



The Endangered Enclave

Hispanic-Owned Business Displacement in Brooklyn, 2002–2012

Mike Owen Benediktsson, Brian Lamberta and Sarah Van Norden

While most gentrification studies focus on residential displacement, businesses also suffer from rising rents and a shifting clientele. Focusing on Hispanic-owned businesses in gentrifying areas of New York City, Mike Owen Benediktsson, Brian Lamberta, and Sarah Van Norden document gentrification's commercial impact, and offer potential solutions for preserving a neighborhood's commercial landscape.

In recent years, amid soaring property values in New York City, thousands of independently owned shops and restaurants have been forced to close their doors. A flurry of photographic essays, blog posts,¹ and even a coffee-table book² have eulogized the vanishing “mom-and-pop” shop, whose quaint displays and tattered awning speaks of an era when immigrant storekeepers defined the character of local commercial culture, rather than expensive boutiques or retail chains. In response to a mounting wave of public concern, the de Blasio administration has increased funding by 75% for the city’s Small Business Services department,³ and has drastically reduced the regulatory burden faced by small businesses in the city.⁴ Meanwhile, city council members have proposed competing legislation⁵ to protect small businesses, sparring publicly over the best way to insulate them from avaricious landlords and tumultuous real-estate markets. After decades of taking a backseat to residential tenants in real-estate policy discussions, New York City’s small-business owners now find themselves at the center of an increasingly crowded and heated debate.

The endangered enclave

This debate is overdue. Sociologically speaking, small storefront businesses carry an important part of a neighborhood’s genetic code. They help to define and reproduce its identity, connecting its past to its present and, perhaps, its future. Although social scientists have debated the merits of “ethnic enclave economies” for immigrant workers (Portes and Jensen 1989, Sanders and Nee 1987, Waldinger 1993), there is little doubt that immigrant-owned commercial establishments embody and preserve the cultural heritage of an ethnic neighborhood. Last year, in the pages of *El Diario*,⁶ New York City’s largest-circulating Spanish-language newspaper, an East Harlem resident named Estela Matos, who had lived in the neighborhood for 45 years, predicted the demise of its commercial identity. “Years ago, white people would come here because they wanted to experience

¹ See, for example: <http://vanishingnewyork.blogspot.com>.

² See: www.barnesandnoble.com/p/store-front-james-t-murray/1015846141/2671934132143.

³ See: www.bizjournals.com/albany/news/2015/05/07/mayor-to-give-boost-to-small-business.html.

⁴ See: <http://observer.com/2015/07/de-blasio-administration-touts-drop-in-small-business-fines>.

⁵ See: www.nypress.com/local-news/20150722/the-battle-over-small-business/2.

⁶ See: <http://voicesofny.org/2014/03/in-nyc-changing-neighborhoods-lose-their-latino-identity>.

our culture and our food,” she lamented. “Now they come because they *have* to, and, in a few years, there will be no trace of the culture that we Puerto Ricans brought to this place [emphasis added]” (Matossian, Botero and Romo 2014).

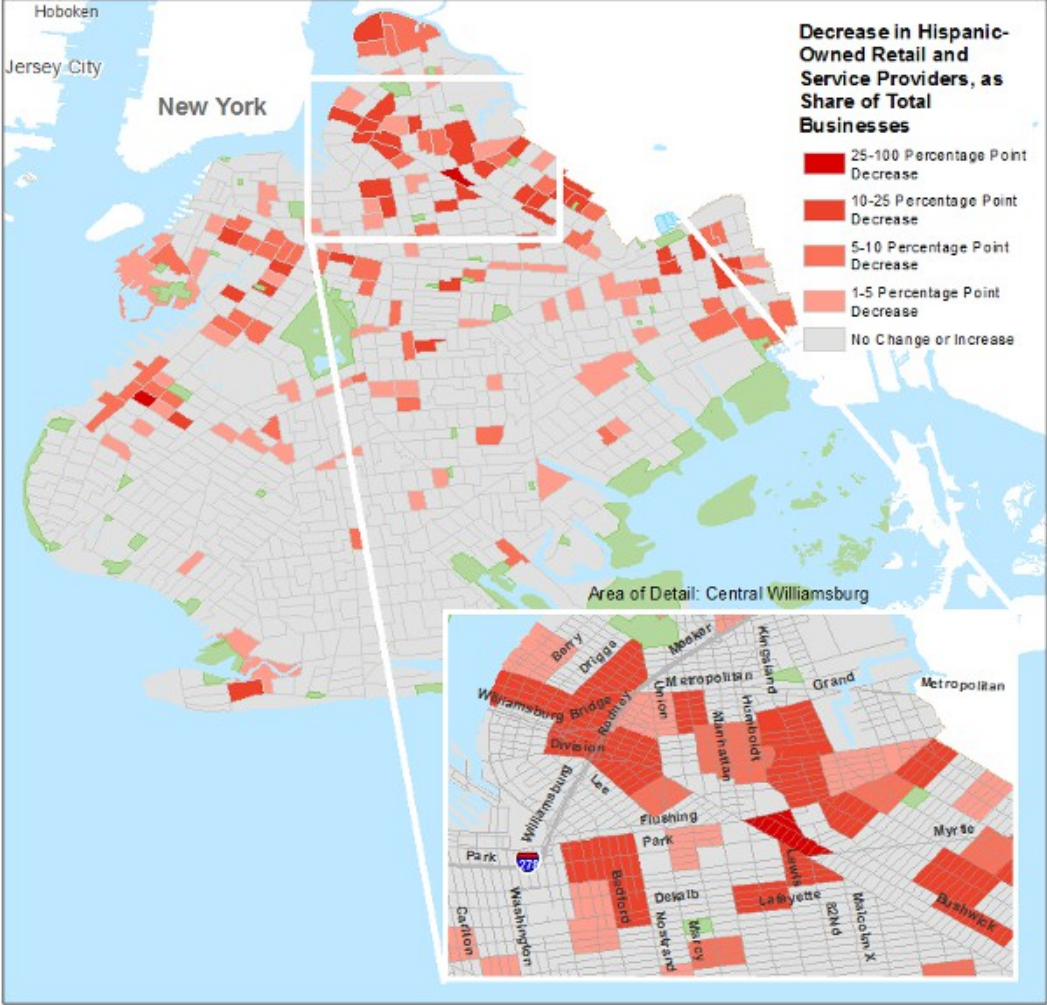
This sounds at first like a standard case of ethnic succession. Residential turnover is as old as the modern city itself, and is well-traveled ground for American urban sociologists (see Park and Burgess 1984). But Matos actually describes a commercial dynamic that is a bit more complex, echoing a distinction that urban researchers have drawn between early newcomers attracted to a neighborhood’s cultural heritage, and later, more capital-intensive waves of gentrification that occur largely in spite of this heritage. As increasingly affluent residents arrive in a neighborhood, Zukin (2009) and Lees (2003, 2000) argue, they bring not just new consumption tastes, but a supporting cast of restaurateurs, entrepreneurs, financiers, and developers, who help to remake the commercial landscape in their image. The result is a “cultural displacement” (Ocejo 2011) that parallels social displacement, but that takes place through commercial rather than residential real-estate markets.

A hostile climate

In order to probe more deeply into the demographic and economic forces threatening the viability of New York City’s ethnic enclaves, our research team—a professor, a graduate student, and an undergraduate at Hunter College, City University of New York (CUNY)—described and analyzed local declines in Hispanic-owned businesses in Brooklyn between 2002 and 2012. Drawing upon a decade of business directory data and Census data, we used GIS software to map census tracts where the decline in the Hispanic-owned share of retail shops and service providers was particularly extreme⁷ (Figure 1). We found that the most dramatic losses occurred where longstanding Hispanic communities were enveloped by the expanding perimeter of gentrifying areas – for example, along the western edge of Sunset Park, along 3rd and 4th Avenues in Gowanus, and, most notably, in a band of census tracts extending from east to west through the center of Williamsburg and into Bushwick.

⁷ In view of a lack of a direct, self-reported measure of the race and ethnicity of business owners, an indirect method was used. The InfoGroup data contain fields for the last name and first name of the business owner. Using the Census Bureau’s list of last names by racial and ethnic population share for the 2000 Decennial Census, businesses in each tract in 2012 were coded according to the most heavily represented racial and ethnic category for the owner’s last name on this list. A percentage was then calculated representing the share of businesses owned by Hispanics in 2002 and 2012, as identified in this manner. Racial and ethnic estimation using Census Bureau surname lists (in conjunction with geocoded census tract data that we omit for obvious reasons) have proven accurate in identifying Hispanics and Asians, less so for differentiating whites from blacks (Elliott *et al.* 2009; Fiscella and Fremont 2006). However, we do not anticipate any resulting error to be correlated with the independent variables in the analysis. Instead, we expect the measure to be accurate in capturing racial and ethnic succession from Hispanic or Asian businesses to white businesses (or vice versa) while representing a more conservative and slightly less reliable (i.e. noisier) measure of black-to-white or white-to-black transition.

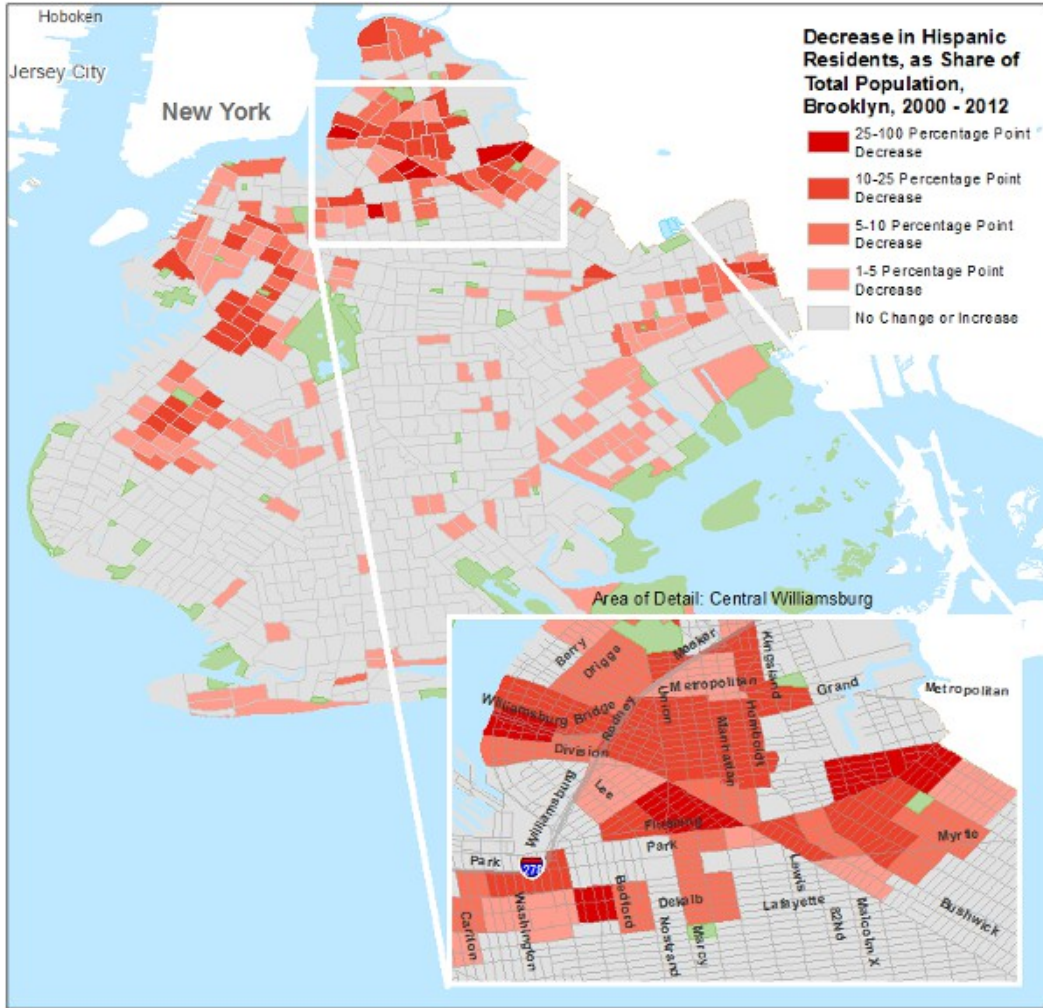
Figure 1. Loss of Hispanic-owned businesses in Brooklyn, 2002–2012



To see whether these spatial patterns are explained by simple ethnic residential succession, we mapped local declines in the Hispanic population over roughly the same period, examining tract-level changes in the percentage of Hispanic residents between 2000 and 2010⁸ (Figure 2). Finally, we charted socioeconomic changes over the same period, examining increases in per-capita income (Figure 3). This basic spatial analysis suggests that, with the exception of Sunset Park, the areas that saw the biggest declines in Hispanic-owned businesses were areas where two things happened simultaneously: the Hispanic population decreased *and* per-capita income increased dramatically.

⁸ We lagged these changes by two years, hypothesizing that demographic change would have a delayed effect on patterns of business ownership.

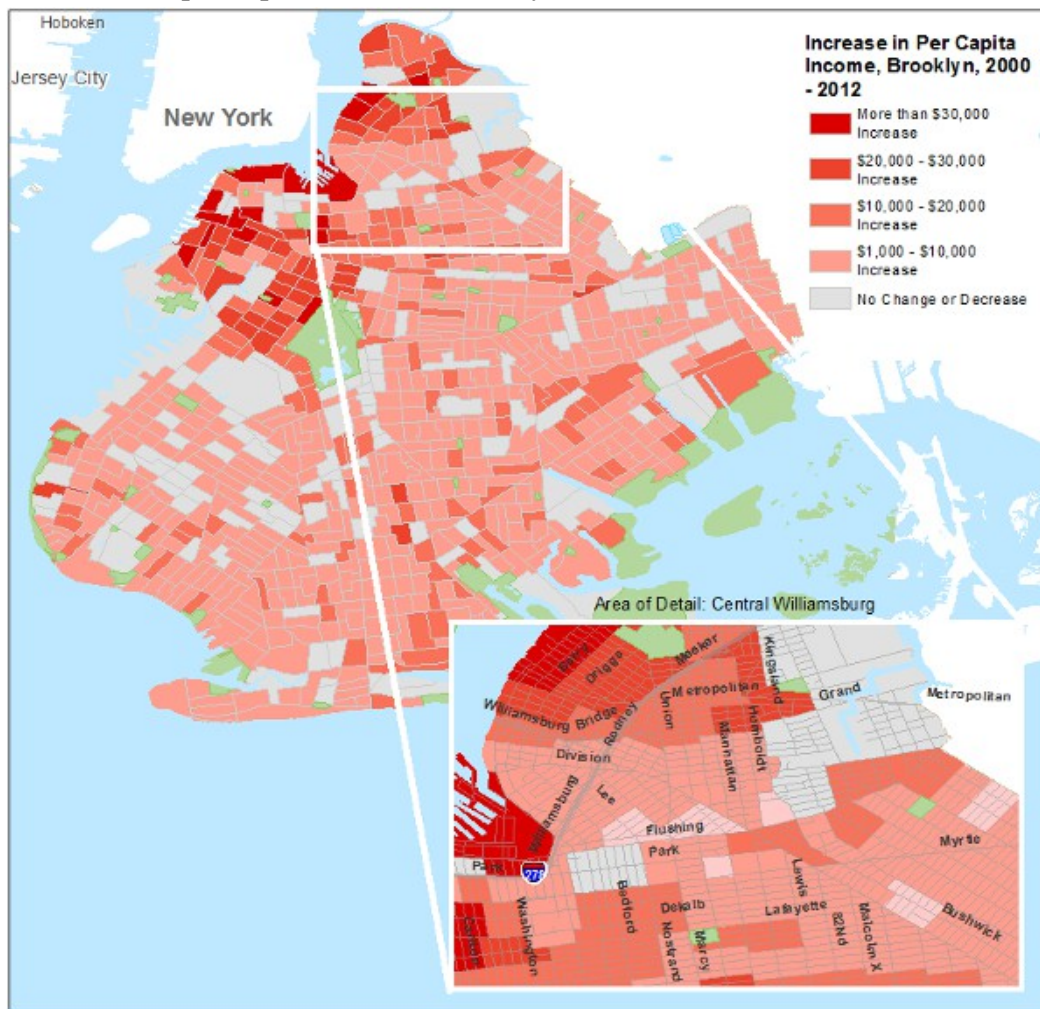
Figure 2. Decline in Hispanic population share in Brooklyn, 2002–2012



Putting this observation to the test, we treated the relationship between demographic and socioeconomic change as an *interaction effect*. In other words, we looked specifically at whether a loss of Hispanic residents from a given census tract had a *larger* effect on Hispanic owned businesses in areas where the affluence of residents was *also* rapidly rising. Figure 3 shows the results of this exercise. In the census tracts where per-capita income increased by more than \$10,000 between 2000 and 2010, a loss in the Hispanic population predicted a statistically significant decline in local Hispanic-owned businesses. Where incomes did not increase so dramatically, the correlation between residential and commercial change was far weaker.⁹

⁹ We went further, testing the interaction term while controlling for a range of preexisting factors (e.g. the Hispanic population share at the beginning of the analysis, residential and commercial density, the commercial zoning of the census tract). We also controlled for neighborhood-level fixed effects. In every specification, we found the strength and the direction of the interaction term to hold up to multivariate analysis.

Figure 3. Increase in per-capita income in Brooklyn, 2002–2012



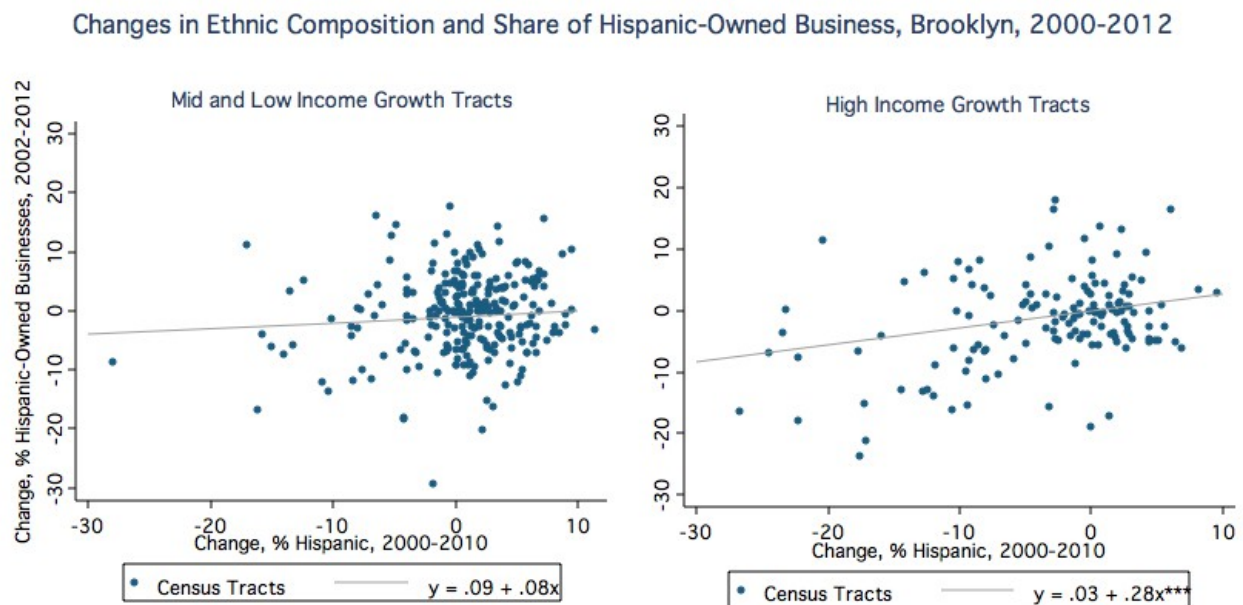
Our analysis points to an important insight that was reemphasized and clarified in a series of roundtable meetings with small-business owners hosted by the Manhattan borough president, and in follow-up interviews that our team conducted with small-business owners and their advocates in Williamsburg, Brooklyn (see area of detail in Figures 1, 2, and 3). For small-business owners, the immediate threat posed by a rapid injection of wealth into a neighborhood is that it leads landlords to demand higher rents, partly because their property taxes are increasing and partly because new commercial tenants (especially chain stores) may be able to afford more than what current tenants are paying. Often, upward pressure on rents results in a deterioration of the relationship between commercial tenants and property owners, producing struggles in which property owners typically have the upper hand. In public forums and the press, commercial tenants describe arbitrary last-minute rent hikes when their leases expire and the threat of summary eviction when the property they occupy is to be redeveloped or has been rezoned. These factors add psychological stress and uncertainty to the financial burden of increasing fixed costs.

To be clear, the surprising finding supported by our analysis is not that these economic changes produced commercial turnover, but that they specifically produced *ethnic* turnover in business ownership. The cultural displacement occurring in Brooklyn’s Hispanic enclaves, in other words, is *not* attributable to simple ethnic succession. Gentrification creates a hostile economic climate that leaves ethnic entrepreneurs particularly vulnerable to a decline in their customer base.

Enter the institution

On the other hand, New York City is full of ethnic enclave economies that have persisted in spite of the loss of a local ethnic residential population. The restaurants in Manhattan’s Little Italy have stayed afloat by serving expensive versions of “red sauce” Italian-American classics to tourists. The South Asian business owners of Jackson Heights have survived by catering to a suburban “diaspora” of Indian, Pakistani, and Bangladeshi families who moved out of Queens long ago, and who return to buy products unavailable in the shopping malls of Long Island or Westchester County. A self-reinforcing spatial and cultural dynamic is at work in these cases: by preserving and signaling its ethnic identity, a commercial district can maintain a customer base that, in turn, supports the constituent businesses, allowing the district to continue as such. But the “agglomeration effects” (Light *et al.* 1994) of these ethnic enclaves only benefit the business owners who operate within them. And examples such as Little Italy invite broader philosophical questions concerning the cultural value of a commercial enclave when the ethnic residential population that sustained the enclave has been displaced.

Figure 4. Interaction Between Income Growth and Declining Hispanic Population



Note: High income growth tracts defined by more than a \$10,000 increase in per capita income from 2000 to 2010. Hispanic business ownership calculated using business owner surnames listed in InfoGroup business directory data for 2002 and 2012. Change in per capita income and percent Hispanic calculated from Decennial Census data in 2000 and 2010. Regression line for mid and low income growth tracts not statistically significant. Regression line for high income growth tracts significant at $P < .001$.

In the case of Brooklyn’s Hispanic commercial areas, our study suggests that municipal and community-level institutions stand perhaps the best chance of supporting existing enclaves. Both bills currently under consideration by city council would protect commercial tenants from an abrupt doubling or tripling of their rent by opportunistic landlords, a measure that would protect Hispanic and non-Hispanic business owners alike. But we also uncovered evidence that business improvement districts (BIDs) and other community-level organizations can help to protect Hispanic-owned business. A multivariate analysis (available on request) shows that census tracts containing a BID lost significantly *fewer* Hispanic-owned businesses than those that lacked a BID.¹⁰ This finding is a surprise, as BIDs in New York City tend to represent property owners’ interests over and above those of local businesses, but it makes sense in light of the substantive activities of

¹⁰ On average, the Hispanic-owned share of local business in 2012 was roughly 4 percentage points higher in tracts with a BID—not a huge difference, but a significant one for the two or three Hispanic business owners represented by this figure.

several Brooklyn BIDs.¹¹ By promoting the existing ethnic identity of a commercial area, BIDs and merchants' associations might be able to help Hispanic business owners weather the crosscurrents of gentrification, branding the enclave in order to save it.

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¹¹ An interview with the director of a Brooklyn BID that appears to have been particularly successful in protecting local Hispanic-owned businesses supported this line of reasoning, as she described working with local business owners to help them adapt their marketing strategy to a changing clientele.

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