

Commercial Gentrification: Trends and Solutions

by

Tunua E. Thrash

B.A., Interdisciplinary Studies,
Political Science, African Diaspora Studies, and Urban Planning (1997)
University of California at Berkeley

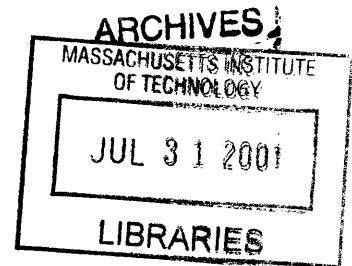
Submitted to the Department of Urban Studies and Planning
in Partial Fulfillment of the Requirements for the Degree of
Master in City Planning

at the

Massachusetts Institute of Technology

June 2001

© 2001 Massachusetts Institute of Technology
All rights reserved



Signature of Author: _____
Department of Urban Studies and Planning
May 17, 2001

Certified by: _____
Karl F. Seidman
Senior Lecturer, Department of Urban Studies and Planning
Thesis Supervisor

Accepted by: _____
Dennis Frenchman
Professor, Department of Urban Studies and Planning
Chair, Master in City Planning Committee

Commercial Gentrification: Trends and Solutions

By

Tunua E. Thrash

Submitted to the Department of Urban Studies and Planning on May 17, 2001 in partial fulfillment of the requirements for the Degree of Master in City Planning

ABSTRACT

The unintended consequence of new capital being directed at the inner city has resurfaced conversations about gentrification. Community development corporations and other community-based organizations are faced with the dilemma of either opposing the increasing demands of larger and chain store companies to locate in the inner-city bringing both advantages and disadvantages, or remain neutral to the new neighbors. Many locally based organizations support the transition of capital interest, with the hope that the benefits will outweigh the costs. However, will longstanding local merchants and commercial district institutions capture the benefits? How do neighborhoods strike a balance between new capital and preserving the character and institutions of the community? On the one hand, communities have worked for years to increase the attractiveness of their neighborhood to gain capital and other reinvestments, yet, is the price for doing so complete control by large, non-community based, high-end focused, or chain stores of the commercial districts in these neighborhoods? Unfortunately, communities like the Mission District and Central Square are currently facing the inadvertent consequence of displacement of local merchants and non-profit agencies.

This thesis investigates how commercial gentrification manifests in two neighborhoods—the Mission District in San Francisco, CA and Central Square in Cambridge, MA. After outlining the framework of the general term of gentrification, a specific theory about the trends of commercial gentrification emerges. Using the Missions District and Central Square as case studies, the paper details the experience of commercial gentrification in each area and provides a stakeholder analysis that highlights how these specific communities are responding to market forces that create commercial gentrification. Additionally, the paper reviews several policy options and economic development tools that are being implemented in communities today that are useful for mitigating the impacts of commercial gentrification in neighborhood business districts.

Thesis Supervisor: Karl Seidman

Title: Senior Lecturer, Department of Urban Studies and Planning

First Reader: J. Phillip Thompson

Title: Martin Luther King, Jr. Visiting Faculty

ACKNOWLEDGEMENTS: Dedication

In loving memory of Demetrius Powell, my girl, my cousin, my sister, my friend, and my colleague in the planning profession.

Journal entry, April 3, 2001

Dearest Dee,

They told me today that you had gone. How do I understand what has happened to you? You mean I won't be able to see, call, or talk with you any more? That can't be. Its so hard...too hard to imagine. They told me; I heard them but I can't process this information. No more birthdays, trips, no more shopping sprees, no more me in your wedding, no more me calling you "Dolores", no more us and Zee Planning Los Angeles, no baby showers to plan for you, no more girls nights out, no more New Year's Eves, no more. They told me I had to go on, What? that I had to keep living my life. How? I'm not sure anymore. Its so hard, its too soon for your to go. Why? I want to keep going, I want to accomplish all the things we planned to do in life personally and professionally. Its so hard. All while I was missing you, I finished my thesis. It was your presence that kept me going...thinking...writing...and pursuing the degree in the end. Thank you. People still don't know, it was so hard. I don't want to be selfish, I know you are fine. The memories of you, of us, here with my sister, and Zee, and Shani are with me and I'll keep remembering over, over, and over again. I promise I will.

I'll keep remembering until I don't have to remember anymore. Rest in peace.

I love you,
Tunua

To my mommy

Journal entry, May 16, 2001

Dearest Mommy (also known to everyone else in the world, except my sister as Kathaleen Hawkins)

Well I just printed my thesis, in color too. I can't believe it, after all the life circumstances I endured this academic year. Anyway, thank you for letting me call you at any time of the day or night despite the fact that I'm in a different time zone (three hours ahead). That never mattered. And every time I called you, you were always so understanding, not judging because you had told me that I had accomplished already everything you hoped I would but if I wanted more you were there for me. Thank you for that. Thank you for letting me do the things I want to do, even if it was as scary as living in a country abroad you hadn't heard of before. You, Granny (Elease Hunter) and Aisha (my sister) are the most important people in my life.

While I was away from home, you'll be happy to know that I had a family on the East Coast at MIT that took care of me. I can't wait for you to meet my advisor Karl Seidman. He's great, absolutely brilliant, modest, and has integrity. He's a practioner-- meaning he doesn't have a PhD. but if he did, I'd do a whole lot to become one of his PhD students. That also tells me something about being a PhD. I also had my roommate Ana Lasso, who was patient with me when I couldn't be patient with myself. And I am so thankful to April Veneracion for reading my thesis-- again when I couldn't even read it myself. Soon you'll meet George Samuels and you'll know exactly who I'm talking about when you feel me smiling through the phone. There's a whole lotta other people including the legacy of 440!! Each person that has lived in the house past and present are so inspiring to me. I'm not even sure they all know it. As always mommy, I know my dad's been smiling down on me, giving me the courage to live out my own divine and special journey that I've been given.

Finally, of course, this degree is yours, never mind that you will hear my name when I walk across the stage, its yours they mean to say. And I realize I made a mistake on the title page by putting my own name, but I can make it right below: (I share my accomplishments with you.)

Commercial Gentrification: Trends & Solutions

By

KATHALEEN HAWKINS

B.A., Interdisciplinary Studies,
Political Science, African Diaspora Studies and Urban Planning (1997)
University of California at Berkeley

Submitted to the Department of Urban Studies and Planning
in Partial Fulfillment of the Requirements for the Degree of
Master of City Planning

at the

Massachusetts Institute of Technology

June 2001

© 2001 Massachusetts Institute of Technology
All rights reserved

I love you MOM,
Tunua

TABLE OF CONTENTS

CHAPTER ONE: GENTRIFICATION THEORIES AND COMMERCIAL GENTRIFICATION	9
Theories of Gentrification	11
Commercial Gentrification	17
Introduction to Case Studies:	
Mission District, San Francisco, CA and Central Square, Cambridge, MA	25
CHAPTER TWO: COMMERCIAL GENTRIFICATION TRENDS	31
Housing Market Patterns	32
Revitalization Initiatives	35
Displacement	39
Small Business	40
Non-profits and Local Service Providers	44
CHAPTER THREE: COMMERCIAL DISTRICT STAKEHOLDERS	49
Mission District (Community Response; Public Sector Response)	50
Central Square (Community Response; Public Sector Response)	52
Speed and Nature Paradox	57
Organizational Capacity	59
Public Sector Role	60
CHAPTER FOUR:	
POLICY OPTIONS AND TOOLS TO MITIGATE THE IMPACT OF COMMERCIAL	
GENTRIFICATION	63
Long term strategies to preserve affordable commercial space	66
Community Land Trusts	66
Community Organization Ownership Programs	68
Anchoring Small Business through and Equity Partnership	71
Public Sector Initiatives: City owned property for community use;	
Linkage program for commercial space	72
Community Organizing and Capacity Building	74
National Main Streets Model	
CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS	79
<i>Strategies for-</i>	
Mission District	81
Central Square	82
Short-term strategies for preserving affordable commercial space	83
Long-term strategies for preserving affordable commercial space	84
BIBLIOGRAPHY	87
APPENDIX	
List of Figures	91
List of Tables	93

CHAPTER ONE: GENTRIFICATION THEORIES AND COMMERCIAL GENTRIFICATION

The unintended consequence of new capital being directed at the inner city has resurfaced conversations about gentrification. Today, community development corporations and other community-based organizations are faced with the dilemma of either opposing the increasing demands of larger chain store companies locating the inner-city, bringing both advantages and disadvantages, or remaining neutral to the new neighbors. Many locally based organizations support the transition of capital interest with the hope that the benefits will outweigh the costs. However, will longstanding local merchants and commercial district institutions capture the benefits? How can neighborhoods strike a balance between new capital and preserving the character and institutions of the community? On the one hand, communities have worked for years to increase the attractiveness of their neighborhoods to gain capital and other reinvestments, yet, what is the price for relinquishing complete control to large, non-community based, high-end focused, or chain stores? Unfortunately, communities like the Mission District and Central Square are now facing the inadvertent consequence of displacement of local merchants. In order to mitigate the extent of displacement, as a result of commercial gentrification, recommendations are made to slow commercial gentrification in neighborhood business districts.

This thesis investigates how commercial gentrification manifests in two neighborhoods—the Mission District in San Francisco, California and Central Square in Cambridge, Massachusetts. Through outlining the framework for defining gentrification, a specific theory about the trends of commercial gentrification emerges. Using the Mission District and Central Square as case studies, the paper details the experience of commercial gentrification in each area and provides a stakeholder analysis that highlights how these specific communities are responding to market forces that create commercial gentrification.

Additionally, the paper reviews several policy options and economic development tools that are being implemented in communities today that may be useful for mitigating the impacts of commercial gentrification in neighborhood business districts.

The unprecedented economic growth and renewed interest in revitalizing inner cities has resulted in a resurgence of discussions about gentrification. This first chapter provides a theoretical framework for the term and phenomenon of gentrification. Since the term gentrification is almost always applied to the change in housing markets and individual settling patterns, this chapter also explores commercial gentrification specifically. A definition for the term commercial gentrification is presented along with a discussion about why it is important to consider this particular phenomenon. And finally, the two case studies -- the Mission District in San Francisco, California and Central Square, in Cambridge, Massachusetts -- are introduced.

British sociologist Ruth Glass coined the term “gentrification” in the 1960’s as a means of describing the influx of middle-class residents (“the gentry”) into deteriorated London neighborhoods.¹ “Gentrification as a process of socio-economic change is not restricted to particular cultures or countries.”² Instead the phenomenon of gentrification has occurred at many different times in many cities around the world.

Academic writings about gentrification and its impacts on American cities were published profusely during the mid-1980’s. Today few writings are as prolific on the subject and only recently have discussions of gentrification reentered the dialogue of inner city redevelopment.³ The leaders furthering the dialogue today on gentrification are community organizations and local agencies forced to find solutions to the pressing problem of

¹ Valesquez, Simon, “Gentrification in San Francisco’s Mission District: Indicators and Policy Recommendations”, University of California at Berkeley, 2000.

² Williams, Peter “Class constitution through spatial reconstruction? An evaluation of gentrification in Australia, Britain, and the United States,” Gentrification of the City, ed. Neil Smith and Peter Williams, Allen & Unwin, Boston, 1986, pg. 57

³ PolicyLink, *Thinkers and Resources for Promoting Equitable Development*, Oakland, CA, March, 2000.

displacement. The three main theories that explain “what is gentrification” or “why it occurs” are the (a) rent gap theory, (b) public and private redevelopment “boosters”, and (c) empirical analysis about changes in the built environment.

The most commonly held notion for why gentrification occurs, the rent gap theory, presumes a background of uneven development of metropolitan land markets. The theory begins with the theme of divestment in certain areas of central cities and a parallel investment in suburban areas. This simultaneous development, along with the financial dynamics of construction and land interest results in residential areas whose “rent is significantly below their potential ground rent.”⁴ As developers and other interested investors search for profitable opportunities in metropolitan regions, particularly where suburban land has reached its development capacity, financiers find the undervalued markets of these previously undesirable areas. They take advantage of the low rents and capital and investment follow, thus gentrification occurs.

Neil Smith further builds on the theory of uneven development and states that the rent gap theory is part of the problem but that gentrification will continue to occur as part of the capitalist structure of failing profit rates. “The inevitable failing rate of profit and the overproduction of commodities have led to a crisis of capitalism which can only be attenuated through the discovery of new investment opportunities.”⁵ Smith maintains that the shift in interest in distressed areas is a symptom of larger economic forces that will occur again and again as markets are saturated. Gentrification therefore, is the capitalist response to shrinking profits in saturated markets.

⁴ Beauregard, Robert A., “The chaos and complexity of gentrification,” Gentrification of the City, ed. Neil Smith and Peter Williams, Allen & Unwin, Boston, 1986, p. 38.

⁵Ibid, p. 39.

This theory stands to explain many of the retail initiatives and programs that have begun in inner cities in recent years.⁶ These programs are able to thrive in part because private developers are searching for new untapped markets. As Beauregard points out, however, the rent gap theory alone cannot explain the impetus for gentrification in inner cities. For example, observation finds many inner cities areas with far lower rents than gentrifying areas. The theory, therefore, fails to explain why a city like Hoboken in New Jersey becomes gentrified but not Newark, New Jersey.⁷ Gentrification is not an issue in Newark, despite its similar position with very low rents, locational advantage to Manhattan and transportation facilities in comparison to Hoboken. Today some might say that the saturation of gentrifiers in Hoboken, along with the University atmosphere, and locational advantage of Newark makes it a potential future candidate for gentrification. The Hoboken versus Newark dichotomy highlights the complexity of gentrification and reinforces the theme that it is a result of a combination of factors; this is also evident in the case study communities discussed later in this document.

The second theory of gentrification purports that the public and private redevelopment “boosters” that stand to gain from the increased value of distressed areas are responsible for altering perceptions about a place. “...the gentrification process is...fostered by its ‘boosters’: redevelopment bodies, local newspapers, ‘city’ magazines, mayors’ offices, real estate organizations, financial institutions, historic preservationists and neighborhood organizations comprised of middle-class homeowners.”⁸ The agents that seemingly might have the most to gain from revitalization generate the altered perception about a place. The changes in perception are almost always accompanied by a real increase in investment into an area.

⁶In 1994, Local Initiative Support Corporation (LISC) launched the Retail Initiative (TRI), which is a commercial real estate equity fund that helps community development corporations bring supermarkets to low-income areas.

⁷ Beauregard, 1986, p.39.

⁸ Ibid, p. 36.

This theory stresses the importance of perception as a strategy for increasing private investment over other factors like low rents. If a place is perceived to be “up and coming” and a desirable place to be by important image-makers then the reality might follow. In 1999, the South End, a historic neighborhood in Boston, well known as one of the city’s stronghold working class neighborhoods was characterized by the local trendy magazine, the *Improper Bostonian* as the “*Best New Place to Live.*” The cover story article further claimed that locals would soon hold the same esteem for living in the South End as they currently do with living in the very exclusive Beacon Hill section of Boston. A local economic development director noted the heightened interest by developers in the South End neighborhood, many of whom she explained were eager to bring in market rate housing. The boosters, despite well intentions, convey messages that confirm to the public that the soon to be gentrified place is safe. “The image of the city and its neighborhoods is manipulated in order to reduce the perceived risk and to encourage investment.”⁹

The third theory found in gentrification literature, centers largely on the built environment and the quantifiable act of housing redevelopment, with almost no focus on the causes and outcomes of displacement. “For the most part, [researchers] focus upon changes in the built environment over time but fail to explain the dynamics that bring about these changes.”¹⁰ Therefore, the gentrification process is reduced to the, “purchasing of buildings by affluent households or by intermediaries such as speculators or developers, the upgrading of the housing stock, governmental investment in the surrounding environment...stabilization of the neighborhood and enhancement of the tax base.”¹¹ Displacement as a resulting phenomenon is

⁹ Ibid.

¹⁰ Beauregard, 1986, p. 37.

¹¹ Ibid.

acknowledged but its extent is debated. Researchers in this area tend to see a linear process of change that is constant from one community to another.

Beauregard argues that gentrification must be recognized as a chaotic concept and is a result of many different factors including the role of “boosters” and capitalism that allow for transformations in cities to take place. This approach is consistent with the experiences of communities today and may explain the lull in academic writings about gentrification. If gentrification was simply about developers and individuals taking advantage of low rents in potentially desirable places, then this phenomenon should be occurring frequently and in many places thus warranting academic writings. This does not seem to be the case. Recently, and specifically in the last three years, gentrification and displacements has reemerged as a crisis in urban areas. And while some academic writings have kept pace, community organizations are leading the debate about gentrification today (Smith, 1995; Wyly and Hammel, 1999). Portland-Vancouver metropolitan-based Coalition for a Livable Future, documented its fight to decrease displacement in a report (1999), The Chicago Rehab Network published a task force paper *Development without Displacement* (1995), and the Urban Habitat Program in San Francisco published: *A Regional Analysis of Gentrification and Community Stability in the San Francisco Bay Area* (1999). Communities are not just worried about gentrification and displacement many are writing about it in search of solutions.

The three key theories in gentrification literature—rent gap theory, “booster’s” role, and physical upgrades taken together can impact the commercial gentrification process of the business district. The rent gap theory doesn’t really explain why investors would be interested in commercial space in low-income areas. Commercial space investors are not searching for the lowest rents but are searching for many and profitable customers. The rent gap theory informs commercial gentrification in so much as the affluent residents that take advantage of the rent

gap will attract investments into the commercial district. The third theory discussed in which researchers focus on the built environment and upgrades of that space is most associated with the historical architectural value of the housing properties. While in commercial districts architectural amenities do add value, it is not a good indication of commercial gentrification trends. The theory that “boosters” help shape perceptions about a place is an important indicator of commercial trends. For example “boosters” direct positive press and implement revitalization strategies that signify to gentrifiers that a particular place has potential. Although the combination of the theories taken together do inform commercial gentrification the “booster” theory is the most useful in analyzing the dynamics of how the phenomena takes hold in a community business district.

COMMERCIAL GENTRIFICATION

“...the concern is almost wholly with housing redevelopment rather than with the gentrification of neighborhood commercial districts.”¹²

-Beauregard (1986)

Since its debut in United States’ writings, gentrification has traditionally meant the displacement of low-income and minority residents from centrally located neighborhoods by white and middle-class residents. The housing stock of these areas is rehabilitated and peripheral discussions occur that explain what happens to the small businesses and community institutions that served the previous population before the “gentry” arrived. The devastation of gentrification is relevant not only to changes in housing markets but also in community networks that are held together by local businesses and other institutions such as non-profit agencies.

Beauregard emphasizes that commercial gentrification and more traditional housing gentrification are mutually supportive. “...[T]he purchase and rehabilitation of existing commercial establishments as a neighborhood begins to gentrify contribute to further residential gentrification.”¹³ Since the framework for gentrification is often defined as an affordable housing crisis, solutions ensue only on that front. Therefore, in the community development field there exists a plethora of policies and tools that promote long-term affordable housing solutions. Gentrification today demands a broader definition to yield more solutions. Commercial gentrification occurs when the commercial real estate market dramatically increases and “prices out” small business that served low- and moderate-income residents. Displacement as a result of being “priced out” of the market is related to new businesses that come into the market with the intent to serve higher end customers, dramatic increases in rents,

¹² Beauregard, 1986, p. 44.

¹³ Ibid.

or when small businesses that served low- and moderate-income residents are not able to adapt to new consumer preferences of the “gentry”.

Despite the economic slow down, predicted by popular media, there are many sources of private capital that are being directed at the inner city and its commercial districts. Just prior to President Clinton’s departure from office, he initiated the passage of the New Markets Tax Credit, placing more resources in the reach of community organizations that can support business development in distressed areas. The National Main Streets Initiative, which provides an organizing and governance structure for local communities is being pioneered in inner cities and has the potential to attract new investors and chain stores into neighborhoods. Additionally, private developers are eager to take advantage of expanding incentives for Brownfield redevelopment in inner cities. These revitalization policies represent long awaited, hard fought successes for the community development field. To ensure that these policies do not undo the work of community organizations and municipalities to build up their neighborhoods commercial districts, a concerted effort must be maintained that will advocate for a diverse commercial business base that serves a diverse customer base. Here’s why.

Locally owned stores are often good corporate citizens. These entities are likely to contribute to the civic and cultural life of a community and sponsor events.¹⁴ “Small firms donate more financial support and volunteer time to charitable causes than large corporations”¹⁵ A diverse business district contains broad ownership of local resources and assets, thus local decisions guide the direction of the business district. This is key in communities that feel disempowered on many levels in society and need to be able to positively impact the direction of their local economy. Local business and property owners have a vested interest in the health

¹⁴ Ross Gittell and J. Phillip Thompson, “Inner-City Business Development and Entrepreneurship: New Frontiers for Policy and Research,” eds. Ron F. Ferguson and William Dickens, Urban Problems and Community Development, Brookings Institute Press, Washington. D.C, 1999 p. 473.

of the neighborhood in which they do business for a variety reasons. In part because it supports the profitability of their business and also because their taxes support local services that they might use such as schools, senior centers, and other city services.

The inner city market has not always provided lucrative financial opportunities and despite lapses in economic gain, many locally owned firms choose to weather the hard times in a neighborhood and provide economic stability. Many businesses understand the local market and respond accordingly. In the following two examples the proprietor’s enthusiasm for neighborhood relations and keen sense of local needs support economic opportunities for the business and community benefits. In Boston, along the Washington Gateway Main Street corridor a local pawnshop previously shunned as a key community business responded to local needs by creating a niche market for musical instrument pawning. The world-renowned Berkeley College of Music and a large artist community are within the trade area of this shop. To support this niche market, the business owner also built a stage complete with sound system that allows potential customers to test the equipment. Three to four times a year, the owner hosts live bands on the stage and proceeds are donated to local charities. Similarly, capitalizing



Figure 1: Economy Hardware, The Square

on the Massachusetts Institute of Technology and Harvard University student populations the regional chain Economy Hardware hosts “midnight madness” sales three times per year. During the “midnight madness” sale the store is open from 8pm to 12midnight and all store items are marked down 10

to 60%. Because of its local ownership, the store is able to do flexible marketing that responds to local preferences rather than following a national retailing formula.

¹⁵ Stacy Mitchell, The Hometown Advantage: How to Defend Your Main Street Against Chain

The locally owned business can serve as an economic multiplier by hiring from the community, using professional services nearby such as accountants, lawyers, printers, and by using local suppliers. The employment opportunities that local minority-owned businesses provide to community members are key. Studies show that minority-owned companies tend to hire more minorities; this is a very important trend since minority unemployment rates remain higher than white unemployment rates.¹⁶ The ability to recycle community dollars increases as local entrepreneurs choose close by complimentary services to support their business.

The above arguments extol the virtues of local ownership of commercial businesses in neighborhoods over the popular alternative of national chain store ownership. This represents one way commercial gentrification takes place. Conventional competitive economic theories follow that National Chain Store Y moves in and corners a market formerly held by Locally-Owned Store A. The disadvantages are that National Chain Store Y brings with it a combination of higher rents, less ethnic specific variety, and predatory sales practices to lure



Figure 2: Starbucks Coffee Shop, Central Square 2001.

customers. On the other hand, National Chain Store Y competes effectively with Locally-Owned Store A because of lower prices, wider selection, greater convenience, more jobs, better benefits, and career ladders. An example of this is found in the Central Square neighborhood

of Cambridge, Massachusetts. On a prominent neighborhood corner that contains both a metro-route bus stop and regional subway stop, resided a locally owned “mom and pop” coffee house.

Stores...and Why It Matters, Institute for Local Self-Reliance, Washington, D.C.2000, p. 17.

¹⁶ Timothy Bates, “Response: Michael Porter’s Conservative Urban Agenda Will Not Revitalize America’s Inner Cities: What Will?” *Economic Development Quarterly* 11 (1), 1997, pp. 39-44.

Nationally known Starbucks Coffee replaced the coffee house, a community institution. Some of the benefits cited by employees of this change in ownership were increased benefits like vacation and sick time, career ladders, and flexible work schedules. While some local activists and residents thought the Starbucks signified a change in neighborhood values the competing interest of providing more for low-wage employees and community character were brought into question.

The dichotomy between locally owned and national chains is not the crux of commercial gentrification or the main cause for community concern it is instead to maintain a rich diversity of options for both employees and consumers. Commercial gentrification should not be against attracting national chains to commercial districts. There is some added value to these entities, as illustrated above. Yet this does not diminish the costs that also accompany these firms as well. The question communities need to ask is, “We are gaining these benefits but at what cost?” Will these entities raise rent expectations, attract other firms like themselves, and contribute less to community development activities? The cost measure should include such indicators as well. The community’s goals should be to find balance in commercial uses in order to mitigating the cost impact.

It’s not just about chain stores v. locally owned stores; this is one aspect. The other aspect is change in store pricing and catering to higher income users. The difference in pricing, however, does not necessarily correspond with quality. Local ownership of businesses does not necessarily ensure a diverse business mix of products and services that serve a low-, moderate, and high-income community. Nearly all of the businesses in a district could create business plans to capture the higher income market through pricing strategies. This can also lead to commercial gentrification. Small firms that are locally owned begin to cater specifically to high-

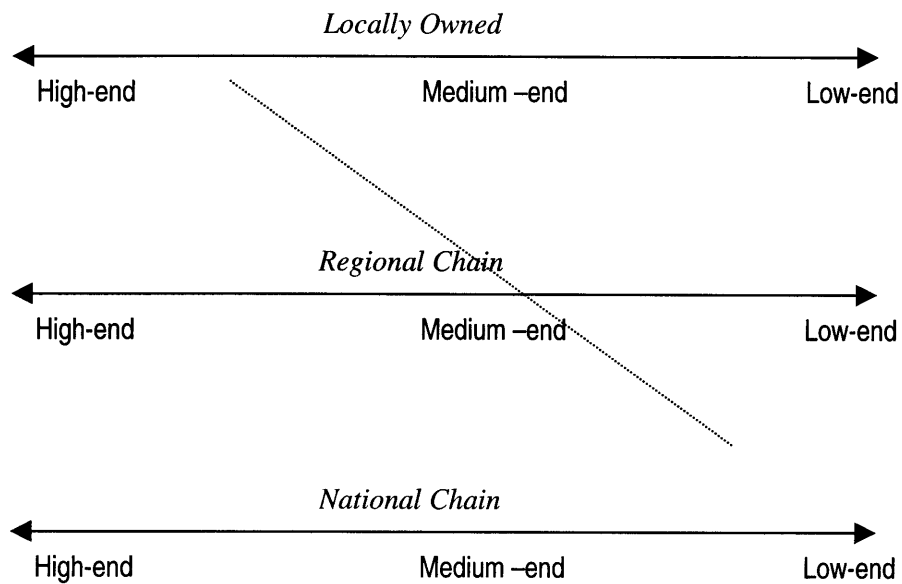
end consumers thereby leaving few options for low-end consumers. Commercial gentrification is about a shift from all low-end or from a mix priced district to all high-end pricing.

Some national chains have local franchises and these firms act like locally owned firms. In other words not all national chains are the same. For example, firms like Starbucks are owned by large corporate entities, therefore, many of the decisions for the neighborhood shops are made in a centralized location. So while communities might have specific needs these are more difficult to address with a corporate formula company. Whereas, national firms with local franchising rights such as a McDonalds may be locally owned, like the one in Central Square. Such firms, when locally owned are a boost to preserving and promoting community assets. The benefits of the firm are recycled back into the community. Communities must be aware, however, that not all national chains, which have franchises, allow for their sites to be franchised. In South Los Angeles, two of the highest grossing McDonald's franchises in the area are corporate owned. This means that benefits and assets created by these particular sites are taken out of the community and go directly to McDonald's Corporate. Several local non-profits have worked to challenge the corporation to franchise the two sites. Its important for communities to be aware of the kinds of assets being created in their commercial districts.¹⁷

The key is balance (See Table 1.0). Not all of the businesses in the district need to be locally owned and run in order to avoid gentrification. Some will likely be connected to national chain establishments, and this brings both costs and benefits to the community. Others will focus on more high-end customers. In some cases, upgrading or closing businesses that are no longer viable is also necessary. The mix of types high-end, low-end, ethnic products, national chain retailers etc. are all apart of the desired mixed-income business district. One of the goals of a business district should be to preserve the local and historical character of a

neighborhood. The detriment of commercial gentrification occurs when the balance among the types shifts toward high-end and/or national chains. The disempowering result is a decrease in local accountability and community economic assets.

Table 1.0: Pricing index



..... Represents an example of a diverse commercial business district. It has a mix of “high-, medium-, and low-end pricing indices and a cross section of locally, regional chain, and national chain owned mix.

Besides small businesses, other entities are counted among a community’s assets that should also be preserved. Affordable commercial space is important for community institutions such as non-profits, cultural facilities, arts programs, recreational, and social service agencies. Like small businesses, these agencies shape the quality of life in an urban neighborhood as well. Part of the uniqueness of Central Square is its arts focus. The regionally known Dance

¹⁷ Paul Turner, Personal Interview, Board of Directors for West Angeles Community Development Corporation, Los Angeles, CA, April 2000.

Complex (an arts institutions that offers over 100 dance classes monthly) is a prominent part of the arts community in the Square. Fortunately, the Dance Complex is one of the few non-profit owned properties on the main strip of the Central Square commercial district—Massachusetts Avenue. This agency is an important part of the commercial district and quality of life for local residents and the region.

A diverse commercial district supports and helps produce a diverse residential



Figure 3: *Mural, Mission District*

community. An area with a diverse set of commercial uses including businesses that service a variety of income levels, non-profits, and other cultural amenities help attract

and maintain a diverse residential population. Whereas a gentrified district that largely appeals to higher income neighbors signifies that a neighborhood is for affluent residents only. Others will assume that the district does not offer the type of grocery stores, businesses and services that might make a community a desirable or viable place for diverse classes, racial, and ethnic groups. The key point is that a more diverse and less segregated urban neighborhood is a highly sought-after aim for community economic development practitioners and commercial district diversity is central to realizing that goal.

The market will not create balance of commercial uses in a business district all on its own. Commercial diversity, like housing diversity, will not be accomplished if market forces purely shape the uses and tenants in a gentrifying commercial district. In order to maintain the benefits of a diverse commercial district that support a diverse residential population requires public interventions to alter the outcome of market forces.

Commercial gentrification, more specifically than general gentrification, must be addressed as part of the new development dilemma. That is—Is revitalization possible without commercial gentrification? Practitioners and scholars should not be resigned to the philosophy that gentrification in the business district is inevitable. In the mid-1980's several key writings that documented gentrification helped to identify what is the phenomenon and how it happens.¹⁸ Few studies, however, featured the commercial change a district might experience as a result of gentrification. Nonetheless, the time for solutions has come. Today there is an opportunity to identify, test, and implement solutions to curb the often devastating impacts of commercial gentrification. This thesis will explore the experiences of the Mission District in San Francisco, CA and Central Square in Cambridge, MA and their plight to identify the causes and mitigate the impacts of commercial gentrification in their neighborhood commercial districts.

THE CASE STUDIES:

MISSION DISTRICT, SAN FRANCISCO, CA; CENTRAL SQUARE, CAMBRIDGE, MA.

The Mission District neighborhood of San Francisco has for the last two decades been a hub for the area's Latino residents. Located in San Francisco's southern border, the Inner Mission District is home to 60, 583 persons.¹⁹ According to 1990 census data, people of Hispanic origin were 52% of the total population in the Inner Mission District. As indicated by 1998 estimates, 36 % of Inner Mission households have annual incomes less than \$25,000. By comparison, the Greater Mission District has approximately 30% and the City of San Francisco has 27% of its household population annual incomes below \$25,000.²⁰ There are 2462

¹⁸PolicyLink, *Thinkers and Resources for Promoting Equitable Development*, PolicyLink, Oakland, CA, March, 2000.

¹⁹ The Inner Mission is defined as San Francisco County census tracts 177.00, 201.98, 202.98, 207.00, 208.00, 209.00, 210.00, 228.00, and 229.00.

²⁰ The Greater Mission District is defined as San Francisco County census tracts 168.98, 169.00, 176.98, 177.00, 178.00, 180.00, 201.98, 202.98, 203.00, 206.00, 207.00, 208.00, 209.00, 210.00, 211.00, 214.00, 215.00, 227.00, 228.00, 229.00, 251.00, 252.00, 253.00, 607.00, and 609.00. Source: Claritas, Inc. 1998, and Bay Area Economics, 1999.

businesses recorded in the Inner Mission District and together support 5 million square feet of commercial space.²¹ These businesses are found in the street boundaries of Dolores Street to the West, Division/ 13th/Duboce Street to the North, Potrero Avenue to the East, and Cesar Chavez Avenue to the South (see map). “The Mission District is the highest and most densely populated neighborhood in San Francisco and functions in many ways as an independent entity within the city.”²²

The District is a uniquely attractive neighborhood in San Francisco because of its proximity to public transportation and access roads to both the financial district and the Silicon Valley. In recent years, non-Latinos have taken advantage of the District’s cultural and social amenities along with its prime location and low rents. The saturation of local housing markets surrounding San Francisco’s Silicon Valley and rapid increases in job creation have made the Mission District an area vulnerable to gentrification.²³

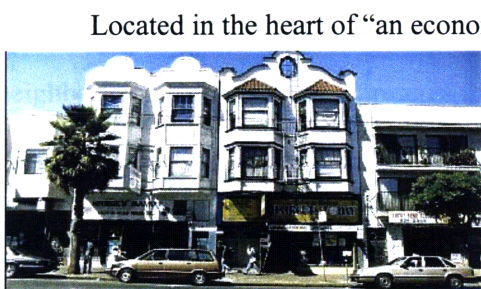


Figure 4: *Mission District*

Located in the heart of “an economic tidal wave [that] is washing over the Bay Area, originating in Silicon Valley,” the Mission District is experiencing gentrification in both its residential and commercial centers.²⁴ The Mission District is particularly attractive because of its cultural niche and affordability. Non-profit leaders and the City are on the cusp of defining what will become of the Mission District, its residents, and commercial spaces. The problems presented in the Mission District are a key opportunity to effectively address the recent trends of commercial gentrification.

²¹ Inner Mission Business District Analysis: Dun & Bradstreet, MEDA 2000.

²² Inner Mission Business District Analysis: Dun & Bradstreet, MEDA 2000.

²³ Urban Habitat Program, *There Goes the Neighborhood: A Regional Analysis of Gentrification and Community Stability in the San Francisco Bay Area*, San Francisco, 1999.

Central Square, sandwiched between Harvard Square at Harvard University and Kendall Square at Massachusetts Institute of Technology, has over the last two decades sought to maintain its distinction as a unique shopping destination. “Central Square is a classic American urban commercial district with over 190,000 square feet of neighborhood and specialty stores, coffee shops, and restaurants.”²⁵ Cambridge City Hall and the Main Post Office are also located in the Square.

The City of Cambridge is divided into 13 area neighborhood districts. Four distinct area neighborhood districts border the Cambridge commercial district of Central Square. Together the diverse service and product needs of these communities comprise the eclectic shopping experience of the Square. The four neighborhoods as defined by the City are Neighborhood 4, Cambridgeport/Area 5, Mid-Cambridge/Area 6, and Riverside/Area 7.²⁶ The cross-section of neighborhoods represents the socio-economic range including the City’s wealthiest and more modest working class areas. The combined total 2000 census population estimate for the four neighborhoods is 41,801 and represents the primary trade area.²⁷

Tightening housing markets marked largely by the end of rent control and a regional economic boom have placed greater pressures on the neighborhood commercial district known as Central Square. City of Cambridge streetscape upgrades have made the area much more attractive to investors and little by little new investors are taking control of the district’s assets resulting in a commercial district focus on capturing high-end retail and chain stores.

²⁴ Maureen Kennedy and Paul Leonard, *Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices*, The Brookings Institution Center on Urban and Metropolitan Policy, and PolicyLink, April 2001.

²⁵ Gibbs Planning Group, Inc., “Commercial Market Study: Central Square”, Cambridge, MA, February 2000.

²⁶ City of Cambridge, Community Development Department, Neighborhood Descriptions.

²⁷ City of Cambridge, MA, Community Development Department: Cambridge Neighborhood Census Data, 2000.

Commercial rent prices have crept up considerably and smaller and discount stores feel the pressure of change in the Square.

Local non-profit, Cambridge Community Television is concerned about the Square’s future and is conducting a visual documentation of the Square’s changes. Few other key stakeholders, however, such as City agencies and the Central Square Business Association are as alarmed about changes in the Square. The Square lacks a strong advocacy organization that can unify a vision for the business district and implement a plan to achieve those goals. The current pace of change is slow for now but surely market forces are anticipated to completely transform the uniqueness of the Square and its diverse offers of affordable shops.

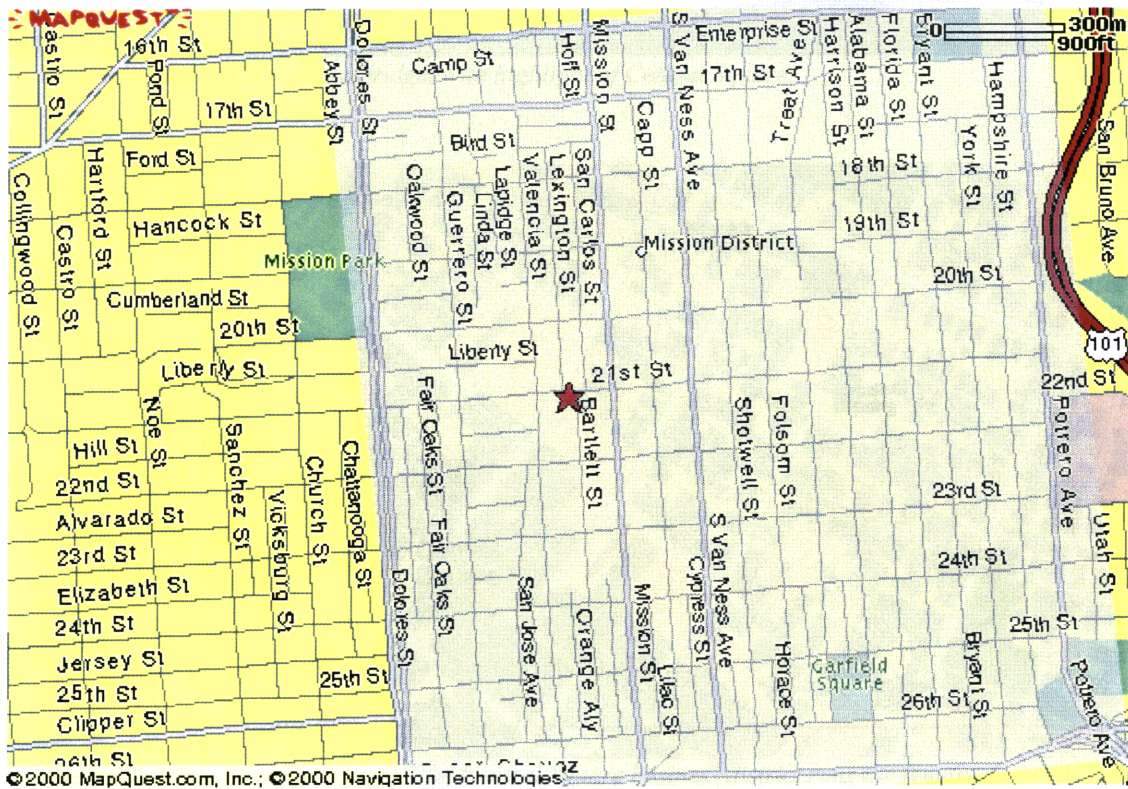


Figure 5: Map of Mission District. The highlighted area on the map is the Inner Mission District that is described throughout this paper. The Mission District is bordered by Dolores Street on the west, Cesar Chavez Avenue to the South, Portrero to the east and Duboce/13th/Division to the north.

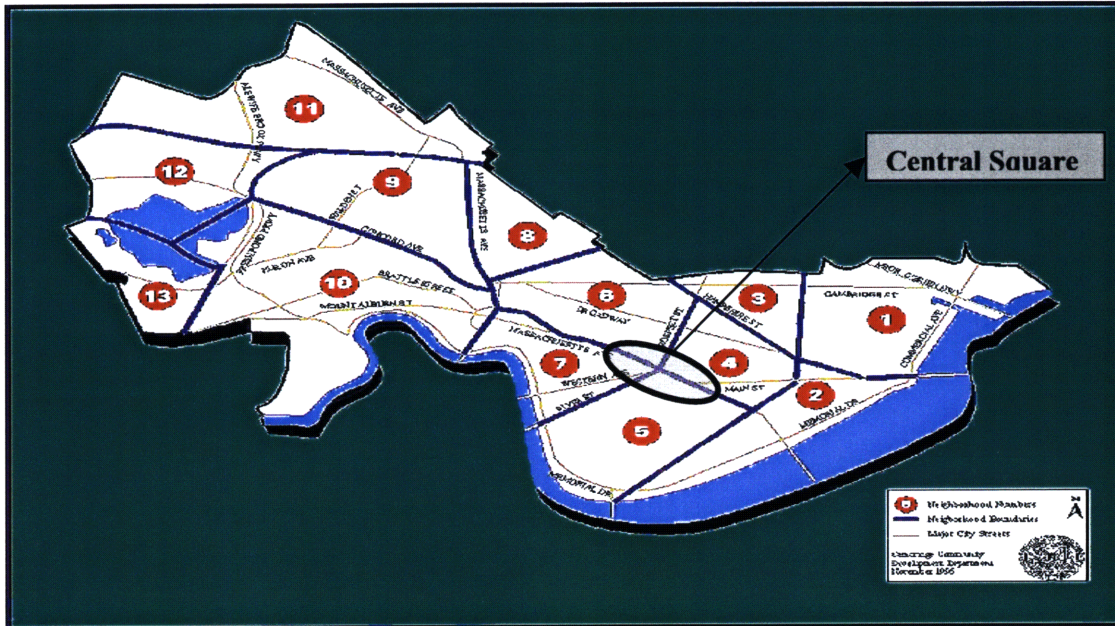


Figure 6: Map of City of Cambridge, with highlight of Central Square.



Figure 7: Map of Central Square. The Central Square business district runs the length of Massachusetts Avenue, with City Hall and the Central Post Office to the North, extending southward to Main Street.

CHAPTER TWO: COMMERCIAL GENTRIFICATION TRENDS

These communities, once havens for people whose income or skin color would not allow them to live elsewhere, are now being 'discovered' for their overlooked amenities; bay access and views, good freeway and transit access, urban open space, good weather, and the cultural resources—festivals, restaurants, markets—that these communities have created. Protecting and stabilizing these communities must be a region wide goal.

-Urban Habitat Program, *There Goes the Neighborhood*, 1999

The factors that influence commercial gentrification in the neighborhoods studied are (a) a tight regional housing market, (b) government revitalization policies, and (c) increasing per square foot rents. This chapter offers detailed findings and analysis of the changes experienced in two neighborhood commercial districts—the Mission District in San Francisco and Central Square in Cambridge, MA. The first section focuses on *how increasing housing market costs* led to a change in residents of a neighborhood who subsequently demanded a change in services and products from their respective commercial districts. As the cases will illustrate, several commercial districts are able to more easily respond to new resident needs because of efforts aided by government *revitalization* programs and policies. These reinvestment policies were developed to improve the value of conducting business in the area and provided incentives for attracting firms when necessary. And finally, the chapter explores the combination of how reinvestment, the influx of new more affluent residents, and national economic prosperity translated into the *displacement* of small and locally owned businesses in neighborhood commercial districts. While the chapter format presents a linear process that explains the patterns of commercial gentrification (i.e. tight housing market, revitalization, and displacement), the reality is that these factors are interrelated and can occur simultaneously or in a different order. A municipality, for example, might have the impact of gentrifying a commercial district through revitalization policies prior to increased demands on the housing market.

HOUSING MARKET PATTERNS

In the two neighborhoods examined, each has experienced tremendous increases in monthly rental housing and median housing sales. Radical shifts in housing affordability are occurring in these neighborhoods. The shift in housing affordability has a symbiotic relationship with the shift in a neighborhood's commercial district. Neighborhood commercial districts thrive off the convenience shopping habits of local residents. Therefore, changes in local housing prices can be a potential indicator forewarning a change in character and gentrification of the local commercial district.

Mission District, San Francisco, CA

South of the San Francisco city center, the Mission District is characterized as a diverse neighborhood filled with Spanish-speaking families, the Mission Dolores, bodegas, and “south

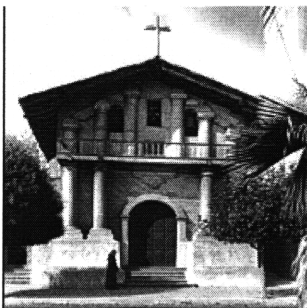


Figure 8: *Mission Dolores*

of the border inspired” ethnic food. Once one of the most affordable places to reside the neighborhood is changing with the influx of higher income residents. The impact of residential gentrification in the Mission District has resulted in substantial increases in rents, median home prices, and evictions.

One of the most common eviction types used by owners is the owner move-in eviction (OMI). OMI policy permits owners to legally evict a tenant if the owner resides at the property for at least 36 months, after which time the owner can rent the property at market rate. Nearly one-third of all evictions in 1999 in San Francisco were OMI in type.²⁸ In the Mission District specifically OMI evictions accounted for 40% of the City's total evictions in 1998 and 21% for 1999 (See Table 2.1). In the years previous, from 1990 to 1996 the District only experienced 112 OMI's total. The 112 represents 21% of all evictions for the City during those seven years.

²⁸ San Francisco Rent Board, 1999.

Table 2.1: Mission District Owner Move-In Evictions

Year	Number	% of Total Evictions From 1990 to 1999
1990-'96	112	21%
1997	99	18%
1998	215	40%
1999	114	21%
Total	540	100%

Source: San Francisco Rent Stabilization and Arbitration Board; MEDA

The increases in the OMI evictions reveal a motive on the part of owners to capitalize on the potential to gain higher rents from an influx of affluent residents.

Rental and home ownership prices are also escalating in order to keep pace with the



Figure 9: Live/Work Loft Development in Mission.

ability of affluent residents to pay more. The growth in median home price for the Mission District outpaced that of the City of San Francisco from 1997 to 1999 (See Table 2.2). The Mission District experienced a 62% increase from \$235,000 to \$381,000 in 1997 to 1999.²⁹ During those same years, San Francisco's median home price rose from \$332,500 to \$407,000, a 22% increase.³⁰ Similarly, in the rental housing market, local apartment finder RentTech recorded a 26% rent

increase on 2-bedroom units from 1997 to 1999. At a slightly lower rate, San Francisco 2-bedroom units increased 16% from 1997 to 1999.

²⁹ Mission Economic Development Association (MEDA), 1999.

³⁰ Ibid.

Table 2.2: Rental and Home Ownership Prices

	1997	1998	1999	% Change 97-99
Mission Median Sales Price	\$235,000	\$323,000	\$381,000	+62%
SF Median Sales Price	\$332,500	\$379,000	\$407,000	+22%
Mission Average Rent 2BR	\$1,330	\$1,563	\$1,678	+26%
SF Average Rent 2BR	\$1,714	\$1,869	\$1,992	+16%

Source: Rent Tech; Metroscan; MEDA.

Central Square, Cambridge, MA

The economic progress of Cambridge has had a major impact on the makeup of the community. Computer software, biotechnology, and research and development companies comprise an increasing percentage of Cambridge employers. Their arrival – in tandem with the abolition of rent control in 1994 – has contributed to a new wave of upper-income residents moving into Cambridge and an out migration of long-term residents searching for a lower cost of living. A three-decade business operator in Central Square noticed that the end of rent control marked a change in the community and its residents. According to the owner, his long-term customers were leaving the area because they could no longer afford rent in the area or found selling their property at a lucrative financial gain.

The business owner’s perspective is confirmed by the dramatic increases in rents and housing sales prices in Cambridge after the abolition of rent control. Between 1990 and 1999, the median sales price of a single-family home in Cambridge increased from \$240,000 to \$430,000.³¹ Similar pressures are evident in the rental market. Monthly rents for a one-bedroom apartment averaged \$650 in 1990 while average rent for the same size apartment exceeded \$1,300 by the year 2000.³² Vacancy rates in the Cambridge rental market are nearly zero. To

³¹ City of Cambridge Community Development Department, *City of Cambridge, MA Housing Market Information (2000)*, Cambridge, MA 2000.

³² Ibid.

rent a one-bedroom apartment in Cambridge today – and not spend more than 30 percent of your income on housing – requires an income of over \$46,000; a minimum yearly income of over \$130,000 is required to purchase a single-family home.³³

The rising cost of living in neighborhoods has displaced long-term residents simultaneously decreasing the opportunity for new low-income residents to enter the housing market in an area. Both the Mission District and parts of Cambridge (specifically those near Central Square) have historically served as entry points for low-income and immigrant populations. Consequently, these residents created community institutions including small businesses, organizations, and religious institutions. So even if some housing units are made affordable the potential needs of new residents could disrupt the community institutions and the commercial district built by the low-income population.

REVITALIZATION INITIATIVES

By and large economic prosperity is key for commercial gentrification to occur, however, many neighborhood commercial districts are prompted into a gentrifying wave as a result of revitalization initiatives. Collaboration by city officials, developers and non-profits can facilitate the process of gentrification through policy interventions. Most policies are



Figure 10: (left) *Streetscape upgrades in Central Square. The sidewalk was extended with brick to make it a more friendly pedestrian environment.*

Figure 11: (right) *Central Square Bus/Mass Transit Stop.*

³³ Ibid.

intended to improve the quality of products and services, the safety of an area, the general streetscape and storefronts. Consequently, these actions may raise the expectations of consumers, small business owners, and landowners alike. While physical improvements alone

Figure 12: *Lamppost installed in Square, many saw as sign of gentrification.*



in a commercial district may not automatically result in a gentrified commercial district, the changes can signify to developers that new opportunities exist. In Central Square, community residents, business owners, and the City, through a comprehensive planning process, created a vision for the physical revitalization of the Square.

After three years, the physical plan was implemented by the City only to spur new development, which many see as an indication of gentrification of the Square.

In the early 1990's, under the leadership of a new and energetic Mayor, the Save Central Square Now Coalition was formed. Then Mayor Ken Reeves lead the Square's surrounding community through a visioning process. Several hundred residents took part in the efforts to Improve Central Now! to create a new place for families as a destination of choice for locals and visitors.³⁴ Residents wanted the square to be safer (so a police-sub station was installed), cleaner (so the City increased the days per week of litter and trash removal), and a more pleasant pedestrian experience (so larger sidewalks with brick fixings were implemented, new street lighting, and a program to improve store fronts). When the City completed its renovations local property owners, developers, and other merchants began to notice the uncovered gem that was the Central Square Business district. In 1996, owners of the Square's most prominent building announced a grand renovation of the property. This property known

the Holmes Trust Development site, is located at the defining corner of the Square bordering Prospect Street, Magazine Street, and Massachusetts Avenue. Several long-time businesses would be displaced. Once renovations were initiated by the City, the Improve Central Square Now! committee was no longer an organized community force. Larger economic factors such as a strong regional economy, a changing residential make-up largely because of the end of rent control, and the improved streetscape signaled to the owners that the property had greater value, particularly if upgraded.

A mix-match of resident groups and individuals opposed the Holmes Development and often warned of its approval as a sign to the end of Central Square as a diverse place that would be replaced by gentrifying residents and businesses. Several years before the Holmes Development would be completed, a Starbucks Coffee Shop would open on the adjacent corner, replacing a “mom-and-pop” coffee shop. This was a sign that the community was changing. The change in streetscape for the Square contributed to its attractiveness as a place to do business.

Government policy also has a role in creating conditions for gentrification by marketing prime real estate and offering tax abatements to firms that locate in communities such as the Mission District in San Francisco. The City promotes these areas, where relatively few businesses had previously decided to locate, as prime locations. The City of San Francisco website actively promotes the Mission District and provides detailed neighborhood data for a firm searching for a commercial site. This revitalization strategy is extremely important for neighborhoods like the Mission District and underscores the City’s commitment to ensuring that development is directed towards disinvested neighborhoods, in some cases incentives (tax incentives, business loans etc.) are provided. However, if targeted public sector support is done

³⁴ Minutes from Improve Central Square Committee, Cambridge Community Television Archive,

without the consultation of local community leadership such policies could lead to displacement. While not directly related to City efforts to attract firms to the Mission District commercial neighborhood, BigStep dot-com was given a lease on a prime building in the neighborhood that displaced 30 non-nonprofit local serving institutions.³⁵

Other government programs such as the Empowerment Zone tool being implemented in communities like Harlem, in New York City has aided rapid capital injections and thus commercial gentrification as well. The Empowerment Zone designation for the neighborhood provides incentives for national chains and other firms that locate in the area. In recent years, these revitalization programs and others have transformed the neighborhoods prime commercial corridor—125th Street. 125th Street, known internationally as the commercial mecca of Harlem, has attracted a national grocery store chain, a movie theater, official government office, and coffee houses with the lure of incentives. These investments have benefited the community with much-needed products and services and modernized the district. “Not everyone is pleased [however]. ‘Whose inner city is this?’ asks Dorothy Pitman Hughes, the longtime owner of a stationary store. She [checks] off her list of grievances: Bill’s hardware store shut down, ‘because he couldn’t get a loan.’ Georgie’s Bakery is gone; Krispy Kreme has come. Dr. Parkin’s eyeglass store closed to make room for retail giant Starbucks.”³⁶ Many locals believe that despite these changes many parts of Harlem are still intact, for now.

The government policies that encourage revitalization have the impact of increasing awareness of the potential profitability of a commercial district. In Central Square, once the streetscape improvements were completed businesses and property owners capitalized on these changes to benefit their establishments, in part to attract new tenants that would pay higher

Cambridge, MA, 1993.

³⁵ Kennedy and Leonard, April 2000.

³⁶ Charles E., Cobb, Jr., “Lookin’ Good in Harlem-10027”, *National Geographic*, April 2000.

rents. The Holmes Trust Development underwent a complete renovation proposing market rate housing and commercial space for six to eight firms. Several other firms have improved storefronts with clear and attractive signage. The City further supports these revitalization efforts with increased public services. Central Square has routine graffiti cleaning and festive banners/flags/lights decorate the Square. “Boosters”, a term used by Beauregard, also make investments into the district, often matching government revitalization policies. Massachusetts Institute of Technology, an abutter to the Square and large property owner in the area, completed an office park filled with research and development (R&D) facilities. The site also contains retail and a hotel development.

The government revitalization initiatives were implemented with the intent to enhance the unique and diverse nature of the commercial districts studied. The outcome, however, did not match the original intentions. The revitalization policies alone did not necessarily stimulate commercial gentrification but when implemented at a time that other “boosters” or economic forces (such as a tightening housing market) are strong, then the result is a trend toward commercial gentrification.

DISPLACEMENT

The displacement of small businesses and firms that support diverse economic and social populations is the unintended consequence of commercial gentrification. The combination of relatively lower housing costs, along with transit accessibility, revitalization and reinvestment practices, and unique culture identities, generate trends that result in rising commercial lease rates and business displacement.

Merchants in the Mission District of San Francisco are particularly vulnerable to rising commercial lease costs in the business district in part because the ownership rate among

businesses is a mere 25%.³⁷ Many, therefore, are in danger of owner move-in evictions or non-renewal of leases. Business merchants have lost their commercial space also due to exorbitant increases in per square foot lease rents as well. Commercial sales price per square foot increased at a rate of 41% over three years from 1997 to 1999, as compared to the City of San Francisco rate of 15% (See Table 2.3).³⁸

Table 2.3: Price per Square Foot

	1997	1998	1999	% Change 97 to 99
Mission District	\$75	\$89	\$106	41%
San Francisco	\$131	\$124	\$151	15%

Source: Metroscan; MEDA

Table 2.4: Total Sales Volume (in '000s)

	1997	1998	1999	% Change 97 to 99
Mission District	\$4.17	\$7.77	\$13.38	221%
San Francisco	\$49.72	\$67.30	\$75.03	5%

Source: Metroscan; MEDA

Total sales volume growth has outpaced that of the City of San Francisco (See Table 2.4). The district's sales volume in 1997 was approximately \$4 million and in 1999 boasted an annual sales volume of \$13.3 million representing a 221% increase.³⁹

The active Mission Economic Development Association notes that many businesses are being displaced due to four factors-- drastic increases in rent, new market competition, the regulatory environment, and merchants' inability to adapt to new markets.⁴⁰ Some of the firms being displaced are long-term successful community institutions such as El Herradero Restaurant, which has been in business for 12 years, experienced a 63% rent increase (\$2,400 to

³⁷ MEDA, 1999.

³⁸ MEDA, 1999.

³⁹ Metroscan; MEDA, 1999.

⁴⁰ Small Business Displacement Hearing: Special Hearing on Displacement in the Mission District of San Francisco, Presented to Supervisor Alicia D. Becerril, MEDA, September, 1999.

\$3,917) 1999. Another 12 plus-year-old proprietor with two establishments, Los Jarritos Restaurant and Mi Rancho Market, was displaced in 1998 when both buildings, within a block of each other, were sold. In other cases, owner move-in (OMI) evictions forced Nike Cultural Botanica to be displaced in 1997 after 6 years of business. Similarly, Jocelyn Bakery, facing an



Figure 13: *The “heart” of the Mission 24th and Mission Streets.*

District. Most observers interviewed point to the replacements of the displaced businesses not as chain store firms but as firms that cater to a more high-end customer. “On Valencia Street, in the commercially vibrant block between 16th and 17th streets, one third of the businesses have turned over in just four years, while the number of businesses remained constant. This suggests that the Valencia Street block, which was already fully developed commercially, has undergone significant turnover.”⁴¹

OMI eviction, was to be displaced in 1999. Business changes such as these have been responsible for a change in the character of the commercial district in the Mission

In Central Square, the intensity of owner evictions and escalating rent costs are not as apparent. This is largely because the incidents of displacement are not happening all at one time

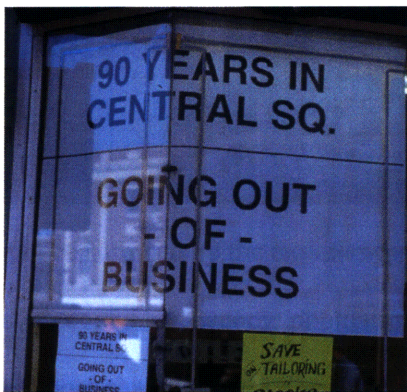


Figure 14: *Clothing firm displaced by Holmes Trust Development Plans. 1998.*

including Lucy Parson’s Independent Books, Tas-T Oriental Buffet, The Golden Donut, and

and no agency in the area is carefully recording the change. When the Holmes Trust Development, the prominent Square property located at the corner of Prospect/ Magazine Streets and Massachusetts Avenue, announced its intentions to level and rebuild a much larger property on the site, there was much community resistance. The demolish of this site displaced several small businesses

Surman’s Leathers. The community uproar about the plans to flatten the former site is viewed by many stakeholders today as an independent or isolated circumstance. Nonetheless at least a dozen locally owned firms lost their long time home in the Square.

Since the Holmes Trust Development announcement and following the City’s 1996 streetscape improvement project, the Square has undergone dramatic changes, particularly in the last 6 years. During that time, a number of firms have closed, consolidated, or moved to other locations, while others with a more high-end consumer focus have opened. The only study about the Square’s commercial district, a market study, completed in 2000 opens by noting that, “During the past five years, Central Square has undergone a significant renaissance, including new streetscape amenities, traffic-calming measures and business development. As a result of recent improvements, the region’s intense economy, the repeal of residential rent

Figure 15: *PayLess ShoeSource in Square signifies increasing rents.*



controls and a large influx of young, higher-income families moving into the adjacent neighborhoods, the demands on Central Square’s commercial district are changing.”⁴² Many Square stakeholders know that the square is changing, none, however, have quantifiable statistics about the commercial district trends. Instead, the trends

can be summed by the experiences of several firms. A discount furniture store that served the student and low-income population of the district moved out of the Square to make room for the national chain PayLess Shoe Source in 2000. Buck-a-Book, regional book and gift discount store closed its Central Square store, partly due to rent increases in 2001. Palenque, a Mexican-

⁴¹ Urban Habitat Program, *There Goes the Neighborhood: A Regional Analysis of Gentrification and Community Stability in the San Francisco Bay Area*, San Francisco, CA, 1999.

⁴² Gibbs Planning Group, Inc., “Commercial Market Study, Central Square,” Cambridge, MA, 2000.

American style family restaurant moved out of the Square (2001) to make room for a national fast food chain Wendy's Restaurant that is able to pay the increasing per square foot lease rents over \$28 dollars. Besides the arrival of the Starbucks into the Square, many concerned about its character point to the recent entry of the GAP Clothing Store, as the defining monument to the onset of gentrification in the Square. In interviews with City officials, the Central Square Business Association, and the community's most active non-profit about the Square (CCTV), when asked, "What happened to the discount clothing store (j.Silver) that previously occupied



Figure 16: *GAP and GAP Kids located in the Square. Formerly home to regional chain j.Silver Clothing Company.*

the space prior to GAP moving in?" No one knew. It turns out, the building was sold and the new owner had a vision of Central Square that included a well-established national retailer.

John Serda, President and CEO of regional discount clothing store chain j.Silver was forced out of the Square because of lease rental increases. After 7 years in business in the Square, Serda was faced with a 64% increase in rent.⁴³ Despite the success of the Central Square store, Serda could not afford such a sharp increase. The new building owner sought tenants that could pay the new rent prices; the owners found the GAP, GAP Kids, and Boston Sports Club, a gym facility and both new firms have a tendency to cater to affluent customers.

Other long-term business owners in the Square have noticed the increase in commercial rents. One restaurant business owner said he has mixed feelings about the trendy success of the district. On the one hand, he says he has more customers because of the Square's appeal to a

larger population; however, the sense of community is not there. “Sure”, he states, “Its good to do business in this ‘hot’ environment.” But he believes that having a business district that a lot of different people can use is important too. Within the last year three new very high-end restaurants (priced \$18 to \$25 per plate) have opened in the Square, displacing in some cases more affordable family restaurants.

Non-profits and other community serving institutions

Small businesses are not the only local serving institutions impacted by dramatic increases in commercial rents-- non-profits suffer as well. In the Mission District, the nine-story Bay View Building that housed nearly 30 non-profits and small businesses was re-leased to a BigStep, a dot-com firm (none of the previous tenants were given lease extensions).⁴⁴ The

Armory Building is being fitted for high-tech office space, which potentially will displace local



Figure 17: *Jose Corona of MEDA, and Bay View Building in Mission District.*

serving institutions. In response, along with the migrating patterns of their clients that have moved to other districts such as Excelsior, Bayview-Hunter’s Point, South San Francisco, Richmond, and Daly City, some non-profits will follow to set up offices in those areas. The increasing residential rents places burdens

on their clients who are opting to reside in surrounding more affordable areas. The non-profits themselves are also squeezed by their own rent increases or are outright displaced. This has forced many of them to make decisions about competing to pay market rate rents in the original area or look for opportunities where many of their clients have gone.

Two highly visible community organizations located in Central Square had a similar experience of renegotiating their leases in the mid-90’s but today are anticipating the end of

⁴³ John Serda, personal interview, President and CEO of j.Silver Clothing Company, CT, 2001.

their contracts in the next two years. Both fear that the rent increases may force them out of the Square. The Square is known for its plethora of social service agencies, which located in the area because many of their clients were nearby and it was one of the few places in the City where rents were affordable. Local non-profits see a grim future for finding space outside of the Central Square area because nearly all other areas of Cambridge have been unaffordable for many years already.

The changing residential character of the neighborhoods studied has fueled changes in the commercial district. Commercial district changes are so strong that displacement has occurred among longstanding firms. The increasing appeal of the commercial districts only intensifies tight housing markets, thus creating a circular relationship between residential and



Figure 18: *Busy corner in the Mission.*

commercial gentrification. In other words, residential gentrification leads to commercial gentrification and commercial gentrification leads to greater residential gentrification. In both case studies, the government has a role in spurring the commercial gentrification trends in the business district. The City of Cambridge's well-intentioned

streetscape improvements in Central Square, literally paved the way for the subsequent onslaught of commercial gentrification trends through massive streetscape improvements. This revitalization strategy was implemented when the end of rent control was instituted. Similarly, in the Mission District government policies to promote the District coupled with the area's tight housing market and unprecedented economic growth generated the commercial gentrification trend the District has experienced. Government sponsored revitalization efforts seemed to

⁴⁴ MEDA, 1999.

accelerate gentrification because they coincided with an active and tightening market rather than arriving during or after a time of divestment. Furthermore, rising commercial rents, rather than a failure on the part of businesses to adapt to a new residential population, is also a major reason for displacement among long established small businesses and non-profit agencies. In effect, rapidly rising rents displace firms long before they have an opportunity to adapt to new market conditions.

Displacements by rental lease agreements are widespread and deep in the Mission District. In Central Square, there is evidence that rent increase displacements are happening but its impacts are sporadically found in different locations of the district and at different times over the last five years, leading many to believe that these displacements are natural and don't need to be managed. A divergent group of constituents in each commercial district are responding to the trends of increasing commercial rents, displacement, and the opening of new firms that serve the needs of the more affluent residential population in the districts. Although it seems that there would be consensus on the matter of who responds to changes in the commercial district that simply is not consistent across the community.



Figure 19: (left) *Central Square Holmes Development corner 1998.*

Figure 20: (below) *same corner 2001.*



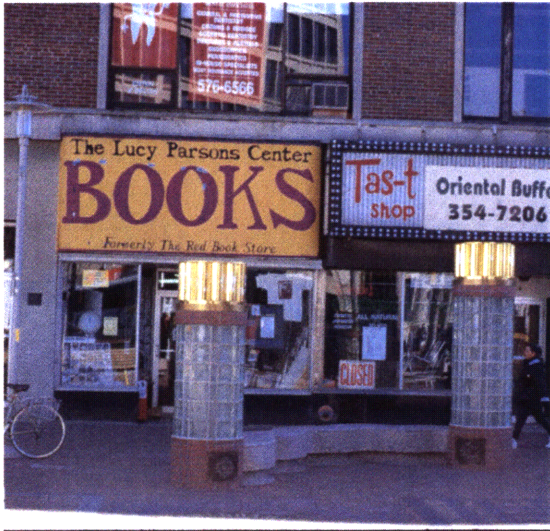


Figure 21: (left) Central Square 1998.
Figure 22: (below) Central Square after Holmes Development 2001.

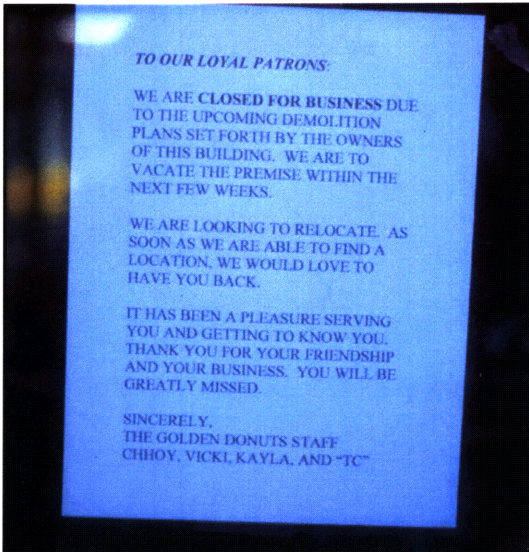
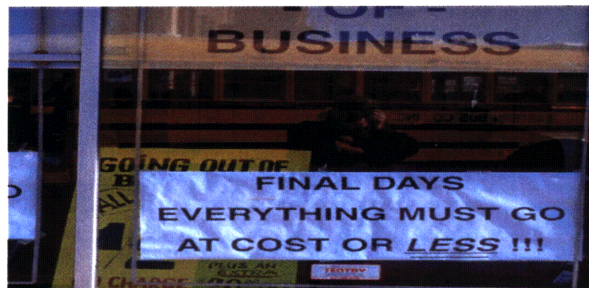


Figure 23: (left) Letter from owners of The Golden Donut, displaced in 1998.
Figure 24: (below) Streetscape improvements to the Square 1998.



Figure 25: (left) Surman's Leathers displaced by Holmes Trust Development.
Figure 26: (below) Going out of business sign 1998



CHAPTER THREE: COMMERCIAL DISTRICT STAKEHOLDERS

Over the long term, in order to stop gentrification and build community stability, communities must organize to bring fundamental change to the development process.

-Urban Habitat Program, There Goes the Neighborhood, 1999

The dynamics of commercial gentrification in each area, the Mission District and Central Square, are quite different. In the Mission District many of the business displacements are occurring simultaneously and are very visibly apparent to the community. A large number of the displaced are Spanish-speaking or immigrant business owners with non-binding leasing agreements, according to the Mission Economic Development Association (MEDA). There is a clear contrast of the old and the new neighbor and business. While Central Square's change has occurred over a number of years and not in a large wave. Residents, local workers, and businesses feel the impact of change in the Square but there is no obvious group or cause to point to as the reason for the change. Those concerned about the Square allude to some invisible outside force driving its course. Although there are differences, the similarities are that long-term residents, community leaders and business owners want to be part of shaping the future of their commercial districts without simply leaving it up to the market to decide. Many want to be involved in shaping the future of their commercial districts because it is part of the heritage, cultural identity and desire to revitalize an area for diverse income, social, and ethnic groups. The faster pace of gentrification experienced by the Mission District seems to elicit a strong community response but organizations have less time to curtail gentrification. Conversely, slower paced changes experienced by Central Square offers more opportunity for effective response to slow gentrification and maintain diversity. The relaxed pace, however, creates less of a sense of urgency to prompt community and government action. The nature and the pace of change help determine how residents, business owners, city officials, developers and local leaders perceive the gentrification process.

Mission District, San Francisco, CA

Community Response

As frontline advocates and resource specialist for Mission District merchants, MEDA is the lead agency designing initiatives to address commercial gentrification in the District.

MEDA has collected very important data about the economic development conditions of small businesses in the neighborhood. Many merchants and the Merchants Association have approached MEDA for support in dealing with the impacts of commercial gentrification. The source of the problem for why commercial gentrification is taking place so quickly, according



Figure 27: *“The heart of the Mission” banner hangs in the business district.*

to MEDA is directly related to the fact that business owners don’t know about their rights and over 75% of proprietors rent as opposed to own their property.⁴⁵ MEDA initiated a small business ownership program in January 2001, to provide technical assistance and financial resources for firms with the capacity to own their property. MEDA is also a lead actor in the Mission Corridor Project, which is a comprehensive community planning exercise that is

engaging residents, business leaders, City officials, and non-profit organizations.⁴⁶

MEDA has community organization partners that support the curbing of commercial gentrification in the District, including the Women’s Initiative for Self-Employment (WISE).⁴⁷

The Women’s Initiative for Self-Employment’s Spanish-speaking outreach program,

⁴⁵ MEDA: Survey of Mission District small business owners, 1999.

⁴⁶ The Mission Corridor Project is a comprehensive, community based plan to improve the economic, social and physical conditions along the commercial corridors. One of the main goals of the Project was to identify strategies, which retain the local-serving nature and cultural identity along the corridor and in some respects throughout the entire Mission District.

⁴⁷ Alternativas para Latinas en Auto suficiencia (ALAS), a program of the Women's Initiative for Self-Employment (WISE), and the Mission Economic Development Association (MEDA) formed a

Alternativas para Latinas en Auto suficiencia (ALAS), is planning to open a Kitchen Incubator in the District. The Kitchen Incubator is designed to provide affordable commercial space to highly motivated entrepreneurs. WISE and ALAS have found that there is a widespread informal practice of food preparation within the home that is later sold within the District. Entrepreneurs, however, lack adequate, safe, and affordable space from which to launch such a venture. The Kitchen Incubator scheduled to begin construction in Fall 2001 will respond to those needs.



Figure 28: “Resist The Dot Con”, “Adios San Francisco”, “Evicted & Exiled”, painting in the Mission District.

Public Sector Response

MEDA has looked to local political officials to gain further support to curb displacement in the District and prepared a briefing for County Supervisor Alicia D. Becerril at the close of 1999.⁴⁸ The political scene in San Francisco has been pressed by voters to respond

partnership in 1997 to explore the feasibility of starting a kitchen incubator in the San Francisco area, with a particular focus on the Mission District.

⁴⁸ Small Business Displacement Hearing: Special Hearing on Displacement in the Mission District of San Francisco, Presented to Supervisor Alicia D. Becerril, MEDA, September, 1999.

to the urgency of gentrification in the region. In the 1999 run-off election, Mayor Brown's opponent ran on an anti-gentrification platform. Later, during the final days of the election Brown stated that he was also opposed to gentrification. "Yet no gentrification policy emerged from his new Administration through most of 2000."⁴⁹ During the fall of 2000, two ballot initiatives were introduced with both strong and moderate controls on property development in the Mission District, South of Market, and other areas. Both initiatives were rejected by local voters and thus failed; Brown proposed the moderate version measure, which lost by a wide margin. The stronger measure lost by a smaller number of votes. In recent elections, voters have favored candidates that support anti-gentrification policies.

Central Square, Cambridge, MA

Community Response

The leading community organization contemplating development changes future gentrification trends of Central Square is Cambridge Community Television (CCTV). In its capacity as a local cable network station, CCTV has created "Central Square Conversations" to document the changes in the district and how those are perceived by local stakeholders.



Figure 29: *Banner used on Central Square Conversations website.*

"Central Square Conversations" is accessible through an interactive website and new conversations are aired monthly on the CCTV network. A lone advocate on the future direction

⁴⁹ Kennedy and Leonard, April 2000.

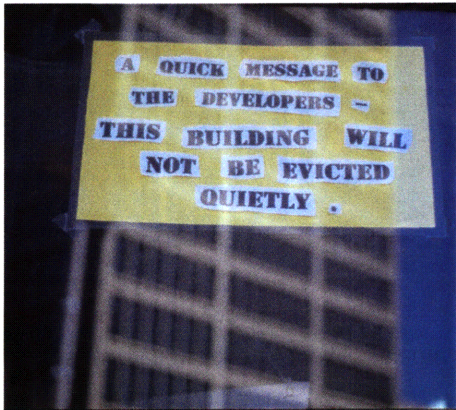
of Central Square, CCTV has few organizational partners that promote economic development in the Square or in Cambridge. Non-profit housing developer Homeowners Rehab, Inc. (HRI), also located in the Square is a partner in their desire to maintain a diverse Cambridge. Nonetheless, HRI has no parallel non-profit organization that focuses on economic development. Central Square is home to several other non-profits the fear their future viability in the Square, none, however, have the resources to address the impact of commercial gentrification in the area.

The Central Square Business Association (CSBA) is an affiliation of the more than 90 business owners. The leadership of the CSBA rests mainly with Carl Barren, long-time owner of Putnam Furniture on Massachusetts Avenue. Barren, known as the “Mayor” of Central Square, believes that the Square’s main concerns are homelessness and affordable housing for all income levels.⁵⁰ CSBA is not responding to any immediate changes in the Square despite signals of impending commercial gentrification. The organization is highly interested in improving the Square and is making plans to introduce a Business Improvement District (BID) to the Square. CSBA leaders expect that this model of governance for the Square should provide some of the much needed business district improvements such as more litter removals, cooperative marketing, and business development assistance. George Metzker, a ten-year CSBA board member and entrepreneur with offices in the Square, believes that the BID will be able to mitigate the negative perceptions from which the Square suffers. Metzker also recognizes that efforts such as the BID may contribute to increased rents in the District and favors some policy to protect smaller stores and those that serve the local low-income population from sky rocketing rents. While many of the members of the CSBA have a civic-minded perception, the organization has a pro-development persona. A few influential business

⁵⁰ Central Square Conversations, Webcast Interview, Cambridge Community Television, 2000.

owners are the leadership of CSBA and the organization has taken a non-traditional role, which is not immediately or actively pursuing policies to address the concern of impending rent increases and displacement by higher end firms and national chains.

Save Central Square Now! is viewed by local stakeholders as a radical group formed with a reactionary agenda to oppose the Holmes Trust Development. The Holmes Trust



Development drew widespread resistance but in the end Save Central Square Now! was responsible for the delaying the project for an additional year.⁵¹ From the sixteen firms that were displaced eight had planned to return to the site once development was completed,

Figure 30: (left) *"A quick message to the developers-this building will not be evicted quietly."* Square 1998."

with the delay a reentry now seems improbable. "Barry Goldstein a partner in Irvings Shoe Shop, now located in Brighton, had signed a letter of intent for 2,000 square feet in the new building. Asked whether he still intends to move back to his old Central Square location, he said, 'I have no idea.'"⁵² The intents of the Save Central Square Now! group are unclear because their advocacy had the consequence of permanently displacing firms that would have been only temporarily displaced if it were not for continued court battles about the site. The group is not a part of the mainstream dialogue about the Square and can count few allies among the key stakeholders. Many of the small and local owned business owners are also concerned about the Holmes Development and its residual and future impacts on their firms but don't feel the Save Central Square Now! group is their advocacy venue to air such apprehensions.

⁵¹ Indrani Sen, "Living in Limbo", *The Boston Globe*, September 5, 1999.

⁵² Ibid.

Individual residents and business owners do have real concerns about commercial gentrification. Located only a block from the Holmes Trust Development, Bernard Hicks, co-owner of Nu Image Barber Shop on River Street says that he is more concerned about



Figure 31: *Middle East, restaurant/bar/music hall- a Central Square institution.*

gentrification as the project is completed. He says, “If they bring in high-line stores, I worry about small business owners like myself.”⁵³ The concerns are there but business owners have not organized to voice them collectively. In 2000, when Serda President of J.Silver was forced to pay a 64% increase in rent or move, he said that he didn’t feel like there were any organizations that could help. Long-time business owner of the popular Central Square Middle East Joseph Sader, said that he was afraid that the investment dollar frenzy happening in the Square would push out the smaller businesses. Sader is a member of the CSBA and often brings that perspective to discussions. There are currently no new resources or initiatives pending to constructively consider the perceptions of Central Square business owners that the viability of their firms are in jeopardy.

Public Sector Response

Several of the politicians in Cambridge have shown a special interest in the Square and its future development. Ken Reeves, former Mayor, now City Councilor is often asked to make comments on the Square. In a recent interview Councilor Reeves said he thought that precautionary measures should be taken to protect what he referred to as mom and pop type

⁵³ Ibid.

stores, otherwise they will no longer be part of the commercial fabric of the Square.⁵⁴ Reeves is no longer actively leading the City in helping the neighborhoods around Central Square to do visioning and community planning. Taking action on the need for a discussion about economic



Figure 32: A restaurant/bar/jazz club attracts a yuppie crowd nightly in Central Square.

development in the Square, City Councilor Marjorie Decker plans to host a conference about the Square in May 2001. So far, campaign issues like gentrification have not defined elections in Cambridge. This is not because candidates are choosing not to run on such platforms. Actually, several anti-gentrification candidates have made

unsuccessful bids for City Council seats.⁵⁵ But, there is no political pressure for elected officials to respond to this issue.

The mixed reaction from stakeholders stems from a number of perceptions about the trends of commercial gentrification. Some have stated that the neighborhood commercial districts studied can use some gentrifying. Several Mission District “non-profit leaders looked forward to the benefits that increase property values and new businesses might offer longstanding residents and businesses.”⁵⁶ In part, it is true that these commercial districts are benefiting in some ways to the new investment being directed at them, however, the costs associated with displacement may be greater.

⁵⁴ Central Square Conversations, Webcast Interview, Cambridge Community Television Production, 2000.

⁵⁵ Indrani Sen, “Living in Limbo”, *The Boston Globe*, September 5, 1999.

⁵⁶ Kennedy and Leonard, April 2001.

There are some aspects of change in the commercial district that help spur commercial gentrification that stakeholders embrace. The benefits of gentrification are that it decreases poverty concentrations and brings to the community improved products and services. In Harlem, there is a sense that community members have more shopping options and see the nine-screen Magic Johnson movie theater as a benefit. Some businesses are experiencing a rebound in their business cycle. “A recent New York Times article describes the situation of Erol Joseph, a longtime dry cleaner located in south Harlem. His commercial strip serves a community long beset by crime and drugs, but now the new home of a thriving West African community and a broad mix of incomes and races. At Joe Pep Dry Cleaners on 116th Street, where West Africans take their ceremonial robes before Friday services at the mosque, the owners are jubilant. Four years ago, they closed for the summer. ‘We just weren’t making it’ [Joseph] said, sitting at a sewing machine with a tape measure around his neck. ‘Now, we’re doing fine.’”⁵⁷

The themes in the two cases studies suggest that the obstacles to mitigating commercial gentrification are related to the (a) speed and nature of commercial gentrification, (b) the need for an organized community agenda along with an organization with the capacity to respond, and (c) whether the government recognizes its position as a leader in providing resources to effectively aid communities in responding to commercial gentrification.

Speed and nature paradox

The ability to organize and respond to commercial gentrification is intertwined with organization capacity and timing. The implementation of effective tools to mitigate the impacts of commercial gentrification take time to develop and communities often have a limited span of time in which actions can be taken to change the course and outcome of gentrification. The “hotter” the market and more desirable a place is the faster the gentrification process and the

⁵⁷ Ibid.

fewer opportunities there are to collect data, analyze, and propose next steps. MEDA in the Mission District, now has a substantial amount of information about what impact gentrification is having on the District and its commercial areas. The problem is that the organization has the information *now* but so much has taken place in the last three years that even with its recent flagship efforts to increase the ownership rates among businesses may not be enough to preserve commercial diversity and business ownership in the District. In retrospect, many non-profit leaders believe “that a key opportunity was missed to educate neighborhood residents, businesses and city officials about the benefits and dangers of rapid gentrification.”⁵⁸ Early-on, “[non-profit leaders] acknowledged their inability to craft an effective agenda for public officials to help respond to the threats of displacement that they would face.”⁵⁹ District leaders are now attempting to leverage political pressures and their community vision, generated mostly by the Mission Corridor Project, to push an agenda that responds to rapid gentrification.

Central Square, in contrast, is experiencing commercial gentrification at a slower pace. There is a perception, however, among non-profit leaders and business owners that the speed is likely to accelerate. Authors of the Gibbs Report, a market analysis for Central Square, warned that if left solely to market forces Central Square would lose its appeal as unique shopping destination. The report’s consultant’s “believed that leaving the future of the district solely to market forces could put it at risk for dominance by chain retailers.”⁶⁰

In the Mission District because the rate of commercial gentrification is so rapid non-profit leaders are hardly able to respond. Since the wave of commercial gentrification is so strong, however, MEDA has been able to collect and analyze key information about business turnover in the District. Non-profit leaders, including MEDA are capitalizing on the

⁵⁸ Ibid.

⁵⁹ Ibid.

momentum created by the frenzy of new investment in the District. Even still, the rate of change makes response very difficult. In Central Square alternatively, the pace of commercial change is not as obvious or rapid as the Mission District. This has resulted in a limited response by stakeholders.

Organizational Capacity

Regardless of the pace of commercial gentrification there is need for communities to have a vision for their commercial districts. Part of being able to respond effectively requires both community planning and an agency to assist in implementing that vision. From the case studies it is clear that organizing and documenting the experiences of small business and non-profits was key to understanding the causes of commercial gentrification and how to respond. MEDA concluded from its analysis of the Mission District that a commercial ownership program would bring greater community stability since upwards of 75% of small business owners were renters. Community organizations also need the capacity to mitigate commercial

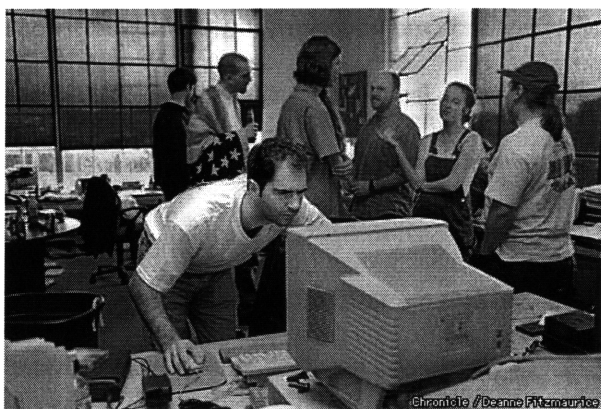


Figure 33: *An example of a Dot.Com firm located in the Mission District.*

gentrification by providing technical assistance to businesses that may be able to adapt to capture new markets to the neighborhood. They also should have the capacity to administer commercial ownership programs for strong small businesses. And agencies need to be able to either purchase commercial property

⁶⁰ Gibbs Planning Group, Inc., “Commercial Market Study: Central Square,” Cambridge, MA, February, 2000.

(and have the capacity to manage such a site) or to work with City officials in acquiring and developing commercial property in the business district. Such capacity can support efforts to ensure diversity and mitigate the displacement impact of rapidly rising commercial rents.

Public Sector

Commercial gentrification is able to flourish because of public policies and decisions made that promote investment in low-income areas without providing a benefit to longstanding firms and institutions.⁶¹ For example, the public initiatives to make both the Mission District and Central Square, safe, clean and pedestrian friendly business districts are now benefiting the new firms that are locating in the areas. Similarly, public incentive programs to encourage investment by companies hoping to locate in these areas are displacing community institutions. The City and local government have an important role to play in directing investments into communities. One of the key lessons highlighted by the experiences of both case studies shows that public agencies must consider how simultaneous investments into these areas and rapid economic growth will impact commercial gentrification trends. To mitigate commercial gentrification the challenge for local authorities is to provide both resources for community engagement and planning and to provide greater opportunity for community control of land resources.

While both communities are making strides toward confronting commercial gentrification, neither has been completely successful in identifying and implementing interventions to mitigate the impacts of commercial gentrification and to preserve diversity. The strength of market forces coupled with the revitalization policies of government agencies and the lack of community control of land resources are key causes of commercial gentrification. Limited organization capacity, lack of community vision, and slow government

response are all obstacles to addressing the trends of commercial gentrification. The challenge is to identify tools in economic development to address both the causes and obstacles to creating diverse business districts. Given the importance of identifying valuable interventions, in the following chapter a scan of the experiences of other communities is undertaken to find potential solutions.

⁶¹ Urban Habitat Program, *There Goes the Neighborhood: A Regional Analysis of Gentrification and Community Stability in the San Francisco Bay Area*, San Francisco, 1999.

CHAPTER FOUR: POLICY OPTIONS AND TOOLS TO MITIGATE COMMERCIAL GENTRIFICATION

We didn't inherit the land from our parents. We are borrowing it from our children.

-Amish conviction

At the core of commercial gentrification is the displacement of indigenous, local serving, and small business institutions. Displacement, as a result of commercial gentrification, occurred because of the follow three market changes in the Mission District and Central Square (1) dramatic increases in per square foot rents, (2) a shift in ownership priorities (i.e. change in owner, owner move-in evictions), and (3) an inability to adapt to new markets. The successes of adapting to new markets vary from business type and market climate. Some business owners are simply more sophisticated, while specific business types may lend themselves better to adaptation to capture a larger market. Even with initiatives to increase the capacity of local businesses to target new consumers in the commercial district, this may not go far enough, hence, other programs are essential to truly make the district an affordable place for businesses with fewer resources. Additionally, the cases highlight that the pattern of displacement would not even allow a business the opportunity to adapt to new markets. This is especially the case if a business experiences a surprise and dramatic increase in rents, or a property is sold to a new owner. There simply are no prospects to adapt, the change is too sudden and without warning. Therefore, the following analysis places more emphasis on real estate property ownership (i.e. community land trusts, community organization ownership of property, and small business ownership of property) and community capacity intervention strategies (i.e. National Main Streets model) to preserve affordable commercial space and community stability (See Table 4.1). Examples of strategies for addressing commercial gentrification are presented including their application in a neighborhood context. These tools begin to solve the resurfacing urban policy problem, which is how to revitalize without gentrification.

Table 4.1 Causes of Displacement and Mitigation Tools

Causes of Displacement by Commercial Gentrification	Tools
Inability to adapt to new markets	Technical assistance
Dramatic rent increases	Technical assistance and Property ownership initiatives
Change in property owner through sales	Property ownership initiatives
Lack of community visioning and planning	Community organizing strategies (National Main Streets Model)
Limited organizational capacity	Public/private resources

Lessons from affordable housing development field

Nearly all of the tools used in the community development field to address gentrification are housing related initiatives. Some of the more common initiatives include:

“Housing Unit Replacement Programs- Requires housing units that hare demolished or converted to be replaced on a unit-for-unit basis.

Community Land Trusts- Programs that separate ownership of the land from the ownership of the housing, thus making the housing unit more affordable.

Employer Assisted Housing- Identified broadly as any type of activity whereby an employer assists its employees in buying homes.

Housing Trust Funds- Provide flexible funding resources to help in meeting low- and moderate-income housing needs.

Jobs/Housing Linkage- These programs require that developers of commercial properties construct or provide financial assistance for the production of affordable housing as a condition of building permit approval.

Inclusionary Zoning- Requires that developers provide a percentage of affordable housing units as part of a proposed residential development project.”⁶²

In terms of preserving affordable commercial space, there are opportunities to adapt some of the housing policies and to rethink how many of the current economic development tools can address commercial gentrification. Economic development practitioners have a lot to learn from

housing advocates about tools to preserve affordable space. For example, the community land trust model nearly perfected by land trusts across the country in preserving affordable housing in perpetuity can be used to preserve affordable space for non-profits and local serving businesses. Currently, the nationally recognized land trust leader, the Burlington Community Land Trust has developed two projects to preserve affordable commercial space for local service providing non-profits. Similarly, the development of affordable housing with resources from affordable housing trust funds is a model that can be applied to commercial economic development strategies. The Jamaica Plain Neighborhood Development Corporation in Boston, MA, has developed a space utilizing grant sources so that they can provide below market rent commercial space to local firms.

Not all businesses need to be preserved in a commercial district. This thesis makes no presumptions that all local small businesses in a neighborhood need necessarily be preserved. In fact, the best option for some marginally performing businesses may be to close. There are many reasons why firms might reach this point in its business cycle. Whatever the reason, local business technical assistance providers should carefully assess the future viability of a business in a changing market. In doing so, an analysis of why a business is experiencing marginal revenue should be considered. For example, is a business marginal because few consumers were supporting the firm or could the firm benefit from an upgraded business plan that would help it capture more of the market? If the answer to the latter question is yes, then there may still be potential for a marginally performing firm to survive the pressures of a gentrifying market.

⁶² PolicyLink, *Thinkers and Resources for Promoting Equitable Development*, Oakland, CA, March, 2000.

LONG-TERM PRESERVATION OF COMMERCIAL SPACE:

Community Land Trust

The community land trust (CLT) model was created to preserve the long-term affordability of housing in communities. The model separates the value of the land from the value of the property that rests upon it. Under the community land trust model, a certified land trust agency makes a real estate purchase and is able to re-sell the building, which in nearly all cases is a house, to prospective homeowners. The prospective homeowner only pays the cost of the house not the land costs and enters into a long-term lease, usually 99 years, with the community land trust. By separating the costs of the land and the house, homeownership becomes much more affordable for a family. When the family is ready to sell, the land trust will buy back the house at some formulated appreciation value, thereby making the next re-sell affordable as well. The CLT model is a popular solution in gentrifying neighborhoods because it maintains affordability in perpetuity. While the area rents and land costs might be escalating in a gentrifying neighborhood, the formula for appreciation gained on re-sell shields the land trust from major swings in the market.

Few CLTs use the model for anything other than for affordable housing preservation. Its principles can easily be applied to the commercial context and be used to preserve affordable commercial space in neighborhoods. The Burlington Community “Land Trust buys land and buildings, holds the land in trust, and sells the buildings to...community organizations.”⁶³ Using its political and economic clout as a respect land trust, the Burlington CLT has over the years bought property and leased it to non-profits to preserve affordable commercial space.

⁶³ *Burlington Community Land Trust News*, Volume 7, Number 1, Burlington, VT, Winter/Spring 1993.

The first commercial venture the Burlington CLT bought was in 1985, for the Community Health Center.⁶⁴ The land trust helped the Health Center to buy the land to secure a flexible mortgage for build out needs from the Institute for Community Economics (ICE). The ICE mortgage was repaid through a capital campaign. Prior to settling into the new site, the Health Center occupied a substandard home and was subject to a slum landlord. The Land Trust enabled the Center to significantly upgrade its facilities, thereby providing more and better care to all Burlington residents, especially low-income residents of the Old North End area.

In 1993, the Burlington Land Trust launched the ReLIEF (Regional Low Income Emergency Facilities) Project. The ReLIEF project raised \$2.9 million to buy and renovate properties for five original non-profit organizations.⁶⁵ Those organizations were the Vermont Legal Aid, Chittenden Emergency Food Shelf, Committee on Temporary Shelter (COTS), Chittenden Court Diversion, and the Land Trust itself. Three new facilities were eventually bought and upgraded by the Land Trust to accommodate the local serving non-profits which all experienced rent decreases. The properties also addressed the numerous physical needs of the agencies including insufficient workspace, limited parking, handicapped inaccessibility, and inadequate storage. The Land Trust relied on public funding sources, municipal bonds, and grant donations for the Project.

The Burlington Land Trust recently completed an additional large development. This project included the cohabitation of the daycare provider the Burlington Children's Space and Champlain Senior Center. The two agencies together under one roof would be known as the

⁶⁴ *Burlington Community Land Trust News*, Volume, 1, Number 2, Burlington, VT, September 1986.

⁶⁵ *Burlington Community Land Trust News*, Volume 8, Number 4, Burlington, VT, Fall/Winter 1994.

all-new Multi-Generational Center. The Land Trust raised \$700,000 in foundation and individual donations to complete the project.⁶⁶

The combination of the Community Health Center, the ReLIEF Project, and the Multi-Generational Center development contributed to the revitalization of the Old North End section of Burlington bringing online formerly blighted properties in some cases. The Burlington CLT was able to acquire property in this area because there were many vacant and abandoned properties. And while the area was undergoing revitalization, gentrification was not as immediate a concern for the neighborhood. In an area experiencing rapid gentrification the ability to acquire property might be more difficult while the resources to purchase and develop might actually be available to local organizations. Over the years, the Burlington CLT has successfully transferred the CLT model from solely housing to building community institutions by anchoring non-profits. Burlington CLT leaders, with many years of experience, believe that the model can be successfully applied to commercial developments. The Burlington CLT has the staff capacity to manage all types of properties including housing and community development facilities. The CLT model is a tool for anchoring non-profit service providers and indigenous business despite neighborhood changes and commercial gentrification.

Community organization ownership of property

Community organization or community development corporation ownership of property is another model that can be used in gentrifying neighborhoods to preserve commercial affordability. In the Boston neighborhood of Jamaica Plain, community members rallied in the late 1970's to do something about one of the areas largest sources of blight a former beer brewery. The group incorporated in 1977 to create the Jamaica Plain Neighborhood Development Corporation (JPNDC).

⁶⁶ *Burlington Community Land Trust News*, Volume 12, Number 2, Burlington, VT, Spring/Summer

Between 1980 and 1995, the former beer brewery underwent several rounds of renovation and now stands as an economic engine for the neighborhood, which houses over 40 businesses such as light industry, warehousing firms, and professional services. The Brewery, as it is popularly known, was developed to eliminate blight, provide affordable commercial space for small businesses, and to serve as a livable wage job creator for the neighborhood. Developed almost exclusively with grant funds, the Brewery currently has no conventional debt. Consequently, the JPNDC can set rents below market rate and can recycle those funds into the management, upkeep, and build-out changes necessary.

The JPNDC Brewery is not located in the main commercial district of the neighborhood on Centre Street. Based on its location, its most viable use is as a light industry and office park space. At this time the Brewery accommodates firms such as two ceramics makers, food producers such as tofu, chocolate, beer, and pretzel makers, and professional services like non-profits and landscape designers. In comparison to rents on Centre Street, mainly for similar office space, the Brewery records its square foot rents at one-third to one-half less. The Brewery wants to remain affordable for area businesses and non-profits. According to the Brewery project manager, larger more sophisticated businesses have recently sought space at the Brewery. Moreover, the Brewery has received calls from firms that the JPNDC hadn't expected to serve with its project. Many of the firms inquiring about the Brewery are dot-comers that are being pushed out of other real estate markets near downtown Boston that are noticing Jamaica Plain as an up and coming neighborhood. The Brewery, however, has defined the type of market it would like to serve and that is firms that provide a livable wage to low-income workers, moderate-income business owners, and service providing non-profits.

The JPNDC was able to acquire the Brewery before Jamaica Plain's two waves of gentrification in the 1980's and the 1990's. JPNDC relied on limited federal, city, and private sources for grant funds to restore the brewery. Current Brewery project managers remarked on the need for state grant sources for this kind of initiative. The Brewery specializes in serving a particular market gap and is effective in providing low-rents that are subsidized through the original development. The Brewery is not located on the neighborhood's main commercial strip but for some firms this is not a disadvantage. Part of the success with this project was JPNDC's ability to purchase before the area became too expensive. Land costs in the area are rising and at present JPNDC is competing with aggressive private developers to acquire sites in the neighborhood. JPNDC leaders point out that there are very few funding sources that can help develop commercial real estate on the front end to make it affordable in the end.

Typically, non-profits develop commercial space as an economic generator on its own or as part of an affordable housing development. Few sources are sought to offset the cost of the commercial space, largely because the sources just don't exist. In some cases, non-profits and community development corporations are developing commercial space to accommodate much needed services in the neighborhood. For example, in the Codman Square neighborhood of Boston, the Lithgow Building development was able to bring in a large financial institution. The space also houses other local professional services such as a tax support center and legal offices. The project generates revenues for the Codman Square Neighborhood Development Corporation, which was the principal developer of the site. Although it was mostly financed with grant sources the priority in developing it was to eliminate a blighted site in a prominent part of the Square. This type of development is very important to a commercial district, bringing in national anchor tenants, increasing the amount of professional space available in the district, and providing a source of revenue for the NDC. In many other cases, however, when a

community organization develops commercial space, the debt used to finance the project will not allow for them to set below market rents like the JPNDC Brewery Project.

The effectiveness of the Brewery Project and others like it in preserving a diverse business base in a gentrifying neighborhood lies in the ability for a local organization to gain access to the property early on, before the land costs become too high. Once the land costs are pushed above a certain threshold, the ability to fill those gaps with grants and equity will become progressively more difficult. JPNDC is working with City officials to identify and gain site control of property that the City owns in the area. Through such partnerships and with the City, JPNDC may be able to bypass some competition with private market developers by gaining site control directly from the City.

Anchoring small businesses through an equity partnership

Nuestra Comunidad (Nuestra), is a community development corporation in the Boston neighborhood of Dorchester and has experimented with encouraging community stability through an initiative that provides equity capital to a local business—Merengue. Roxbury, particularly Dudley Square, which is the center of Nuestra's work, is undergoing revitalization. According to Nuestra's economic development team the neighborhood is slowly becoming a more fashionable place to reside and do business, besides these perceptions, the team reports experiencing increased area commercial rents as well. Merengue, a minority owned restaurant with seven years in the Roxbury Dudley Square area, approached Nuestra about purchasing their own property. Merengue anticipated increasing rents and wanted to remain in the neighborhood and believed that property ownership might be a way to do just that. It was determined, unfortunately, that Merengue did not have the equity capital available to make the purchase. As a proxy for the organization, Nuestra used its status as a community development corporation non-profit to purchase a building that it will eventually sell to the

owners of Merengue. The partnership incorporated at limited liability company, La Cocina Project, which capitalized on the CDC's real estate development experience and access to public subsidies. In the end, Nuestra purchased the building with Merengue as a subordinate equity partner. The building has two tenants, Merengue, the restaurant, and professional commercial space for the offices of local real estate attorney Javier Pico.

As the community organization partner in the La Cocina Project, Nuestra uses its access to resources to build up the commercial district and to support the stabilization of the community in an innovative way. Nuestra sought funding from the Local Initiative Support Corporation (LISC), the Office of Community Services (OCS), the City of Boston Funds, and the HUD 108 program loans. The majority of funds raised to secure the site were grant sources; sources to which the small business Merengue does not have access. Nuestra is the majority equity holder in the project and will be bought out over a five-year period by Merengue.

This initiative was excellent in responding to a business with a good track record but without the capital immediately available to make the purchase. Since timing is key to stabilizing a gentrifying neighborhood, this type of project responds directly to the need to purchase sooner rather than later or if at all when the business secures the necessary equity. A community organization purchasing property, as an equity partner with a business, is not the kind of initiative to have widespread impact on stabilizing a neighborhood. The main reason is that the community organizations can probably only support one or two firms at a time with this type of financial arrangement. This is also a more risky transaction for the local non-profit that is anticipating repayments by the local business and the use of its own credit to secure the final deal. This type of project requires a strong relationship with the firm being supported.

City owned property for community use- Even among neighborhoods that are experiencing rapid commercial gentrification and speculation by private developers, there are

opportunities to secure land. City governments in many of the areas own key and large numbers of properties that could be turned over to local organizations for community purpose uses. For example, up to 60% of the vacant land in Harlem is owned by the City of New York.⁶⁷ Similarly, there are several key sites in the Jamaica Plain neighborhood of Boston that are City owned. These properties are potential resources that can help non-profits to stabilize neighborhood commercial districts. “By reserving key properties for strategic uses, communities can manage the long-term direction of development in their neighborhoods.”⁶⁸ The Jamaica Plain Neighborhood Development Corporation is working with City officials to secure property for development projects. City governments can support the anti-gentrification efforts of community organizations by helping them to identify and secure key sites within their districts. This is especially important in the neighborhoods where the land costs are escalating and market prices may be out of reach for both non-profits and small businesses.

Linkage Funds and Affordable Commercial Space Trust- Boston like several other cities with strong real estate markets assesses new developments with a linkage fee. The linkage fee is distributed to community organizations on a competitive basis to create affordable housing and jobs (including job training). The fee supplies a steady stream of funds that are available for the City’s two priorities affordable housing development and jobs/job training for neighborhoods. Such policies could be extended to the commercial sector and fees could be extracted from new developments and placed in trust for community organizations to mitigate the impacts of commercial gentrification in their neighborhoods. The funds from such a trust could be used to help non-profits purchase property or provide more resources and technical assistance to firms struggling to compete or adapt to the changing market climate.

⁶⁷ *Affordable Housing Finance*, “Harlem Renaissance: Economic Development Gains New Momentum,” Volume 9, Number 2, February 2001.

⁶⁸ Kennedy and Leonard, April 2001.

COMMUNITY ORGANIZING AND CAPACITY

National Main Streets Model

Creating a balance in a commercial district requires community visioning and planning. Without an organized vision the market will create a business district such as the direction of Central Square at the moment. In the Mission District non-profit leaders started a dialogue about the commercial district through the Mission Corridor Project. The challenge is to create an ongoing space in both districts to continually define community expectations of the districts. The National Main Street model is a current model in economic development that if adapted can help to address commercial gentrification because it provides an organizing framework for communities to determine the future of their commercial district.

The National Main Street Initiative a program of the National Historic Preservation Trust, is a local self-help approach to improving business districts. Localities are encouraged to bring together all key stakeholders including business owners, property owners, residents, community institutions, and city officials collectively the group incorporates the Main Street Initiative and commit to improving the commercial district. Originally found in rural and homogenous communities with little competition from surrounding commercial districts there are few examples in larger cities. Boston is one exception, which has a local model and the City of Baltimore is also beginning to pilot the program. The National Main Street philosophy combines physical and economic tools to improve the district. The program is locally directed and implemented; the impacts, therefore, vary from locale to locale.

As a model for commercial revitalization, the National Main Streets Initiative can be an enabler of or avoid commercial gentrification. The model can promote gentrification by recruiting firms that increase the local rents. In the case of the Washington Gateway Main Street in Boston, the Main Street Initiative was not necessarily responsible for recruiting a

Walgreens per se, which decided to locate in the district but the work of the Main Street Initiative in improving the district made it an attractive site for Walgreens. The citing of a national chain that had the resources to dramatically increase the local commercial rents became inadvertently reward for the work of the Washington Gateway Main Street.

In another Main Street district in Boston, the Uphams Corner Main Street, the district currently serves a low-income consumer market. The Uphams Corner Main Street Initiative has within the district an untapped market of mid- to high-income households that do not use services in the commercial district. The Uphams Corner Initiative is at a crossroads as to



Figure 34: Uphams Corner Main Street District, Boston, MA

whether they would like to recruit firms that provide services and products that would attract upper income residents. If this particular district did attempt to recruit such firms the prospects of gentrification appear now to at least be a distant reality. In another district, however,

where balance of types of firms that were located there tended to cater to the gentry then such recruitment policies and plans might lead to commercial gentrification in a district.

The National Main Street model can also be force in promoting equitable development in commercial districts. One of the main ways this is done is by improving the businesses that are currently within a district so that they might become more competitive and increase market share. In the Washington Gateway Main Street Initiative, the program was able to provide in-depth technical assistance to a decade plus old local business. Business consultants recommended that Don Quixote, a convenience goods store, upgrade its storefront and install

large front windows to increase its visibility to consumers. As an advocate, the Main Streets Initiative was able to work with the government owner of the property, in which the store was located, to decrease property rents so that the owner could afford the necessary mortgage to compete the renovation. Additionally, the Main Street Initiative worked with underwriters of the City's small business loan fund to help the entrepreneur secure the funds to complete the renovations. The program's director cited this as an important part of her work, which is to help local businesses do more and better. She hopes that the locally owned, reasonably priced Don Quixote will be able to gain some of the market share currently held by nearby sited convenience chain store-- Store24. According to the director, the community is changing and the Initiative has to help local businesses keep pace. In a similar effort to increase the financial prospects of a local business, the Main Street Initiative encouraged a local entrepreneur to invest in upgrading his façade and removing metal grates. With the renovation complete, the owner has documented a 30% increase in business sales.

The National Main Streets Model as a friend or foe to commercial gentrification is largely dependent on local implementation of the program and how well communities recognize the benefit of diverse business environments. One of the clear advantages of the model is that it organizes the many stakeholders across their affiliations. Usually, the merchants association may not include residents or property owners. And often the interests of property owners are rarely articulated with a coherent and unified vision. The Main Street Model is a cross-section collective of key community and business leaders. By becoming organized through this initiative, communities can both be proactive about creating their ideal business district and also highly responsive to changes in these areas such as those prompted by a gentrifying neighborhood.

The opportunities to retain affordable commercial space in districts are available in isolated in communities across the nation. The above analysis provides some examples of creative ways of securing land in commercial districts and ensuring their long-term affordability. The chapter concludes with an intervention strategy that is key to addressing commercial gentrification and that is having community capacity and vision. Communities that are beginning to see some of the indicators highlighted in Chapter 2, such as tightening housing markets, government revitalization initiatives at a time of economic expansion, and displacement should be to make sure they are organized and can articulate their vision for the commercial district. Having community planning and visioning is of course an on going task but it is also a key first step to preserving affordable commercial space. Communities in the early stages of commercial gentrification should consider this strategy first. Once the vision is achieved, this chapter also outlines several real estate holding options for communities such as the community land trust model, community ownership, and small business ownership of property. In communities where the indicators of commercial gentrification are fully operative and displacements are rampant then the models to gain community control of land resources should be implemented.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

The opposite of gentrification is community stability—achieved through a process that strengthens community and enhances the quality of life for low income communities and communities of color.

-Urban Habitat Program, There Goes the Neighborhood, 1999

The Mission District and Central Square are filled with unique, cultural specific, and discount products and services. Consumers are attracted to these shopping destinations and the residential areas. Preserving diverse places like Central Square and the Mission District require deliberate policies and initiatives. These business districts are under immense pressure from booming regional economies and tightening housing markets. And as the case studies illustrate, many of the revitalization interventions undertaken by local authorities were being implemented during a time of tremendous growth in local or regional markets. This, consequently, accelerated the commercial gentrification process. Community organizations are at the forefront



Figure 35: *Example of diversity, a mural of Central Square.*

in addressing the trends of commercial gentrification; chief among these trends is displacement. In both Central Square and the Mission District, however, greater community organization capacity and opportunities to secure community control of land are needed. Municipalities have been slow to respond but in Central Square, current efforts by local political leaders may come

at a timely moment before the strength of the market nearly overruns any community efforts to direct the development process. There are opportunities to impact the trends of commercial gentrification through real estate intervention initiatives and community organizing. The key lesson is that if left solely to market forces, the trends of commercial gentrification will prevail.

Several key conclusions can be drawn from the case studies:

Scholars have studied commercial gentrification, as a phenomenon with distinct causes, consequences, and solutions, very little. This has resulted in few practical solutions to address its impacts on community stability in commercial districts. There is a need for further research in this area to understand its causes in a variety of contexts as well as identify successful interventions.

Commercial gentrification brings with it both costs and benefits. The costs are heavily associated with displacement. A commercial district may lose businesses that serve a diverse economic population and firms that are important to the social as well as the financial economy of the neighborhood. These firms might provide credit to a local community or be active participants in civic activities. Business agencies are not the only entities impacted by displacements, non-profits suffer as well. Commercial gentrification also disrupts the ability of community institutions like non-profits and social service agencies ability to locate and therefore provide service in a given community.

Despite these costs, there are benefits to commercial gentrification. For example, a district may experience improved infrastructure due to the amount of private and public capital investment being directed at the district. The streetscape may improve; businesses interested in capitalizing on the changes may adapt and improve their façade. The commercial district may become a more pleasant environment with increased safety measures, litter removal, and traffic

calming additions. New firms such as large chain stores may bring many more patrons into the district, thereby increasing sales for other firms that capture spillover consumers.

Current trends of commercial gentrification show that investors are willing to take on what was perceived as risky investments. More than an appetite for risk, commercial gentrification reveals that investors are redefining risk parameters. If such waves continue more reliable analysis about inner-city markets may emerge.

Residential gentrification fuels the waves of commercial gentrification and vice versa. Strong currents of residential gentrification are likely to produce new demands on the commercial district.

Public policies that promote revitalization when implemented simultaneously when an area is experiencing an economic boom or tightening housing market can lead to commercial gentrification.

A “hot” market results in a faster pace of commercial gentrification. The market’s intensity may limit the ability of a community to effectively respond. Conversely, a market that appears to be moving slower may warrant less alarm from stakeholders thus the time for an effective response may be foregone. Organizational capacity and community vision are key components to implementing any the tools suggested to mitigate the impacts of commercial gentrification.

Without suggesting the implementation of all the policy options presented for the two case studies, the Mission District and Central Square, to implement. There are three priority areas identified for each of the neighborhood commercial districts to consider. There is a need to have interventions tailored to local conditions.

In the Mission District, MEDA’s commercial ownership program is the signature program being implemented to address commercial gentrification in the business district. The

Women's Initiative for Self-Employment (WISE), also an active organization in the neighborhood will break ground on the construction of its Kitchen Incubator Project, which will provide entrepreneurs with space to launch food based businesses. The rapid pace of commercial gentrification in the District implies that the non-profit leaders in the area should consider engaging in the following three policy options (1) increasing the amount of property owned and operated by community organizations, (2) engage the City in providing land and extracting fees from new developments, (3) working with entrepreneurs to increase their potential sales. Community organization ownership of property in the commercial district will place organizations like MEDA directly in the position of helping to determine the business climate in the neighborhood. The City can support the need for land by providing local organizations with opportunities to lease or buy property from the City below the rising market rate. Community organization ownership of property can also help to anchor many of the non-profits that are being displaced in the area. And in cases where appropriate, MEDA should work with entrepreneurs so that they might capture more of market and generate greater sales.

In Central Square, there needs to be a greater focus on collective planning for the commercial district. The Square suffers from a unified vision and leadership about its future. The first priority policy area for the Square is to adopt an organizing model, which may favor the Main Streets Model. The two other recommended priorities are to increase the sales potential of local businesses currently in Square and for the City to provide opportunities to anchor institutions such as local serving non-profits. The slower pace of commercial gentrification in the Square gives leaders an opportunity to prepare and respond effectively to market forces.

At the core of commercial gentrification is displacement. Displacement for any reason is extremely difficult to address. The following long and short-term strategies provide direction to mitigate displacement as a result of commercial gentrification.

SHORT-TERM STRATEGIES

Record commercial gentrification trends

The specific results of commercial gentrification and the type of displacement that is occurring is key to understanding which specific policies should be implemented to mitigate the end result. Annual actions to measure the extent and type of displacement should be implemented. This is particularly important for Central Square. Without this type of record, the community will transform with little evidence of what actually transpired.

Use public resources to promote community control of land in commercial district

Securing property in the commercial district will greatly increase the (1) community's ability to direct the outcome of development, (2) preserve community assets such as important businesses and non-profits, and (3) ensures that the community will benefit from the increasing attractiveness by private developers of their commercial district.

The City can promote community control of land by identifying key properties that it owns which could be sold. Community organizations and community development corporations should be given first priority in acquiring City-owned land. The City can also grant the power of eminent domain to non-profits. By doing so, groups can secure property that is no longer being used to benefit the community. As the new owners the community agency can restore the land's productivity.

These measures require a cooperative partnership between the City and community groups.

Require that office developers set-aside affordable commercial space

In some areas that are experiencing commercial gentrification there is a marked increase in the amount of commercial space that is being developed. In market such as these, which is the case for the Mission District, policies should be adopted to require that some portion of the development be made available at below market rate. This is specifically important for non-profits that are being displaced and for firms that can thrive in an office environment.

Rapid implementation

Timing is key to effectively preserving affordable commercial space in a district. Efforts to implement actions to provide community control of land assets should be implemented immediately.

LONG-TERM STRATEGIES

Community visioning

The City and community organizations should implement programs that support community planning of the commercial district. And specifically more funding needs to be available from public sources and foundations for communities to effectively conduct the planning of their own community.

Develop explicit City policies to mitigate commercial gentrification

Once a community vision is created, specific goals and policies should be set for both community groups and the City to strive to meet. Explicit policies will allow for greater accountability among City and advocate organizations.

Commercial ownership program

A commercial ownership program will help create long-term community stability by offering the most successful longstanding firms the opportunity to own their property. A commercial ownership program is currently being implemented by the Mission Economic Development Association and through the technical assistance program; over time business owners will be in a better position to own property. This type of initiative can also strengthen relationships between property owners and renters.

Use the Community Reinvestment Act

The Community Reinvestment Act, which encourages financial institutions to take affirmative efforts to fully service all communities in which they operate, can be used to secure investment dollars for community benefit. By creating relationships and community advisory boards goals can be set to conduct targeted lending to longstanding firms that want to expand, purchase property, or minority entrepreneurs. These partnerships can also work toward providing incentives to developments that are sensitive to the commercial gentrification trends of the district. Most importantly, financial institutions can help a community implement its vision by directing financial resources in the district.

Fund to preserve affordable commercial space

The development of a fund to preserve affordable commercial space can help non-profits compete for and purchase key business district sites and rehabilitate facilitates for firms. The fund could be capitalized through developer fees, public monies, and foundation grants. The developer fees may be collected from new office developments. This model would resemble current practices, known as linkage fee programs, by cities to collect fees from commercial developments to mitigate the impact on the availability of affordable housing.

Connect to regional solutions

Commercial gentrification is a very locally focused issue. The neighborhood commercial district services the local surrounding community. However, some of the factors that lead to commercial gentrification have regional ramifications. For example, when the region is producing more jobs than housing then pressures are placed on more affordable areas to accommodate more affluent residents. As these residents move into such neighborhoods, as the case studies illustrate, new demands and new investment begins to change the character of the commercial district. Therefore, it is necessary for local advocates to work with regional efforts to create affordable housing, improve transit to affordable areas, and to create a shopping destination niche for the district. Commercial district advocates need to understand how regional forces are impacting the neighborhood business district.

BIBLIOGRAPHY

Affordable Housing Finance, "Harlem Renaissance: Economic Development Gains New Momentum," Volume 9, Number 2, February, 2001.

Atkinson, Rowland, "Measuring Gentrification and Displacement in Greater London," *Urban Studies*, Vol. 37, No. 1, pp. 149-165.

Beauregard, Robert A., "Trajectories of Neighborhood Change: The Case of Gentrification," *Environment and Planning A*, 1990, Vol. 22. p. 872.

Beauregard, Robert A., "The chaos and complexity of gentrification," Gentrification of the City, eds. Neil Smith and Peter Williams, Allen & Unwin, Boston, MA 1986, pp. 35-55.

Berry, Brian, "Comments on Elvin K. Wylie and Daniel J. Hammel's Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification" *Housing Policy Debate*, Vol. 10, No. 4 pp. 783-788.

Berry, Brian, "Islands of Renewal in Seas of Decay," in The Urban Reality, Paul E. Peterson, ed. Washington: The Brookings Institution, 1985.

Burlington Community Land Trust News, September, Volume 1, Number 2 1986 – Spring/Summer, Volume 12, Number 2 1998.

Cambridge Community Television, "Central Square Conversations," webcast, web.mit.edu/gsb/www/, 2001.

City of Cambridge Community Development Department, "City of Cambridge, MA. Housing Market Information (2000)," Cambridge, MA, 2000.

Cobb, Jr., Charles E., "Lookin' good in Harlem 10027," *National Geographic*, April 2001.

Curiel, Johnathan, "Out-of-Control Rent Leads 9th District Issues: Ammiano favored to win over four rivals," *San Francisco Chronicle*, October 13, 2000.

Curiel, Johnathan, "S.F. Rise in Condo Conversion Evictions/Landlords cash in during hot market," *San Francisco Chronicle*, August 26, 2000.

"Developer Pays To Move Businesses Out," *San Francisco Chronicle*, January 25, 2000, p. A16.

Finz, Stacy, "Inner Sunset Rises: An overlooked neighborhood emerges from the fog as an up-and-coming place of coolness," *San Francisco Chronicle*, December 24, 2000.

Garcia, Ken, "Mission Bears Brunt of New Wave: Community struggling to preserve identity against dot.com influx," *San Francisco Chronicle*, November 23, 2000.

Garnham, Harry Launce, "Maintaining the Spirit of Place, A Process for the Preservation of Town Character," PDA Publishers Corporation, 1985.

Garzón, Catalina, "Strategizing Around the Regional Housing Crunch," *a social justice and sustainability newsletter for the San Francisco bay area*, Urban Habitat, Volume 3, Number 1, San Francisco, Spring 2001.

Gibbs Planning Group, Inc., "Commercial Market Study, Central Square" prepared for City of Cambridge Community Development Department, Cambridge, MA, February 2000.

Heredia, Christopher, "Vallejo's All the Rage," *San Francisco Chronicle*, January 14, 2000, p. A1.

Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing*, 1999.

Kasarda, John D. "Comments on Elvin K. Wylie and Daniel J. Hammel's 'Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification'" *Housing Policy Debate*, Vol. 10, No. 4 pp. 773-781.

Lang, Michael, "Measuring Economic Benefits from Gentrification," *Journal of Urban Affairs*, Vol. 8, No. 4, pp. 27-39.

Lazarus, David, "Tech Tames Tough Area," *San Francisco Chronicle*, March 14, 2000. p. C1.

Lelchuk, Ilene, "Starbucking the Trend, Coffee chain that's shunned in some quarters now being courted elsewhere," *San Francisco Chronicle*, Sunday March 19, 2000, p. C1

Levy, Dan, "Mission's New Wave Artists, upscale dining are changing the working-class Latino district," *San Francisco Chronicle*, Wednesday, December 2, 1998.

Levy, Dan, "Writing on the Wall: Mission fears dot.com tide as threat to neighborhood of murals, Latin culture," *San Francisco Chronicle*, Thursday, June 15, 2000.

London, Bruce and J. John Palen, "Gentrification, Displacement and Neighborhood Revitalization," Albany, State University of New York, 1984.

London, Bruce, Barrett Lee and S. Gregory Lipton, "The Determinants of Gentrification in the United States, A City Level Analysis," *Urban Affairs Quarterly*, 1986, Vol. 21, No. 3.

Marcuse, Peter, "Comments on Elvin K. Wyly and Daniel J. Hammel's 'Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification'" *Housing Policy Debate*, 1999 Vol. 10, No. 4, pp. 789-797.

Marcuse, Peter, "Gentrification, Abandonment, and Displacement: Connections, Causes, and Policy Responses," *Journal of Urban and Contemporary Law*, Vol. 28, pp. 206-207.

Mission Economic Development Association (MEDA), "Small Business Displacement Hearing," materials presented to San Francisco Supervisor Alicia Becerril on September 16, 1999.

Mission Economic Development Association, *The Mission District's Transformation, Preserving Community Assets: The Challenges and Implications for Neighborhoods Facing Gentrification*, presentation for the Northern California Grantmakers, San Francisco, CA, October 18, 1999.

Mission Economic Development Association, "2000 Inner Mission District Business Analysis" San Francisco, CA, 2000.

Mitchell, Stacy, *The Hometown Advantage: How to Defend Your Main Street Against Chain Stores...and Why It Matters*, Institute for Local Self-Reliance, Washington DC, 2000.

PolicyLink and the Funder's Network on Smart Growth and Livable Communities, *Advancing Regional Equity: Perspectives from Philanthropy on Promising Practices*, PolicyLink, Oakland, CA, February, 2001.

Ray, Barbara, "Neighborhood Commercial Revitalization," The Center for Public and Urban Research, College of Public and Urban Affairs Georgia State University Atlanta, 1983.

Rozhon, Tracie, "Grit and Glory in South Harlem," *New York Times*, March 16, 2000, p. B1.

Sawicki, David S., and Mitch Moody. "Déjà vu All Over Again: Porter's Model of Inner City Development." *The Review of Black Political Economy*, Vol. 24, Nos. 2 and 3, Fall 1995-Winter 1996, pp. 75-94.

Scholz, David, "What a Difference a Bridge Makes," *San Francisco Chronicle*, April 22, 2000, p.C1.

Sen, Indrani, "Living in Limbo," *The Boston Globe*, Friday, November 5, 1999.

Shill, Michael and Richard Nathan, *Revitalizing America's Cities: Neighborhood Reinvestment and Displacement*. Albany: State University of New York Press, 1983.

Slater, Dashka, "Neighborhood Bully," *San Francisco Chronicle*, February, 2000, p. 3.

Smith, Matt, "Welcome Home," *SF Weekly*, Vol. 18, No. 28 (August 18, 1999).

Smith, Neil, *The New Urban Frontier: Gentrification and the Revanchist City*. London and New York: Routledge, 1996.

Smith, Neil, and Peter Williams, *Gentrification of the City*, Allen & Unwin, Boston, MA 1986.

Strategic Economics, "Gentrification: Causes, Indicator, and Possible Policy Responses for the San Francisco Bay Area," Berkeley, CA, September, 1999.

The Chicago Rehab Network, *Development without Displacement Task Force Background Paper*, The Nathalie P. Voorhees Center for Neighborhood and Community Improvement, Chicago, June 1995.

Tucker, Katheryn Hayes, "Saying Goodbye to the 'Burbs," *New York Times*, March 5, 2000, p. 1 section 3.

Urban Planning Policy Analysis and Administration, "Small Business in Urban Revitalization," By Brian J. L. Berry, August 1979 Discussion Paper D79-15 Department of City and Regional Planning, Harvard University, Cambridge, Massachusetts

Wyly, Elvin K. and Daniel J. Hammel, "Islands of Decay in Seas of Renewal: Housing Policy and the Resurgence of Gentrification," *Housing Policy Debate*, Vol. 10 No. 4, pp. 711-771.

Yee, Cameron Y. and Julie Quiroz-Martinez, Urban Habitat Program, "There Goes the Neighborhood: A Regional Analysis of Gentrification and Community Stability in San Francisco Bay Area," San Francisco, CA 1999.

Zinko, Carolyne, "Mayor to Tout East Palo Alto's Route to Self-Sufficiency," *San Francisco Chronicle*, March 12, 2000, p. A16.

LIST OF FIGURES

1. Figure 1: Economy Hardware, Central Square, by Tunua Thrash, 2001	19
2. Figure 2: Starbucks Coffee, Central Square, by Tunua Thrash, 2001	20
3. Figure 3: Mural, Mission District, courtesy of Mission Economic Development Association	24
4. Figure 4: Streetscape, Mission District, courtesy of Mission Economic Development Association	26
5. Figure 5: Map of Mission District, courtesy of MapQuest.com, 2000	28
6. Figure 6: Map of City of Cambridge, MA, courtesy of City of Cambridge	29
7. Figure 7: Map of Central Square, Cambridge, MA, courtesy of City of Cambridge	29
8. Figure 8: Mission Dolores, Mission District, courtesy of Mission Economic Development Association	32
9. Figure 9: Live/Work loft development, Mission District, courtesy of San Francisco Chronicle, by Thor Swift	33
10. Figure 10: Streetscape, Central Square, by T. Luke Young, 1998	35
11. Figure 11: Streetscape/bus stop, Central Square, by T. Luke Young, 1998	35
12. Figure 12: Streetscape/lamp post, Central Square, by T. Luke Young, 1998	36
13. Figure 13: 24 th and Mission Streets, Mission District, courtesy of Mission Economic Development Association	41
14. Figure 14: Clothing firm displaced by Holmes Trust Development, Central Square, by T. Luke Young, 1998	41
15. Figure 15: PayLess Shoe Source, Maxi's 99 cents Store, Central Square, by Tunua Thrash 2001	42
16. Figure 16: Gap and Gap Kids, Central Square, by Tunua Thrash, 2001	43
17. Figure 17: Jose Corona of Mission Economic Development Association and Bay View Building (in background), Mission District, San Francisco Chronicle, by Katy Raddatz	44
18. Figure 18: Busy corner in the Mission, Mission District, San Francisco Chronicle, by Fredric Larson	45
19. Figure 19: Central Square before Holmes Development upgrade, by T. Luke Young, 1998	46

20. Figure 20: Central Square after Holmes Development upgrade, by Tunua Thrash, 2001	46
21. Figure 21: Central Square in 1998, Lucy Parsons Books, Tas-T Oriental Buffet, by T. Luke Young, 1998	47
22. Figure 22: Central Square in 2001, under construction-new firms expected soon, by Tunua Thrash, 2001	47
23. Figure 23: Letter from owners of Golden Donut, Central Square, by T. Luke Young, 1998	47
24. Figure 24: Streetscape improvements in progress, Central Square, by T. Luke Young, 1998	47
25. Figure 25: Surman’s Leathers, Central Square, by T. Luke Young, 1998	47
26. Figure 26: Going out of business sale, Central Square, by T. Luke Young, 1998	47
27. Figure 27: “El Corazón de la Misión,” Mission District, courtesy of Mission Economic Development Association	50
28. Figure 28: “Resist the dot con,” “Adios San Francisco,” “Evicted & Exiled”, San Francisco Chronicle photo	51
29. Figure 29: Central Square Conversations website mural, by David Fitcher	52
30. Figure 30: “A quick message to the developers—this building will not be evicted quietly,” Central Square, by T. Luke Young	54
31. Figure 31: Middle East Bar and Grill, Central Square, by Tunua Thrash	55
32. Figure 32: The Good Life Restaurant and Bar, Central Square, by Tunua Thrash	56
33. Figure 33: Generic Dot Com in the Mission District, San Francisco Chronicle, by Deanna Fitzmaurice	59
34. Figure 34: Uphams Corner Main Street (Dudley Street), by Rosemary Dudley, 2001	75
35. Figure 35: Mural on Brookline Street, Central Square, by Tunua Thrash	79

LIST OF TABLES

1. **Table 1.0:** Pricing Index
2. **Table 2.1:** Mission District Owner Move-In Evictions, Source: Simon Valesquez, University of California at Berkeley, Department of City and Regional Planning, 2000; San Francisco Rent Stabilization Board and Arbitration Board, and Mission Economic Development Association.
3. **Table 2.2:** Rental and Home Ownership Prices, Source: Simon Valesquez, University of California at Berkeley, Department of City and Regional Planning, 2000; RentTech; Metroscan; Mission Economic Development Association.
4. **Table 2.3:** Price Per Square Foot, Source: Simon Valesquez, University of California at Berkeley, Department of City and Regional Planning, 2000; RentTech; Metroscan; Mission Economic Development Association.
5. **Table 2.4:** Total Sales Volume (in '000's). Source Simon Valesquez, University of California at Berkeley, Department of City and Regional Planning, 2000; RentTech; Metroscan; Mission Economic Development Association.
6. **Table 4.1** Causes of Displacement and Mitigation Tools.