

Impacts of COVID-19 Across Philadelphia's Neighborhoods

Part 3: Local Relief Efforts for Small Businesses

The economic impact of the COVID-19 pandemic on small businesses and the workers they employ has been devastating. During a nearly three-month shutdown, thousands of Philadelphia's small businesses were forced to close temporarily and more than one-fifth of the city's workforce filed for unemployment. In the wake of these closures and layoffs, relief efforts began at the local, state, and federal levels to help businesses meet obligations during the shutdown and prevent permanent closures. With the Commonwealth's stay-at-home order ending on June 5 and the city's economy beginning to re-open, it will soon become clear whether these efforts were successful.

This report is part three in an ongoing series about the effects of the COVID-19 pandemic on Philadelphia's small business community. This installment focuses on the City's Small Business Relief Fund, a grant and loan program for small businesses administered by the City's Department of Commerce. As discussed in the [first part](#) of this series, the makeup of Philadelphia's local economy and its outsized share of food establishments makes the city's economic crisis particularly severe. A Census survey¹ from the first week of June shows the scale of the crisis: about 48 percent of small businesses in the local metropolitan area reported that the pandemic has had a large negative impact on business operations, about 6 percentage points above the national average.

As shown in the [second installment](#) of this series, the economic impact of the pandemic is adversely affecting the city's most vulnerable neighborhoods, particularly minority-owned businesses in low-income neighborhoods. With this disparate impact in mind, the City's local relief fund was designed to prioritize funding for low-income neighborhoods and minority-owned businesses. This report is not designed to evaluate the program's success in meeting those goals but rather to identify which neighborhoods and businesses have benefited most from the program and where additional investment is still needed. Ultimately, the effectiveness of relief programs and the overall impact on the city's neighborhoods will become apparent in the coming weeks and months, as public health restrictions are reduced and surviving businesses are able to re-open.

Overview

In an effort to ease the economic effects of COVID-19 on small businesses, the City created the Small Business Relief Fund,² supported by City funds as well as institutional and private partners. The Fund made grants and zero-interest loans available to small businesses negatively impacted by COVID-19. The City's Fund raised a total of \$13.3M in funding. Unfortunately, the program

¹ <https://portal.census.gov/pulse/data/>

² <https://www.phila.gov/programs/philadelphia-covid-19-small-business-relief-fund/>

was significantly oversubscribed, receiving more than 7,200 applications and was closed due to limited resources.³

Funds were available for tax-compliant businesses impacted by the economic shutdown. When distributing awards, the review committee prioritized the following criteria, as stated on the Commerce website:⁴

- Provide more jobs during a normal business cycle (pre-COVID-19 levels);
- Suffered a loss of 50% or more of their revenue due to the COVID-19 pandemic;
- Demonstrate a strong chance of remaining open post-COVID-19;
- Lost revenue from other situations in addition to COVID-19, such as recent public works projects like water main breaks, utility repairs, or street closures;
- Employ low-income individuals or are located in a ZIP code with high poverty; and
- Operated consistently for two years or more.

According to a list of recipients⁵ disclosed by the Commerce department, 2,054 businesses received awards in the forms of grants and loans, totaling \$13.3M. The public list of recipients only includes business name, award amount, and award type. To conduct the analysis in this report, business addresses and industries were determined from a variety of data sources, including Pennsylvania data on registered corporations and liquor licenses, information registered with Google Maps, and databases of City business licenses.⁶

The types and amounts of individual awards varied based on annual revenue, with the largest companies eligible for zero-interest loans and smaller companies eligible for grants. The Fund distributed two kinds of grants: \$5k micro grants for businesses with annual revenue less than \$500k and small grants of up to \$25k for businesses with annual revenue from \$500k to \$3M. Zero-interest loans varying in size from \$25k to \$100k were available for companies with annual revenue more than \$3M.

Summary of Small Business Relief Fund Recipients				
Award Type	Number		Amount	
Loan	69	3.4%	\$ 3,205,000	24.1%
Small Grant	279	13.6%	\$ 3,982,000	30.0%
Micro Grant	1,706	83.1%	\$ 6,084,500	45.8%
	2,054	100.0%	\$ 13,271,500	100.0%
<i>Source: Data released by Commerce as of May 22</i>				

³ <https://www.phila.gov/2020-05-14-city-and-pidc-announce-awards-from-the-philadelphia-covid-19-small-business-relief-fund/>

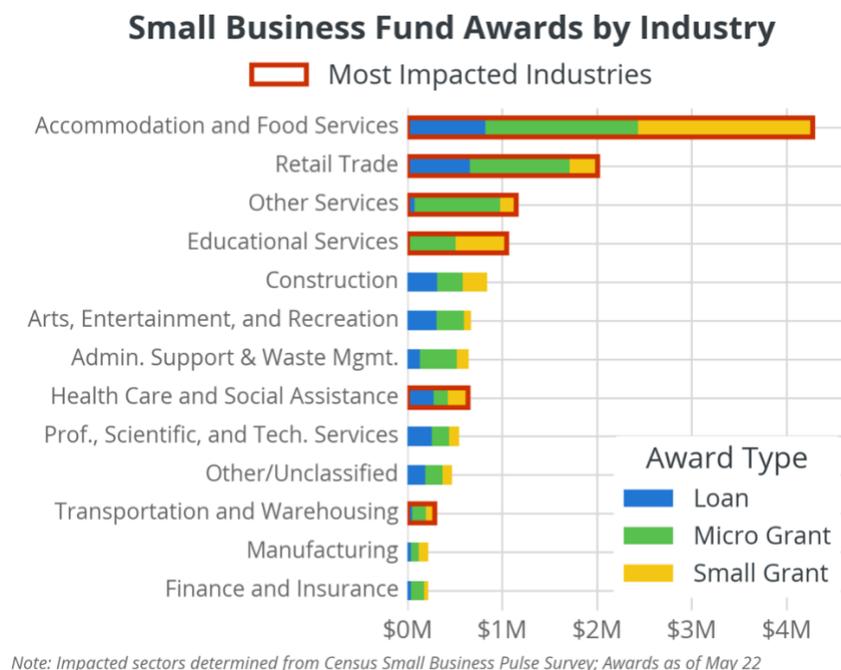
⁴ <https://www.phila.gov/programs/philadelphia-covid-19-small-business-relief-fund/application-for-relief-programs/>

⁵ <https://www.phila.gov/documents/philadelphia-covid-19-small-business-relief-fund-recipients/>

⁶ Addresses for a small fraction of small businesses could not be identified; these businesses are excluded from any geographic analyses of the data. For businesses receiving loans with multiple locations, award amounts are evenly split across locations.

As seen in the table above, micro grants accounted for the vast majority (83 percent) of awards distributed but accounted for only 46 percent (\$6.1M) of the total funds distributed, given their smaller size. On the other hand, zero-interest loans were awarded to only 69 companies (3.4 percent of the total) but accounted for 24 percent (\$3.2M) of the total funds awarded.

The figure below shows the breakdown of funds across industries, with highly impacted industries highlighted in red. The industries receiving the two largest amounts of funding, accommodation/food services and retail trade, have both been disproportionately impacted by the COVID-19 crisis. Together, these two industries received about half of the funds distributed. The accommodation/food services industry received the most funding, about one-third of the total funds, and notably received about one-half of the \$4M of small grant funds. This distribution of funds is reflective of the city’s [small business landscape](#), in which restaurants and bars make up an outsized share of small businesses relative to other large counties.

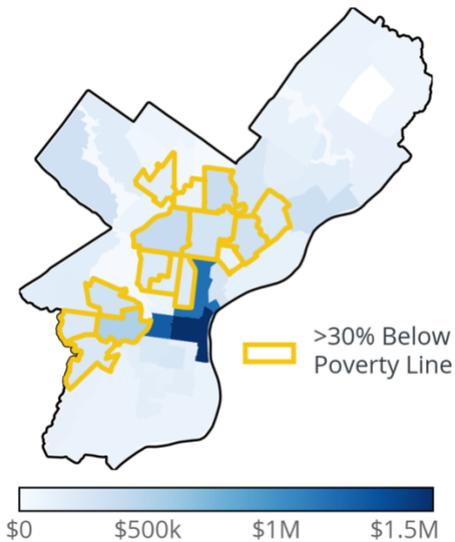


The review committee also prioritized small businesses in low-to-moderate income areas and/or high poverty neighborhoods. However, a substantial fraction of funding is concentrated in greater Center City neighborhoods, consistent with the outsized role these neighborhoods play in the city’s economy. As seen in the figure below, Center City and Northern Liberties/West Kensington account for 31 percent of the total funds distributed. According to Census data, about 28 percent of all small businesses in Philadelphia are located in these neighborhoods.

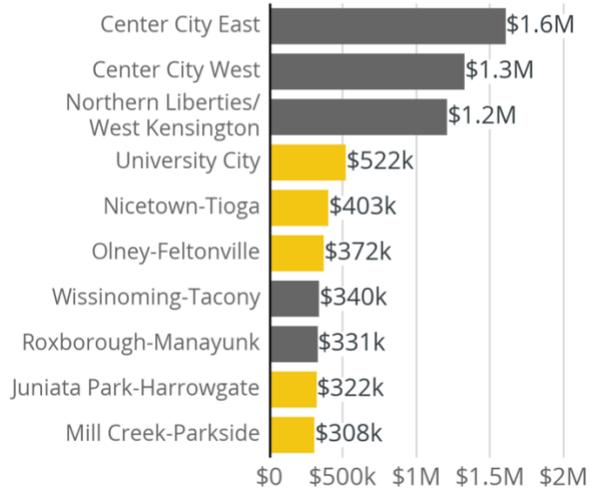
While these three neighborhoods have low poverty levels, five of the next seven neighborhoods receiving the most funds are considered high poverty with more than 30 percent of households below the poverty line. Overall, high-poverty neighborhoods, primarily found in West and North Philadelphia, account for about one-quarter of the city’s small businesses and received about 30 percent of the total funding amount.

Total Small Business Relief Amounts by Neighborhood

\$13.3M has been awarded, with the top 3 neighborhoods accounting for 31%



Top 10 Neighborhoods by Total Award Amount



Source: Local relief grants/loans released by the Commerce Department as of May 22

Assessing Relative Need

The need for small business support has been significantly larger than the available funding to date, with the Small Business Relief Fund able to offer funds to less than one-third of businesses that applied. According to Census data,⁷ there are about 28,000 small businesses in Philadelphia, meaning only about 7 percent of all small businesses received an award through the Fund. Resources and funding are limited, but additional support is certainly needed. To maximize the reach of such resources, this funding, whether from private, philanthropic, or City sources, must be properly aligned with the neighborhoods and industries in greatest need. The following subsections examine which small businesses benefited most from funding so far and identifies neighborhoods and industries in which additional funding is most needed.

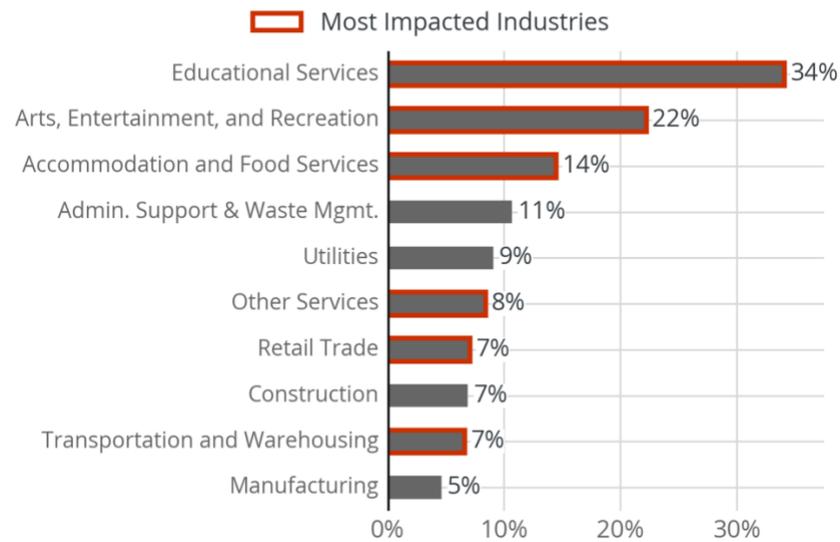
Industry Need

Data from the Census⁸ provides an estimate of the total number of small businesses across different industries in the city. The figure below uses that data to estimate the percent of businesses in an industry that received funds through the City's program. As the figure shows, the industries most impacted by the economic shutdown generally experienced the highest shares of funding.

⁷ 2017 County Business Patterns survey

⁸ 2017 County Business Patterns survey

Percent of Businesses Receiving Relief Awards by Industry
Citywide total for businesses by industry estimated using 2017 Census data



Note: Impacted sectors determined from Census Small Business Pulse Survey; Award data as of May 22

Small businesses in the education sector received the largest share of awards relative to industry size in the city, driven by a large number of day cares receiving awards. Childcare centers have been highly impacted by the COVID-19 crisis, with a recent report estimating that half of licensed centers are at risk of closing permanently.⁹ The Fund distributed more than 180 awards, or 9 percent of the total awards, to education businesses, with the vast majority awarded to childcare centers.

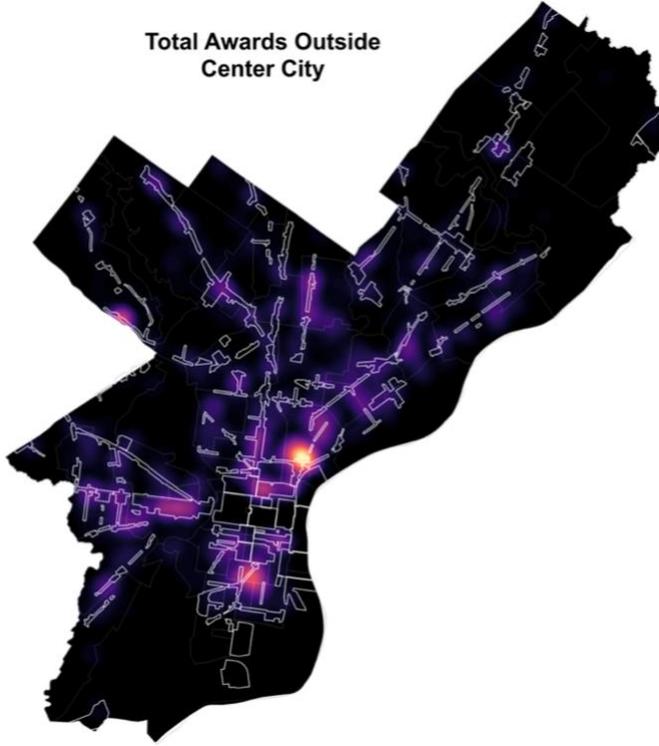
Neighborhood Need

Commercial corridors, particularly those outside Center City, are vital for neighborhood economies, providing access to goods and jobs for local residents. When examining potential targets for future support, it is important to assess the existing investment across the city’s commercial corridors. These corridors primarily support businesses with lower annual revenues, which were eligible for small and micro grants from the City’s Fund. Small and micro grants accounted for \$10.1M in funding, with much of this funding — \$7.7M— going to businesses located outside of Center City. About \$4.3M of this \$7.7M (56 percent) was directed to businesses located directly on commercial corridors.

The heat map below shows the distribution of grant awards across Philadelphia’s neighborhoods, excluding Center City. The concentration of funds around commercial corridors is clear, with a significant amount of funding going to commercial areas in Northern Liberties/Kensington, South Philadelphia, University City, and Manayunk.

⁹ <https://www.americanprogress.org/issues/early-childhood/news/2020/04/24/483817/coronavirus-pandemic-lead-permanent-loss-nearly-4-5-million-child-care-slots/>

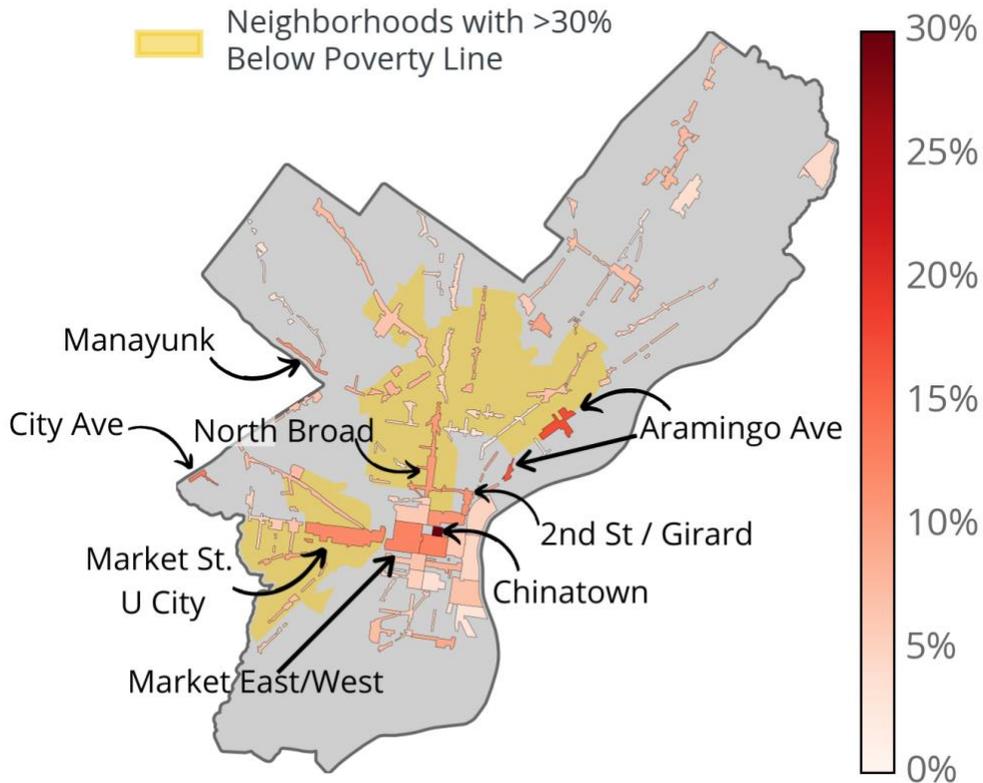
Total Awards Outside
Center City



To examine outstanding need on commercial corridors, the figure below shows the number of grant awards on each corridor as a share of the total number of commercial¹⁰ properties. This metric highlights the concentration of awards in certain corridors. Lacking an up-to-date database of corridor businesses, this analysis relies on property data from the City's Office of Property Assessment. Across all of the city's corridors, an average of 7.2 percent of commercial properties received a grant award from the City's Fund. The Chinatown corridor received the largest share of awards, about 30 percent. Its share was well-above other corridors and nearly double the next-largest share (17 percent for Aramingo Ave).

¹⁰ "Commercial" refers to both commercial and mixed-use property types.

Total Grants per Commercial Property Across Corridors



Notes: Award data as of May 22; Property counts include commercial and mixed use properties from Office of Property Assessment data

The corridors receiving the most awards relative to commercial properties are primarily found outside high-poverty neighborhoods. The Market East/West corridors in Center City, the City Ave. corridor in West Philadelphia, Main Street in Manayunk, and the 2nd St. / Girard corridor in Northern Liberties all received funding shares of more than 10 percent. For corridors in high-poverty neighborhoods, the average funding share was 6.5 percent. Of the eleven corridors with shares greater than 10 percent, only three (Aramingo Ave., North Broad, and Market St./U. City) are in high-poverty neighborhoods. However, it is worth noting that Chinatown’s poverty level (29 percent) falls just below the high-poverty definition used here.

A number of corridors in high poverty neighborhoods received a relatively low number of grants compared to their number of commercial properties. Examples include Kensington Ave. (2.2 percent) and Lehigh Ave. (3.1 percent) in North Philadelphia and 52nd St. (6.6 percent) in West Philadelphia. Corridors such as these, located in historically disadvantaged neighborhoods, are prime targets for future investment.

Future Support

With social distancing measures continuing for the foreseeable future, additional support for the city’s small business community will certainly be needed. The City recently announced a new

\$3M loan program, the Restart PHL Loan Fund, for small businesses in the city.¹¹ With limited resources, this loan program, as well as any future investments, must be properly aligned with outstanding needs. The analysis in this report can be used as a starting point to identify the communities and industries where investment should be targeted.

There are also several lessons to be learned from the relief efforts to date, including best practices from other cities and improved coordination between funds. During the shutdown, a number of relief efforts were undertaken quickly, including local, state, and federal programs,¹² as well as programs supported by philanthropic or private sources. The City's Relief Fund had substantial overlap with two other funds: the Commonwealth's COVID-19 Working Capital Access (CWCA) program and the Reinvestment Fund's Philadelphia Emergency Fund for the Stabilization of Early Education (PEFSEE). The CWCA program disbursed more than \$60M to small businesses across the state, including 57 businesses in Philadelphia that received more than \$5M in loans.¹³ Of these 57 businesses, at least 18 (32 percent) also received funds through the City's Relief Fund. The PEFSEE program awarded \$3.7M in grant awards to 271 childcare providers in Philadelphia,¹⁴ with at least 67 of these businesses also receiving funding from the City. To the extent possible, future investments should be better coordinated to avoid the duplication of funding and maximize resources.

Other major cities — including Chicago, New York, and Los Angeles — have set up funds to provide relief for local small businesses in the wake of COVID-19. While cities share the common goal of helping small businesses weather this crisis, they differ in some areas of program design and implementation. Some of these differences may highlight ways in which Philadelphia could strengthen targeted funding efforts in the future. For example, loan programs in Chicago and San Diego excluded certain non-essential businesses such as payday lending institutions, pawn shops, liquor stores, nightclubs, and home-based businesses from program eligibility; in Philadelphia, these types of businesses received thousands of dollars in grants. Additionally, Chicago's microloan program required small businesses to be located in pre-selected low-to-moderate income areas of the city, which ensured equity by targeting vulnerable neighborhoods, improved transparency around the selection process, and simplified the application process for small businesses by clearly identifying geographic eligibility requirements.

Finally, other cities offer examples of how to best communicate information regarding available resources to small businesses. Chicago established a series of Small Business Resource Navigators¹⁵ at locations throughout the city to provide counseling to small businesses and

¹¹ <https://www.phila.gov/2020-06-11-city-announces-resources-and-expanded-opportunities-for-businesses-impacted-by-covid-19-and-recent-civil-unrest/>

¹² Detailed award information for the Paycheck Protection Program has not been made available by the federal government.

¹³ <https://dced.pa.gov/newsroom/wolf-administration-approves-10-8-million-in-new-covid-19-working-capital-access-program-funding/>

¹⁴ <https://www.reinvestment.com/pefsee/>

¹⁵ <https://www.chicago.gov/content/dam/city/depts/bacp/general/COVID-19/20200414covid19bacpsmallbusinessresourcenavigatorsflyer.pdf>

assistance during the application process. New York City's Department of Small Business Services has a centralized hub¹⁶ with guidance for small businesses and coordinated a number of programs, including a small business hotline, a reopening guide in multiple languages, digital resource fairs, and face-covering distribution centers.¹⁷

These examples should serve as a guide as the City looks to establish a longer-term support infrastructure for the city's small businesses. Unfortunately, the [Mayor's proposed budget](#) for the upcoming fiscal year includes an 85 percent cut to the Commerce department's budget and a substantial reduction of its workforce. During an unprecedented shock to the city's economy, the City must follow the examples of other major cities and provide the business support necessary to prevent permanent closures and ensure the small business community is able to recover to pre-crisis levels. Without such support, the city's economic recession will worsen, leading to a slower overall recovery and higher levels of unemployment.

Conclusion

A substantial fraction of the City's Small Business Relief Fund was awarded to businesses in the greater Center City area in industries most impacted by the economic shutdown. The food services and retail trade industries account for about half of the total awards, while about one-third of the total funding went to neighborhoods in Center City and Northern Liberties/West Kensington. An additional 30 percent of funding went to high-poverty neighborhoods outside Center City, primarily in West and North Philadelphia.

An analysis of funding distribution relative to need reveals additional beneficiaries of the funding so far. Chinatown, a neighborhood with an above-average poverty level, saw a large concentration of support, with about 30 percent of commercial properties in the corridor receiving awards. For comparison, the average funding share for corridors citywide was 7.2 percent.

Small businesses in the educational services industry, composed primarily of childcare centers, also received outsized support. According to Census data, about 34 percent of small businesses in the education sector received an award from the City. This represents the largest share of funding relative to industry size of any sector.

With limited resources, it is important to account for these trends when making future investments in the city's small business community. Many of the corridors with above-average award shares are located outside high-poverty neighborhoods, including Market East/West in Center City, 2nd St./Girard in Northern Liberties, City Ave. in West Philadelphia, and Main St. in Manayunk. Several corridors in historically disadvantaged neighborhoods, such as Kensington

¹⁶ <https://www1.nyc.gov/site/sbs/businesses/covid19-business-outreach.page>

¹⁷ <https://www1.nyc.gov/site/sbs/about/pr20200608-reopeningphase1.page>

Ave., 52nd St., and Lehigh Ave. received a relatively low number of awards relative to their commercial property total and should be targets of future rounds of investment.

The City must also improve coordination with other relief efforts to avoid a substantial duplication of funding, as was the case for the Commonwealth's CWCA program the Reinvestment Fund's PEFSEE program. Relief efforts in other major cities can provide examples of how to improve transparency around the selection process while ensuring funding for historically disadvantaged neighborhoods. Ultimately, the City must commit to providing the resources and support the small business community needs to enable the foundation of the local economy to fully recover from the current crisis.