



Preparing a Commercial District Diagnostic

Understanding the “DNA” of neighborhood commercial districts

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LISC

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Larisa Ortiz

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INTRODUCTION

When a neighborhood commercial district is working well, it's doing a lot of things at once. It's generating wealth for small business owners, providing jobs for locals, creating civic space to express community culture, and offering goods and services needed by residents, workers and visitors. So it's easy to see why building resilient commercial districts is a vital part of LISC's mission to forge resilient communities across America—"great places to live, work, visit, do business, and raise families." The vibrant streetscapes where dollars change hands are every bit as important to community life as good schools, quality affordable housing, and open green spaces.

A core value driving our work is that the people who have a direct stake in the community should define what progress looks like. LISC's on-the-ground partners -- nonprofit organizations deeply rooted in their neighborhoods -- set priorities and lead initiatives. Their efforts focus on convening business owners, residents, and other locals, empowering them to chart a course for corridor improvement and pursue it together.

Another core value we hold is that corridor revitalization strategies be grounded in evidence that they work. We draw upon successful precedents established on commercial corridors across our nationwide network, and we examine impacts by assessing whether perceptions have changed (through, for example, surveys of residents and business owners) and commercial activity has increased (as measured by, for example, increases in pedestrian counts, business revenues, and new businesses attraction).

LISC NYC's Commercial Corridor Challenge bases its approach on insights gained from earlier work in Philadelphia, Pittsburgh and other places across the country. We've learned that small but highly strategic interventions-- for example carefully placing new, consistent signage or activating and beautifying a single critical block--can spark a wave of improvements and commercial activity in a district.

Every commercial district has its own particular assets and challenges. The first step in any effort to improve a corridor is to find out what these are. The methodology developed by Larisa Ortiz and presented in *Preparing a Commercial District Diagnostic* provides a tool for community partners to gather the data needed to create a platform for meaningful community-driven corridor improvements. We're pleased to share this tool with the field.

Sincerely,

Eva Neubauer Alligood
LISC NYC Interim Executive Director

INTRODUCTION

About this guide

For over two decades, LISC has supported commercial district work through technical assistance, grants, and loans in recognition of the crucial role that commercial corridors play in community improvement efforts. Commercial corridors are not just places where residents shop and gather, but places where people build wealth through small businesses, find jobs, and share community culture. In short, vibrant commercial corridors are an essential component of neighborhood quality of life. The communities that LISC serves are locations for advanced research in commercial corridor revitalization, places where best practice strategies are incubated and evolve. In 2019, this broad network comprises 35 local offices, a rural program that reaches nearly 2,100 counties in 44 states, and LISC-founded affiliates and entities that include National Equity Fund, New Market Support Corporation, and immito.

This guide is the product of an innovative public-private partnership between the New York City office of LISC (LISC NYC), Citi Community Development, and New York City's Department of Small Business Services (SBS). In 2015, at SBS's request, LISC NYC offered to fund the codification of a methodological framework that the city could use to diagnose corridor needs and define strategic, market-based investment strategies informed by community perspectives. The guide was developed by consultant and former LISC National Director of Corridor Revitalization Programs Larisa Ortiz and the tool was called the Commercial District Needs Assessment (CDNA). The assessment was informed by LISC's research and extensive experience utilizing community insights to clarify and help interpret quantitative data, as well as Ortiz's two decades of consulting experience working with communities around the country, many of them LISC sites. We are pleased that SBS now uses the assessment framework as a key component of its Neighborhood 360° Program (N360°) and that city leaders have endorsed the expanded use of the tool throughout various neighborhoods.

A valuable outcome of this initial work on the CDNA was the creation of a program called the Commercial Corridor Challenge (Corridor Challenge), which was funded by LISC National and Citi Community Development. Kicked off in early 2017, the Corridor Challenge is a partnership of LISC NYC, Citi Community Development, and SBS to strengthen and revitalize the streets, small businesses, and community-based organizations (CBOs) that anchor New York City neighborhoods. Through the first round of the Corridor Challenge, three CBOs participating in N360° were selected to receive financial and expert technical assistance to carry out early-action interventions. These interventions addressed corridor fundamentals, including safety, visibility, and promotion, and were informed by CDNAs that the partners already had or were in the process of completing. The first round of the Corridor Challenge concluded in the summer of 2018.



Commercial corridors are not just places where local residents shop and gather, but places where people build wealth through small businesses, find jobs, and share community culture.

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Recognizing the value of the framework to the city of New York, LISC sought to further refine the CDNA tool, this time for a national audience. The Commercial DNA framework outlined in this guide is a further iteration of the CDNA and is intended to provide local practitioners with an introduction to a comprehensive methodology for diagnosing district needs. We hope that practitioners find the approach useful, and that this guide steers the field of community developers and commercial district practitioners toward a more rigorous, standardized, and comprehensive approach to diagnosing commercial districts—one that ultimately helps communities with limited resources make informed and effective investments that improve corridors for local businesses and the residents, visitors, and workers they serve.

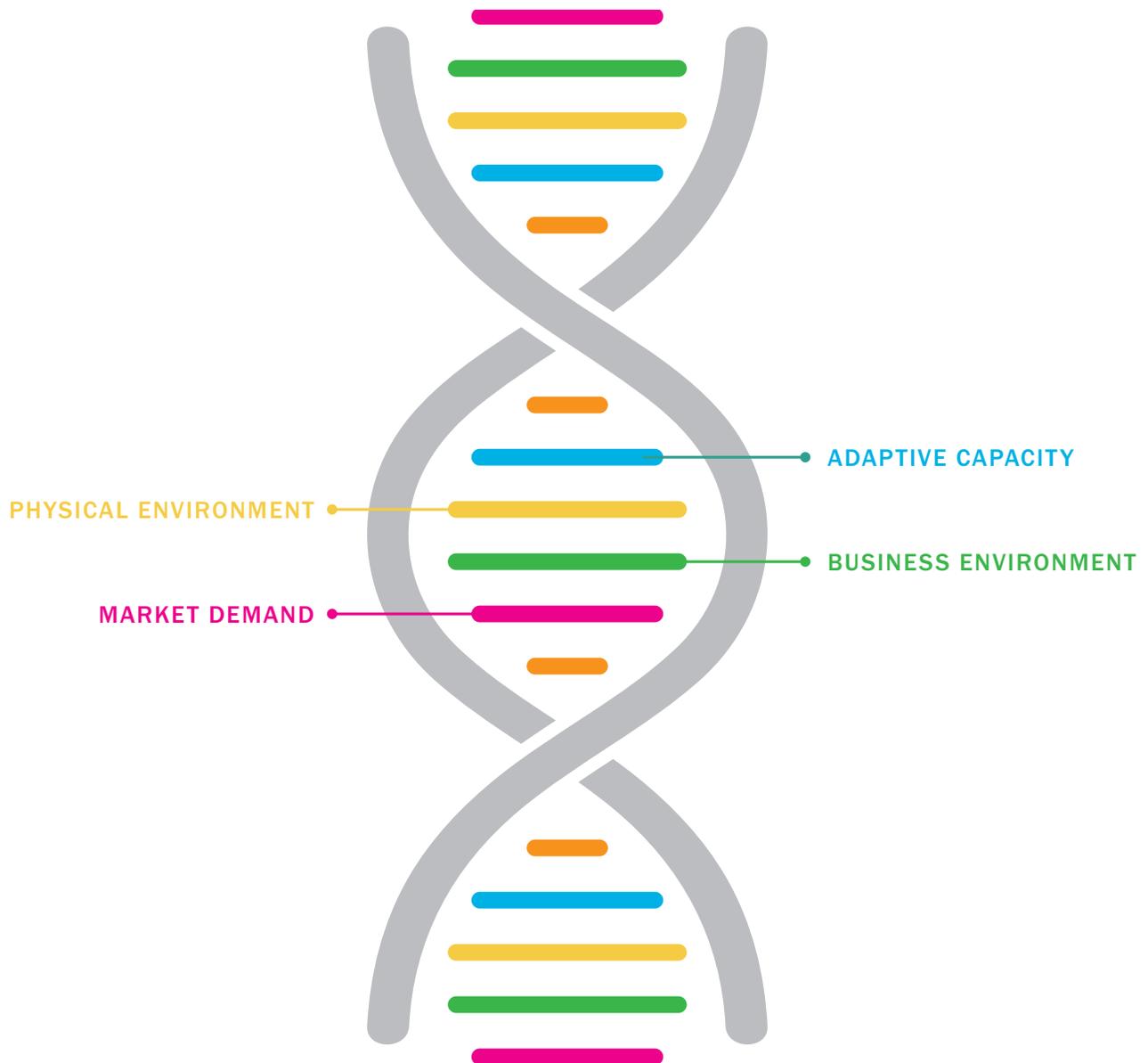
The Commercial DNA framework

LISC recognizes that every commercial district has a unique set of characteristics, challenges, and opportunities that must be understood in order to best advocate for the resources and improvements that will grow the local economy in an equitable manner, overcome the legacy of decades of disinvestment, and benefit residents who have been historically marginalized and disadvantaged by the racial wealth gap. In the sphere of science, the unique building material present in all living organisms is called DNA. In the sphere of commercial districts, the building blocks of place are also a form of DNA—the fundamental and distinct qualities that make each commercial district unique. The DNA of a commercial district includes its physical attributes, its community and market assets, its resources, and its capacity to support implementation of revitalization strategies. That is why we call the approach outlined in this guide “the Commercial DNA framework.”

This guide is intended to provide community leaders with clear guidance on what kind of data to collect, how to interpret that data, and how to turn those insights into recommendations for action to bring about equitable corridor revitalization. The information collected through the Commercial DNA framework will ensure that communities develop an understanding of their market constraints and opportunities, and will allow them to use this information to influence how public- and private-sector partners prioritize future investments.

The Commercial DNA framework assesses each district’s commercial viability by looking at four key categories of data collection and analysis: adaptive capacity, physical environment, business environment, and market demand.

The DNA of a commercial district includes its physical attributes, its community and market assets, its resources, and its capacity to support implementation of revitalization strategies.



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How communities can use this guide

The Commercial DNA framework is an assessment tool intended to help communities assess their commercial district needs. LISC community partners often seek support, technical assistance, and funding for commercial district improvements, and the Commercial DNA framework will ensure that local LISC offices and their partners have the means to diagnose needs and more effectively allocate resources to catalyze investment in local commercial districts. The guide can also be used as an advocacy tool to press elected officials and city agencies to provide direct funding and other investments to meet a variety of corridor needs, from infrastructure and facade improvements to assistance to small businesses.

The framework can be used on a number of levels: it can help a community-based organization or volunteer committee to conduct a simple, low-cost assessment with publically available data; it can also support a municipality and/or professional consultant to conduct a much deeper commercial market assessment with a range of data. For communities that elect to engage a professional consultant, the Commercial DNA framework can be used to develop a request for proposal that outlines the expectations and scope of work for professional service providers.

This guide is not intended to replace robust community and merchant outreach or consultant support, but rather to inform the way information is gathered to assess corridor needs. In some cases, the questions posed here can be answered directly by a knowledgeable person within government, a community-based organization or the neighborhood. In other cases, professional market research may be necessary. When using this framework, we encourage public outreach through community surveys and stakeholder focus groups. Not only will this help support additional insight into the district challenges, but it will also help build consensus among key partners about district priorities.





How LISC staff can use this guide

For the staff of local LISC offices who are providing guidance to community organizations that are in the early stages of developing commercial district strategies, the Commercial DNA framework offers the following:

- tools to inform community-led planning efforts
- advice on what kinds of data to collect and why
- strategies for ensuring that market-based information guides programmatic decision making
- data that can be used in grant applications and proposals for corridor funding

Moreover, the benefits of the Commercial DNA framework are enhanced by a variety of LISC national programs and resources that can help diagnose challenges and opportunities and inform interventions in commercial corridors, including in economic development, safety, and creative placemaking.



The four key categories of data collection and analysis

The Commercial DNA framework is based on a number of time-tested concepts, developed from location and shopper loyalty research and the author's own field experience developing commercial district strategies for communities across the United States and in other countries.

The framework outlined here is also deeply connected to LISC's track record of working in diverse urban neighborhoods. In 2009, LISC Philadelphia commissioned a study entitled "Commercial Corridors: A Strategic Investment Framework for Philadelphia" that was seminal in shaping the framework. The study, conducted by the econometrics firm Econsult, included a 10-year time series analysis of Philadelphia's 264 commercial areas and identified a number of key elements critical to successful commercial corridor revitalization efforts.¹ These included business density, tenant mix, accessibility, leadership, and the condition of the physical environment. These elements are embedded within the Commercial DNA framework.

1. Ortiz, Larisa. "New and Definitive Evidence on What Works to Revitalize Urban Commercial Corridors." LISC Institute for Comprehensive Community Development, June 20, 2011.



The Commercial DNA Framework™

PHYSICAL ENVIRONMENT

Public Realm
Private Realm
Access/Visibility

MARKET DEMAND

Residential Demand
Non-Residential Demand
Employees
Visitors
Students



ADAPTIVE CAPACITY

Leadership
Organizational Capacity
Regulatory Framework
Funding Sources
Partners

BUSINESS ENVIRONMENT

Business Density
Tenant Mix
Anchors and Destination Drivers

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The Commercial DNA framework walks communities through four categories of data collection and analysis:

Adaptive Capacity

Adaptive capacity refers to who gets things done, how, and with what resources, including but not limited to people, funding, and partners who are available to advance corridor improvement efforts. LISC's community development mission is based on its understanding that local leadership is a linchpin of neighborhood commercial district improvement. But leadership is only one component of adaptive capacity; other important components are overall organizational capacity, innovative partnerships, funding availability, and regulatory environments that advance rather than undermine commercial district improvements. LISC's research in Philadelphia reinforces the finding that corridor leadership is directly tied to increases in retail sales by local businesses, and sometimes even to property values. In these communities, leadership in the form of business improvement districts (BIDs) –legislatively approved self-assessment districts – enabled local leaders to implement successful initiatives, advocate for resources and improved city policies and regulatory frameworks, and ensure adequate funding for capital investments and other improvements.²



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2. Ortiz, Larisa. "New and Definitive Evidence on What Works to Revitalize Urban Commercial Corridors." LISC Institute for Comprehensive Community Development, June 20, 2011.
 3. Verde Group, International Center of Shopping Centers (ICSC) Global Research Network, 2014.



Physical Environment

Simply put, appearance matters. Getting the fundamentals right is key to creating a healthy commercial district. But what are those fundamentals? Shopper satisfaction surveys by the retail industry³ give us some insight into what drives customer loyalty. Customers overwhelmingly cite the cleanliness, and by extension the safety, of a shopping area as a primary component of shopper satisfaction.

Another critical element of the physical environment is accessibility, including the transportation infrastructure as defined by streets and sidewalks. In Philadelphia, the LISC corridor study found a clear correlation between retail sales and accessibility by car and foot.

These elements are reflected in the three main components of the physical environment analysis:

- **The public realm** includes common areas such as streets, sidewalks, and public spaces that are typically under public ownership and may be managed and maintained by either the public sector or a nonprofit entity, such as a BID or Main Street program.
- **The private realm** refers to buildings and storefronts that are typically owned by individuals or corporate entities.
- **Accessibility and visibility** refers to the transportation network that offers customers convenient accessibility, whether by private vehicle, car share, foot, bike, or public transit, and the visibility of businesses to customers and passersby.

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Business Environment

The quantity, density, and type of offerings in a district are often a reflection of underlying business conditions and market dynamics, and they also offer insight into the overall health of local businesses. In Philadelphia, LISC found a significant positive correlation between business density, store mix, and district success as measured by retail sales and property values.

These are the three components of a business environment analysis:

- **Business density** refers to the concentration of stores within a corridor and, correspondingly, customers' ability to patronize multiple stores during a single visit. Districts with higher density (more stores per square mile) outperform lower-density corridors.⁴ Therefore, creating high business density is a key to maintaining environments in which local businesses can survive and thrive.
- **Tenant mix** refers to the types of retail and service offerings found in the district. This includes not just what they are and what they sell, but their price point, overall merchandise mix, and target customer. A good tenant mix is one that meets the needs of the district's dominant customer base and enables businesses to turn a profit.
- **Anchors and destination drivers** play a role in encouraging visitation and in determining the kinds of complementary businesses that will succeed and serve the needs of visitors. Along most commercial corridors, diverse uses qualify as anchors and destination drivers, including retail establishments and health care, civic, educational, cultural, and religious institutions.

4. Ortiz, Larisa. "New and Definitive Evidence on What Works to Revitalize Urban Commercial Corridors." LISC Institute for Comprehensive Community Development, June 20, 2011.

Market Demand

Ultimately, businesses cannot succeed without a robust customer base. To understand market demand, it's therefore necessary to quantify and describe the customer base and its spending habits.

Typically, market demand analysis is based on census data. It primarily offers insight into residential demand and limited insight into the demand generated by local workers and visitors who sometimes make a significant contribution to a local economy. The Commercial DNA framework offers recommendations for how to augment census-based data with information about nonresidential demand and spending generated by workers and other visitors to the district. In some communities, businesses actually cater to a large nonresident customer base, and understanding their needs and wants is as important as understanding those of residents.

These are the two types of market demand:

- **Residential demand** describes the demand of those who live in the district and make up the dominant shopper base for the commercial corridor.
- **Nonresidential demand** describes the demand of workers, a nonresidential student population, and visitors attracted by local destinations such as civic institutions and cultural facilities. In some communities, hospitals and the patients and outside medical personnel they attract are a key element of nonresidential demand.



Next steps after data collection

Collecting data using the Commercial DNA framework is a first step in a community-driven process for determining necessary corridor investments. Interpreting that data, determining how it aligns with local priorities, and using it to inform action and investment are the next steps. During those stages, it is especially important to engage with residents and business owners to ensure that their visions and priorities are incorporated into the implementation plan. This guide offers simple suggestions for how communities can analyze the collected data and use it to set priorities and plan interventions that address the challenges and opportunities identified by local stakeholders.



Adaptive
Capacity

LISC's experience has demonstrated that local adaptive capacity plays a crucial role in achieving long-term community-driven commercial revitalization. Adaptive capacity refers to a combination of leadership, organizational capacity, resources (both human and financial), and regulatory and policy frameworks that enable catalytic investments and improvements to take root.

Leadership and organizational capacity

Local leaders with the organizational skills and ability to influence and engage partners and stakeholders such as merchants, residents, and elected officials can be the linchpins of successful revitalization efforts. These individuals are often well-positioned representatives or leaders of community organizations with the expertise, knowledge, skills, and authority to identify strategic opportunities, advocate for resources from public agencies and private entities, plan activities, and carry out investments. They also recognize the importance of community-driven planning around corridor development as a means of engaging voices and soliciting local input. These organizations come in a variety of forms, including community development corporations (CDCs), BIDs, merchants associations, and other nonprofit and community-based groups.

Types of organizations

Adaptive capacity comes in many forms, depending on the local context, who leads district efforts, and what their formal and informal roles are. Below are descriptions of a few types of organizations that typically lead corridor revitalization work. It is important to note that each type has different priorities, resources, and degrees of political access. Additionally, these groups benefit from working with other community stakeholders who understand local conditions and solicit community input.

BIDs are publicly sanctioned, privately directed organizations funded through a compulsory self-taxing mechanism on commercial property owners and whose resources are used to provide supplemental services to a defined area. Typically, these services focus on the district's cleanliness, maintenance, safety, and marketing efforts. BIDs often have sufficient resources to support full- or part-time staff focused on supporting local businesses and improving the overall business environment. State enabling legislation for BID formation differs markedly between jurisdictions, which affects how BIDs are governed and funded. In most cases, funding decisions are made by a board of directors that includes rate-paying members, who may or may not be residents or businesses. Furthermore, the ease of BID formation is highly dependent on the rules and procedures established in the enabling legislation, and communities should be mindful of these rules before attempting to advance BID formation efforts.



Local leaders with the organizational skills and ability to influence and engage partners and stakeholders such as merchants, residents, and elected officials can be the linchpins of successful revitalization efforts.

CDCs are mission-driven nonprofit organizations that promote community development, typically within a defined geographic area or neighborhood, for the benefit of low- and moderate-income residents. They typically have residents on their board of directors and engage local stakeholders in their work. Many CDCs have successful track records of developing and operating affordable housing and also addressing community needs related to health, education, financial stability, and economic opportunity. As part of this work, some CDCs focus on corridor revitalization, not only to ensure that residents have places to shop and gather, but also to build wealth through small businesses, create jobs, and share community culture. Because of their mission of equity and inclusion, CDCs are often natural leaders of and/or partners in neighborhood commercial revitalization efforts.

CHAMBERS OF COMMERCE AND MERCHANTS ASSOCIATIONS are networks of business owners whose goal is to further the interests of their businesses. Members typically contribute to the organization and, if resources are sufficient, hire an executive director and staff as appropriate. Chambers of commerce and merchants associations are critical partners in revitalization efforts and can lead advocacy efforts to enhance local commercial districts and gain the support of public officials.

MAIN STREET PROGRAMS are nonprofit organizations sanctioned by the National Main Street Center, Inc., a nonprofit subsidiary of the National Trust for Historic Preservation. Main Street programs are focused entirely on commercial district revitalization and follow the Four Point Approach: Economic Vitality, Design, Promotion, and Organization.

CITY AND MUNICIPAL AGENCIES frequently spearhead efforts to revitalize commercial districts, often in partnership with one or more of the organizations listed above. Partnership with and support of the public sector is an important component of corridor improvement efforts, particularly when public resources and significant capital and infrastructure investment are required to advance commercial revitalization efforts.



Assessing Adaptive Capacity: The Case of Rhode Island Avenue NE, Washington, DC

Drive along Rhode Island Avenue in Northeast Washington, DC, through the Brentwood, Brookland, and Woodridge neighborhoods, and you will see community change in action. When a local nonprofit, the Rhode Island Avenue Main Street program (RIAMS), sought help in developing a corridor action plan, the local LISC office, with funding from LISC National, stepped in to conduct an assessment using the Commercial DNA framework.

The assessment found that market demand was strong. Neighborhoods along the corridor were seeing rapid increases in property values, new development, and, in some cases, efforts to preserve affordable housing. While the physical environment was mixed, improvements at key nodes were clearly necessary. The corridor was a busy and accessible thoroughfare connecting downtown DC to the Maryland suburbs, yet it faced challenges.

When the consultant team, led by the author, looked at adaptive capacity along the two-mile-long strip, it was clear that there was a yawning gap between what RIAMS wanted to accomplish and what it could achieve with its limited budget and staff. While RIAMS's executive director had explored the possibility of creating a BID and had previously sought city funding for this, the city had declined to fund a BID formation.

The original BID plan was to encompass an area that comprised the entire length of the commercial corridor. After an assessment of adaptive capacity, the consultant team suggested a much more targeted BID exploration effort. This came after a review of city enabling legislation that outlined the requirements for BID formation. The team found that BID formation outside of the downtown area, or the central employment area, was, by design, quite difficult. As a result, the team agreed that it didn't make sense to attempt to form a BID over the entire length of the corridor.

By contrast, within the downtown area, only approval by owners was required to form a BID. However, for a two-mile-long stretch populated primarily by small businesses, the lift for such an effort would have been exceedingly expensive and highly unlikely. Furthermore, the assessment garnered from such a small set of scattered businesses would not have resulted in a budget large enough for meaningful improvements.

By contrast, the area immediately around the Rhode Island Avenue Metro stop was ripe for such an intervention. Key property owners who represented a significant portion of the assessed value were extremely interested and open to providing the leadership and funding necessary to advance the effort. Following the assessment, LISC funded RIAMS to support a BID formation effort at the Rhode Island Avenue Metro node.

Regulatory and zoning framework

Issues related to regulations and zoning can arise when commercial district improvements require major capital investments in the public and/or private realm. It's important to consider whether the uses and building types under consideration are permitted in the district. In some jurisdictions, use restriction on residential development or certain kinds of commercial development will hamper the ability of property owners and developers to carry out their desired improvements.

Other issues may arise around signage and storefront regulations. Restrictions on signage, particularly on pedestrian-oriented blade signs and/or A-frame sidewalk signs, can impede a business's ability to offer visual cues, making it harder for them to turn passersby into customers. This is known in the industry as the "retail conversion rate." Restrictions on outdoor dining make it hard for restaurants to make their presence known. These challenges are particular to each jurisdiction, and corridor revitalization planning will need to identify obstacles that could impede real estate investment and/or business recruitment and retention.

Funding

An early assessment of key partners should include a consideration of their available resources and whether commercial district improvements align with their organizational missions. You never know what might turn up when you start looking for alignments. In one community where we worked, a local family foundation with an interest in urban beekeeping dovetailed with a CDC's interest in developing a farmers market to address limited fresh food access in the neighborhood. This alignment led to the foundation selling honey at the market and created the opportunity to interest residents in beekeeping on vacant land, all of which complemented the corridor revitalization efforts.

Assess the adaptive capacity

Sometimes leadership and capacity are hidden in plain view. Therefore the first step in determining local adaptive capacity is to map existing organizations, community leaders, and individuals from the public, private, and nonprofit sectors that are doing work in or around the district, even if they aren't focused on commercial corridor activities. The following exercise can help those planning corridor improvements to develop a detailed understanding of potential leaders, advocates, and organizations whose partnership and support will be critical down the line.

ADAPTIVE CAPACITY



STEP 1

Develop a comprehensive stakeholder list.

For each data point below, make a note of how active and supportive of economic development they have been in the past or might be in the future.

| Data Point | Source |
|---|--|
| List all local community-based development organizations (housing, economic development). | Stakeholder outreach, field research |
| List all community-based organizations (social services). | Stakeholder outreach, field research |
| List all civic and cultural institutions (public libraries, museums, recreation centers, YMCAs). | Stakeholder outreach, field research |
| List all major local property owners or landlords. | Property owner databases, stakeholder outreach |
| List all merchants or merchant groups. | Stakeholder outreach field outreach |
| List all resident leaders or resident groups. | Stakeholder outreach, field research |
| List all local and state elected officials (council members, mayors, city agencies, public advocates, assembly people, senators, etc.). | Online research, field research |
| List of all federal elected officials (representatives, senators). | Online research, field research |

The list that results from this exercise should inform early outreach efforts and help determine whether commercial district improvement efforts will require forming a new organization or whether they can be led by an existing organization that would benefit from additional resources. Once a list of potential partners is created, staffing levels, budgets, and overall interest in the commercial district should be considered using the questions in Step 2.

From a community development perspective, it is also important to consider how representative an organization leading corridor revitalization is of the surrounding community. Does it engage local residents in setting agendas? Does it have an equity framework that considers whether low-income communities will benefit from the improvements?

If the need for a new dedicated commercial district management organization is identified through the assessment of the organizational landscape, it is helpful to consider the feasibility of BID formation. Every state has different regulations that govern the formation of BIDs, and different names for them, such as Special Improvement Districts, Business Improvement Zones, Business Revitalization Zones, and Business Improvement Areas. Despite the different names, they all assess property owners within a clearly defined geographical area a fee for a custom-defined set of services, much as shopping centers charge tenants common area maintenance charges.

STEP 2

Asses stakeholder capacity.

Consider each partner’s level of interest, resources, and skills by answering the following questions.

| Data Point | Source |
|---|--------------------------------------|
| How aligned is the organization’s mission with commercial revitalization? Is there a dedicated staff person for commercial district management efforts? | Stakeholder outreach, field research |
| What is the economic development budget of the organization? Is it adequate to meet the economic development needs of the community? | |
| Does the organization have experience with managing grants? | |
| What is the funding source for this organization? Is it sustainable? | |
| What are the skills or expertise of existing staff? Is staff expertise adequate to advance economic development efforts? | |
| How supportive are local elected officials of commercial revitalization efforts? Have they committed resources in the past? Have they showed interest in commercial revitalization? | |
| Have existing community-based organizations shown a willingness to engage in commercial revitalization efforts? | |
| Have key property owners demonstrated a willingness to engage in commercial revitalization efforts? | |
| How involved are residents in the commercial revitalization efforts? | |

The organizations identified as having an interest in commercial district improvement efforts should be the first stop during any community outreach effort. Their skills and expertise can help determine whether funding for dedicated staff is an appropriate and feasible next step.



Building Capacity from the Ground Up: SBS's N360° Program

In 2014, New York City Mayor Bill de Blasio released his ambitious “Housing New York: A Five-Borough, Ten-Year Plan,” with the goal of meeting the critical need for affordable housing while creating holistic, equitable, and inclusive mixed-use development. In order to simultaneously grow and support neighborhood-serving commercial districts and their small businesses, SBS created the N360° program to deliver comprehensive commercial revitalization services and build CBO capacity in neighborhoods facing rapid change.

In order to begin the deployment of N360°, SBS developed a strategic public-private partnership with LISC NYC and Citi Community Development to create an assessment tool and analytical framework called a CDNA—a precursor to the Commercial DNA framework outlined here—that would help SBS to engage community partners in evaluating existing conditions and identifying the needs of a commercial district. The framework for the original CDNA was developed by the author in partnership with LISC NYC and was based on over two decades of work in the field of commercial district management and revitalization. With support from LISC NYC and Citi Community Development, the CDNA was further adapted and refined by SBS.

The CDNA tool guides New York City CBOs through the process of gathering and evaluating information to determine the existing conditions and specific needs of commercial districts. Completing the CDNA involves conducting extensive community outreach and soliciting merchant and pedestrian feedback, in addition to assessing the business environment, physical environment, and consumer market data. Findings from CDNAs funded by SBS call attention to the strengths, challenges, and opportunities of particular commercial districts and lay the groundwork for the development of plans and projects to address the identified needs. CDNAs completed to date can be found on the [SBS website](#).

A second component of the program is the support of N360° Fellows, who help CBOs complete CDNAs and/or commercial revitalization projects and connect local stakeholders to city resources. The fellows are paid by SBS and are full-time community development professionals, community organizers, or planners.

Finally, in the initial launch of the N360° program, competitive grants totaling up to \$500,000 per year were made available with a funding commitment of up to 3.5 years. The funding supports projects that address needs identified in each neighborhood's CDNA. In addition to program expenses, personnel funding was provided for at least one full-time staff member dedicated to managing the program. These funds were made available through city tax levy.

For more information on the N360° program, visit the [SBS website](#).

Assess the regulatory environment

While an in-depth analysis of local zoning regulations may not be necessary, it is helpful to consider a few key areas where regulations often impede business growth and/or new real estate investments, such as those around signage, awnings, and storefront improvements.

STEP 3

Assess the regulatory environment.

Review policies and regulations that might affect the district, including real estate investment decisions, tenant mix, and/or the ability of businesses to promote their goods and services.

| Data Point | Source |
|---|---|
| BID INFORMATION | |
| Is there enabling legislation to allow for BID formation? Have BIDs been formed in your community? Was the process fairly straightforward? | Stakeholder outreach, field research |
| ZONING REVIEW | |
| Are pedestrian-scaled banner signs allowed? | Local department of city planning, municipal ordinances, and zoning codes |
| Are A-frame signs allowed? | |
| Is there an outdoor seating ordinance for eating and drinking establishments? | |
| Are there design guidelines for storefronts? | |
| What kind of parking regulations apply? | |
| What kinds of uses are allowed (or not) in the commercial district? Are these use restrictions too lenient or too strict to ensure a robust and diverse set of uses and activities? Do they prevent new businesses from moving to the area? | |

Diagnose

If the community is fortunate to have one or more organizations with the resources and vision to develop the commercial district, congratulations! Find ways to help them build the capacity to tackle these efforts through support for staffing, targeted grant funding, training and professional development, and to identify issues that need to be addressed.



Take action

If the assessment suggests that the district needs to build or improve its adaptive capacity, here are a few steps that district stakeholders can take.

Conduct outreach to understand concerns and build partnerships

- Develop an understanding of the concerns of major stakeholders and merchants by reaching out to them and conducting a survey to pinpoint their concerns and needs and those of community members, residents, and area workers.
- Ensure that early efforts are focused on engaging partners around issues they deem important. Solving imminent problems helps build credibility and trust, ensuring engagement and support from stakeholders.
- Identify small interventions that can be used to test the partners, their ability to get things done and, ultimately, to build momentum for a dedicated commercial management entity. Early success in tackling a long-standing problem or concern can help develop interest among stakeholders in creating an organization that can continue these efforts.

Build sustainable organizational capacity

Work to establish a dedicated commercial district improvement entity. Gathering stakeholders and giving them a way to communicate their collective interests can be a powerful way to advocate for improvements. Options for organizational structures include nonprofit merchants associations, membership-based chambers of commerce, and volunteer-led Main Street programs. These entities are useful in giving business owners a voice to advocate for their needs and for coordinating activities like joint marketing efforts. BIDs are another alternative; however, while they promise sustainable year-over-year funding, BIDs tend to prioritize the needs of the property owners who contribute to and control the funds for the maintenance and improvement of the district.

Advocate for needed changes to zoning and the regulatory environment

If aspects of the district's zoning and regulatory framework create impediments that need to be addressed, reach out to the local planning office and gauge its interest in revisiting some of the hurdles that have been identified. Also consider reaching out to local government representatives to explain the Commercial DNA findings and discuss how you can work together to make necessary changes to ensure that regulations don't stifle local businesses.



Physical
Environment

Signs of physical decay and disinvestment undermine the performance of local commercial districts. Customers expect convenient, comfortable, accessible, and safe places to shop. In the assessment of the district's physical environment, consider these three main components: the public realm, the private realm, and accessibility and visibility. The Commercial DNA framework bifurcates into the public and the private realm to acknowledge the fundamentally different nature of the tactics and funding mechanisms available for each.

For publicly owned spaces, public funding is often critical. On the other hand, the improvement of privately owned properties often requires a mix of funding sources and further depends on property owner engagement, which may prove challenging in some communities.

Physical improvements are frequently an important component of corridor revitalization, as they offer a means for political leaders and community stakeholders to make visible investments for which they can take credit and show action. Changing the perception of a corridor through physical improvements is an effective way for an organization to earn credibility and show an early "win" that builds community support for additional interventions down the line. However, while physical improvements are a critical component of a comprehensive strategy, we caution against relying too heavily on them. Many failed revitalization efforts have begun and ended with major streetscape improvements that did little to alter the fundamental market conditions that created anemic retail environments. In all cases, a deeper consideration of market dynamics is necessary to determine why physical conditions have deteriorated over time, which as discussed in the Market Demand chapter.



Changing the perception of a corridor through physical improvements is an effective way for an organization to earn credibility and show an early “win” that builds community support for additional interventions down the line.

The public realm

This includes the streetscape, sidewalks, trees, public spaces, lighting, and other infrastructure elements that contribute to or detract from the quality and safety of the commercial district. Increasingly, it also includes public infrastructure like Wi-Fi access throughout the district.

The private realm

This refers to the privately owned properties (both buildings and vacant lots) and businesses that make up the balance of the pedestrian experience. For existing buildings, a general assessment should be conducted of overall building conditions, ground-floor conditions, including storefronts and signage, as well as the size and conditions of the district's interior retail spaces to determine whether these spaces are appropriate for quality retailers.

It is important to assess the condition of vacant properties, identify maintenance issues, and discuss any redevelopment plans that the owner might have.



PHYSICAL ENVIRONMENT



Accessibility and visibility

It's important to consider the ease with which customers can get to the district by foot, bike, car, or public transit. The utility of a corridor and, ultimately, the success of local businesses are directly related to how easily a shopper can get to this commercial district relative to others. Accessibility also refers to a shopper's ability to easily and conveniently patronize businesses within the district. Difficult street crossings or long stretches of vacant or underutilized storefronts undermine accessibility between stores and make for a less attractive shopping experience.

Sometimes accessibility is related to visibility. A district may be accessible for those who are familiar with it, but if retailers lack a visible location or adequate signage, potential customers passing through may not be aware of the local offerings. Without these visual cues, customers won't be able to ascertain the distance to the next storefront and might turn back rather than venture forward. Also, customers might find it difficult to park, not because there is insufficient parking but because inadequate wayfinding makes finding spots a challenge. Addressing these visual impediments to accessibility is often a critical component of district revitalization efforts.

Assess the physical environment

The physical environment should be assessed using a combination of quantitative and qualitative data. Our assessment tool will walk you through a series of questions that can be answered in a variety of ways, and initially this might be done within an organization. However, we recommend seeking additional feedback from the community, as different constituencies will have different perspectives, needs, and concerns. Disabled individuals, families with children, the elderly, and many other stakeholder groups will bring unique insights. For instance, brick pavers may be popular among some members of a community, but they have a tendency to pop up over time, which is a concern for elderly and mobility impaired customers. Unique insights like these will be critical to ensuring that you are best serving your local customer base.

Additional public feedback should be gathered through a combination of meetings, surveys, and focus groups. There are many ways to assess the physical environment, some more labor intensive than others, but we suggest beginning by recording detailed observations to develop a sense of where it might be necessary to get more information.

LISC Resources

In some communities, concerns about safety and crime create a challenging business environment. Addressing these concerns is a critical element of improving the public realm. LISC sites have access to LISC Safety & Justice, a national program that offers guidance, training, best practices, and support to community-oriented crime-reduction programs across the country.

Creative placemaking, through which partners from public, private, nonprofit, and community sectors strategically shape the physical and social character of a neighborhood or corridor around arts and cultural activities, is another key element of public-realm improvements. The Creative Placemaking program at LISC supports artistic and cultural activities that help to strengthen communities. When developed in tandem with district improvement efforts, placemaking can be a powerful tool to bring vitality and drive visitation to a local commercial district. Creative placemaking also plays a vital role in preserving and elevating the cultural narratives of residents and businesses. The program offers financing for creative placemaking projects and technical assistance for communities looking to integrate arts and culture into their revitalization activities.

PHYSICAL ENVIRONMENT

STEP 1

Assess the public realm

For each data point, assess the conditions of each from “excellent” to “needs improvement.”

| Data Point | Source |
|---|-----------------------------------|
| Sidewalk conditions (trash and cleanliness, tree roots, trip hazards, patchwork, accessibility) | Field research, community surveys |
| Street conditions (lighting, sidewalks, curbs, crosswalks) | |
| Street furniture (planters, benches) | |
| Amenities (artwork, murals, banners) | |
| Perception of safety | |
| Open spaces (parks, plazas) | |
| Crime statistics by precinct | Local police department |

STEP 2

Assess the private realm

For each data point, assess the condition of each from “excellent” to “needs improvement.”

| Data Point | Source |
|--|--|
| Building conditions | Field Research, visual survey, property owner interviews |
| Storefront and signage conditions | |
| Interior retail spaces: size and conditions | |
| Inventory of opportunity sites | |
| Vacant lot conditions and development plans (if any) | |
| Inventory of business owners | Local tax assessor database, local business improvement district, merchants association database |

STEP 3

Assess access

Some data points will require you to assess to condition of each, from “excellent” to “needs improvement.” Others will prompt you to collect quantitative data.

| Data Point | Source |
|---|---|
| Transit stop / shelter conditions (bus shelter, train entrance) | Field research, visual survey, local transit authority |
| Parking ratios and meter utilization | |
| Bike lane and bike parking facilities | |
| Traffic counts | City or state transportation agency, third party service providers (Esri) |
| Ridership by public transit stop (bus or train) | Local transit authority |



Diagnose

If the physical environment is in good shape, or has strengths on which to build, commercial district improvement efforts and investments might focus on maintaining and enhancing these assets rather than on pursuing resources for new capital investment. An assessment could provide the opportunity to shift priority toward other efforts, such as the promotion and marketing of local businesses.

However, if the conditions of the neighborhood's physical environment are undermining the overall customer experience, or if public safety is a concern, it is critical to address these challenges as a first step in neighborhood improvement efforts.

If the district is hard to find or get to, or if it is difficult for visitors to patronize multiple businesses during the course of a single visit, addressing accessibility should be prioritized in future district efforts.

PHYSICAL ENVIRONMENT

Take action

While this list is by no means exhaustive, here are some ideas for next steps to improve elements of the physical environment that the assessment indicated needed attention.

Improve the public realm

- Perform basic cleaning, repair work, and landscaping, including street cleaning, sidewalk repair, and tree plantings.
- Install sufficient lighting for sidewalks and public spaces.
- Redesign and activate public spaces with amenities and programming activities.
- Secure funding for capital investments to install new sidewalks, curbs, and/or lighting. However, keep in mind that expensive cosmetic treatments like brick sidewalks and period lighting are not always necessary and often have hefty maintenance requirements. Special care should be taken to ensure that any capital investments include a realistic understanding of maintenance issues by both public and private sector stakeholders.

Improve the private realm

- Improve facades and storefront transparency. Develop grant and/or loan programs to support these efforts.
- Provide technical assistance to business and property owners to ensure that they can carry out these improvements.
- Explore the redevelopment of privately owned vacant properties. Support these efforts through site identification, targeted collaboration with key property owners, and assemblage, if necessary.
- Plan for strategically placed publicly owned properties by working with the public sector.

Improve overall accessibility/ visibility

- Improve alternative transportation options. For instance, make biking or walking more appealing and convenient for customers. Are there opportunities to create a safe bike lane network and/or more bike parking?
- Improve the shopping experience for customers who arrive by car. For many districts, parking is often adequate but may be poorly managed, inconvenient, or lack visibility. For example, if the downtown area has public parking lots located behind existing buildings, make sure that signage is adequate and that the experience of getting from a car to the district feels comfortable and safe. In many communities, alleys connecting rear public lots have been improved with art, landscaping, and lighting.
- Improve accessibility within the district and between stores. Sometimes a busy street is an impediment to a cohesive district. If a busy street makes it difficult for customers to patronize businesses on both sides, can a mid-block crosswalk be incorporated into the street design? Can bulb-outs at the corners be installed to mitigate the distance between two sides of the street, making it feel safe for pedestrians to cross between stores?
- Increase the visibility of offerings. Remember the saying “Out of sight, out of mind”? Sometimes a business suffers from lack of visibility due to inadequate signage or because its location makes it hard for passersby to notice it. Addressing these challenges might include adding or improving directional or storefront signage that clearly communicates that a store is open for business.



Additional research will yield numerous resources available to practitioners that outline further options for improvements to the public or private realm, as well as ways to improve the accessibility and visibility of the corridor and its businesses. We also encourage outreach and discussions with local partners, residents, and community groups who can help generate additional ideas. Frequently, the most creative and effective interventions are those generated with and by local partners, reflecting the unique resources and talents of the community.

PHYSICAL ENVIRONMENT

The Commercial DNA Framework in Action

As referenced in an earlier sidebar, LISC NYC engaged the author to develop an early version of the Commercial DNA framework for SBS in 2015. The CDNA was part of a larger program, called N360°, launched by SBS to strengthen and revitalize commercial districts across all five boroughs of New York City.

Each CDNA was completed in partnership with CBOs, and included qualitative and quantitative assessments collected through syndicated data, merchant surveys, consumer surveys, and an in-depth inventory of streetscape conditions. The final products were highly stylized communication tools that included summaries of the data and findings and could be used to showcase the commercial district's unique character, demonstrate its priority needs, and make a case for public and private investment. Through N360°, CBOs have been awarded nearly \$3 million in program grants per year to develop and staff revitalization projects that address needs identified in the CDNAs, including merchant organizing, business attraction and retention, business support, cleaning and beautification, district marketing, placemaking, public safety, storefront improvements, and other quality-of-life enhancements.

LISC NYC and Citi Community Development supplemented SBS's public investment with financial and wraparound technical assistance to three select community partners through the Corridor Challenge, which has resulted in an additional contribution of \$525,000 to the initiative. This supplemental investment allowed participating organizations to make visible and meaningful changes in their communities in a relatively short period, based on findings from the CDNA.



The Corridor Challenge aims to improve the competitiveness of retail corridors in low-income New York City neighborhoods so that their local businesses benefit from new investments in their communities rather than risk being displaced by them.

PHYSICAL ENVIRONMENT



The Corridor Challenge aims to improve the competitiveness of retail corridors in low-income New York City neighborhoods so that their local businesses benefit from new investments in their communities rather than risk being displaced by them. It builds the capacity of community-based nonprofits to engage in corridor revitalization work. The Corridor Challenge provided organizations with capacity support and intensive technical assistance and facilitated peer learning. Each organization received funding for early-action projects that delivered visible wins and built momentum for ongoing corridor revitalization efforts. Examples of early-action projects included new storefront signage and design interventions, which generated activity on the corridor.

One of the selected commercial corridors was along Fulton Street in the Cypress Hills section of East New York, Brooklyn, where Cypress Hills Local Development Corporation (CHLDC) was working through N360° to support local merchants and improve the corridor. The corridor is located in a diverse and growing neighborhood centrally located between Downtown Brooklyn; Downtown Jamaica, Queens; and John F. Kennedy International Airport. East New York is home to almost 80,000 residents which include a growing community of African and Caribbean Americans, Bangladeshis, Dominicans, and Puerto Ricans.

The CDNA identified several challenges facing Fulton Street, including hot spots of street-level crime and a recent upzoning that allows for additional density and development that residents fear will alter the character of this pedestrian-oriented neighborhood. The Corridor Challenge assisted five businesses near two key subway stations by funding facade improvements such as new signage and awnings aimed at increasing their curb appeal, boosting foot traffic, and encouraging local shopping. Additionally, the program supported safety improvements through increased window transparency at select businesses. CHLDC collaborated closely with city agencies and sought input from residents in the process.

Along the way, CHLDC helped educate businesses about best practices in storefront design to increase neighborhood safety. CHLDC also began the long-term task of helping dozens of business owners with out-of-code store signs to resolve their fines and meet the compliance requirements of New York City's regulatory agencies. All of this work bolstered CHLDC's capacity to help business owners on a range of issues while cementing its reputation as a go-to organization for merchants in the community.



Business
Environment

The conditions of the local business environment, in particular the business density, quality, and type of offerings, as well as real estate fundamentals, play a critical role in how successful businesses are in meeting the needs of the residential population as well as the other customers and visitors to the corridor. Districts are typically categorized by their mix of tenants, the total square footage of offerings, and the anchors that drive traffic to the area.

In an assessment of a district's business environment, consider the following three key elements:

Business density is a measure of how closely clustered businesses are. The ability to share customers allows businesses to reap the benefits of proximity while allowing customers to cross-shop, which offers them enhanced convenience. This is also why businesses with similar price points or complimentary offerings often aggregate in close proximity. Stores offering comparison goods, like clothing, shoes, and furniture, also tend to group together for the purpose of making a visit to the area more efficient for the shopper. Customers can patronize multiple stores without significant interruption by vacant storefronts, non-retail spaces, and streets to cross.

Tenant mix refers to the existing mix of tenants, which can help inform an assessment of where customers are coming from and how far they typically travel to get there. This information will ultimately help inform the geographical trade area that will be used to collect market data (outlined in more detail in the next chapter). But for now, even basic observations about tenant mix can inform an assessment by providing valuable insights into the kinds of businesses that are thriving or would be likely to thrive in the district.

A few tenant categorizations are useful to consider. A district with mostly neighborhood-serving retailers—such as drugstores, grocery stores, and quick-service food establishments—is known as a neighborhood convenience or small neighborhood center. These districts often serve a local population that typically travels less than ten minutes to the district. These districts are often small scale: they typically have between 20,000 and 125,000 square feet dedicated to retail.

BUSINESS ENVIRONMENT

A district with a mix of convenience and comparison goods and services—such as groceries, apparel, shoes, gifts, accessories, restaurants and personal care establishments — is likely to pull customers from a broader geographic area, and often has more space dedicated to retail, typically between 125,000 and 400,000 square feet. These districts are often referred to as large neighborhood centers or community centers.

Districts with major destination shopping, with larger and more varied offerings, draw from a significant trade area and can support unique specialty goods and services that are purchased with less frequency, such as furniture and appliances. They are often anchored by a department store and include more than 400,000 square feet of retail offerings. They will typically pull customers from an area between 15 minutes and an hour or more from the district. Consider that some districts have unique offerings that people will travel far to visit. These kinds of districts are typically tourist destinations. Consider a district like Times Square in New York or Piccadilly Square in London. In addition to retail shops, both offer major attractions such as theaters, exhibits, and cultural institutions.

Anchors and destination drivers within the commercial district further define the kinds of shoppers and visitors that will patronize local businesses and help define the “retail microclimate.” In retail, we often say that the trade area of the anchor reflects of the trade area of the district. If the local anchor is a run-of-the-mill grocery store, it is unlikely to pull shoppers from outside the neighborhood. Hospitals are another kind of anchor: they often support nearby professional medical services, pharmacies, and surgical supply stores. In other communities, a theater might draw visitors from a larger geographic area, driving traffic to nearby restaurants, and universities support bookstores, coffee shops, and other businesses. Examining these retail microclimates helps communities understand what kinds of businesses they might be able to support.

So take a good look at the district. What is its main draw? Is there a busy local library? Is there a university that attracts students? Is there a hospital that brings nurses, doctors, and patients through the district on a daily basis? By identifying and mapping the anchors, we can begin to ascertain what kinds of businesses will succeed, in part because they serve a similar customer base.

Assess the business environment

The following data points can be collected to assess the strength of the district’s business environment.

STEP 1

Assess business density, tenant mix, and local anchors

Some data points will require you to assess the condition of each, from “excellent” to needs improvement.” Other will prompt you to collect quantitative data.

| Data Point | Source |
|---|--|
| BUSINESS DENSITY | |
| Are there clear nodes or clusters of existing businesses? | |
| How much square footage is dedicated to retail in each identified cluster? | |
| TENANT MIX | |
| What is the dominant mix of offerings within each node? | |
| Number of existing businesses | Esri business analyst ReferenceUSA |
| Number of new businesses | Visual survey |
| Businesses by category | Visual survey, Esri business analyst; ReferenceUSA |
| Vacancy rate | Visual survey |
| LOCAL ANCHORS | |
| List and map the location of all major anchors that drive visitation to the district. | Visual survey, stakeholder interviews, online research |
| If local university, number of students, number of staff | Outreach to schools; local Department of Education; National Center for Education Statistics |
| If major employer, number of employees | OnTheMap census data; outreach to employers |
| If hospital, number of hospital beds, number of visiting physicians, number of visitors | Outreach to hospitals |
| If cultural institutions, number of visitors | Outreach to cultural institutions |

BUSINESS ENVIRONMENT

Diagnose

If the district has a high density of co-located businesses that allow shoppers to efficiently cross-shop, the district is starting from a general position of strength. Low vacancy rates and other strong fundamentals suggest that the district is in a good position to maintain or enhance existing business density and tenant mix through retail attraction and retention efforts.

However, if the environment is marked by low business density, many vacancies, and limited retail and service offerings, it may be starting from a position of relative weakness. If that is the case, it will be important to complete the Commercial DNA market demand analysis as described in the next chapter to determine whether the lack of retail is the result of limited demand for goods and services.

Take action

- **Encourage retail retention.** For districts with strong business environment fundamentals, retail retention and support for existing businesses will be necessary to ensure that they remain competitive in a rapidly changing marketplace. Successful retail retention requires close collaboration with local businesses. Be sure that local merchants are driving these conversations and informing the implementation strategy. Some potential efforts might include increasing the number of commercial corridor activities that drive district visitation, or raising awareness of local businesses through “buy local” campaigns or targeted marketing and PR efforts.
- **Encourage retail density.** Find ways to support or enhance existing retail density. Are there vacant lots or ground floors in the area immediately adjacent to an existing node of businesses? Are there opportunities to increase offerings at that node and make it a more compelling place to visit? If so, these are opportunities to further strengthen the number and diversity of offerings to attract new customers.
- **Support an existing commercial corridor anchor or attract a new one.** Some districts may have existing anchors that are not strategically located near existing businesses, so one strategy may be increase connectivity between them. If the district is lacking a destination for visitors, consider attracting an anchor, such as a new museum, cultural venue, library, or city hall. In addition, these anchors may organize events and promotional activities that will bring even more people to the district.
- **Improve offerings through retail recruitment.** If improvements to the existing tenant mix are necessary, retail recruitment may be an important component of the strategy. However, retail recruitment is a complex process and requires strong capacity, expertise, and long-term commitment from a local organization. The district should pursue these strategies only if there is already strong adaptive capacity and a stable physical environment.



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| CABELLOS: | CORTO | LARGO |
|-------------|------------|-------|
| LAVADO | \$70 | \$35 |
| TINTE | \$45 | \$65 |
| RAYTOS | \$50 | \$110 |
| ALZADO | \$35 | \$45 |
| BLONDER | \$70 | \$80 |
| CELLOPHANES | \$25 | \$40 |
| EXTENSIONES | \$25 | \$40 |
| COQUE | \$15 | \$35 |
| CEJAS | \$5 | |

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Market
Demand

Understanding and analyzing market demand is a fundamental element of the Commercial DNA framework. Market and demographic data helps us to understand the local customer base, their spending habits, and the degree to which businesses are capturing customer dollars. When we speak of market demand, we are talking about two kinds of information: market data and demographic data.

Market data comprises information about customers, both residents and nonresidents, including their shopping habits, motivations, and preferences. Demographic data, on the other hand, is focused primarily on the characteristics of the residential community, including income distribution, household size, age distribution, and housing tenure, most of which is available via the Decennial Census. Both market data and demographic data are critical to identifying business opportunities and offer insight into what kinds of investments will support economic development activity.

This chapter is not intended to turn the reader into a professional market analyst. Rather, we seek to provide practitioners with a broad overview of market data, which can support basic in-house data collection or a productive engagement with professional market research analysts. While some organizations have the capacity and resources to complete basic market research, it will sometimes be more effective to engage an experienced professional with the skills and experience necessary to conduct a more comprehensive analysis.

MARKET DEMAND



A Note on Data Sources

Much of the data listed here can be pulled from syndicated data service providers, of which Esri Business Analysis On-Line and Claritas are the leading providers. Both of these firms offer subscription services that allow users to draw a customized trade area and pull data for a fee. Alternatively, the US Census Bureau's American FactFinder allows users to pull information for geographic areas, down to census tract and block group. In practice, we have found this to be a clumsy interface: while it allows users to collect raw data, it does not allow them to draw customized geographies, nor does it calculate retail spending data, resulting in limited utility for retail market information. Nonetheless, it is available to the public free of charge.

The Problem with Retail Leakage Analysis

One common element of market research is retail leakage analysis, which measures the difference between the sales generated by businesses within a defined trade area (supply) and household spending on retail goods within the same industry category (demand). Leakage is a term used to describe what happens when demand exceeds supply; that is, when resident dollars are “leaking” out of the district and being spent elsewhere. This occurs when total retail sales are less than total resident spending on retail goods and services. Leakage can sometimes point to opportunities for new retailers to enter a trade area and meet an unmet resident demand.

Instead of leakage, some communities have a retail surplus, which is when the supply exceeds the demand: that is, when retail sales within the defined trade area are greater than demand from residents within the same trade area. If a district has a retail surplus, it generally means that businesses are attracting customers from outside the trade area.

Please note that information from a retail leakage analysis must be carefully interpreted, as it is significantly affected by the size of the trade area that is drawn, as well as the type, size, and pull of businesses within it. Drawing a trade area is as much a science as an art, and it is often useful to ask for advice from a market research professional to ensure that you are getting it right.

This information is certainly useful, and provides a helpful big-picture overview of retail opportunities that cannot be replicated by other forms of analysis, but in our experience the underlying data is frequently fraught with errors, particularly in underserved communities. Common errors include incorrect industry classification (businesses self-report these codes and can get them wrong), unrecorded business closures or openings, and incorrect employee information. For example, because businesses self-report their industry categorization (known as a North American Industry Classification code), they can be easily mis-categorized. In one community where we completed an analysis, the only grocery store—which, according to the owner, generated \$5 million in annual sales—was missing from the food and beverage supply figures. Another issue is that the sales figures for individual businesses are based on US Department of Labor assumptions of productivity per employee. Therefore, any discrepancy between the actual and the reported number of employees will skew the data. In one community we worked with, all of the small corner bodegas showed exactly the same amount of annual sales dollars—\$210,000—based solely on the reported number of workers. In another community, a high-end wedding apparel store with few reported employees was showing low sales because the figures were based on sales estimates for employees in a generic clothing store, not a bridal store, where a single sale can generate between upwards of \$20,000.

Another issue is that the data can be easily misconstrued. We have frequently come across communities thrilled to see millions of dollars of leakage, which seems to suggest opportunities for new businesses, but upon closer inspection of any individual industry category, there is not sufficient demand to support a viable new business.

We do believe the information from a retail leakage analysis is useful, but we caution practitioners to consider this analysis in the broader context of the comprehensive qualitative and quantitative data points outlined in this manual.





Tips on Defining Trade Area

Trade area refers to the geographic area most customers come from. The primary trade area for a commercial district is the geographic area from which a majority (typically between 60 and 80 percent) of customers hails. The secondary trade area is often a larger geographic area that captures an additional 15 to 25 percent of customers.

Defining trade area is perhaps the most important step in analyzing market demand. A poorly drawn trade area will result in inaccurate data that will do little to inform a deeper understanding of district opportunities. That said, keep in mind that the trade area for any individual business in a district may deviate from the trade area for the district as a whole. Take the example of a small restaurant that is renowned throughout the region and attracts customers from a significant distance to a neighborhood-serving corridor. That restaurant is likely to draw customers from a much larger trade area than most of the district's other businesses. So while market data for a district's trade area will offer insight into big-picture retail demand, it's crucial to use critical thinking when determining whether the findings are applicable to an individual business in the district.

When defining trade area, it is helpful to remember that the distance a customer is willing to travel is often reflected in the nature of the goods and services being provided by the district as a whole. Convenience goods and services are purchased frequently and by a large segment of the population. Therefore, there are more stores that offer these goods and less of a need or desire to travel far for them. On the other hand, more expensive goods that are purchased less frequently can draw customers from a larger trade area. This is why, for example, grocery stores typically have a five-to-10-minute drive-time trade area, while furniture stores may pull from a more than 20-minute drive-time trade area. It can be helpful to ask local business owners about where the majority of their customers come from to define a district's trade area.

In many communities census undercount is a long-standing issue. Also, certain communities have thriving underground economies that don't necessarily get reflected in the market data. Despite these acknowledged shortcomings, this data provides powerful insights into what the retail industry and investors see when they pull data for themselves. Also, it offers communities an opportunity to understand the prevailing economic narrative so they can offer an alternate, more accurate portrait of local economic opportunity.

Assess market demand

Market and demographic data should be collected to assess demand generated by both residents and nonresidents.

Residents

If the customer base comprises mostly residents, collecting census data should suffice. While the five-year average of American Community Survey data can make tracking changes over a short period of time challenging, census data provides a variety of quantitative data points, including the population’s age distribution, that should be gathered in order to better understand market demand in the district.

STEP 1

Assess residential customer data
Quantitative Data

| Data Point | Source |
|--|---|
| Population | Esri Business Analyst/Claritas/US American FactFinder |
| Population density | |
| Population growth | |
| Number of households | |
| Household size | |
| Median age | |
| Race | |
| Median Household Income | |
| Average Household Income | |
| Income Growth | |
| Education | |
| Housing type | |
| Homeownership | |
| Retail leakage | |
| Retail / Service needs | Surveys/Interviews |
| Number of housing units in development | Owner interviews/municipal planning agency/Buildings Department |

MARKET DEMAND

Nonresidents

If the district includes nonresidential customers, collecting information on their retail needs and shopping habits will be important to gain an accurate understanding of local market opportunities.

STEP 2

Assess nonresidential customer data Quantitative Data

| Data Point | Source |
|------------------------------------|---|
| Jobs in the area | Census On The Map |
| Employee characteristics | |
| Visitation to anchors/destinations | Interview/survey/online research |
| Student enrollment | Interview/survey/National Center for Education Statistics |

Employee characteristics and primary worker data, for example, can easily be pulled from the US Census Bureau's OnTheMap portal.

In addition, if the district has a large number of visitors, including students, tourists, and other nonresidents, there may be a need to conduct surveys or interviews with these stakeholders to better understand their spending habits and retail needs. Data points for anchor institutions are also outlined in the Business Environment chapter.

Diagnose

Now that you have the necessary information to understand market supply and demand, what does it all mean? The retail leakage analysis, for example, will help provide insight into where opportunities for new retail might lie, particularly in categories that are experiencing an imbalance between the supply of the retail being offered and the demand for it. Meanwhile, demographic information can help determine the kind of offerings that are appropriate for residents, based on their spending power, shopping habits, and product preferences. A high percentage of households with young children, for instance, might suggest opportunities for children's clothing stores, while a high percentage of young, single individuals might suggest opportunities for more food and drinking establishments.

Take the time to look closely at your market demand findings to see what implications they have for your district. Here are a few potential outcomes:

Strong Market Demand

When the supply of certain goods is less than the demand for those goods, there might be an opportunity for new businesses to enter the district. There might also be opportunities for existing businesses to capture this unmet demand by better understanding the resident population's spending habits, merchandise inclinations, and appropriate price points so they can ensure that their retail offerings reflect these preferences.

Moderate Market Demand

When there is some demand for a new product but not enough to justify a new store, there may be opportunities for existing businesses to capture this surplus demand by adapting their merchandise mix. To do this, the information gathered via the Commercial DNA framework needs to be passed on to existing businesses so they can better understand their customers and can ensure that their retail offerings reflect the merchandise and price point preferences of residents.

Weak Market Demand

When there is insufficient demand for new goods and services, it might be necessary to find ways to build the local market through the construction of new housing units and/or to increase market share through activities that drive visitation to the district.

Take action

- **Develop a district profile summarizing the market data and share it widely.** Regardless of where the district stands with regards to market demand, the information collected in this section can be helpful in developing a district profile. The district profile is a commonly used marketing and communications tool that tells the story of the district and advances commercial corridor efforts. Many successful commercial districts around the country have used such tools to attract and retain businesses, customers, and also real estate and capital investments. In addition, the district profile can build a common understanding of the current conditions and help grow community buy-in. Often the district profile is made available to the public in digital or print formats, or embedded within a BID's annual report.
- **Consider residential development.** In weak markets, this might be a potential long-term retail development strategy.
- **Support an existing downtown anchor or attract a new one.** This strategy was mentioned in the "Business Environment" chapter, but it works here too. If the local residential population is insufficient to support the local business district, consider ways to drive visitation by customers outside the trade area. One way to do this is to develop activities and offerings for visitors. These might include new museums, cultural venues, a state-of-the-art library, a city hall, nontraditional arts and cultural activities, and creative placemaking.



The Commercial DNA framework in action

An early iteration of the Commercial DNA framework was developed and applied to participants in the LISC Corridors of Retail Excellence program in Philadelphia's East Kensington neighborhood and in Pittsburgh's Mount Washington neighborhood. These assessments, conducted by the author, helped communities identify corridor needs and challenges and were used to develop early-action implementation activities funded by private-sector partners. The components of the Commercial DNA framework were subsequently refined and used to inform the district assessment methodology developed for the New York City's CDNA tool, and implemented through the Commercial Corridor Challenge, as described earlier. Since that time, the concept has been further developed, as outlined in this guide. The work along East Girard Avenue in Philadelphia and Shiloh Street in Pittsburgh followed this diagnostic framework and demonstrated the impact of a comprehensive approach to corridor diagnosis.



East Girard Avenue, East Kensington, Philadelphia

Philadelphia's Fishtown neighborhood suffered from the lack of connections between two small nodes along East Girard Avenue. Also, the width of the street made it difficult for drivers to notice businesses, which often blended into the background. Utilizing the Commercial DNA framework, the author recommended a strategy to enhance existing retail density as well as to focus efforts on a single block to ensure heightened visibility for businesses on the corridor. The \$25,000 early-action budget funded a three-point work plan: (1) low-cost, high-impact physical improvements to six buildings in a single "model block"; (2) a pop-up retail program for vacancies along the block; and (3) training and consultation in visual merchandising for local businesses.

At the project's inception, the model block had one full-time business (an antiques store) and several vacancies, which were all filled by the end of the project. New businesses included a secondhand-goods store, an artisanal jewelry store, and two restaurants (one on a formerly vacant lot that was developed within a year after project completion). This case study illustrates the importance of carefully choosing a targeted area for the intervention—in this case, one block that had potential because of its vacant storefronts.

MARKET DEMAND



Shiloh Street, Mount Washington, Pittsburgh

Mount Washington is a destination for nearly 2 million visitors a year, who come to see the spectacular views of the city of Pittsburgh from its overlook point. However, many businesses on Shiloh Street were unable to capture spending from these visitors. Shiloh Street has an unexpected kink, and businesses beyond the kink were not clearly visible to the casual observer. As a result, many visitors would look down the street, perceive an absence of businesses, and turn around to walk back to the overlook. As a result, these businesses were missing out on retail sales and in some cases didn't have enough customers to stay open more than part-time.

When it came time to assess issues of visibility and access, the lack of visible signage emerged as an immediate concern. The author recommended blade signs to heighten the visibility of the businesses beyond the kink and help them lure visitors. The community partner, Mount Washington Community Development Corporation, led a design effort that resulted in the creation of a handful of colorful, iconic signs for a few key businesses.

The results were astounding. In an independent analysis of impacts completed through surveys and pedestrian counts, 78 percent of respondents reported that the signage encouraged them to walk from the overlook to Shiloh Street's retail section, and pedestrian counts increased by more than 30 percent following the installation of the signs. These tangible results were implemented in less than six months—from planning to production.



Appendix

Glossary

Data sources

GLOSSARY

ACCESSIBILITY

Refers to the transportation network that offers customers convenient access, whether by private vehicle, car share, foot, bike, or public transit.

ANCHORS AND DESTINATION DRIVERS

Refers to the kinds of complementary businesses that will succeed and serve the needs of visitors. Along most commercial corridors, diverse uses qualify as anchors and destination drivers, including retail establishments and health care, civic, educational, cultural, and religious institutions

BUSINESS DENSITY

Business density refers to the number of stores per square mile. Store density is an important characteristic of commercial corridors because proximity between stores makes for a more convenient shopping experience for customers interested in making multiple purchases during one trip.

BUSINESS IMPROVEMENT DISTRICT (BID)

A publicly sanctioned, privately directed organization funded through a compulsory self-taxing mechanism on commercial property owners and whose resources are used to provide supplemental services to a defined area.

COMMERCIAL CORRIDOR CHALLENGE (CORRIDOR CHALLENGE)

Partnership program of LISC NYC, Citi Community Development, and SBS to strengthen and revitalize the streets, small businesses, and community-based organizations that anchor New York City neighborhoods.

COMMUNITY DEVELOPMENT CORPORATION (CDC)

A mission-driven nonprofit organization that promotes community development, typically within a defined geographic area or neighborhood, for the benefit of low- and moderate-income residents.

COMPARISON DISTRICT/CORRIDOR

A comparison corridor offers a mix of convenience goods and specialty retail, and is often anchored by a department store. Stores may sell groceries and general merchandise to clothing, accessories, and sporting goods.

CONVENIENCE DISTRICT/CORRIDOR

A convenience corridor is characterized by businesses offering everyday goods and services, such as grocery stores, wine and liquor stores, pharmacies, and laundry services. It is typically served by a smaller trade area and often located in close proximity to residential neighborhoods.

CREATIVE PLACEMAKING

Process through which partners from public, private, nonprofit, and community sectors strategically shape the physical and social character of a neighborhood or corridor around arts and cultural activities.

DESTINATION DISTRICT/CORRIDOR

A destination corridor offers unique goods and services that draw customers from a larger trade area. It typically features an entertainment anchor such as a cinema or recreation facility. Given its distinctive set of offerings, customers may go out of their way to visit the corridor, and often spend more money there, resulting in higher average sales per square foot.

EARLY-ACTION PROJECT

Interventions that deliver visible wins and build momentum for ongoing corridor revitalization efforts. Examples of early-action projects include new storefront signage and design upgrades, which generated activity on the corridor.

MARKET DEMAND

Includes two kinds of information: market data and demographic data. Market data comprises information about customers, both residents and nonresidents, including their shopping habits, motivations, and preferences. Demographic data, on the other hand, is focused primarily on the characteristics of the residential community, including income distribution, household size, age distribution, and housing tenure. Both market data and demographic data are critical to identifying business opportunities and offer insight into what kinds of investments will support economic development activity.

NONRESIDENT COMMUNITY

Refers to spending generated by workers and other visitors to the district.

PRIMARY AND SECONDARY TRADE AREA

The primary trade area typically refers to the geographical area from which 50 to 70 percent of customers travel. The secondary trade area refers to the geographic area from which an additional 15 to 25 percent of customers travel.

PRIVATE REALM

Refers to buildings and storefronts that are typically owned by individuals or corporate entities.

PUBLIC REALM

Refers to common areas such as streets, sidewalks, and public spaces that are typically under public ownership and may be managed and maintained by either the public sector or a nonprofit entity, such as a BID or Main Street program.

REGULATORY FRAMEWORK

Refers to the rules and regulations in place.

RESIDENT COMMUNITY

Refers to the community members that reside in the area.

RETAIL CONVERSION RATE

Refers to restrictions on signage, particularly on pedestrian-oriented blade signs and/or A-frame sidewalk signs, which can impede a business's ability to offer visual cues, making it harder for them to turn a passersby into a customer.

RETAIL LEAKAGE

Leakage in a retail area represents a condition where demand exceeds supply. This occurs when household discretionary income (demand) within a trade area is greater than retail sales for businesses (supply) within the same trade area. In short, residential spending is "leaking" out of the trade area.

RETAIL LEAKAGE ANALYSIS

The calculated difference between the retail sales for businesses in a particular trade area (known as supply) and household discretionary spending on retail goods (known as demand) produces a figure that is known as retail leakage.

RETAIL RETENTION

Refers to strategies to support existing businesses to ensure that they remain competitive in a rapidly changing marketplace

RETAIL SURPLUS

Surplus in an area represents a condition where supply exceeds demand. When retail sales for businesses (supply) within a trade area are greater than residential discretionary income (demand) in the same trade area, there is a retail surplus. It means that customers from outside of the trade area are spending their discretionary dollars in local businesses. This typically happens when customers from outside of the trade area shop at businesses within it.

TENANT MIX

Refers to the types of retail and service offerings found in the district. This includes not just what they are and what they sell, but their price point, overall merchandise mix, and target customer. A good tenant mix is one that meets the needs of the district's dominant customer base and enables businesses to turn a profit.

TRADE AREA

Refers to the geographic area most customers come from. The primary trade area for a commercial district is the geographic area from which a majority (typically between 60 and 80 percent) of customers hails. The secondary trade area is often a larger geographic area that captures an additional 15 to 25 percent of customers.

VISIBILITY

Refers to the visibility of businesses to customers and passersby.

DATA SOURCES

AMERICAN COMMUNITY SURVEY DATA

The American Community Survey (ACS) is an ongoing survey that provides vital information on a yearly basis about the nation and its people. It is a source for detailed population and housing data.

AMERICAN FACTFINDER

Created by the US Census Bureau, American FactFinder provides free demographic and socioeconomic data on residents of a particular geographic area (city, state, zip code, or census tract). Data includes population counts, population density, income, educational attainment, race and ethnicity, occupation, and housing characteristics <http://factfinder.census.gov>

CLARITAS

Claritas is a leading provider of consumer segmentation analysis and tools for collecting and analyzing market data, offering insight into buyer behavior to businesses regarding their marketplace and customers. www.claritas.com

ESRI BUSINESS ANALYST

Esri Business Analyst is a leading commercial provider of mapping, retail, and market data, including demographic and socioeconomic data on local consumer populations, consumer profiles (local consumer habits and preferences), and traffic counts. www.esri.com

NATIONAL CENTER FOR EDUCATION STATISTICS

The NCES is the primary federal entity for collecting, analyzing and reporting data related to education.

ONTHEMAP

The US Census Bureau provides a mapping and reporting application that shows the relationship between where workers are employed and where they live. It also provides exportable reports on workers' age, sex, race/ethnicity, earnings, industry distributions, and educational attainment, as well as business age and size variables. OnTheMap is supported by the Employment and Training Administration at the US Department of Labor, and also uses data collected by various states from the Quarterly Census of Employment and Wages report, a Bureau of Labor Statistics program. <https://onthemap.ces.census.gov/>

REFERENCEUSA

ReferenceUSA is a commercial provider of business and consumer data. Its listings include companies' names, phone numbers, addresses, SIC codes, employee size, and sales volume. www.referenceusa.com

About LISC

The Local Initiatives Support Corporation, known as LISC, is one of the country's largest organizations supporting projects to revitalize communities and bring greater economic opportunity to residents. We invest in affordable housing, better schools, safer streets, growing businesses and programs that connect people with financial opportunity. We provide the capital, strategy and know-how to local partners to get this done. Our work impacts the lives of millions of Americans in both rural areas and urban centers across the country.

About Citi Community Development

Citi Community Development leads Citi's commitment to achieving financial inclusion and economic empowerment for underserved individuals, families, and communities by working with nonprofit and public agencies across the country to expand access to financial products and services, build sustainable business solutions, and forge innovative partnerships.

About the author

Larisa Ortiz is the Managing Director of Research Analysis for Streetsense. Prior to joining Streetsense, Larisa led Larisa Ortiz Associates (LOA) for over a decade, developing retail strategies for hundreds of commercial districts and downtowns nationwide. Prior to founding LOA, she served as the director of LISC's national commercial revitalization program, providing technical assistance, training, and capacity building for LISC's network of more than 30 offices nationwide.

Larisa is the author of "Improving Tenant Mix: A Guide for Commercial District Practitioners," published by the International Council of Shopping Centers, and the "Commercial District Neighborhood Assessment," developed in partnership with LISC for the SBS.

Larisa is a New York City planning commissioner and sits of the boards of the International Downtown Association and Coro New York Leadership Center, and on the national advisory board of ICSC's Public-Private Partnerships program. She is also cochair of the OneNYC advisory board. A Watson Fellow and Fulbright Scholar, Larisa has traveled the world investigating successful models of downtown revitalization. She holds a BA with honors from Wesleyan University and a master's degree in city planning from the Massachusetts Institute of Technology.

Photo credits

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