SIP Grant Recipient Aksum Mediterranean Kitchen at 4630 Baltimore Avenue

Storefront Improvement Program:

Economic Impact Analysis

Department of Commerce
CITY OF PHILADELPHIA
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Introduction

The City of Philadelphia's Storefront Improvement Program provides an incentive to owners of commercial buildings and businesses, on designated commercial corridors, to make improvements to their storefronts and building facades. The program reimburses up to 50% of the cost of eligible improvements, to a maximum of $8,000 for a single commercial property or up to $12,000 for a multiple-address or corner commercial property.[1] The City's intent is to encourage well-designed façade improvements to make the targeted commercial corridors more attractive to customers, employees and other businesses in order to grow their vitality and economic performance. Furthermore, the expectation is that a more attractive corridor will ultimately contribute to a neighborhood's revitalization and stability.

This report provides data to quantify a number of the economic impacts of the Storefront Improvement Program (SIP). Many large and small cities around the country have similar façade improvement programs, but, as of yet, there have been only very limited efforts to quantify what these programs accomplish in terms of direct economic impact. While common sense says that the program beautifies the areas that receive SIP grants, there have been no hard number analyses of direct economic impacts on participating businesses. This report examines the difference between total receipts between businesses on a commercial corridor that participated in the program and the other businesses in the corridor that did not participate. It will also examine the property values of businesses participating in SIP.

[1] In December 2014 the City revised the Storefront Improvement Program and increased the match to 75% of project costs up to $10,000 for a single commercial property and up to $15,000 for a multiple-address or corner commercial property.

Total Receipts Analysis[2]

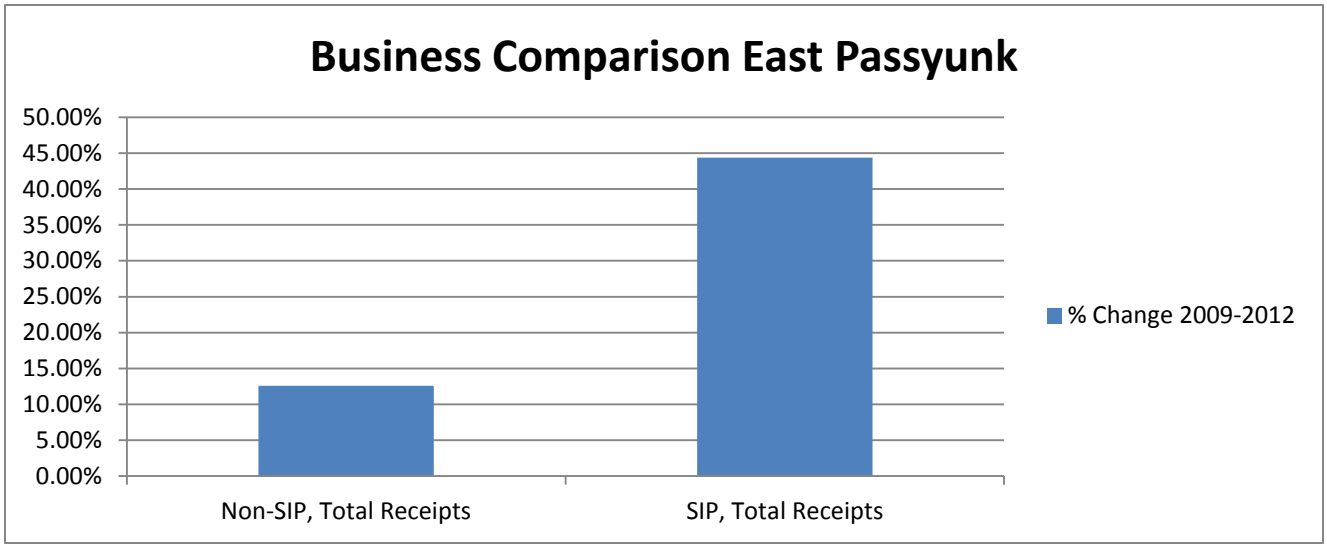
In order to measure the impact on sales, City of Philadelphia Revenue Department total receipts data from 2009 and 2012 was used in this analysis to compare the reported revenues of businesses that completed SIP projects versus peer businesses that did not participate in the SIP. The analysis only includes data from businesses that had tax records for 2009 or 2010 (depending on the most recent year available) and 2012 in order to avoid distorting the data with the new sales generated by businesses that received a grant at the time of their opening. The analysis was limited to businesses that received grants through 2010 and 2011, to provide a common period of post grant outcomes. Further, the analysis was limited to businesses with single locations; because tax data is sometimes aggregated for multiple locations, thus making it impossible to determine sales variations at the location of interest.

Finally, in order to maintain the confidentiality of individual tax records, the analysis was restricted to commercial corridors where at least three businesses participated in SIP and met the above criteria. Two commercial corridors, East Passyunk Avenue and Frankford Avenue, were selected for this analysis. Note that taking all of these factors into consideration, led to small sample sizes, raising the potential that small changes could appear more significant than they would appear among a larger sample size.

[2] *Total receipts* refer to all money received by a business in exchange for the goods or services they provide. It includes taxable and non-taxable items. Examples of non-taxable items include clothing, pharmacy prescriptions, and groceries.

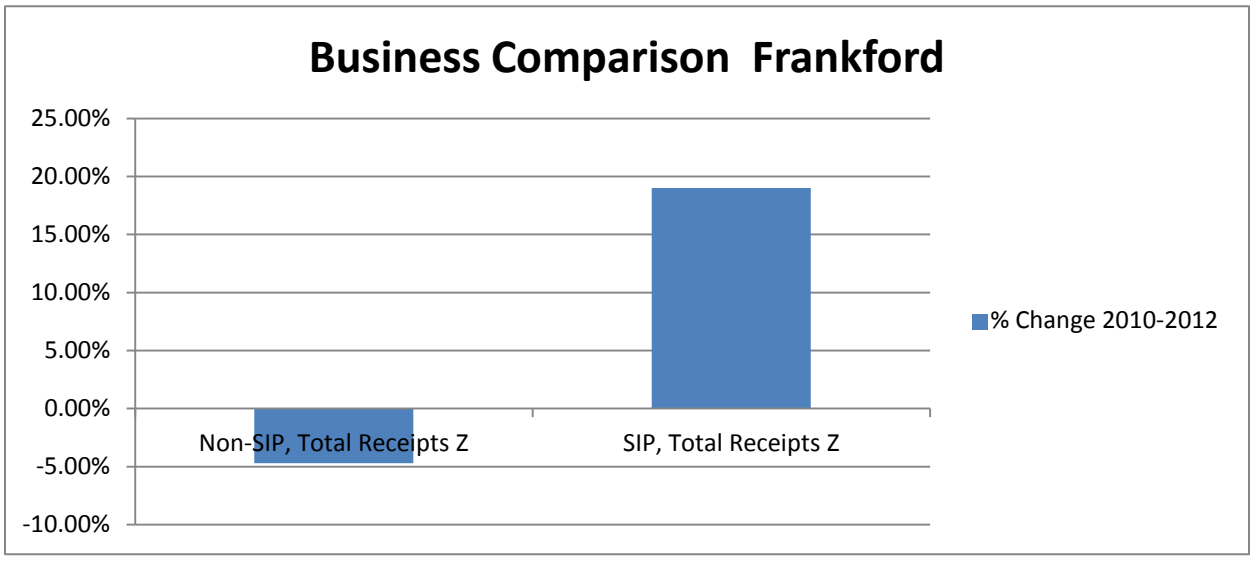
East Passyunk Avenue

On the 1200-1900 blocks of East Passyunk Avenue, over 80 businesses which did not participate in SIP were compared to at least 3 businesses which did participate. Businesses which did not participate in SIP saw total receipts increase by 13% from 2010 to 2012. In contrast, businesses which received SIP grants had total receipts increase by 44% for the same time period. This Department of Revenue data was adjusted for inflation to 2010 values.



Frankford Avenue

On the 1200-3100 blocks of the Frankford Avenue commercial corridor, over 40 businesses which did not participate in SIP were compared to at least three businesses which did participate. Businesses which did not participate in SIP saw total receipts decrease by 5%. Businesses that participated in SIP had total receipts increase by 19%. This Department of Revenue data was adjusted for inflation to 2009 values.



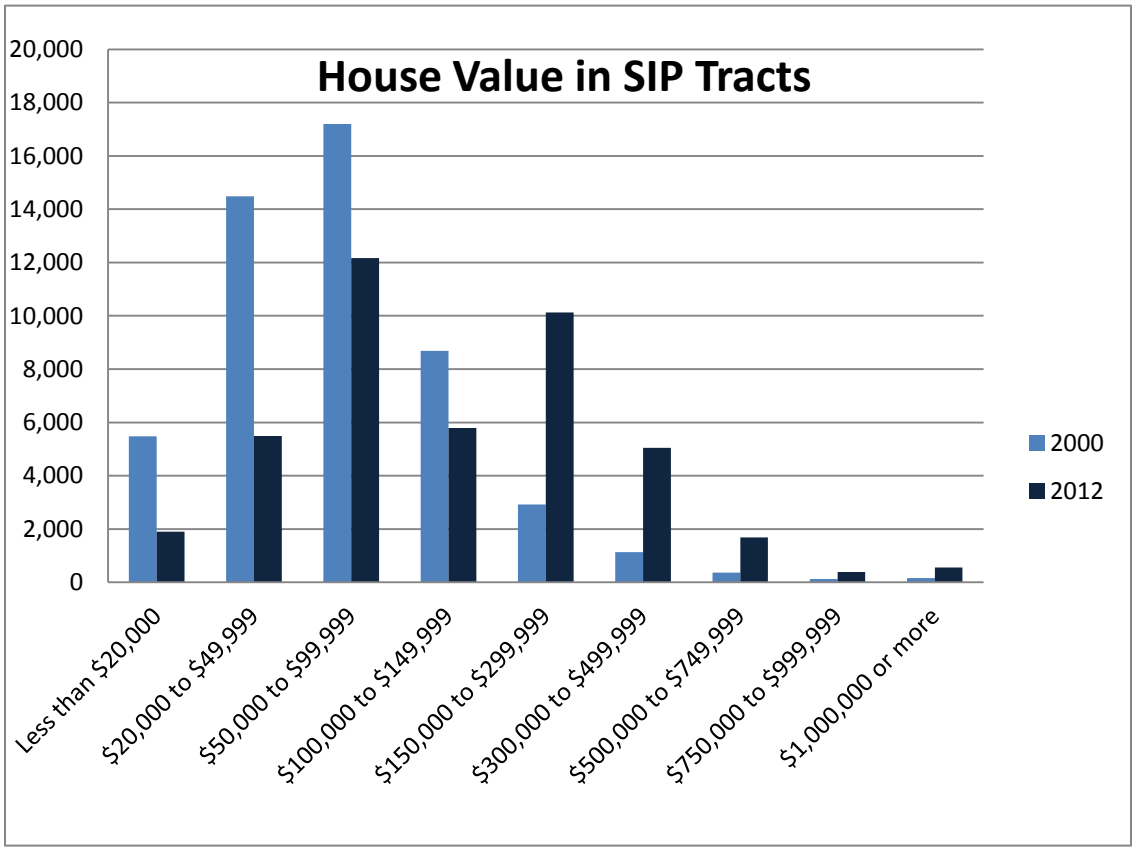
Property Value Analysis

In order to assess impact beyond the individual businesses that received grants, property values were compared for the improved properties as well as the surrounding neighborhood using the property valuation tools on Zillow.com[3]. The property values for the buildings that received grants went up significantly compared to those that did not.[4] The buildings that received SIP grants on average increased in value by $50,000, or 20% of their original value, and directly adjacent buildings saw their values increase by 14% (Zillow). The value change for the properties that received grants outpaced the neighborhood change by 27%, and the value change for the properties that were directly adjacent to the properties which participated in SIP outpaced neighborhood value growth by 18% (Zillow). Even areas that had fairly isolated and one-off SIP projects saw a boost in property values of about 8% for buildings that undertook the

[3] Zillow was not party to this study.
[4] Zillow only has value information for properties that had at least some residential component; thus, the data analyzed is only for residential and mixed use properties, and does not represent properties that are 100% commercial. This resulted in 65 properties which had SIP improvements completed between 2009-2012 which were used for this analysis.

improvements, and 11% for adjacent buildings (Zillow). The value change for such isolated properties that received an SIP grant outperformed the neighborhood value change by 13%, and the value of the adjacent properties outperformed the neighborhood by 15% (Zillow). Please note the sample size of isolated SIP projects is less than 10 which may impact the analysis.

Between 2009 and 2012, home values in the tracts that received grants increased by 12% on average, compared to a 10% average increase across the city during the same time period (ACS 2009, 2012). The price categories that saw the largest growth percentage-wise between 2000 and 2012 in the tracts that received SIP grants were those in the $150,000 to $299,999 range at 247%, those in the $300,000 to $499,999 at 344%, and the $500,000 to $749,999 category, at a 364% increase, (Census 2000, ACS 2012). The price categories that saw the largest decreases in this time were in the $20,000 to $49,999 range at a 62% decrease, and houses worth less than $20,000 at a 65% decrease (ACS 2009, 2012). This means that extremely



low value houses in these tracts are disappearing, most likely because values are being pushed up to higher-dollar categories.

Multiplier Effect

The grants seemed to have a generally positive influence on the facades of neighboring buildings as well, as 75% of buildings that undertook facade improvements between 2009 and 2012 as part of an SIP grant had one or more adjacent buildings improve their facades within the following three years (Google Maps). Some of these other projects were funded by SIP grants, but many were undertaken privately. The reasons for this could be many, as it could simply be the product of a sudden uptick in commercial activity in the area causing more businesses to be interested in upgrading their facades, or it could be related to other businesses wanting to keep up with their neighbors and take further advantage of increased economic activity in the area. Regardless, it shows increased leverage of the original city-funded SIP grant. And based on the above data analysis, the positive outcomes of increased sales and increased property values could be expected to extend to these neighboring businesses/buildings after façade upgrades.

Conclusion

From the perspective of this report, the Storefront Improvement Program is accomplishing its goal of increasing the economic performance of businesses by encouraging well-designed façade improvements in order to make commercial corridors more attractive to customers. Additionally, the program has helped to increase property values, even for fairly isolated projects. Future analysis with larger available sample sizes would be beneficial to confirm the program impacts reported within this report. Nevertheless, this report shows outcomes that are positive and encouraging.

Sources

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