customers are less likely to make regular trips to Chinatown (See Figure 27). They see costs of parking as a big deterrent for their customer base traveling from the suburbs. In New York, business owners reported that parking issues have been exacerbated by redevelopment in the Lower East Side. In Philadelphia, parking was cited as a major concern for older business owners despite the plethora of parking lots surrounding Chinatown (see Figure 28). They saw their clientele as Chinese and non-Chinese clientele who live in the suburbs and drive into the city. Overtime, the large number of parking lots in Philadelphia will likely be reduced as real estate values make redevelopment highly profitable. Future developments will continue to exacerbate parking concerns since new developments remove parking spots, add additional demand for parking spots, and cities are increasingly lowering their required parking ratios in new urban development projects. In contrast to New York and Philadelphia, business owners in Boston were less concerned about parking. Business owners saw a majority of their business coming from people taking public transit, whether it be students coming from colleges all over Boston, those coming to Chinatown for their ride to work, or working class immigrants coming from Malden or Quincy to pick up groceries.
While commercial lease terms have stayed relatively constant, commercial rents have increased in all three cities. Philadelphia and Boston stakeholders and business owners reported a reasonable rent rise over the past ten years, somewhere along a thirty percent increase. New York on the other hand reported a much higher hike; some areas have seen rents double in the past ten years. Table 9 represents the author’s estimation of approximate market rent and lease terms based on interviews. It does not represent a full market study but is more illustrative of the magnitude of similarity/differences across the three cities. Furthermore, comparison of rents vary significantly based on the location and quality of the space. A simple average is not able to describe the impacts of rent rises on different types of businesses that occupy different types of spaces and may be clustered in particular parts of Chinatown.

Table 9 Lease Terms and Rents in Boston, New York, and Philadelphia Chinatowns

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<th>BOSTON</th>
<th>NEW YORK</th>
<th>PHILADELPHIA*</th>
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<tbody>
<tr>
<td>Length of Lease (years)</td>
<td>5 (+ one 5 year renewal)</td>
<td>5 - 10</td>
<td>5 (+ two 5 year renewals)</td>
</tr>
<tr>
<td>Rent ($/SF)</td>
<td>&lt; $50</td>
<td>$100+</td>
<td>&lt; $45</td>
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* Compared to the other two cities, in Philadelphia, most established business owners were also their own landlords. While the older businesses owned their buildings, almost all of the renters seemed to be new businesses.

As discussed earlier, business owners seemed to see rising rent simply as a cost that they have to balance. Part of this acceptance of rent hikes and change may be due to the high level of local ownership that exists in Chinatown. Even if you may not be part of the same family.
association, or may not even know the owner at all, there is a different perception of local actors who hike rents or engage in large redevelopment projects. This is particularly true in smaller Chinatowns like Boston and Philadelphia where the degrees of separation between property owners, business owners, and residents are small. The desire to resolve community issues internally is strong. Furthermore, for many decades family associations have been seen as benefactors and protectors of the community. While they no longer function as such, many new immigrants still go to the influential members of these organizations for help, giving them significant influence. Therefore, even if they raise rents or take on a redevelopment project, they are unlikely to incite as much outrage as the image of large greedy developer from the outside encroaching into the neighborhood. Their actions are more likely to be perceived as an attempt to address a problem in the community. For example, interviews with family association members revealed that they increase commercial rent as a way to subsidize the apartments above the business. It is similar to a progressive tax levied by family associations on businesses to help low-income residents. In Philadelphia, a business owner reported that the family associations charge much lower commercial rents than the market rent. The difference here may be that many of these buildings have abandoned upper floors, which means there is no need to do a cross-subsidy. Ultimately, this dynamic may suggest that when external actors start to purchase more properties in Chinatown, landlord and tenant relationships will start to change.
CHAPTER 4

Summary and Conclusion

Small businesses are not immune to the larger economic forces that contribute to the booms and busts in real estate development. As economic conditions in major cities improve, theoretically, small businesses should also see increased foot traffic and consumer spending through overall population and wage growth. The findings of this research suggests that while that may be true, these benefits are also accompanied by other impacts that can destabilize commercial districts and threaten the health of neighborhood small businesses if left unchecked. From the perspective of the city, new real estate development projects are crucial to achieve a multitude of goals, including but not limited to: (1) housing a growing population base, (2) attracting and retaining firms/establishments that fuel economic growth, (3) supporting the tourism industry, and (4) expanding the tax base. Small business owners are aligned with the city in that they also want greater density and tourism because both of these translates to an increased customer base. However, at the scale of the neighborhood the benefits and costs of new development are more nuanced, particularly in an ethnic neighborhood where there are significant hyper-local linkages between residents, businesses, and workers.

On a broad stroke, this research reveals that New York Chinatown is negatively impacted, Boston Chinatown is not significantly impacted, and Philadelphia Chinatown is positively impacted by new real estate development. What accounts for this variability is largely related to whether local real estate developments alleviate or exacerbate existing economic conditions. However, regardless of whether net impact was positive or negative, across all three Chinatowns there were commonalities in how new development can impact the district’s small businesses. Further discussion of how each Chinatown was affected will be provided later in this chapter.

First, newer developments can dampen street activity in Chinatown with sterile glass walls and homogenized storefronts. As was shown in Figure 15, the commercial streets of Chinatown are lined with stores that have irregularly shaped awnings with bright colors and individual character. Over time as new developments take over these streets, multiple storefronts become combined under one development. The entrances to each store begins to look more alike and less visible. The pedestrian experience is improved by having a variety of interesting activities and uses that create a varied streetscape. A significant proportion of developments in all three Chinatowns are primarily residential, a use which often tries to limit street activity. Residential developments either do not have retail or prefer “low-impact” ground floor retail that does not create too much noise, garbage, or boisterous activity in general. The sterilization of street activity is also true of hotel projects, which were numerous in New York Chinatown. Furthermore, the loss of ground floor retail in New York Chinatown is in large part due to the new hotel projects. Whereas most new development in Chinatown will likely lend itself to being mixed use with ground floor retail, simply due to the commercial nature of the area, hotels are more prone to reserve ground floor space for their lobby. This reduction of street level activity is antithetical to fostering a vibrant commercial corridor (unless one is creating a high-end retail corridor).
Secondly, new developments can impact the demographics of people who live, visit, work, or play in Chinatown. While new developments are not the reason why people decide to come to Chinatown, it creates a space within Chinatown for new groups of users. Interviews with business owners revealed that while some are trying to pivot and capture the interest of yuppies and other non-traditional Chinatown customers, others are clinging on and trying to preserve or rejuvenate their existing (sometimes declining) customer base. While neither strategy is necessarily better, the commercial district as a whole is changing and adapting to figure out how to balance between the old and new. While Philadelphia Chinatown’s population experienced the biggest change, New York’s small businesses are actually the most impacted by demographic shifts because it has a decreasing population compounded with a change in racial composition. Therefore, while the pie is not getting any bigger, the pieces of the pie is shifting from one group to another. The future viability of the Chinatown commercial corridor depends on training existing business owners on how to adapt to demographic changes and fostering entrepreneurs to create new enterprises that continue to maintain and preserve neighborhood character.

Thirdly, rising real estate values in the area has contributed to increased occupancy costs for small businesses. While the magnitude of this impact varied from city to city, tracking the rate of change is important. Since real estate taxes and rents will inevitably increase, the question is whether the rate of increase is manageable. In New York, we saw that the property taxes on a building with no changes in physical characteristics increase from $18,794 in 2010 to $82,890 in 2017. In the Boston example, the property tax for an extremely small building increase from $11,738 in 2010 to $17,339 in 2017. It is clear that property values will continue to increase in all three Chinatowns. Generally, commercial tenants will take up 50 percent or more of property tax increases and new rents will be set to include the cost of paying property taxes. The magnitude of this burden on businesses will depend on their cost structure and varies from industry to industry. As a rule of thumb, up to 10 percent of the revenue a retailer makes goes to rent, according to Ortiz (Rao, 2016). However, most businesses in Chinatown are low-margin businesses and may feel this impact more severely.

Figure 29 Essex Crossing Development Parcels
Source: Essex Crossing NYC
Lastly, urban infill and redevelopment projects are slowly removing available low-cost parking inventory while adding additional demand for parking. In New York, Chinatown visitors had relied on the large availability of parking in the adjacent Lower East Side (LES) neighborhood. However, as that neighborhood has also gone through significant neighborhood change, many of these lots have been or are currently being redeveloped. For example, the Essex Crossing redevelopment project, spanning nine city blocks, that is currently under construction, will take away 400 parking spots, tentatively with no plans to replace them (Figure 29) (Miller, 2015). The impacts of the loss are also compounded by the 1,000 additional housing units and 250,000 square feet of office space that Essex Crossing is planning to build. Similarly, in Philadelphia, two development projects that are under way (Eastern Tower and the lot on 8th and Vine) will remove two large surface parking lots, one of which is approximately 3.2 acres in size. Together, these two developments will add over 400 residential units, 28,000 square feet of ground floor retail, 180,000 square feet of office space, and provide less than 170 parking spaces.

Table 10 Summary of Real Estate Impacts on Chinatown of Boston, New York, and Philadelphia

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<th>BOSTON</th>
<th>NEW YORK</th>
<th>PHILADELPHIA</th>
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<tbody>
<tr>
<td>Ground Floor Retail</td>
<td>Increase</td>
<td>Loss</td>
<td>Increase</td>
</tr>
<tr>
<td>(Net)</td>
<td></td>
<td></td>
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<tr>
<td>Vacancies</td>
<td>Low</td>
<td>Rising</td>
<td>Low</td>
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<tr>
<td>Residential Base</td>
<td>Stable Overall; increasing non-Asian</td>
<td>Overall loss; declining Asian &amp; increasing non-Asian</td>
<td>Increase in all populations</td>
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<td>Property Tax</td>
<td>Moderate Increases</td>
<td>Significant Increases</td>
<td>Increasing, system in transition</td>
</tr>
<tr>
<td>Low Cost Parking</td>
<td>Loss</td>
<td>Loss</td>
<td>Loss</td>
</tr>
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</table>

While there were significant similarities in types of impact, the net effect on each Chinatown was very different. In New York, Chinatown’s small businesses were not benefitting from new real estate development because it removed ground floor retail space and parking, contributed to the decline of the traditional customer base, and indirectly contributes to rising operating costs. In Boston, Chinatown’s small businesses have not been significantly affected by new real estate developments. While the character of new developments did not match the traditional character of Chinatown, their customer base and operating costs have not changed drastically. Lastly, Philadelphia Chinatown’s small businesses are benefitting from new developments. The infill projects have added to the availability of space and increased the Asian and non-Asian population significantly. Furthermore, the new entrepreneurial class in Philadelphia Chinatown cater to the more affluent demographic with greater spending power.
It is also important to note that New York Chinatown often stands out among its peers as unique. In terms of scale, New York Chinatown dwarfs its counterparts in multiple ways. The population is at least ten times larger, real estate values are larger, and physical extent of Chinatown is significantly larger. While the Chinese immigrant population and, to some extent, the physical extent of Chinatown is shrinking, some would argue that it was previously at an unsustainable peak. The pressures on Chinatown are compounded by the high stakes of real estate development in New York. However, the unique scale and historical trajectory of this Chinatown creates opportunities for businesses like Wing On Wo, Nom Wah Tea Parlor, and He Zhen Snap Button Company to emerge. Similar examples have not yet emerged in Boston and Philadelphia Chinatowns. In some ways, this is not an attempt to compare Boston, New York, and Philadelphia Chinatown, but simply another way to shed light on the linkages between ethnic small businesses and real estate development. Each Chinatown does not represent a different stage of development on a linear pathway. Instead, they are each exemplars in their own right.

Creating Resilient Ethnic Commercial Districts

It is well known that small businesses are important to an equitable development strategy because they provide jobs and wealth-building opportunities to residents who may lack access to alternatives. They serve as important entry points for workers with diverse education and experience levels. While each small business employs only a handful of people, collectively they are an essential part of every city's economy. In Boston, New York, and Philadelphia, small businesses employing less than 10 people provide approximately 20 percent of the city's jobs (Your Economy, n.d.). Boston's Small Business Plan pointed out that the city's small businesses (defined as those that have 50 employees or less) generate around $15 billion in annual revenue and approximately 170,000 jobs, representing 44 percent of employment and 37 percent of revenues for the city's private, for-profit businesses. Small businesses also provide affordable and accessible goods and services for low and moderate-income residents and play a significant role in creating the urban environments that make urban living attractive.

The importance of ethnic enclave small businesses is even more pronounced. The businesses serve and employ people that are primarily low-skilled working-class immigrants with limited English language skills. They provide culturally appropriate services and employment opportunities that cannot be found in the mainstream economy. Furthermore, the tight linkages between co-ethnic enterprises in an enclave creates a strong multiplier effect that generates significant economic development outcomes. Lin (1998) found that New York Chinatown had relatively low unemployment rate, locally financed rehabilitation of the built environment, and generation of business tax revenue for city and state coffers. Immigrant communities are often able to take previously undesirable land, improve it, and use it to create economic opportunities for their community. There are also important non-economic effects of fostering a strong business community. It creates a social environment that mitigates immigrants’ cultural and economic disadvantages through providing social status recognition, nurturing the entrepreneurial spirit, providing role models, and strengthening social networks (Zhou, 2009).

As discussed in Chapter Two, the enclave’s businesses also serve as third places for the regional
Chinese community to interact across class, linguistic, and generational lines. For the city itself, ethnic commercial districts like Chinatowns have become an amenity for residents and tourists.

For all the above-mentioned reasons, it is important for local advocacy organizations and city officials to take action to protect ethnic commercial districts and their small businesses from being destroyed. While there are ways in which the owners themselves are responsible for responding to change, there are also larger scale interventions that may be needed to mitigate and address the impacts of real estate development on ethnic small businesses.

A. Implement commercial district zoning that requires the inclusion of ground floor retail and preserves neighborhood character.

The most effective tool to preserve Chinatown’s commercial vibrancy may be to institute a commercial overlay that requires new development to include ground floor commercial space. In most cities, commercial overlays allow, but do not require the provision of ground floor commercial spaces. Most Chinatowns are already located in dense commercial zones that lend itself to ground floor retail. However, the proliferation of hotels and increased preference for residentially focused developments has removed or precluded the inclusion of commercial space that fits in with the neighborhood character. Currently, zoning requirements like setbacks, height limits, and floor-to-area ratios are mainly focused on the provision of air, open space and light. However, these are insufficient to protect urban commercial corridors.

Zoning has already been used by neighborhoods to stymy the invasion of big-box retailers or chain restaurants. Restrictions on size of commercial spaces or limiting the number of formula businesses\(^1\) are often proposed as part of the commercial overlay to preclude the opening of a McDonalds or Target. However, in the case of Chinatown, I would caution against these restrictions. Limits on commercial space size can preclude the opening of new dim sum/banquet halls that serve important social functions for the Chinese community or Asian-themed food courts that are becoming increasingly popular in Chinatowns. The appropriate size that will benefit and support local character is unclear and will change as the business models of local establishments adapt to changing consumer preferences. Furthermore, formula businesses are a tricky intervention in Chinatown, because there are many chain businesses in the neighborhood are not American chains but franchise businesses of international Asian companies. These franchises often match the character of the neighborhood and are locally owned. On the other hand, formula business restrictions would stop the proliferation of banks in Chinatown.

For commercial corridors like Chinatown, the inclusion of what Rachel Meltzer called “productive zoning” could be an extremely productive tool (O’Connor, 2016). Instead of mandating space requirements on height limits and store widths, it focuses on the outputs of the space. This attempts to create a retail corridor that goes towards meeting certain community needs. Furthermore, the dampening effect on the ground floor retail spaces in new developments will need to be addressed with some design guidelines. The current design guidelines issued by cities often focus on creating a “cohesive” or “unified” image, which is antithetical to creatively

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\(^1\) Formula businesses are stores and restaurants that have standardized services, décor, method of operation, and other features that make them virtually identical to businesses elsewhere – Institute of Local Self Reliance
unique, lively, and interesting streetscapes. The character of each commercial district is different and new design guidelines to preserve that character should be created in collaboration with local merchants, residents, and city officials.

B. Provide property tax incentives for property owners that rent to “community businesses” at below market rent.

Rapidly rising occupancy costs in a hot real estate market can pose a significant obstacle for businesses that cater to immigrant or low-income residents. Furthermore, rising costs may mean that we may see new establishments catering to new higher income residents outbidding traditional low-margin businesses catering to the low-income immigrant community. “Community businesses” is defined as those providing goods and services that match the needs of the residential community, or those that serve a unique cultural or social purpose. Similar to the “productive zoning” idea, this focuses on the outputs of the business. For example, the bakeries that provide low-cost food and serve as social spaces for the elderly population in Chinatown would qualify as a “community business.” This subsidy is not enough to keep failing businesses open, but simply provides a little boost for businesses that prioritize serving the local community. Furthermore, while property tax incentives does not address the preference for “low-impact” amenities in residential developments, it can help long-term holders of property that simply want to cover costs and recover a reasonable profit from the property. It allows these property owners to charge below market rent because their property taxes are reduced.

C. Penalize property owners for (intentional) vacancies.

While in the past, vacancies were mainly a thing of undesirable commercial districts, some of the most vibrant commercial districts are seeing stores stay vacant for long periods. Commercial corridors in the core of Boston, New York, and Philadelphia are booming and retail rents are surging. Real estate values are also rising and institutional buying and selling of land in neighborhood commercial corridors is growing. Vacancies are now rising because the market is too hot, rents are rising too fast for retailers to keep up with, and investors are becoming more selective about who they want to rent to. A higher tax rate should be applied to properties that have keep their space vacant for over a year, and have been demonstrated to have received reasonable market offers to lease the space.

According to Scott Plasky, a retail specialist at Marcus and Millichap, landlords who wait for their ideal tenant are generally approached by small businesses but reject them because they want a national chain – like TD Bank, CVS, or Starbucks – and a corporate guarantor, which could solve their rent woes. Buyers who overpay and must fill the space at a high rent level to satisfying their investors exacerbate this phenomenon. Often, taking lower rent to accommodate smaller stores is not an option for landlords if they have to answer to a lender. If a particular dollar value is listed in the landlord’s mortgage loan document, not renting to reach that could lead to potential loan default. Instituting significant penalties for turning down reasonable offers may incentivize lenders to be less restrictive in their tenant approvals.

The incentives for leaving ground floor spaces vacant are complicated. Sometimes spaces stay vacant because the property owner wants to change the size of their commercial space, either
consolidating several small spaces into one or doing the opposite. Andrew Wiener, the director of leasing at L&L Holding Company said that they would consider keeping spaces vacant for up to two years in order to find the right “fit.” Furthermore, according to Daniel Shapiro, the co-chair of the tax department at Berdon, LLP, pointed to a federal tax abatement that property owners can take advantage of. If the space is vacant for a year but is leased up the next year, property owners only have to pay taxes for the difference between the net income and the loss. Furthermore, if the landlord has another profitable property that has rent-paying tenants, they can offset the loss from the income and pay tax on the difference. While there are definitely cash expenses that a property owner bears in the interim, (e.g. insurance, heat, etc.), holding out for an extra year can be attractive if one knows that the market is going up and that next year you can sign a five-year lease for a higher price (Rao, 2016). Vacancies can lead to a vicious cycle and may affect the entire retail corridor. Mom-and-pop businesses are the first to go when a retail corridor deteriorates because of empty spaces.

Not only do vacant storefronts negatively affect existing businesses, but this also poses additional challenges for aspiring new businesses who are looking for space. The changing landscape of landownership in Chinatown contributes to the rising vacancy levels. The dollar values of real estate property transactions in Chinatown are in the millions of dollars, a three-story building on Mott Street transacted for $2.7 million in early 2017, which is already a small amount for the area (“Chinatown Slowly Losing Its Charm And Its Restaurants,” 2017). With such large dollar amounts, institutional lenders are more likely to be involved in the transaction and have approval rights over ground floor commercial tenanting. Instituting requirements for AAA credit tenants is a common practice for an institutional lender. This could lead to increased exclusion of immigrants and minority entrepreneurs, who are less likely to pass an institutional lender approval, from the commercial space market in Chinatown. For now, many of these commercial spaces simply remain vacant while they wait for their ideal tenant.

While there are many ways to incentivize or penalize property owners for intentional vacancies, numerous cities have started tackling this problem with instituting penalty taxes. In Berkeley, California, there is a proposal to charge landlords a fee when ground floor commercial space has been kept vacant for a specified period of time and provides incentives to property owners for leasing the space (“Memorandum from City of Berkeley Councilmembers Jesse Arreguin and Kriss Worthington, to the Mayor and Members of the City Council,” 2014). The District of Columbia has implemented a similar fee. In Fiscal 2011, a property tax rate for vacant buildings was established at $5 per $100 of assessed value. Non-vacant commercial property is taxed at $1.65 or $1.85 per $100 of assessed value (DC Office of Tax and Revenue, n.d.). The act of instituting a penalty makes an explicit moral judgment that the property owner is conducting a bad act that negatively impacts the community. This engages local stakeholders (who report the vacancy) and the city in a partnership to monitor and take action against irresponsible property owners. Furthermore, the funds obtained through the tax penalty can be applied back to efforts that benefit the commercial district. Whether the tax penalty can truly be a deterrent to property owners, some of which will be large institutional investors, will depend upon the magnitude of the tax.
D. Neighborhood-based organization that tracks, organize, and empower small businesses to vocalize their concerns

The differences between the three Chinatowns suggests that there is an appropriate amount of development that neighborhoods need or are able to support. However, there is a certain tipping point after which continued development can hurt rather than help small businesses. There is no clear discernable quantitative indicators of where this tipping point is. High vacancies as well as extremely low vacancies can both suggest that a neighborhood’s small businesses are being squeezed. High vacancies in vibrant commercial corridors is often due to extremely high asking rents. Extremely low vacancies can also lead to high asking rents due to lack of supply to meet growing demand. Similarly, both extremely high and low rents may signal trouble for commercial districts. This is when a neighborhood based business district organization, like a BID or Main Streets, can play an important role in monitoring local business district changes and keeping the city informed.

Over the course of this research, understanding the changes occurring to businesses in Chinatown were a significant challenge due to lack of information about why businesses were choosing to close. While Main Streets and BIDs do periodic inventories of businesses in Chinatown, tracking vacancy rates was the focus of documentation efforts. While turnover of businesses is normal, a more nuanced understanding of why businesses are closing is crucial to assessing the health of the business district. High turnover due to retirement is completely different from turnover due to rising rents or evictions. Encouraging businesses in the Main Street or BID to register when they open or report when they close is extremely simple, and can work in parallel with the process of obtaining a permit (or business owners can be incentivize to do so with marketing support or some other material benefit).

There are some differences between Main Streets and BIDs, but ultimately both models do not adequately address the needs of small businesses in gentrifying neighborhoods. The findings of this research, as well as the PACDC report on small businesses in gentrifying neighborhoods, demonstrates that without engagement, small businesses are unlikely to vocalize the challenges that they face. Main Streets and BID programs need additional resources to engage deeply with small business owners. Main Streets are currently funded through the City and their role is to coordinate between local merchants, residents, property owners, and other stakeholders to undertake a long-term strategy for district revitalization. BIDs are funded through property tax assessments and governed by property owners (and sometimes the businesses themselves). Currently, both programs use the funds the pay for physical improvements, additional public safety, cleanliness, or promotional services. There is a significant focus on promotional efforts and enhancing physical elements to improve the attractiveness of the district to new businesses and consumers. However, equity questions around which retailers and which customers these programs attract and how minority, women, or immigrant businesses and residents are impacted is not an explicit mandate. This is particularly problematic in neighborhoods that are seeing significant changes in socioeconomic status and racial composition. A former Allston Main Streets director described their job as akin to being an organizer for small business owners. While this particular Main Streets director took on the role of empowering and organizing business owners, it is not an explicit part of the Main Streets model. Although the Boston Chinatown Main Streets
and Chinatown BID in New York documented vacancies, no one was engaging small businesses owners and getting their interests incorporated into zoning, developments policies, and neighborhood planning efforts.

In addition to giving small businesses a voice, there needs to be resources devoted to educating small businesses on how to transition to a changing urban landscape. A prime example of this is the issue of parking. Business owners consistently see more parking as beneficial for their business. Chinatown business owners, especially those who cater to a more traditional clientele, believe even more strongly in the importance of parking because they believe that a significant proportion of their customer base are living in suburbs and less transit accessible neighborhoods. However, this stands in stark contrast to how most cities are working to reduce parking requirements and encourage greater usage of mass transit. For example, since 1990, the city of Philadelphia has conducted an inventory of parking every five years in the downtown Center City neighborhood, counting publicly accessible parking spaces and analyzing occupancy rates in facilities with 30 or more spaces. In recent years, the City made a determination that it needs less parking and from 2010 to 2015, worked to reduce the amount of off-street parking around downtown by about 3,000 spaces, a 7% reduction. Most of that is tied to the replacement of surface lots with new development, according to Mason Austin, a planner at the Philadelphia City Planning Commission and co-author of the most recent parking inventory (Berg, 2016).

As new developments continue to replace parking lots, small businesses need to respond strategically and adapt to the city’s changing transportation infrastructure. City officials and local business organizations, like Main Streets or BIDs, need to work with small businesses to determine what ways, other than simply provide more parking, they can improve the accessibility of the neighborhood in an increasingly less car dependent transportation infrastructure. In November of 2016, the City of Boston released a report titled, “Future of Parking in Boston,” to update Boston’s parking policies. Part of the report addressed the negative impact of “out-of-date parking policies and curbside management practices” on merchants. However, much of the tactics and strategies in the report focus on using technology like phone apps or promoting other forms of transportation that do not speak the concerns of business owners. Innovation will likely need to come from below, through pilot programs designed by small business owners to address their customer base. For example, in New York, frequent shuttle bus services, run by a privately owned company, bring people from Manhattan Chinatown to the satellite Chinatowns in Brooklyn and Queens. This enables those who live farther out from Manhattan to travel to Chinatown without a car. The neighborhood based commercial district manager needs to work with local businesses to devise solutions that address their needs.

A third role that the neighborhood based commercial district manager needs to take on is one of fostering an inclusive business community that bridges across the different factions in Chinatown. As discussed in Chapter Two, Chinatown and its business community has diversified significantly in the past decades and family associations are no longer able to serve as a unifying force. The existing networks largely serve to isolate resources and connections within groups. Work to bridge across linguistic, class, and nationalistic lines will make Chinatowns more resilient. Furthermore, this can make it easier to support the new generation of entrepreneurs that are crucial to the future vitality of the commercial district. In Philadelphia, the Philadelphia
Chinatown Development Corporation (PCDC) organized regular meetings among business owners in the community. Younger entrepreneurs represented a big proportion of attendees and were able to meet other business owners through these events. There are so many benefits of a close-knit business community that can accrue from this work. Whereas in the past these networks happened spontaneously because the community was more homogenous and small, as Chinatowns have become more diverse and grown in size, a facilitator between the old and young or between the Cantonese and Fujianese may be necessary.

Moving forward, there needs to be more locally based resources devoted to doing this work of relationship building with businesses, documenting changes in the commercial district, and empowering business owners with the knowledge and confidence to speak up. This can be through the existing Main Streets or BID programs or through an alternative program, but it cannot be a centrally run program. Several neighborhood commercial districts can strategically share resources and staff, but it is crucial that these efforts are not centralized in massive city hall buildings that are removed from what is happening in neighborhoods. Aside from devoting resources to neighborhood based programs, there are policies that city officials can put in place to protect small businesses. Even in cities where small businesses would benefit from new development, city guidelines around the size, shape, and character of ground floor retail spaces can help preserve neighborhood characteristics.

While, business owners are often difficult to organize, Chinatowns often have very established social organizations and a dense network of nonprofit organizations that draw on the time and financial resources of business owners. Many of the established business owners I interviewed had readily volunteered their time and resources to sit on boards of local nonprofits, to be part of social associations, or to provide peers with technical advice. The involvement of a few key local business owners in the shaping of small business policies is crucial to stress testing the assumptions inherent in the policy making process.

Framework for Analyzing Real Estate Impacts on Ethnic Commercial Districts

For over a century, Chinatowns have served as important spaces for Chinese immigrants to gather, form community, and gain access to culture-specific products and services. These served as commercial and social hubs for residentially isolated Chinese laundrymen even before they served as residential hubs for low-income working class immigrant families. Today, the concentration of businesses and social services in Chinatowns creates a physical site where coethics of diverse backgrounds meets one another face-to-face and can rebuild social networks that were disrupted during the process of immigration. The value of the enclave is further demonstrated by the continued involvement of immigrants who have already assimilated into middle-class suburbs. Preserving healthy and vibrant Chinatown commercial districts are important not just to the coethnic community but also accrues benefits to the entire city. While immigrant commercial enclaves in large cities traditionally functioned as retail centers for ethnic minorities, in recent decades, city leaders and economic development organizations have started to cultivate these areas a “niche products that create value for target audiences such as tourists and tourism investors (Stephen Shaw, Susan Bagwell and Joanna Karmowska).” Elected officials
who, in the 1960s, might have criticized immigrant and non-traditional living arrangements, now consciously market the city’s diverse opportunities to differentiate itself.

In general, small businesses in large cities like San Francisco, New York, Boston are starting to feel effects of rapid neighborhood change and city officials are beginning to devise strategies to help individual, locally owned businesses stay open. The first step to devising effective strategies is to identify the ways small businesses are impacted. While rising rents is often pointed to as the cause of small business displacement, it is only one element of the story. While there are many commonalities between small businesses in Chinatown and small businesses in the rest of the city, there are also certain issues particular to immigrant commercial districts, and some others that are even more particular to Chinatowns.

1) Chinatowns operate in a niche market. Whereas in the past, this was simply a means of survival, today this is a selling point and strength of the district. Therefore, concerns around attracting tourism and visitors from the across the region are quite significant. Local residents are an important captive market, but insufficient to support the density of businesses. For this reason, sanitation and beautification programs are at the forefront of most business owners’ minds. The seemingly limitless potential for more tourists and suburban customers provides the illusion that marketing and beautification will solve all their problems. This also linked to the importance that business owners placed on parking.

2) Chinatowns often develop a unique business ecosystem that incubates new entrepreneurial endeavors of immigrant and second-generation Asian Americans. This ecosystem has enabled many businesses to be resilient, hence we see many small businesses owners who have been able to be successful, amass wealth, and become influential in the community. The city should continue to foster elements crucial to the functioning of this ecosystem, such as the diversity of retail spaces and strong internal business-to-business linkages.

3) Land ownership in Chinatown is still largely owned by family associations or individuals of Asian-descent (New York also has some foreign Chinese ownership). While this has played a role in protecting Chinatowns from pure speculation and keeping land ownership local, rising real estate values make it extremely attractive for current property owners to sell. Increased corporate/institutional ownership of land in Chinatown will have significant impacts on who will be able to rent commercial and residential units in Chinatown.

Keeping these unique characteristics in mind, Table 11 presents a matrix that provides a framework for other ethnic commercial districts to evaluate how they are affected by new development. The resilience of ethnic neighborhood commercial districts, in face of significant real estate developments, requires evaluation of the change in residential community, cohesiveness of the small business community, the inventory of existing and new retail space, occupancy costs (not just rent), property ownership, and transit accessibility. Individually these factors may not be enough to put the enclave economy at risk, but the cumulative effect may significantly impair the health of the commercial district. While the score in each category can be added to create a “cumulative score,” it falsely gives each category equal weight and ignores the
potential interaction effects. Therefore, the primary goal of this matrix is to help unpack the
different ways that ethnic commercial district are resilient or vulnerable to displacement and
design context appropriate interventions. Overtime, as further research is conducted on this topic,
there may be additional categories of impact that should be added to the matrix. This is a
preliminary attempt to begin to elaborate and elucidate the different ways that an ethnic
commercial district is resilient to or susceptible to displacement as rising real estate values
increases contestations over land in urban areas.

Table 11 Evaluating Ethnic Neighborhood Commercial Districts Displacement Risk

<table>
<thead>
<tr>
<th></th>
<th>High Risk = 3</th>
<th>Moderate Risk = 2</th>
<th>Low Risk = 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Change</td>
<td>Loss of traditional customer base</td>
<td>Influx of new population without loss of traditional customer base</td>
<td>No significant demographic change of residential population</td>
</tr>
<tr>
<td>Small Business Community</td>
<td>Highly fractured and unorganized</td>
<td>Organized and cohesive within particular silos</td>
<td>Highly organized and cohesive</td>
</tr>
<tr>
<td>Retail Space Inventory</td>
<td>Significant net loss of ground floor retail space</td>
<td>Minor gain/loss of ground floor retail space</td>
<td>Significant net gain of ground floor retail space</td>
</tr>
<tr>
<td>Occupancy Costs</td>
<td>Rising rapidly</td>
<td>Gradual Increase</td>
<td>Minor Increases</td>
</tr>
<tr>
<td>Property Ownership</td>
<td>Significant turnover to institutional investors</td>
<td>Local ownership with some change</td>
<td>Long term ownership by community based institutions</td>
</tr>
<tr>
<td>Accessibility*</td>
<td>Lack of public transit accessibility and loss of parking</td>
<td>Generally accessible by transit and car</td>
<td>Highly connected to regional ethnic population by public transit and highways</td>
</tr>
</tbody>
</table>

Cumulative Score
1-6 = Low Risk
7-12 = Moderate Risk
13-18 = High Risk

*While increased accessibility is considered a positive for small businesses in this framework, an important caveat is that new
transit lines often spark rises in real estate value and residential change.

This thesis project relied heavily on Portes’ theory of ethnic enclave economies. However,
this deep dive into the Chinatowns of Boston, New York, and Philadelphia suggests that
contemporary urban enclave economies may require more than the three prerequisites (critical
mass of immigrant entrepreneurs, labor, and capital) identified by Portes and Manning (2005).
Community control over land use and real estate is also exceedingly important to the formation
and survival of the enclave economy. This is particularly true in urban areas that experience
strong development pressures (whether it be government-sponsored urban renewal of the 1960s
or more recent market-led gentrification). Many of the early Chinatown institutions purchased
land in recognition that it was important resource for the community. After pooling local
resources to purchase land, space was rented out to enclave entrepreneurs and residents. However, as land becomes a speculative commodity for individuals rather than a resource for the local community use, the land may no longer serve community needs. As real estate values rise, large institutional investors will begin to purchase property in these neighborhoods. Family associations and small business owners have begun selling their properties to the highest bidder and community control over local land use has waned. As demonstrated by this thesis research, these changes to local real estate has impact on ethnic enclave small businesses.

Enclaves not only provide alternative economic pathways for vulnerable immigrant populations but are also an important contributor to creating authentic, multi-cultural urban experiences. In order to protect ethnic commercial districts we must think more critically about the tensions between the most economically profitable land use and the needs of the local neighborhood economy. Cities that support equitable development strategies need to build upon the existing neighborhood-level economic system and incorporate existing business owners, workers, and residents into their vision of the future.
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