
# PURPLE LINE

## SMALL BUSINESS STRATEGY

**PREPARED BY**

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*Fall 2020*

PLCC
PURPLE LINE CORRIDOR COALITION

# Table of Contents

# Executive Summary

The Purple Line Corridor Coalition (PLCC) was established in 2013 to leverage the benefits of the Purple Line for all residents and businesses, and to address potential disruption and displacement from construction of the line.The Purple Line, currently under construction, is a 16.2-mile, 21 station, light rail line from New Carrollton to Bethesda, Maryland. The PLCC's mission is to ensure the Purple Line creates a place of opportunity for all who live, work and invest in the corridor through a commitment to increasing access via public transportation to housing choices, job and business opportunities, and communities that are vibrant and sustainable. The coalition brings diverse stakeholders together to develop policies and actions leading to sustainable and equitable development.

In 2017, PLCC launched a community development agreement, with signatories representing leaders across sectors, to ensure that residents and small businesses are not displaced by the construction of the Purple Line. Among the agreement's goals is to ensure that locally established businesses prosper both during and after the construction.Over 92% of all small businesses in the U.S. have five or fewer employees. These microbusinesses are especially prominent along the Purple Line, with many owners who are immigrants and people of color. These businesses are those mostly likely to be affected by construction, increasing rents, and rising land costs.

The PLCC aims to advance changes to systems that have inhibited investment in communities along the Purple Line and created longstanding racial disparities in wealth. The coalition's small business support work prioritizes those neighborhoods, with the intention to drive community investment and policy changes that will provide greater opportunities for small businesses to survive and thrive. The PLCC designated equity focus areas include: Greater Riverdale, communities along University Boulevard including Northern Gateway and Langley Park, Long Branch, Bonifant Street and Fenton Village in Silver Spring, and the Brookville Road Business District in Lyttonsville.

The PLCC's Small Business Action Team convenes local business-serving organizations, advocacy groups, and local county government representatives from small business, economic development, and planning departments. Based on input from Small Business Action Team members, data collected through the National Center for Smart Growth (NCSG), and research on national trends and best practices, this report describes the areas of focus, neighborhood change data, survey findings, the impact of COVID-19, recommended small business support strategies, and a rationale for holistic place-based management along the corridor.

**Along the corridor, most small businesses this size are primarily owned by immigrants and people of color and are most likely to be affected by construction, increasing rents, and rising land costs.**

Purple Line Corridor Coalition

Among the data findings, the Action Team reviewed a Neighborhood Change Index developed by the National Association of Latino Community Asset Builders (NALCAB) and adapted by the NCSG. The commercial corridors most likely to experience rapid neighborhood change and gentrification along the Purple Line include: Riverdale-Kenilworth Avenue Station, Takoma/Langley, and Silver Spring stations. According to researchers at Princeton University, housing prices are already up by 10% along the corridor within a half-mile of planned stations. Further analysis of the corridor found that the number of immigrant-owned or businesses of color most likely to be affected in equity areas are 830 businesses within ½ mile and 513 businesses within a ¼ mile of these stations.

Prior to construction of the Purple Line, many of the businesses along these corridors shared common business concerns and needs including financial management, marketing, and brand development. This report also reviewed recommendations from "A Long Life for Long Branch: Tools to Preserve Independent Retailers,"a project of the University of Maryland's Partnership for Action Learning in Sustainability (PALS) program and supervised by Bobby Boone, AICP. The COVID-19 pandemic has compounded existing challenges for small businesses, presenting an existential threat to commercial corridors across the Purple Line.

**The COVID-19 pandemic has compounded existing challenges for small businesses and could even be an existential threat to multiple commercial corridors across the Purple Line.**

The pandemic has had a national, regional, and local impact. According to the Washington Post, approximately 100,000 businesses have closed for good (May 2020). Yelp reported that as of Aug 31st, 163,735 businesses have closed their accounts, a 23% increase since mid-July.Since March 1st – 32,109 restaurants, 30,374 retail businesses, 16,585 beauty-related businesses, and 6451 bars have closed. Closer to home, the Metropolitan Washington Council of Government's (MWCOG) Regional Economic Monitoring System report (August 2020) showed that year over year, the region lost 30% of its jobs in the Leisure and Hospitality Sector, 27.2% of jobs in Foods Services, and 6% in the Retail sector. These sectors are heavily represented along the Purple Line Corridor in places like Riverdale, Langley Park, Long Branch, and Bonifant Street in Silver Spring, with small and microbusinesses having been disproportionately affected by the pandemic.

Another major issue is the fate of the Purple Line itself. For several months, the Purple Line Transit Partners and the Maryland Transit Administration (MTA) were at a stalemate over cost adjustment negotiations, and construction temporarily ceased. Although the MTA and the Purple Line Transit Partners have agreed to a settlement, the dispute will cause additional delays in construction. This report still assumes that gentrification and neighborhood change will continue once construction begins anew and the pandemic subsides with widespread vaccination.

Purple Line Corridor Coalition

This report includes two sets of recommendations to ensure the survival of the ecosystem of small businesses in the Purple Line Corridor during these extraordinary times. The first set of recommendations is based on best practices identified through research and by PLCC members that address both gentrification and the pandemic.The second set of recommendations addresses the work of coordinating efforts and how best to implement recommended best practices. These recommendations are divided into three phases that address the short- and long-term impact of the pandemic on small businesses. This report also recognizes that recovery might not be sequential, given the additional surges of the pandemic requiring stricter measures in the Fall of 2020 and into the Winter of 2021.

Jill Schlesinger, the nationally syndicated business reporter identified three phases businesses will need to survive the pandemic, which can also be applied to gentrification – Triage, Transition, and Transformation.

During the ***triage*** phase, when businesses need immediate assistance to survive the downturn in the economy, the eight recommended measures are: advocate for continued Federal small business relief, enact commercial eviction moratorium, provide tax forgiveness, prioritize and increase access to grants rather than loans, seek philanthropic relief funds, defer utility payments, provide specialized technical assistance, fund legal aid organizations, and help businesses go-online.

This report includes two types of recommendations. The first is comprised of recommendations based on best practices identified through research and by PLCC members that address both gentrification and the pandemic. The second type addresses how to coordinate small business support in the corridor and how best to implement recommended best practices.

In the ***transition*** phase, small businesses that emerge from the lockdown or more restricted measures are still not operating a full capacity. Businesses will need help to adjust their business practices and reach their customers again. Some strategies and policies that can help businesses during the transition phase include: expand existing revolving loans funds, enact construction disruption funds, promote and market Purple Line businesses, boost buy local programs, protect legacy businesses, and support infrastructure and facade improvements.

As businesses and commercial corridors open back up, they will find themselves in a different economy where consumer behavior has changed and their client base may be different. Commercial corridors will also have to deal with the impact of empty storefronts. At the same time, there will be new opportunities for new businesses and entrepreneurs. Some ***transformation*** strategies include: invest directly in businesses, explore shared equity models, develop a commercial inclusionary zoning program, utilize community benefits agreements, create small business hubs, and encourage reuse (tax vacant property, flexible zoning, and variances).

Purple Line Corridor Coalition

Many of the recommendations mentioned above occur at the systems level, requiring joint effort by the PLCC, its members, elected officials, and the public.However, transformation at the neighborhood level requires a champion that can execute and implement change on a day-to-day basis. Decades of experience have shown that commercial district revitalization requires a holistic approach that addresses physical improvements, marketing and promotion, and economic adaptation led by an organization with broad stakeholders - and an effective manager orchestrating the effort. Organizations like Main Street America, International Downtown Association, Local Initiatives Support Corporation (LISC) among others have successfully tested place-based management over the past 40 years.

Businesses need help adapting to change, whether construction of the Purple Line, gentrification pressure, or the pandemic. Small businesses do not have the time or the means to organize events and implement strategies that will help them improve their business and their commercial district. In order for businesses to move from triage to transition to transformation, they need a revitalization champion. While there are several organizations along the Purple Line that are making a valiant effort, these organizations are under-resourced and not able to work holistically. This report recommends that decision makers and leaders consider Urban Main at the National Main Street Center as a strategy that can be adapted by existing organizations or as a new program where no program exists. The PLCC already has several examples near the corridor including Old Takoma; H Street in Washington, DC; and the city-wide programs of DC and Baltimore.

The PLCC Small Business Action Team is already at work to assess these strategies and their fit for the local context. The Action Team has identified three key priorities that are typical activities of a place-based management organization – joint marketing efforts, coordination by service providers, and advocacy on behalf of small businesses.

This report is meant as a guide for the Action Team to prioritize items and develop a joint action plan. In cooperation with local and state partners, small businesses along the Purple Line Corridor have a chance to survive the pandemic, overcome gentrification, and potentially thrive in a new regional economy.

**Decades of experience have shown that commercial district revitalization requires a holistic approach that addresses physical improvements, marketing and promotion, and economic adaptation led by an organization with broad stakeholders and effective managers orchestrating the effort.**

# Introduction

The Purple Line Corridor Coalition (PLCC) was established in 2013 for the community and economic development of the Purple Line corridor. Understanding that major changes would affect vulnerable communities along the 16.2-mile light rail line from New Carrollton to Bethesda, Maryland, the coalition committed to developing policies and actions that would lead to sustainable and equitable development.

The PLCC's mission is to ensure the Purple Line creates a place of opportunity for all who live, work, and invest in the corridor through a commitment to increasing access via public transportation to housing choices, job and business opportunities, and communities that are vibrant and sustainable. The PLCC accomplishes its mission in multiple ways. It convenes diverse stakeholders to work together to take collective action. It conducts research to provide information for stakeholders and the general public. And, it brings expertise in development, financing, civic engagement, and data analysis to catalyze positive change along the corridor.

A significant landmark of the coalition's work is the *Pathways to Opportunity: Community Development Agreement* signed on November 28, 2017, which is a commitment by more than 50 stakeholder organizations to ensure the construction of the Purple Line does not displace residents and small businesses. The multi-sector agreement fosters collaboration, planning, and investment for a shared vision of a thriving corridor "beyond the tracks." The signers of the agreement pledged to work together to leverage major transit investment in pursuit of the PLCC's goals. The Agreement includes a goal to ensure locally established businesses prosper both during and after the construction of the Purple Line and calls for public policies that seek to assist small businesses so they can reap the benefits of the Purple Line.

The PLCC's mission focuses on both short-and-long-term community needs. The communities along the Purple Line, such as Riverdale, Langley-Park, and Long Branch, have long suffered from underinvestment and racial inequities. For these reasons, the PLCC aims to advance systems-level changes that have inhibited community investment at the neighborhood and regional levels. First through rapid neighborhood change and gentrification and now through the COVID-19 crisis, vulnerable communities are disproportionately affected by inequality. The crisis has revealed, now more than ever, the need for a collective agenda for more significant community-based investments and for fundamental changes to local policies and systems.

This report is primarily concerned with small, community-owned businesses most likely to be affected– especially those owned by people of color and immigrants. According to the US Census, approximately 92% of all small businesses have five or fewer employees. These are the small, family-owned, mom-and-pop businesses that make up most commercial districts across the Purple Line corridor. Also known as microbusinesses, these businesses are most likely to be affected by construction, increasing rent, and rising land costs. These businesses are now bearing the economic brunt of the pandemic. We see first-hand how fundamentally important these small businesses are as employers, service providers, and community landmarks in their neighborhoods. Significant resources are needed to ensure the survival of this impactful sector of our economy. The PLCC is committed to helping businesses navigate the crisis and achieve greater resilience.

To that end, the PLCC established the Small Business Action Team in July 2019 to directly address the needs of small businesses along the corridor. The PLCC Small Business Action Team's goal is to ensure diverse, locally established businesses thrive during and after construction. The group identified two strategies: to prepare and implement an economic development strategy and minimize construction disruption. The goal of this report is to lay out the small business strategy for the corridor. This report describes the areas of focus, neighborhood change data, survey findings, the impact of COVID-19, recommended small business support strategies, and a rationale for holistic place-based management along the corridor.

<u>The Area Defined</u>

The PLCC is committed to supporting small businesses across the entire corridor, emphasizing commercial districts with a higher concentration of disadvantaged, minority-owned, and women-owned businesses. The PLCC has identified six equity areas:

- Greater Riverdale
- Northern Gateway/Langley Park/Hyattsville
- Takoma/Langley Crossroads
- Long Branch
- Bonifant Street/Fenton Village in Silver Spring
- Brookville Road Business District

County government and local partners collaborate to support small businesses, especially those within a quarter-mile from the line. Businesses further away will not be excluded, but outreach and programs will focus on vulnerable businesses (small and microbusinesses) most likely to be impacted by construction.

The Action Team wanted to determine the number of businesses most likely in need of direct technical assistance – business consulting services, coaching, financial and business education, loans, and grants.

Purple Line Corridor Coalition

The National Center for Smart Growth (NCSG) developed a methodology to count the number of businesses within a quarter-mile and half-mile from each station but only stations within the six equity areas. Pulling data from Maryland's Department of Labor and the US Bureau of Labor Statistics Quarterly Census of Employment and Wages with less than 50 employees, the NCSG found 4,498 businesses within a half-mile 2,402 businesses within a quarter-mile from the stations in the equity areas. As mentioned, the PLCC is focusing its efforts on small and micro-businesses with ten or fewer employees. By accounting for specific business types most likely to indicate microbusinesses - clothing stores, hobby shops, restaurants, personal services, etc. - we narrowed the number to 830 businesses within half-mile and 513 businesses within a quarter-mile.

<u>Small Business Action Team</u>

The PLCC has convened several Action Teams housing and workforce development, and since 2019, several members of the PLCC created the Small Business Action Team. Co-chaired by CASA and the Latino Economic Development Center (LEDC), the group includes members from:

- Montgomery County and Prince George's County economic development departments
- Small business service organizations such as the Small Business Development Center (SBDC) and FSC First
- Neighborhood-based organizations such as Central Kenilworth Avenue Revitalization CDC and Northern Gateway
- Business improvement district such as Takoma-Langley Crossroads and the Silver Spring Urban District, and
- Business associations such as Fenton Village and Long Branch Business League

The group met quarterly on October 8, 2019; November 25, 2019; and February 11, 2020. The group stopped meeting once Maryland Governor Hogan imposed emergency orders due to the COVID-19 pandemic. The Small Business Action Team identified three priorities: joint marketing and branding for the corridor, coordination among the business serving organizations, and advocacy.

Accomplishments to date include a webinar on federal and county small business COVID-19 assistance programs in English and Spanish on June 9, 2020. Furthermore, there was a service coordination meeting on November 25th to map service gaps and understand capacity. The group also organized a follow-up meeting to improve coordination with the SBDC on July 2nd. In August, the Action Team sent letters to county councilmembers in Montgomery and Prince George's counties to advocate for easing grant and loan requirements for small businesses in communities of color and advocate for a rent freeze or commercial rent moratorium. During the 2020 Maryland General Assembly, the Action Team also supported a bill sponsored by Delegate Jheanelle Wilkins to provide state funds for businesses affected by Purple Line construction.

Besides marketing, service coordination, and advocacy, the Action Team is committed to building the capacity of business support organizations that provide technical assistance to improve business operations and financial management. In addition, the Action Team is studying best practices to share with elected officials and liaise with key players in the construction of the Purple Line. Finally, the Action Team prioritizes partnering with philanthropic, financial, and corporate institutions to invest and provide financing for small businesses in equity areas along the corridor. This report aims to lay out best practices that will help small businesses survive, thrive, and identify where the philanthropic community, local government, and other partners can invest along the Purple Line corridor.

# Findings

The PLCC and the Small Business Action Team want to better understand the impact of construction and the pandemic on the ground beyond anecdotal evidence and neighborhood fears. From the outset, the NCSG has established a set of data indicators, maps, and tools to measure changes in housing patterns, economic activity, among other factors along the Purple Line. This report includes information collected by the NCSG related to small businesses along the Purple Line. The report also consists of a neighborhood change methodology developed by the National Association for Latino Community Asset Builders and adapted by the NCSG for the corridor. In addition, the findings include information from a small business survey and information from PLCC members. For more information on the methodology, see Appendix III.

Gentrification & Neighborhood Change

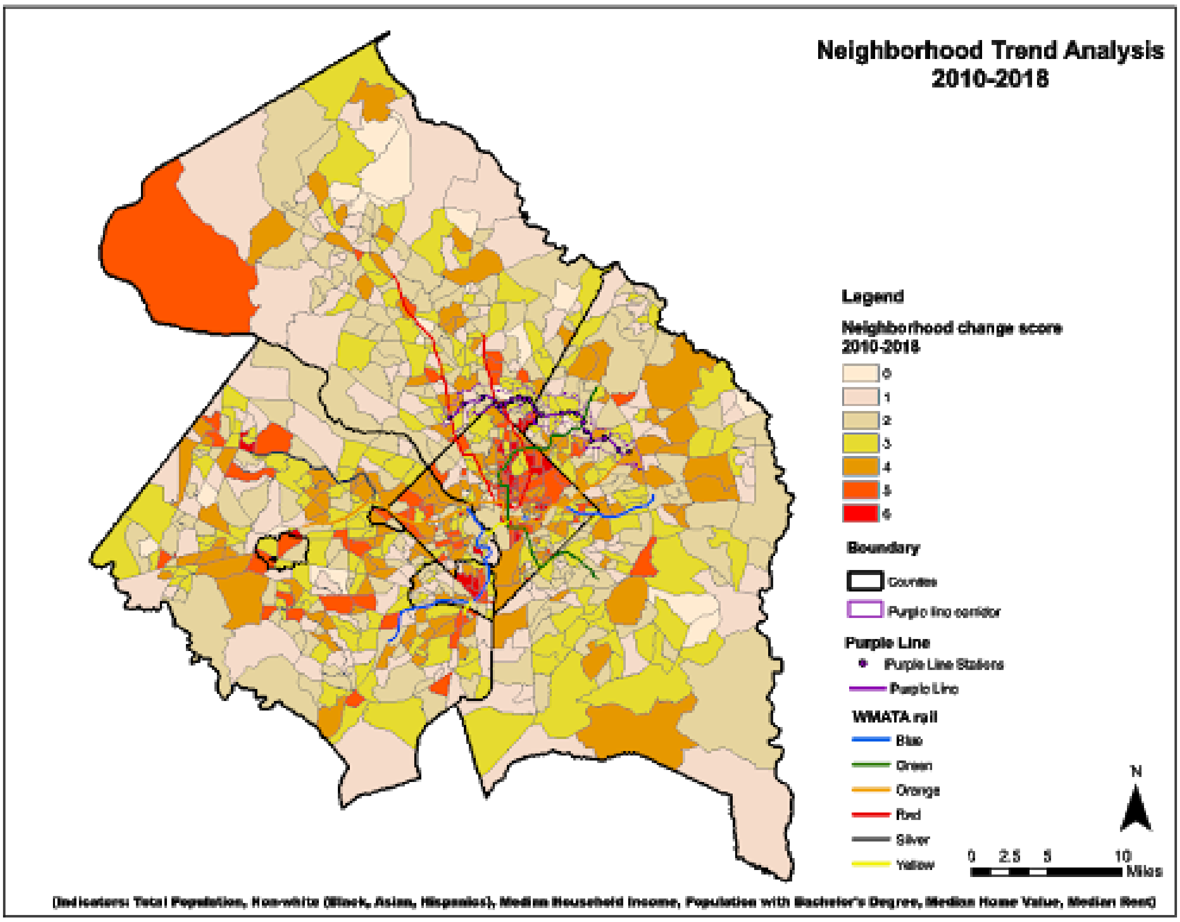
Gentrification is often a loaded and politically charged term denoting the displacement of one group for another. First used by British sociologist Ruth Glass in 1964, she observed the displacement of lower-income residents by middle-income households. Scholars and think tanks have debated how to define and measure gentrification based on data showing changes in property value or other related measures. In popular culture, gentrification is an urban phenomenon based on anecdotal evidence – the arrival of Starbucks, dog parks, or expensive cocktail bars – pitting new and long-time residents along cultural or class lines.

However, displacement is a real threat caused by increasing property values along the corridor. Changes in residential and potential property values may have a considerable impact on Latino, Black, and other communities of color living and working along the proposed Purple Line route. Redevelopment and increasing property values displaced many of these residents and businesses in the District of Columbia in the 1990s, or they are immigrants who made these communities, inside-the-Beltway, their home when they first arrived. Displacement means loss of affordable housing or a business and other intangible effects such as culture, authenticity, and the social fabric that ties these communities together. The National Association for Latino Community Asset Builders (NALCAB) defines gentrification as a "type of neighborhood change in which real estate price appreciation leads to involuntary displacement and significant cultural change." Using NALCAB's methodology for neighborhood change as a basis, the NCSG adapted the methodology using local Census data and other measures to create an index that can be mapped to show where gentrification is already taking place and likely to occur.

NCSG analyzed the Purple Line corridor as a subset of the D.C. region, concentrating on municipalities and counties immediately around the District of Columbia rather than the complete Metropolitan Statistical Area (MSA). "Rapidly Changing Census Tracts" were identified by comparing maps and data from 2000 to 2010 and 2010 to 2018. The index includes total population, median household income, population 25 years or over with a Bachelor's degree, median home value, median rent, household income, and changes in racial/ethnic composition as components for the index. The index also compares CoStar data over the two periods, which provides information on commercial tenant information.

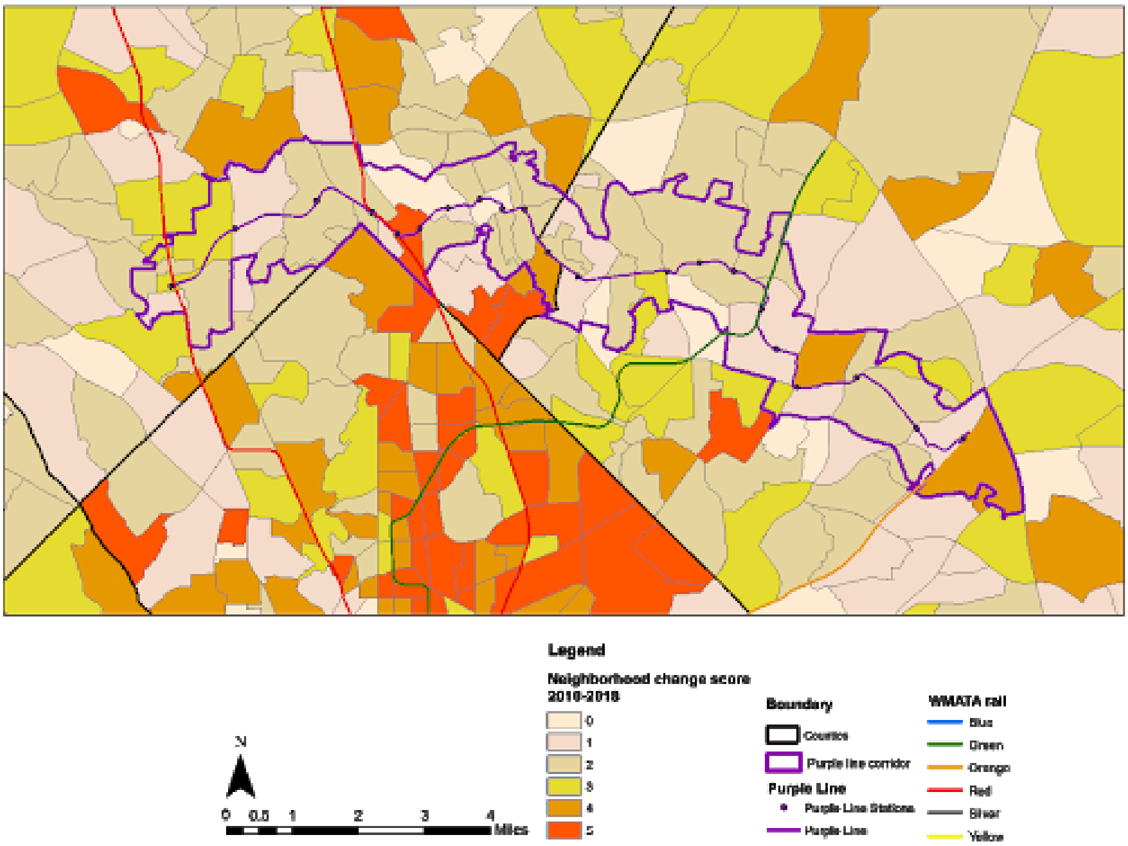
Below are some selected maps along the Purple Line showing where change is occurring and where redevelopment and speculation are most likely to happen first. Although change along the Purple Line Corridor is weaker than the District, there are signs of neighborhood change in some Census tracts along the rail line. As one can see from the first map, Neighborhood Trend Analysis 2010-2018, the largest number of Census tracts with significant neighborhood change scores are in Northeast D.C., pockets along the Red Line Metro in Montgomery County, parts of Fairfax County, and numerous Census tracts close to the Purple Line. On Map 2, some of the darker shaded areas with a neighborhood change score of 3 or higher can be found close to Riverdale, Takoma/Langley, and Silver Spring. Maps 3, 4, and 5 show large-scale maps of the Silver Spring, Takoma/Langley, and Riverdale Park-Kenilworth station stops with higher neighborhood change scores south of the Takoma/Langley station, the census tract north of the Riverdale Park/Kenilworth Station, and the census tracts that encompass both Silver Spring stations. For a complete set of maps, see Appendix III.

Additional research by Princeton University supports observations of gentrification. According to Patrick Farrell, an urban economist at Princeton University, a study of property value along the Purple Line found that housing prices are up approximately 10% for properties within a half-mile of planned stations relative to property located further away. The Princeton study estimated the price impact caused by the Purple Line not only by distance but also by looking at critical moments in the project's development. (Corcino, Farrell, & Parolin; August 2020) The researchers theorize that price appreciation is caused in part by public confidence in the project's completion. Researchers found a 5% price appreciation for properties one-quarter mile from the Purple Line had already occurred by August 2017. They found that more significant price increases after construction began, consistent with the researchers' various tests. Corcino, Farell, and Parolin also compared the Purple Line to Baltimore's Red Line and found the Purple Line also enjoyed nearly a 10% premium in property appreciation. However, Governor Hogan canceled the Red Line in 2015. Researchers found that most if not all of the value gained by planned construction was lost. Although this study looked at housing exclusively, one would expect commercial property to experience a similar gain in property value.



Neighborhood Trend Analysis
2010-2018
Legend
Neighborhood change score
2010-2018
0
1
2
3
4
5
6
Boundary
Counties
Purple line corridor
Purple Line
Purple Line Stations
Purple Line
WMATA rail
Blue
Green
Orange
Red
Silver
Yellow
N
0 2.5 5 10
Miles
(Indicators: Total Population, Non-white (Black, Asian, Hispanics), Median Household Income, Population with Bachelor's Degree, Median Home Value, Median Rent)


Map 1


Legend
Neighborhood change score 2010-2018
0
1
2
3
4
5
Boundary
Counties
Purple line corridor
Purple Line
Purple Line Stations
Purple Line
WMATA rail
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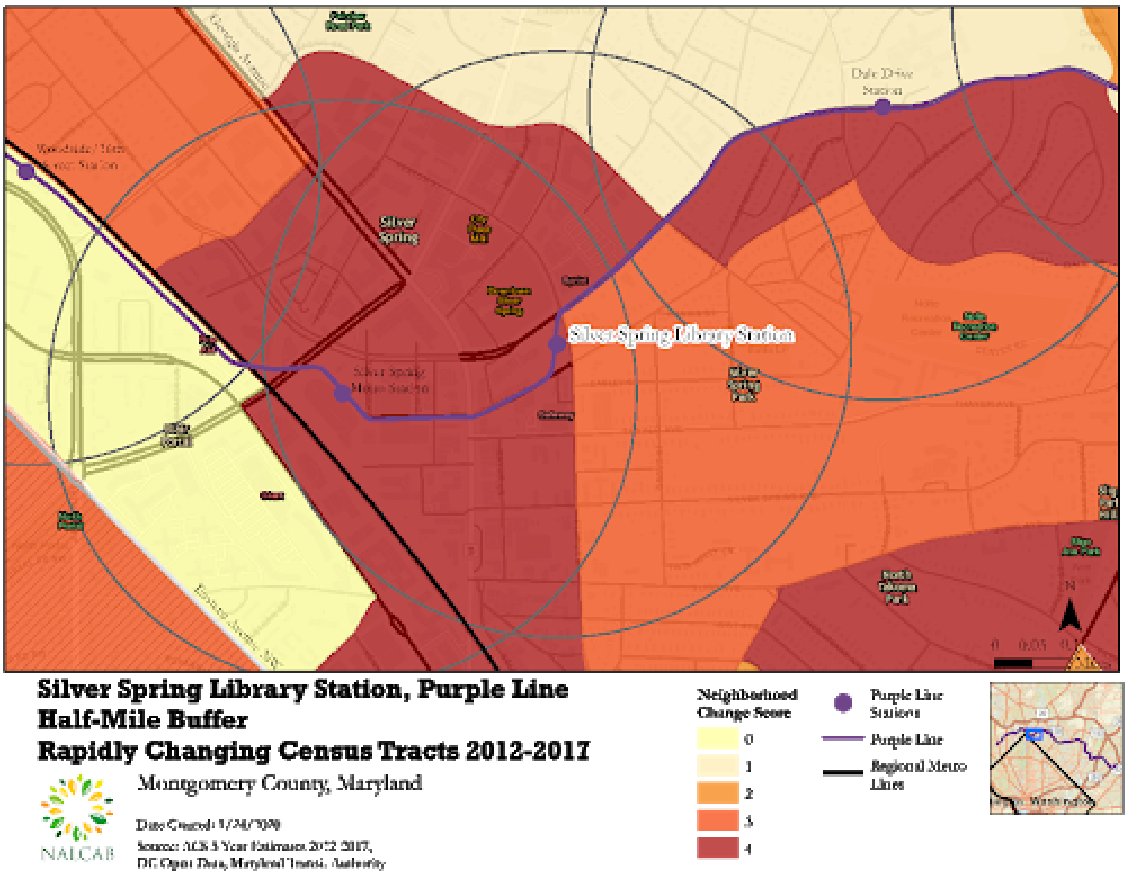
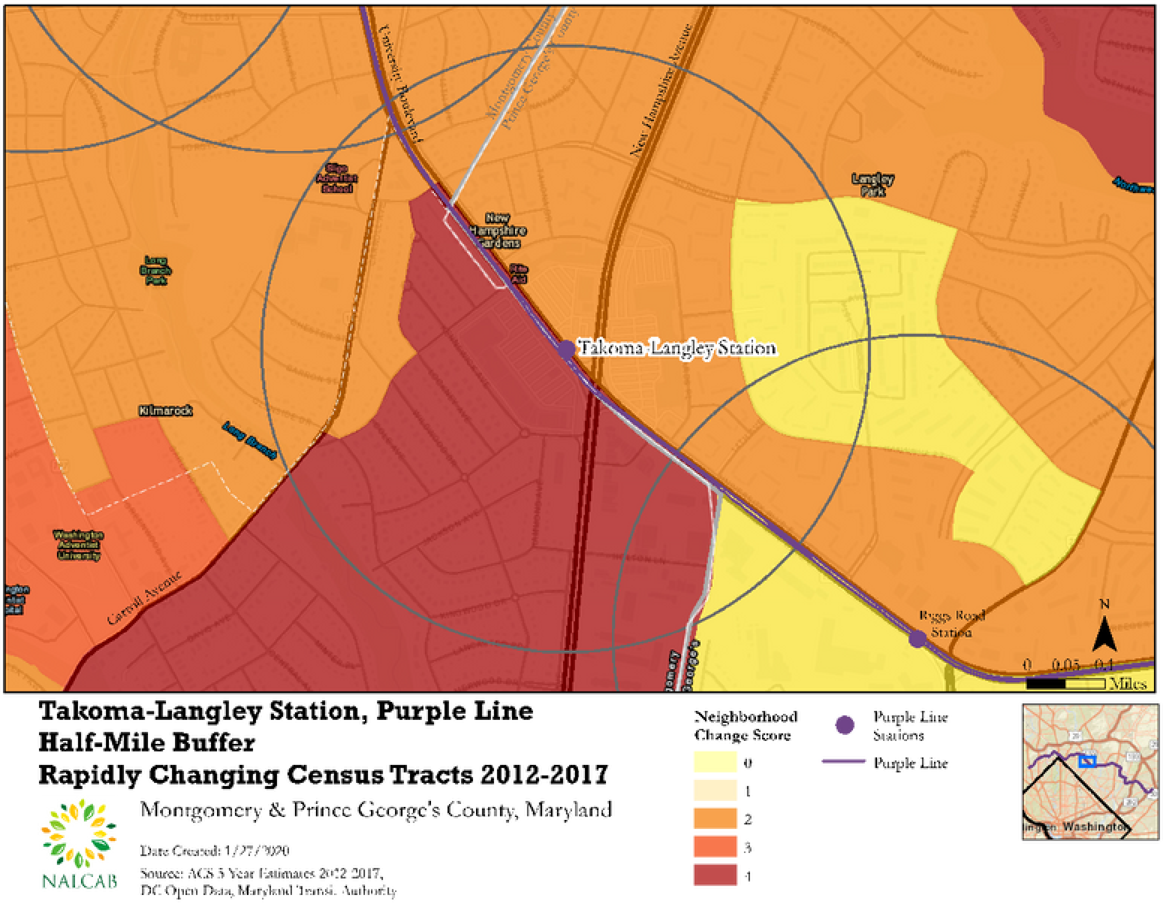
Green
Orange
Red
Silver
Yellow
N
0 0.5 1 2 3 4 Miles

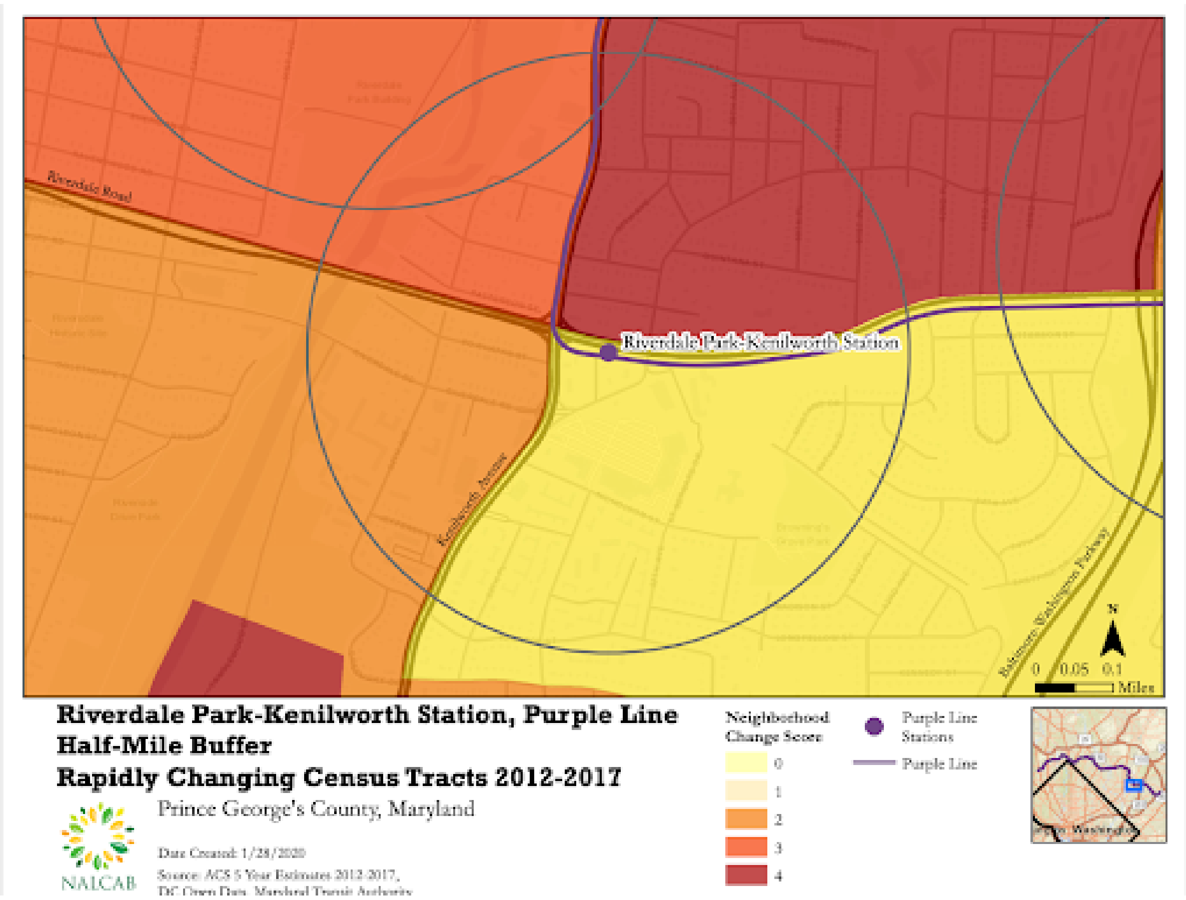
Map 2


Silver Spring Library Station
Silver Spring
Dale Drive Station
Silver Spring Library Station, Purple Line
Half-Mile Buffer
Rapidly Changing Census Tracts 2012-2017
Montgomery County, Maryland
NALCAB
Neighborhood Change Score
0
1
2
3
4
Purple Line Stations
Purple Line
Regional Metro Lines

Map 3


Takoma-Langley Station, Purple Line
Half-Mile Buffer
Rapidly Changing Census Tracts 2012-2017
Montgomery & Prince George's County, Maryland
NALCAB
Neighborhood Change Score
0
1
2
3
4
Purple Line Stations
Purple Line
Takoma Langley Station
Riggs Road Station
University Boulevard
New Hampshire Avenue
Carroll Avenue
Langley Park
Kilmarock
N
Miles

Map 4


Riverdale Park-Kenilworth Station, Purple Line
Half-Mile Buffer
Rapidly Changing Census Tracts 2012-2017
Prince George's County, Maryland
NALCAB
Neighborhood Change Score
0
1
2
3
4
Purple Line Stations
Purple Line
Riverdale Park-Kenilworth Station
Riverdale Road
Kenilworth Avenue
Baltimore Washington Parkway
N
0 0.05 0.1
Miles

Map 5

Pre-Pandemic

Before the pandemic, service organizations such as Long Branch Business Alliance, Latino Economic Development Center, and Takoma/Langley Crossroads were concerned with displacement caused by construction. The Latino Economic Development Center (LEDC) created a study of small businesses funded by JP Morgan Chase to study neighborhood change and create an Equitable Development Action Plan (EDAP) for the Long Branch and Bonifant Street business districts. Prior to the construction of the Purple Line, many of these businesses along these corridors had some common business concerns and needs, including financial management, marketing, and branding development. LEDC and Long Branch Business League have worked to meet business owners where they are as they balance operating their business, competition, and isolation. With construction, these concerns have become more acute. For example, Long Branch businesses would like to learn how to improve their business practices to help them weather construction, such as having a business plan and financial management that will prepare them for applications for grants and loans. On Bonifant Street in Silver Spring, businesses are concerned with parking issues and coordination with utility companies during construction. Bonifant Street businesses are also worried about the loss of retail foot traffic, access to their stores, and increasing rents.

In the Era of COVID-19

Small businesses across the Purple Line corridor now face a very different reality. Since the lockdown on March 16, 2020, thousands of businesses have closed due to the public health emergency, and many more are unemployed or working a fraction of the hours worked prior to the pandemic.

Here are some startling statistics on the pandemic's impact on small businesses:

- Across the nation, approximately 100,000 businesses have closed for good. (Washington Post, May 2020) Of the nation's roughly 30 million small businesses, nearly 7.5 million small businesses may be at risk of closing permanently over the next five months, and 3.5 million are at risk of closure in the next two months. (National Main Street Center)
- COVID-19 has had a devastating impact on small businesses' revenue, and as a result, millions of Americans employed by our nation's smallest businesses are at risk of unemployment. Approximately 35.7 million Americans employed by small businesses appear to be at risk of unemployment. (National Main Street Center)
- Typical small business cash balances dropped 12.7% and as much as 26% for Black-owned firms after the onset of COVID-19. (JP Morgan, June 2020)
- 51% of businesses report increasing online interactions with their clients. (Facebook, State of Small Business Report, May 2020)

Yelp, the popular crowd-sourced business review and advertising platform, published its most recent Economic Impact Report. As of Aug 31st, 163,735 businesses have indicated on Yelp that they have closed, a 23% increase since mid-July. According to Yelp data, permanent closures have reached 97,966, representing 60% of closed businesses that won't be reopening. Although that figure is considerably lower than the 180,000 that closed at the beginning of the pandemic, it's a considerable overall loss. Since March 1st – 32,109 restaurants, 30,374 retail businesses, 16,585 beauty-related businesses, and 6451 bars have closed. Of these, 68% of the restaurants are permanent closures in addition to 58% of retailers, 42% of beauty-related businesses, and 54% of bars.

COVID-19 has also significantly impacted bars, restaurants, and nightlife venues as businesses struggle to adapt to outdoor dining or takeout. Even when deemed successful, businesses report that they are only capturing a fraction of their pre-pandemic business. Despite being a sector that is six times smaller than restaurants, 6,451 bars have closed. The rate of permanent closures has increased 10% since July, now sitting at 54%.


Source: MSNBC, September 2020

Despite decreases in unemployment and a slow recovery, the economic forecast remains uncertain as the nation awaits whether Congress will take up the next Coronavirus relief bill. As the U.S. surpassed the grim milestone of 325,000 dead, Federal Reserve Chairman Jerome Powell testified before the House Select Subcommittee on the Coronavirus Crisis on September 23, 2020, and to the Senate Committee on Banking, Housing, and Urban Affairs on September 24, 2020. Chairman Powell summarized his economic forecast that " [b]oth employment and overall economic activity, however, remain well below their pre-pandemic levels, and the path ahead continues to be highly uncertain." Some of the bright spots in the economy that could benefit Purple Line corridor businesses is that nationally, household spending seems to have recovered three-quarters of its lost activity since the pandemic began. In addition, the U.S. economy has regained about half of the 22 million jobs lost in March and April.

However, communities of color, including many neighborhoods along the Purple Line, have been disproportionately affected by the pandemic, as indicated by Chairman Powell - "[t]he rise in joblessness has been especially severe for lower-wage workers, for women, and for African-Americans and Hispanics. This reversal of economic fortune has upended many lives and created great uncertainty about the future."

What Congress does to address this crisis is critical to small businesses along the Purple Line and across the nation. It is not an overstatement that further federal assistance is required to allay the permanent closure of more businesses making small business preservation efforts all the more difficult. Strategies described in this report will have to shift to commercial corridor redevelopment and help new entrepreneurs when the economy recovers, similar to redevelopment efforts in Rust Belt or legacy cities.

While the Fed is committed to providing aid "as long as it takes," Chairman Powell made it clear that the Fed "has lending power, but not spending power." That power belongs to Congress, which is why he advocated for further federal recovery funds. Since Congress passed the $2.2 trillion CARES Act on March 27th, no other federal assistance has been forthcoming since Congress expanded and made changes to the SBA's Paycheck Protection Program in July. As of the publication of this report, Congress and the Administration are still in a stalemate since the House of Representatives passed the $1 trillion HEALS Act passed on July 27th. The HEALS Act included assistance to local governments, additional unemployment assistance, and rental assistance to 30-40 million households in danger of eviction.

Another program that deserves a closer look is the Federal Reserve's Main Street Lending program. The program is supposed to benefit small and medium-sized businesses by providing additional liquidity and lending capacity to banks. Thus far, only $2 billion, or about 230 loans, has been committed from $600 billion authorized by the Fed. The Fed has reported that over 600 banks have signed up or are in the process of signing up for the program. The program has its flaws and has limited reach to communities of color because it is geared to businesses that were on "sound footing" pre-pandemic but have encountered temporary cash flow problems and can not obtain loans from reticent banks. It's important to note that the CARES Act prohibits loan forgiveness on Main Street loans when we know that small or micro-businesses in communities of color need grants rather than loans or forgivable loans. For example, many businesses have several months in arrears on their commercial rent. The program is a failure if banks don't change their underwriting and lending practices and are reluctant to provide loans to struggling companies.

Without resolution to the larger economy, household budgets will continue to tighten, translating into less retail and other economic activity that will continue to affect businesses along the Purple Line. Although there is a temporary reprieve from continued gentrification, this could come roaring back in an improved economy. And with a continuing pandemic, small businesses that can't pay the rent along with the already vacant space will have a toll on the commercial property market that could cause a crisis similar to the 2008 housing crisis. What will happen and what kind of recovery will we have – a so-called "V recovery" where the economy bounces back, or a "K Recovery" where the economy improves for some but declines for lower-income families and communities of color – is anyone's guess. All we can do is describe what we know as of this date. We know that businesses are in dire crisis, and no amount of strategy, policy, or local government funding can help without significant government intervention.

COVID-19 Impact Along the Purple Line

Both Montgomery and Prince George's County are in Phase 2 of the COVID-19 reopening plan, and progress is being made toward Phase 3. However, a return to pre-pandemic opening hours is not expected in the near future, as described in the previous section.

According to the Metropolitan Washington Council of Government's (MWCOG) Regional Economic Monitoring System report (August 2020) , the Washington region lost 244,800 jobs, or about 7.3%, since last year. For comparison, in July 2019, the Leisure and Hospitality sector lost 105,800 jobs or 30%; Food Services lost 80,200, or 27.2%, and the Retail sector lost 16,100 jobs or 6%. These are all sectors found along the Purple Line. Current unemployment stands at 7.9% compared with 3.3% a year ago. Unemployment claims reached as high as 96,406 the week of April 4th but have decreased to 19,643 the week of July 25th. However, unemployment claims do not accurately capture small business closures.

Micro and small businesses similar to those along the Purple Line Corridor in places like Riverdale, Langley Park, Long Branch, and Bonifant Street in Silver Spring have been disproportionately affected by the pandemic:

- Nationwide, the number of Latino business owners declined by 32 percent, the second-largest decrease among any group. (National Bureau of Economic Research, June 2020)
- Maryland Comptroller Peter Franchot estimates that about 30% of Latino businesses could close by the end of the year without additional assistance. (September 2020)
- 25% of Latino business owners surveyed are not sure how to take advantage of institutions – insurance, loans, grants. (American University, Center for Latin America and Latino Studies)
- In the D.C. region, a low number of Latino businesses have moved online – about 6.5%. (AU, CLALS)

The PLCC Small Business Action Team includes several service organizations that work directly with small businesses, such as the Latino Economic Development Center (LEDC) and the Long Branch Business Alliance. A survey of businesses on Bonifant Street in 2019 showed that business owners were already showing signs of fatigue and resignation that Purple Line construction will cause them to close for good - and that was before COVID-19.

Both Montgomery County and Prince George's County have established loan programs to assist businesses through the pandemic. In Montgomery County, this includes the $1 million Microenterprise Stabilization Program (MSP) and the Public Health Emergency Grant (PHEG). To date, the PHEG program has awarded 2344 grants totaling $20.9 million. The County has also created the Reopen Montgomery grant program for small businesses to purchase outdoor tables and chairs, tents, heat lamps, and other equipment to cope with the public health emergency requirements. The county has approved a total of $14 million for grants up to $5000. Because of overwhelming demand, the county awarded grants using a lottery system. Prince George's County had the COVID-19 Business Recovery Initiative that awarded over 300 grants totaling over $20,190,500 to provide working capital for small businesses affected by the pandemic. Prince George's County Economic Development and FSC First provided outreach throughout the county.

LEDC and the Long Branch Business League found that many micro and small businesses could not access COVID-19 county relief programs. Many businesses could not qualify for the Microenterprise Stabilization Program (MSP) and the Public Health Emergency grant (PHEG) programs because they did not have the requisite documents ready for approval. For example, in Wheaton, Maryland, LEDC found that out of 42 clients for which they provided outreach on the SBA's Economic Injury Disaster Loan Emergency Advance (EIDL), only nine applied, but zero were funded. Similarly, 26 businesses applied for the PHEG program, and only one was funded. In Wheaton, over 44% of the businesses are women-owned, and 87% of the businesses are run by Black, Asian, and Latino owners who are most in need of emergency business assistance.

In Long Branch, the Montgomery Housing Partnership has reported that a cleaning business applied for the SBA's EIDL and the Paycheck Protection Program (PPP), but the loans only covered half of their actual losses. This business reports having lost 70% of their usual business activity. A financial services business in Long Branch has remained open but still suffered significant business losses. They reported that the grants would not cover their actual business losses and are concerned about renegotiating rent with the owner. The Long Branch Business League found that 25% of the businesses they work with are women-owned, 50% are Latino, 22% are Asian, and many Ethiopian and Middle Eastern-owned small businesses.

A significant concern and one of the largest monthly expenditures for small businesses is rent. A national survey by Facebook titled the State of Small Business Report (May 2020) found that 23% of businesses are concerned about how they will pay their commercial rents. Another survey of 5,850 small businesses across the country by the National Main Street Center found that 67% of businesses would like penalty-free extensions on expenses, including rent and utilities. Both LEDC and the Long Branch Business League are finding landlords unwilling to work with tenants to negotiate an extension or rent relief. Small businesses along the Purple Line are greatly concerned with evictions as many were already paying high rents before the pandemic and now face lower sales and reduced operations. It is clear from the data and from what small businesses tell service organizations that the last quarter of the year will be critical on whether or not their business will survive.

# Recommendations

This report includes two sets of recommendations. The first is a set of recommendations based on best practices identified by PLCC members that address both gentrification and the pandemic. The second set of recommendations addresses coordination and how best to implement recommended best practices. The report also includes four case studies in Appendix II that inspired the PLCC to include several of the best practices and recommendations identified herein.

Given the gravity of the pandemic, it is of the utmost importance to address the existential threat to the small business community not only along the Purple Line but the state and indeed the nation. The sobering data shared earlier in the report are not hyperbole and require a national response beyond the report's scope. Yet, the state and local government can take steps to help small businesses survive this difficult time.

Another major issue is the fate of the Purple Line itself. For several months, the Purple Line Partners and the Maryland Transit Administration (MTA) were at a stalemate over cost adjustment negotiations, and the construction has ceased. Although the MTA and the Purple Line Partners have agreed to a settlement, the dispute will cause additional delays in construction. This report still assumes that gentrification and neighborhood change will continue once construction begins anew, and the pandemic subsides with widespread vaccination.

COVID-19 is a presidentially declared national health emergency and therefore considered similar to a natural disaster by the Department of Homeland Security. And indeed, several thought leaders have considered how best to assist small businesses through the crisis. Small businesses need immediate assistance to survive this difficult time. Still, they also need to consider how to change their business practices and longer-term strategies that will help them thrive in a different national and local economy. *The Commercial Recovery Guide* recently published by the Local Initiatives Support Corporation (LISC) categorizes recommendations through a disaster recovery lens – respond, recover, and prepare. Kennedy Smith, a national expert on commercial district revitalization, titled her most recent report for the Institute for Local Self-Reliance as *First, Next, Later: Safeguarding Small Business During the Pandemic.*

Jill Schlesinger, the nationally syndicated business reporter, identified three phases businesses will need to survive the pandemic, which can also be applied to gentrification – Triage, Transition, and Transformation. As discussed, small businesses are in a cash crunch and have had to pivot their processes and practices without much forethought to address public health requirements. This is triage. As businesses have begun to reopen, they are perhaps adding new lines of businesses, hiring back staff, and more thoughtfully reassessing their business practices. This is transition. As businesses look down the road, they face a much different economy where customers have different shopping habits, and redevelopment might change the composition of their customer base. This is where transformation is required. Long-term strategies will create vibrant spaces for the existing community and attract new clients and customers.

Businesses cannot do this alone. They need local government support through funding, regulatory review, and long-term planning and zoning changes that will allow greater flexibility. Small businesses, especially those in communities of color, will also need the support of nonprofit organizations and the philanthropic community to innovate and provide additional support so they can thrive. As a convener, the PLCC and its partners are well-poised to champion, advocate, and pilot best practices described below and also shown in Appendix I: Potential Actions Table.

<u>Triage</u>

The following includes necessary steps and recommendations that should be a top priority and implemented as soon as possible to address the crisis:

1. **Advocate for continued federal small business relief**. Funds from the CARES Act's Paycheck Protection Program (PPP) passed in March, and its expansion in July have already been awarded to thousands of businesses. But they have left behind thousands more who are ineligible businesses, including many along the corridor. Even businesses that receive loans from the PPP and other related programs have now exhausted the funds amidst a continued pandemic. The PPP program will pay for rent, payroll, and additional eligible costs that may be forgiven over time as long as employee and compensation levels are maintained. Only the federal government's deep pockets backed by the Federal Reserve can keep businesses afloat so that they can survive through the end of the year. The PLCC can play a role as an advocate for more funding at the Federal and even state level.

2. **Enact a commercial eviction moratorium.** Given the impending eviction of hundreds of businesses across the region, county governments should consider a commercial eviction moratorium. The moratorium should last through the remainder of 2020 and include a 2.5% rent limit increase in 2021. County governments are already considering an eviction moratorium for housing. Why not consider a commercial moratorium at the same?

Although the moratorium is a blunt instrument, it is necessary to allow property owners to work with their tenants and find a reasonable solution or give local leaders more time to provide other forms of assistance that can help businesses pay the rent.

3. **Provide tax forgiveness.** Given that many landlords are also small business owners themselves, they may not have the cash flow or the reserves to defer or forgive rents. In exchange for extended terms, partial or total rent forgiveness, the counties may provide a tax break to small property owners.

4. **Prioritize and increase access to grants rather than loans.** Given the predicament, even low-interest loans are a stretch for many small businesses. Many businesses in communities of color already work with small margins, and for many of them, now is not a good time to take on debt. Yet, businesses still need working capital to buy new inventory, new merchandising displays, reconfigure their store interior, or train new staff in safety protocols. Local county and state programs should consider alternative requirements for minority-owned businesses to apply for these programs successfully. While Maryland has numerous state programs through the Sustainable Communities program and Neighborhood Business Works, the state could prioritize these programs for the Purple Line. One way to ease the administrative burden is to provide up to three months of rent support - one of the largest business expenditures. Some cities offer grants (Charlotte, NC), while others provide interest-free loans (Salt Lake City), which are like grants. Both counties should consider designating a portion of the funds for Purple Line businesses.

5. **Seek philanthropic relief funds.** National and local philanthropies can step up in big ways. Vulnerable businesses are greatly in need of cash to stay open right now. To meet this need, Hispanics in Philanthropy (HIP) created the PowerUp Fund funded by Google and Ureeka, a mission-driven investment organization. HIP's $4 million-dollar fund supported Latino-owned businesses in California, Florida, New York, and Texas. HIP provided small businesses with working capital to overcome the economic downturn and training and peer groups to share best practices. In Miami's Allapattah neighborhood, the PowerUp Fund helped keep 14 Latino-owned businesses from closing, including paying the rent.

6. **Defer utility payments.** PEPCO is sending utility shut-off notices on October 1st. For businesses that have not paid their utility bill, this could have dire consequences. For businesses who own their property but remain closed or have experienced decreased revenue, deferral on utility payments would be one vital step to keep businesses afloat.

7. **Provide specialized technical assistance.** Several organizations in Montgomery and Prince George's County already provide specialized technical assistance, but it isn't always consistent and not necessarily at the place of business. Currently, a small grant is supporting technical assistance to 20 businesses and three organizations along the Purple Line, but more is needed. A carve-out of existing funds or additional funds to service provider organizations along the Purple Line that specifically assist minority-owned, immigrant-owned, or women-owned small businesses is needed to help with bookkeeping and accounting needs so that they will be eligible for existing programs. Most of the businesses denied loan applications did not receive help with their applications and did not have their finances to apply in time successfully. Other specialized TA could include visual merchandising, instituting safety protocols for a restaurant, set-up online payment platforms, etc.

8. **Fund legal aid organizations.** Many small business owners are either ill-advised or make decisions under pressure. Many are not aware of their rights, may have a language barrier, and may be intimidated by the legalese. Both counties should boost funding to legal aid organizations or pro-bono attorneys to assist small businesses in renegotiating their lease or help them negotiate an accommodation with their landlord. Additional legal protections are needed. Montgomery County considered the Landlord-Tenant Relations & Commercial Lease Requirements (Bill 19-15), limiting certain changes to commercial leases and protecting tenants from predatory practices.

9. Help businesses go online. Online sales accounted for roughly 12% of all retail sales at the beginning of 2020 (ILSR). As previously mentioned, only 6% of Latino businesses in the region have moved online. Given the outsized importance of having a digital presence, county programs should be created explicitly for Purple Line businesses to help them get online. The City of Detroit created the Digital Detroit initiative, a website accelerator to help small businesses build online storefronts. The program provides website development workshops and branding to help businesses create their own websites. The program also includes three months of website hosting.

<u>Transition</u>

The following recommendations should be implemented starting in 2021 or whenever each county begins Phase 3 of the COVID-19 recovery plan over the next year.

1. **Expand Existing Revolving Loan Funds.** Once small businesses survive the last quarter of 2020, they will still need working capital. With expected delays in vaccine distribution and expected Purple Line construction delays, businesses

are still not likely to reach their pre-pandemic revenue numbers. Minority-owned businesses that did not have access to capital from traditional banking institutions before the pandemic are unlikely to receive capital under the current circumstances. Community Development Financial Institutions (CDFIs) are an essential source of capital for communities of color. CDFIs are receiving funds through Program Related Investments from philanthropy, larger banking institutions because of Community Reinvestment Act requirements, and possibly through the Federal Reserve's Main Street Lending program. County governments can seed a revolving loan fund using their Section 108 authority that allows local entitlement jurisdictions to borrow against their Community Development Block Grant program.

2. **Enact Construction Disruption Programs.** Montgomery County considered a bill to offset potential losses caused by displacement for businesses in the immediate proximity to the Purple Line. The county created a similar program for the construction of the county building adjacent to the Wheaton Triangle. In February 2020, Delegate Jheanelle Wilkins presented a bill to the Maryland House of Delegates (HB540) to provide state tax grants and grants for businesses across the corridor in both counties. However, the bill was presented but did not pass the Senate before the legislature adjourned due to the pandemic. It is expected the bill will be taken up in the next General Assembly. Other options include low-interest loans for businesses that can prove their revenue was affected by construction. Portland, Oregon, offered loans with a 3% interest rate ranging between $5,000 and $25,000 with interest-only payments the first year. Salt Lake City established a revolving loan program that provides construction mitigation up to $20,000 at 3% interest. Seattle created the Reestablishment Payments Funds available to businesses that were forced to relocate due to the construction of the light rail line. These payments functioned as grants and did not have to be repaid. The funds could be used to pay for moving expenses, building improvements at the new location, and up to 24 months in rent.

3. **Promote and Market Purple Line Businesses.** Businesses along the corridor would benefit from joint marketing efforts that would save individual businesses from spending marketing dollars. The NYC Department of Small Business Services' Community Cornerstone Initiative provides marketing support, a .nyc domain for one year, listing in the city's online interactive map, and a photo in the citywide marketing campaign. The District of Columbia offers a "Made in DC" brand for locally produced products encouraging residents to buy local. Other options include discounted coupons such as "Milk Money" from the Milk District in Orlando. Customers buy $10 coupons at a discounted rate of $7.50 to encourage shopping along the commercial corridor. Salt Lake City's "South Bucks Program" distributed over $75,000 in coupons offered at face value that could only be redeemed along the corridor.

**4. Boost "Buy Local" Programs.** Both Montgomery County and Prince George's County procurement programs encourage county governments to buy from local businesses. These programs are sometimes not well known or well understood. In addition, some of the requirements are a barrier for micro and small businesses. Each county should consider the purchase of smaller procurement contracts that would be more accessible to family-owned businesses. Buy local programs could also be an excellent opportunity to connect small businesses with large area employers and anchor institutions such as the University of Maryland, College Park.

5. **Protect Legacy Businesses.** Long-time businesses with a solid customer base can become anchors in their community. So-called legacy businesses become integral to a neighborhood's identity, like El Golfo in Long Branch or Kefa Café in Silver Spring. San Francisco has protected legacy businesses since 2013. The Legacy Business Preservation Fund provides grants of up to $22,500 for businesses over 30 years to help them lock in long-term leases, typically ten years or more. San Francisco also offers a Legacy Business Registry open to businesses over 30 years old or businesses over 20 years old that are also in danger of displacement. The Mayor or Board of Supervisors can designate a total of up to 300 businesses a year. Listed businesses are eligible for additional grant support and programs. The City of Buenos Aires offers tax breaks to legacy businesses with cultural significance, such as historic movie theaters, bookstores, literary cafes, and historic bars and clubs associated with the tango. The District considered a legacy business bill in 2019 sponsored by Councilmember Kenyan McDuffie. Councilmember Charles Allen sponsored the "Long-time Resident Business Preservation Amendment Act" that would offer long-standing local businesses grants and low-interest loans to pay for capital improvements and operating expenses. It would also supplement rents — up to 10% — to landlords who sign long-term leases with qualified legacy businesses.

6. **Support Infrastructure and Façade Improvements.** Changing a storefront façade or improving the pedestrian experience along a commercial corridor can change the perception and enhance a neighborhood's walkability. Washington, DC's Great Streets program provides up to $50,000 for capital improvements to business storefronts and interiors along selected commercial corridors. The City of Portland created the Prosperity Investment Program that provides funding from tax increment finance (TIF) resources to make small-scale improvements to businesses along with business and development-focused technical assistance. Prince George's County Planning is providing a grant to the Northern Gateway CDC to improve the appearance of the International Corridor in the Langley Park area.

Transformation

The following are recommendations to help equity areas pivot to a different national and regional economy that fosters more equitable development. Many of these strategies may require further exploration or build upon existing efforts over the next two years after Triage and Transition recommendations have been enacted.

1. **Invest in Businesses.** The Democracy Collaborative and the National League of Cities have an innovative pilot program to create a regional version of the New Deal era's Reconstruction Finance Corporation (RFC). The RFC successfully invested in companies during the Great Depression and the World War II era. The 2020 version could invest regionally in local chains, long-standing legacy businesses, small manufacturers, and maker spaces. As the crisis subsides and the construction has passed, the RFC could sell its shares back to the owner or another investor. The PLCC should bring together stakeholders to incubate this idea.

2. **Explore the Shared Equity Model.** Community Land Trusts (CLT) are a proven model to protect housing affordability and land conservation. However, they have rarely been used for commercial purposes. In the shared equity model, the CLT purchases the property and provides a stake to the owner. Should the owner sell the business or wish to sell the property, the CLT and the owner would share in the profit. The Oakland Community Land Trust bought a small mixed-use building on 23rd Street to prevent the displacement of numerous small businesses. The Oakland CLT purchased the entire building but sold the individual storefronts to the retail business owners. The Allapattah Collaborative CDC in Miami is studying the same model to assist a number of businesses in danger of displacement due to development pressure.

3. **Develop a Commercial Inclusionary Zoning Plan.** Although commercial inclusionary zoning is rare, it could provide additional protections for small businesses by offering set-asides targeted to minority-owned and small independent businesses in new developments in communities of color. For example, commercial inclusionary zoning could require a certain proportion of ground-floor retail or ensure that businesses can access below-market rents. One option would be to consider a commercial version of DC's Tenant Opportunity to Purchase Act (TOPA), a successful tool for rent stabilization, homeownership, and tenant protection. DC's Department of Small and Local Business Development is studying inclusionary zoning that would require developers of commercial properties to set aside a minimum percentage of affordable square footage for small and disadvantaged businesses.

**4. Utilize Community Benefits Agreements.** Community Benefits Agreements (CBA) can be an excellent tool to empower a neighborhood. If experienced negotiators effectively advise the community representatives, a community can obtain substantial housing affordability requirements, jobs, procurement preferences, and small business protections. In East Harlem, a major 700,000 square-foot mixed-use development in 2015 specified that 50,000 square feet should be reserved for local retailers. In Minneapolis, the Longfellow Community Council signed a CBA with a developer setting aside at least 30% of the commercial tenant mix for community-based small businesses. Locally, the Douglass Community Land Trust was created as an outgrowth of a CBA for the 11th Street Bridge pedestrian park to help preserve housing affordability for neighborhoods east of the Anacostia River in Washington, DC.

5. **Create Small Business Hubs.** Displaced small businesses may have no place to go and may not be able to relocate within the same commercial corridor. Similar to what happens with mini-malls, arcades, or food halls, businesses could relocate to smaller individual spaces to provide them with an opportunity to stay in touch with their existing customer base and the community. Georgetown BID is currently working with the District to repurpose the Western Market, which was home to Dean and DeLuca's specialty food purveyor for almost twenty years. La Cocina is a successful food incubator that promotes women and minority-owned small businesses in San Francisco. Miami's Allapattah neighborhood is developing a feasibility study to identify potential buildings that could serve as a small business hub called Bayahibe to keep Dominican businesses together that are in danger of displacement.

6. **Encourage Reuse.** Currently, there's too much retail space. Nationally, there is 41 square feet of retail space per capita (2017), about four times as much as in 1960. Yet, property owners in gentrifying neighborhoods raise the rents on good tenants only to leave the space vacant with the expectation of a significant offer. Both Montgomery and Prince George's County should consider taxing vacant property as an incentive for the property owner to offer reasonable rents. At the same time, county planning departments should pursue more flexible zoning and approving variances that allow non-traditional retail, pop-ups, and smaller store fronts to spur reuse. Montgomery County Planning is studying options as part of its Diverse Retail Study.

Place-based Management

Many of the recommendations mentioned above occur at the systems level requiring joint effort by the PLCC, its members, elected officials, and the public. However, change at the neighborhood level requires a champion who can execute and implement change daily. Decades of experience have shown that commercial district revitalization requires a holistic approach that addresses physical improvements, marketing and promotion, and economic adaptation led by an organization with broad stakeholders and effective managers orchestrating the effort. Organizations like Main Street America, International Downtown Association, Local Initiatives Support Corporation (LISC), among others, have successfully tested place-based management over the past 40 years.

Businesses need help adapting to change, whether it's the construction of the Purple Line, gentrification pressure, or the pandemic. Small businesses do not have the time or the means to organize events and implement strategies that will help them improve their business and commercial district. For businesses to move from triage to transition to transformation, they need a revitalization champion -- a champion who can orchestrate various strategies at the same time. Whether it's creative placemaking through a "streatery" or a "Buy Local" campaign or direct small business consulting to help a business accept online orders, one strategy alone won't resolve their needs. Neither will an uncoordinated string of services by various organizations who may offer similar services and who have not developed the trust or deep relationship with each small business to understand their needs.

Several organizations along the Purple Line currently have a full-time staff person, part-time staff person, or someone who undertakes limited duties. Most organizations are under-resourced and unable to provide a holistic approach. For example, Central Kenilworth Avenue Revitalization (CKAR) CDC has only recently hired a former VISTA volunteer to work more closely with small businesses. Northern Gateway CDC is unable to restart its small business outreach because of funding. And Montgomery Housing Partnership has long provided support to the Long Branch Business League, but their dedicated staff person also serves Silver Spring.

The Institute of Place Management defines place management as "a coordinated, area-based, multi-stakeholder approach to improve locations, harnessing the skills, experiences and resources of those in the private, public, and voluntary sectors." Place management organizations can take the form of public, private, non- profit, or mixed entities that promote development, provide "clean and safe" services, and actively manage the place's brand identity. Research by Christopher Leinberger (recently retired) and his colleague from the George Washington University's Center for Real Estate and Urban Analysis has shown the link between place-based management and successful walkable urban places.

Other examples of place-based management organizations include business development associations and Main Street organizations. Many place-based organizations have been incubated by a community development corporation or similar community-based organization. In each of these examples, a strong manager with a multi-sector stakeholder board orchestrates activities in a wide variety of areas, including advocacy, branding, creative placemaking, and small business technical assistance.

Regionally, there are dozens of successful examples of place-based management, such as the Bethesda Urban Partnership, the H Street Main Street program in D.C., Old Takoma Main Street in Takoma, Maryland. Both Washington, D.C. and Baltimore have citywide Main Street programs that provide funding and support to place-based managers in neighborhoods across their city.

The PLCC Small Business Action Team has already identified three key priorities that are typical activities of a place-based management organization – joint marketing efforts, coordination by service providers, and advocacy on behalf of small businesses.
Some strategies identified by the Action Team that a full-time place-based manager could conduct include:

- coordination of specialized technical assistance at the place of business.
- communication on the construction schedule and its impacts.
- preparing small businesses to apply for grants and loans, and providing a voice.
- advocating for small businesses, many of whom are too busy running their business to engage in advocacy efforts.

Types of Place-Based Management Organizations

As described above, place-based management organizations come in various forms, and each has its strengths and weaknesses.

- Merchant's associations and Chambers of Commerce are typically composed of retailers, small businesses, and large employers. They may also include anchor institutions such as hospitals, colleges, and universities.
- Business Improvement Districts are self-assessed downtown revitalization organizations that require the agreement of property owners within a defined area. State-enabling legislation and local laws lay out the creation and assessment rates for BIDs. BIDs provide clean and safe activities, marketing, and branding. Management and programming of public spaces, including parks, sidewalls, and other public areas. Another variation of a BID is a Community Improvement District run by a nonprofit entity.
- Main Street organizations are established as independent nonprofits with a board of directors composed of business owners, commercial property owners, residents, and civic leaders. The board, in conjunction with partners and volunteers, works across a broad range of activities.

- **CDCs** are neighborhood-based or regional community-based organizations with a mission to improve the lives of their community through place-based revitalization efforts such as housing, economic development, or infrastructure or people-based efforts such as education, workforce development, or family services. Some CDCs have commercial revitalization or small business navigator programs.

As one can see from the table below, some important differences between the various types of place-based management organizations may not be appropriate for commercial districts along the Purple Line Corridor.

*Table 1: Placemaking Organization Characteristics*

| | Full-time Manager | Taxing District | Member-ship Fee | Clean & Safe | Marketing & Branding | Placemaking | Multi-sector Organization | Small Business Services |
|---|---|---|---|---|---|---|---|---|
| Merchants' Association | Infrequently | N/A | Often | Infrequently | Often | Infrequently | Infrequently | Infrequently |
| CDCs | Sometimes | N/A | Infrequently | Infrequently | Sometimes | Sometimes | Often | Often |
| BIDs | Often | Often | Infrequently | Often | Often | Often | Sometimes | Sometimes |
| Main Street | Often | Sometimes | Often | Sometimes | Often | Often | Often | Often |

Red dot=Infrequently, Yellow dot=Sometimes, Green dot=Often

For example, a merchant's association like Long Branch Business League does not have a full-time manager. Still, it has been successful in organizing businesses and giving them a voice in the face of disruptive construction. Efforts by the Latino Economic Development Center have been successful in providing specialized technical assistance and advocating for grants and loans for businesses in Wheaton and Silver Spring. Still, they have not been able to fund joint marketing efforts or engage in placemaking or other design-related efforts. CDCs such as CKAR have had difficulty balancing competing efforts in the face of fundamental human needs during the pandemic and have focused on food assistance. Without a full-time manager, they will have trouble organizing a comprehensive revitalization effort. Takoma-Langley Crossroads Development Authority (CDA) practically functions as a BID in the City of Takoma Park. However, geographical boundaries limit the CDA, so it cannot provide services across its boundaries in other parts of Langley Park. Although they try to work cooperatively with other organizations, they are restricted from doing so in a more sustained way. At the same time, a BID is a self-assessment district requiring the agreement of property owners. In most of the equity areas, there's likely no desire to create a self-assessment district, nor may the property values be high enough to generate a reasonable budget for a functioning business improvement district.

Best Alternative: Main Street Program

The best alternative for a place-based management organization for equity areas and commercial districts along the Purple Line corridor is a Main Street™ program. Main Street is a volunteer-based, multi-sector effort that comprehensively addresses revitalization. The Main Street™ program is part of the Main Street America program of the nonprofit National Main Street Center, Inc., a National Trust for Historic Preservation subsidiary.

Main Street™ includes a network of over 1,600 communities of all sizes from rural to urban areas. Main Street™ is a preservation-based economic development framework driven by a locally adopted, market-based strategy. Since 1980, Main Street America has been helping revitalize older and historic commercial districts. Altogether, Main Street communities have reinvested $85.43 billion, started 150,079 businesses, created 672,333 jobs, and rehabilitated 295,348 buildings.

The Main Street is an adaptable framework with the premise that comprehensive revitalization or transformation happens when a strong multi-sector organization with a full-time manager implements activities in four broad areas: design, promotion, economic vitality, and organization. The list below lists some of the activities a manager focuses on:

*Design*: façade improvements, streetscapes, adaptive reuse, public art, tactical urbanism, creative placemaking, wayfinding;

*Promotion*: street festivals, business niche events, branding, image building, and social media strategy;

Economic Vitality: small business navigator, revolving loan funds, small business training, direct small business consulting, resource hubs, maker space, incubators;

And, Organization: board with diverse stakeholder groups such as retailers and small businesses, banks, CDFIs, anchor institutions, local government, neighborhood associations.

A Transformation Strategy is based on an overall vision and market analysis for the community, downtown, or commercial district after extensive community engagement. For example, a neighborhood commercial district with a major hospital center in Northeast Philadelphia created a strategy around their health district by attracting seniors. Or a community on the Deschutes River in Washington State is banking on recreation to transform their downtown. Or closer to home, the Shaw Main Street program celebrates its historic roots as an African American cultural mecca.

The advantage of adopting the Main Street model is that the program already has an established reputation in the region. For example, Old Takoma is part of the Maryland Main Street program, which has a small-town focus and is a part of the Maryland

Department of Housing and Community Development. The Baltimore Main Streets has eight active programs supported by the City of Baltimore's Minority and Women-Owned Business Development. H Street Main Street in Washington, D.C. is a part of the DC Main Streets program with 24 active neighborhood-based programs supported by the Department of Small and Local Business Development.

Based on the analysis of the six equity areas and the existing organizational infrastructure, the Purple Line corridor would benefit from a corridor-wide Main Street program. In order to successfully launch a Main Street program along the Purple Line, the following resources are needed:

1. **Work with an existing or new organization** whose mission is commercial district revitalization, such as CKAR, LEDC, or Long Branch. Where an organization does not exist, provide seed funding to create a Main Street program.

2. **Hire a full-time staff director** for each Main Street revitalization program. Experience has shown that only a full-time staff person can implement and execute initiatives in the four broad areas. A full-time staff person will have the time to develop trusting relationships with retailers and business owners.

3. **Fund at least two additional positions** to assist with events, branding, promotion and another dedicated to small business technical assistance who can serve as a small business navigator dedicated to businesses along one particular corridor. The small business navigator can develop a plan for each business, coordinate services, and schedule trainings.

4. **Establish partnerships** with larger, regional, or countywide organizations and CDFIs dedicated to small business such as the SBDC, county economic development departments, and larger organizations such as FSC First and LEDC.

5. **Locate in the district.** The coalition should establish a physical presence along the commercial corridor. Although work is primarily virtual at this moment, in-person activity will return to commercial districts, and small businesses need the physical and moral support close to their place of business.

6.**Establish a coordinating program.** Like a citywide Main Street program, programs along the Purple Line need support in joint fundraising, coordinating technical assistance from national organizations, sharing best practices, and holding joint trainings.

7. **Work with the National Main Street Center's (NMSC) Urban Main program.** NMSC's Urban Main has experience with place-based management programs in urban areas across the country, including Chicago and Boston. Purple Line corridor place-based managers would benefit from peer learning from other managers across the country.

Many place-based management programs fail because those who lead them do not scale up according to the need for services causing them to flounder and fail. Currently, immigrant and minority-owned businesses in communities of color are not pivoting as quickly as other commercial districts in the region because existing organizations don't have the capacity or the funding to conduct the necessary work on a full-time basis. To launch a program with an opportunity for success, Main Street best practice shows a three-year sustained commitment of approximately $250,000 per year from all sources. Successful Main Street programs receive funding from various sources, including state government, local government, philanthropy, and private sponsors. Typically, an urban Main Street program budget includes: salary for a manager with the requisite experience ($80,000 plus benefits), two program associates or interns ($40,000); and program funding ($80,000 – office space and administrative costs, small business coaching, events, branding, community engagement, market repositioning.) In-kind donations, for example, free office space, may defray some of these costs.

Currently, the PLCC is piloting some of these strategies and recommendations. The PLCC, through the National Center for Smart Growth in partnership with the University of Maryland's University Center. The University Centers received a CARES Act grant from the Economic Development Administration as part of the federal government's COVID-19 pandemic recovery funds. NCSG is engaging &Access and Ochoa Urban Collaborative to help small business owners re-envision their business practices and strategies, provide PPE equipment, and help them adjust with their safety protocols, and provide capacity and training to existing organizations engaged in commercial district revitalization.

The grant will provide funding to reach 100 businesses, offer in-depth technical assistance to 25 businesses, and assist three existing organizations. The grant is intended to pilot and kickstart more widespread assistance needed along the corridor to help commercial districts in the three selected equity areas transform. The services will be provided over two years in three phases:

- Phase 1: Small Business Outreach & Support Kits
- Phase 2: Small Business Triage and Business Planning
- Phase 3: Connecting Organizations with Resources

The NCSG and the University Center are seeking additional funds to scale up this program to all six equity areas.

# Conclusion

Purple Line businesses are at a critical juncture. Small businesses are facing closure in the last three months of 2020. Although stalled for now, light rail construction will resume again, fueling speculation and gentrification as the economy recovers once again. These businesses pay county, state, and federal taxes, provide livelihoods to thousands of families throughout the county, and provide essential services to residents. If these businesses and the diverse communities that they represent survive, the PLCC must galvanize its efforts for collective action. This would include advocating for the recommendations in this report to bring about systems-level change and work with funding partners from the state, the county, and local philanthropy to fund a place-based strategy outlined in this report. If these investments and strategies get implemented, each of the six equity areas - Riverdale, Northern Gateway/Langley Park/East Hyattsville, Long Branch, Takoma/Langley Crossroads, Bonifant Street/Fenton Village in Silver Spring, and Brookville Road - will have an opportunity to survive, pivot, and transform their businesses to create a more vital Purple Line corridor. One that mirrors the cultural and economic diversity of our community.

# Appendix I: Potential Actions Table

| Strategy/Action for Consideration (Potential Sectors Involved) | Funding | Policy | Technical Assistance | Education, Advocacy | Research | Collab-oration | 2021 | 2022 | 2023+ |
|---|---|---|---|---|---|---|---|---|---|
| **TRIAGE:** | | | | | | | √ | | |
| 1. Advocate for continued Federal small business relief (Federal) | √ | | √ | | | | √ | | |
| 2. Enact a commercial eviction moratorium (County Councils) | | √ | | √ | | | √ | | |
| 3. Provide tax forgiveness (County Councils) | | √ | | √ | | | √ | | |
| 4. Prioritize grants more than loans (Counties, Municipalities, State) | √ | √ | | √ | | | √ | | |
| 5. Seek philanthropic relief funds (Philanthropy, Banks) | √ | | | | | √ | √ | | |
| 6. Defer utility payments (Utilities, County Councils) | √ | √ | | | | | √ | | |
| 7. Provide specialized technical assistance. (Service providers, State, Others) | | | √ | | | √ | √ | | |
| 8. Fund legal aid organizations (County Councils, State, Philanthropy) | √ | | | | | | √ | | |
| 9. Help businesses go online (Counties, TA Providers, Banks?) | √ | | √ | | | | √ | | |

| Strategy/Action for Consideration | Funding | Policy | Technical Assistance | Education Advocacy | Research | Collab-oration | 2021 | 2022 | 2023+ |
|---|---|---|---|---|---|---|---|---|---|
| **TRANSITION:** | | | | | | | | √ | √ |
| 1.Expand Existing Revolving Loan Funds (CDFIs, State Agencies, Others?) | √ | | | | | | | √ | √ |
| 2.Enact Construction Disruption Programs (State? County Councils) | √ | √ | | | | | | √ | √ |
| 3.Promote and Market Purple Line Businesses (Counties, CDCs, Assoc,+) | √ | | √ | | | √ | | √ | √ |
| 4.Boost Buy Local Programs (Counties, UMD, Anchor Institutions, Chambers) | | √ | √ | √ | | √ | | √ | √ |
| 5. Protect Legacy Businesses. (Counties, Philanthropy) | √ | √ | | | | | | √ | √ |
| 6. Support Infrastructure and Façade Improvements. (Counties, Others) | √ | | | | | | | √ | √ |

# Appendix I: Potential Actions Table Cont.

| Strategy/Action for Consideration | Funding | Policy | Technical Assistance | Education Advocacy | Research | Collab-oration | 2021 | 2022 | 2023+ |
|---|---|---|---|---|---|---|---|---|---|
| **TRANSFORMATION:** | | | | | | | | | |
| 1. Invest in Businesses. (CDCs, RFCs, other) | √ | | | | √ | √ | | | √ |
| 2. Explore the Shared Equity Model. (tbd) | √ | | | √ | √ | √ | | | √ |
| 3. Develop a Commercial Inclusionary Zoning Plan (Counties) | | √ | | √ | | | | | √ |
| 4. Utilize Community Benefits Agreements (Counties? Other?) | | | | | | √ | | | √ |
| 5. Create Small Business Hubs. (tbd) | | | | | | √ | | ? | √ |
| 6. Encourage Reuse (Tax Vacant Property, Flexible Zoning, Variances). (Counties, Planning) | | √ | | | | | | | √ |
| PLACE-BASED MANAGEMENT with many actions above | √ | | √ | | | √ | | √ | √ |

# Appendix II: Case Studies

1. Ready to Rail:" Loan Fund for Little Mekong

   *St. Paul, Minnesota*

2. Planning for an Equitable Future in East Colfax

   *Denver, Colorado*

3. District Bridges - Finding Economies of Scale for Place-based Management

   *Washington, DC*

4. Independent Businesses Band Together to Promote Buy Local

   *Louisville, Kentucky*

# Case Study 1: "Ready to Rail:" Loan Fund for Little Mekong

## *St. Paul, Minnesota*

When St. Paul's Little Mekong business community was impacted by the construction of the 11-mile Central Corridor (Green Line) light rail line, they fought back. In 2010, the Asian Economic Development Association (AEDA) organized approximately 74 small businesses along the five-block area, conducted an impact study, and filed a complaint to the Federal Transit Administration detailing the negative effects of construction disruption on the neighborhood's largely Asian small business community.

AEDA became active in the Met Council, a coalition of community and stakeholder groups concerned about the disruption and potential gentrification along the entire light rail line – focusing especially on transit access for low-income communities, affordable housing preservation, and small business. AEDA, in coalition with other stakeholders such as the NAACP, the Met Council, the region's council of governments, local governments and foundations, created the Central Corridor Funder's Collaborative to fund a loan program for small businesses experiencing business disruption and displacement.

The "Ready to Rail" loan program is a $1.5 million interest-free fund to help small businesses during construction. Loans were capped at $20,000 per business. Because the loan program allied itself with AEDA, the program was able to build on the trust AEDA created with Asian businesses over many years and achieve wide reach. The program also included marketing assistance and construction alerts for participating small businesses. In addition, the initiative led to a new requirement for light-rail building contractors to mitigate business impacts, for example, by ensuring that streets in front of businesses be restored within 150 days of impact and sidewalks within 15 days. Despite these new requirements, over 100 businesses were severely impacted during construction, losing much more in revenue than could be recouped by the loan program. In the end, the Met Council improved the "Ready to Rail" loan by forgiving loans and adding small business technical assistance and placemaking support – leading to positive changes that ultimately helped small businesses weather construction impacts.

*(Sources: Asian Economic Development Association, Met Council, Minnesota Star Tribune)*

# Case Study 2: Planning for an Equitable Future in East Colfax

## *Denver, Colorado*

East Colfax is Denver's most culturally diverse neighborhood. Almost a quarter of the 33,000 residents were born outside the US, and 35% speak a language other than English at home. Colfax Avenue – an important transit corridor - is the commercial spine of four gentrifying neighborhoods, where 74% of the approximately 464 businesses are small, independent, and minority-owned. At one point, the City of Denver considered a light rail line, but opted for a Bus Rapid Transit (BRT) line instead. As part of a Federal Transit Administration grant, the City of Denver's Department of Community Planning and Development prepared the draft East Area Plan, released to the public in March 2020. The plan makes six guiding recommendations, four of which specifically pertain to small businesses. These are: connect existing small businesses to resources; brand East Colfax as the International Corridor; make it easier to reuse existing buildings; and promote new start-up businesses. The plan has established an overall goal of preserving 75% of locally-owned businesses. To reach that goal, the plan includes strategies such as discounted rent for existing tenants as an option in community benefits agreements; small business incubators; more shared workspaces; and additional business development training, mentoring, and funding.

One example of an incubator is Mi Casa Resource Center in West Denver, which generated over $60 million in revenue by serving businesses owned by women and people of color. The City is also establishing the Business Impact Opportunity (BIO) Fund to the Colfax corridor to help businesses before, during, and after BRT construction. Because of the concentration of businesses from Latin America and Ethiopia, the idea of an International Corridor is gaining traction. Besides marketing and branding, the plan goes one step further by proposing additional incentives to help existing businesses right away. For example, the planning department is open to making permitting easier -- including change of use permits, more flexible sign requirements, application fee waivers, and expedited permitting. The plan also proposes additional financial support that will help with retail space expansions, sign upgrades, and building rehabilitation. Additional proposals include financial incentives to landlords who offer long-term leases to existing small businesses, incentives for new projects that offer smaller retail spaces, and below-market commercial space in exchange for density bonuses, low-interest financing, and direct subsidies.

*(Source: East Area Plan, Denver Community Planning & Development)*

# Case Study 3: District Bridges - Finding Economies of Scale for Place-based Management

### *Washington, DC*

District Bridges started as the Columbia Heights Initiative (CHI) in 2005 as a grassroots effort in the Columbia Heights neighborhood of Washington, DC. For years, neighborhood activists and community groups like CHI fought for reinvestment, including the construction of a Metro station, government investment in large redevelopments, and affordable housing. Early CHI initiatives – such as Columbia Heights Day, an event to celebrate the community's diversity and rich Latino heritage – set the stage for locally-led place-based management. After ten years of continued community work, the organization expanded to include other DC neighborhoods and renamed itself District Bridges.

As part of its economic development strategy, District Bridges established a Main Street program in 2016 in Columbia Heights. The Main Street framework is a holistic national economic development model with a preference for small and local businesses, walkable and historic neighborhood districts, and an incremental approach, with broad stakeholder engagement. District Bridges is supported by the District of Columbia's Department of Small and Local Business Development (DSLBD), which funds 26 Main Street programs across Washington, DC. District Bridges manages nine Main Street programs in diverse communities such as U Street, a historic African-American neighborhood, and Mount Pleasant, the historic heart of the region's Latino community.

District Bridges provides support to other Main Streets by bringing economies of scale to various services that fill common needs -- such as marketing, training, and technical expertise. District Bridges also leverages its organizational capacity to support fledgling organizations seeking to do similar work in other parts of the city, through its Community-Based Corridor Enhancements Lab (CCCEL). CCCEL helps grow early-stage community initiatives into sustainable organizations through a three-pronged approach. First, they assist the group to work with local stakeholders to raise enough funds to seed their initiative. Secondly, they help conduct a business and community survey to map out needs, understand assets, and identify existing resources already in place. Finally, through a series of community sessions, District Bridges supports the group to develop a brand identity, create a communications strategy, and map next steps to grow their program. District Bridges is sharing the secret to their success by leveraging how they operate and sharing what they've learned.

*(Sources: District Bridges website; Interview with Brianne Dornbush)*

# Case Study 4: Independent Businesses Band Together to Promote Buy Local

## *Louisville, Kentucky*

In 2017, Louisville businesses came together to create a local business alliance. Founded to preserve the unique community character of the Metro Louisville area, the Louisville Independent Business Alliance (LIBA) promotes locally owned, independent businesses and educates citizens on the value of purchasing locally. According to the 2007 Economic Census, Jefferson County, where Louisville is located, produces annual retail store sales of roughly $10 billion. LIBA commissioned a study of Louisville-area businesses that shows that for every $100 spent at a locally owned, independent business, $55 is reinvested locally versus $14 that is reinvested when that same money is spent at a national chain. LIBA calculated that just a 10% market shift from chains to independents would retain an additional $416 million in the regional economy every year.

LIBA promotes pride and increases the value of locally owned businesses by educating residents on the importance of these businesses to the local economy and culture, encouraging local residents to view themselves as citizens rather than consumers. LIBA offers members common branding, promotion via printed ads, billboard images, and radio and TV spots throughout the Louisville region – as well as marketing support for individual businesses. The organization has also created a strong relationship with local government and media in order to give voice to policies that support community-based businesses. Since 2017, LIBA has grown from a loose coalition of businesses to its own 501(c)3 organization with a five-year strategic plan.

LIBA is part of a strong network of Buy Local campaigns across the country through the American Independent Business Alliance (AMIBA) which includes over 100 members in urban and rural areas. AMIBA addresses common issues facing local business communities by leading a national grassroots campaign, conducting research, and developing policy at the federal, state, and local level. Through these campaigns, LIBA and AMIBA have been able to increase the profile of Buy Local Campaigns that in turn have supported small business preservation and resilience in Louisville and around the country.

*(Sources:American Independent Business Alliance; Louisville Independent Business Alliance*