COMMERCIAL CORRIDORS: A STRATEGIC INVESTMENT FRAMEWORK FOR PHILADELPHIA – EXECUTIVE SUMMARY

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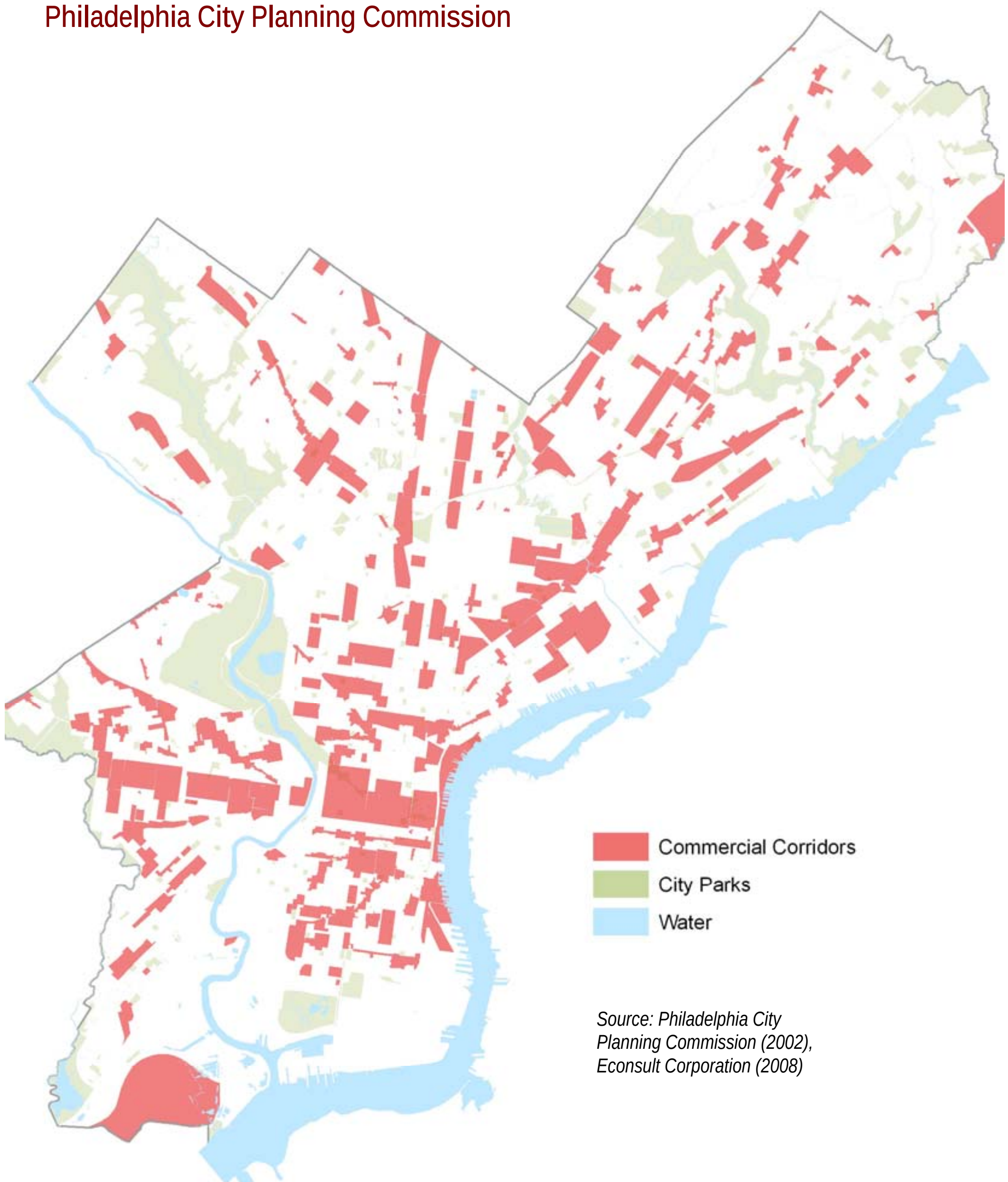
Philadelphia boasts *great diversity in its retail centers*, from historic pedestrian-oriented neighborhood corridors to modern auto-oriented shopping plazas. Each of the 265 retail centers identified by the Philadelphia City Planning Commission (PCPC) (see Figure ES.1) has its strengths and weaknesses: some older corridors have deteriorated and shrunk to the brink of extinction, yet still offer important convenience goods to their nearby residents; while new environmental realities are prompting meaningful discussion and action concerning the sustainability of sprawling auto-oriented retail complexes.

Figure ES.1 – Retail Centers, as Defined by the Philadelphia City Planning Commission



In 2006, the City of Philadelphia approved $65 million for its ReStore Philadelphia Corridors, recognizing the importance of retail districts in promoting healthy neighborhoods and a vibrant city, and acknowledging the need for public investment. A new mayoral administration is focused on a number of related priorities, including transit infrastructure, environmental sustainability, and job creation. At such a pivotal moment, this study, *"Commercial Corridors: A Strategic Investment Framework for Philadelphia,"* is intended to explore quantifiable measures of corridor success and identify the main drivers of that success.

Such an undertaking necessarily involved *a vast data collection and mapping effort*. We included a wide range of corridor characteristics, and produced three distinct corridor performance measures (see Figure ES.2). This exercise has yielded an unprecedented and vivid understanding of retail activity in Philadelphia, and of how individual corridors have performed in terms of attracting shopping trips, generating retail sales, and having a positive influence on nearby property values.

Figure ES.2 – Types of Corridor Attribute and Performance Data Collected

Corridor Attributes	Corridor Performance Measures
• *Characteristics of the corridor itself*: the trade area it draws from, whether it is more auto-oriented or pedestrian/transit-oriented, store mix, condition of buildings, etc. • *Characteristics of the surrounding neighborhood*: demographic make-up, crime, transit access • *Competition*: how many chain groceries, pharmacies, and big boxes are in each corridor; how many other corridors are nearby • *Interventions*: what public and private investments have been made to the corridor	• *Shopping trips*: we conducted a household survey in 2007 that resulted in detailed information on 10,000+ shopping trips: origin, destination, mode of travel, demographics of the shopper • *Retail sales*: we mined 70,000+ records per year from the Revenue Department to determine retail sales per corridor per year from 1995 to 2005 • *Real estate values*: we looked at the price and characteristics of 20,000+ home sales per year to determine average house prices per corridor per year

CORRIDOR PERFORMANCE

Based on *a composite ranking of our performance measures*, we note the relative diversity of retail options among the top-performing corridors, in terms of geography, trade area, and primary mode of transportation used (see Figure ES.3). Center City, which draws regionally and is pedestrian- and transit-friendly, remains the core of retail shopping in Philadelphia, while other familiar districts such as Chestnut Hill and South Street are also strong performers. Notably, relatively new and auto-oriented corridors such as Quartermaster Plaza and Snyder Plaza also rank high.

Figure ES.3 – Top 10 Corridors in Philadelphia (Composite Ranking of Performance Indicators)

1	Market West - Center City	6	Grant and the Boulevard-Whitman
2	Market East - Center City	7	Ivy Ridge Center & Vicinity
3	Chestnut Hill	8	Frankford Ave.-Lower Mayfair
4	South Street/Front-8th	9	Northeast Shopping Center
5	Boulevard Plaza	10	South Street/ 8th to 12th

TYPES OF CORRIDORS

All corridors are not equal in size. The 13 that had more than $100 million or more in retail sales in 2004 represented 5 percent of corridors but 43 percent of corridor sales. Meanwhile, corridors that had less than $10 million in sales represented 44 percent of corridors but only 6 percent of sales (see Figure ES.4).

Figure ES.4 – Distribution of Philadelphia Corridors by 2004 Sales

Sales (2004)	Percent of Corridors	2004 Sales ($M)	Percent of 2004 Sales	Average # Stores	Sales Per Store ($M)	% of Trips
< $1m	10%	9	<1%	3	0.1	1%
$1m - $2m	7%	27	<1%	7	0.2	1%
$2m - $10m	27%	424	6%	16	0.4	8%
$10m - $100m	50%	3,770	51%	40	0.7	61%
> $100m	5%	3,129	43%	200	1.2	29%
Total	100%	7,360	100%	34	0.8	100%

All corridors are also not equal in terms of how shoppers travel to and within them. Auto-oriented corridors represented about 40 percent of corridors, and tended to have fewer stores and greater sales per store than mixed corridors (see Figure ES.5). Notably, in our shopper survey, 66 percent of all shopping trips were made by car (vs. only 22 percent by foot and 12 percent by transit). In fact, for auto-oriented corridors, 70 percent of trips of less than a quarter-mile were by car.

Figure ES.5 – Summary Statistics for Philadelphia's Auto and Mixed (i.e. Non-Auto) Corridors

Statistic	Auto	Mixed	All
Number of Corridors	106	159	265
Trips	55%	45%	100%
Retail Sales in 2004 ($m)	$2,770	$4,590	$7,360
Stores in 2004	2,256	6,870	9,126
Retail Sales per Store ($m)	1.2	0.7	0.8
Average Stores per Corridor	21	43	34
Average Age (Years)	51	95	77

WHAT MATTERS

Our econometric work identifies the explanatory variables that have a statistically significant impact on corridor performance, as measured by their influence on shopping trips, retail sales, and real estate values.

Corridor and Neighborhood Characteristics. The corridor characteristics with the broadest association with strong performance are *store mix* (a topic of great emphasis for shopping center operators), *store density* (reflecting the ability of a shopper to visit multiple stores in the same area) and *parking* (indicating the importance of accommodating shoppers who drive). Not surprisingly, crime and lower income are associated with inferior performance, although most neighborhood characteristics are not strongly linked to performance, which may mean that shoppers are less concerned with the surrounding neighborhood than they are with the shopping experience in the corridor itself (see Figure ES.6).

Figure ES.6 – Impact of Selected Corridor and Neighborhood Characteristics on Philadelphia's Corridors

Explanatory Variable	Shopper Choice	Real Estate Values	Retail Sales Levels	Retail Sales Growth
Corridor Characteristics				
Corridor age		+ +	.	.
Corridor area	+ +	- -	+ +	- -
Leadership	+ +	+ +	.	.
Number of firms	+ +	- -	+ +	.
Parking Density	+ +	+ +	+ +	.
Store 'births'		.	-	+
Store 'deaths'		+ +	.	.
Store density		+ +	+ +	.
Store mix	+ +	+ +	+ +	+ +
Neighborhood Characteristics				
Arts district (4+ arts organizations)		+ +		
Arts organization		-	.	.
Crime - aggravated assaults		- -	- -	.
Income - Foreclosures in corridor (2006)	- -	- -	.	.
Income - Household Income	-	+ +	.	.
Income - % population below poverty level	- -	- -	.	.
Institutions - Colleges	.	+ +	.	.
Institutions - Hospitals	+ +	- -	+ +	.
Park area		- -	.	.
Population		- -	.	.

("+ +" = consistently positive, "+" = positive, "." = no effect, "-" = negative, "- -" = consistently negative, "blank" = not investigated)

Competition. The existence of chain competition in a corridor tends to mean more trips for that corridor, but only chain grocery stores and pharmacies are associated with greater retail sales. Chain pharmacies have a positive effect on house prices, while chain groceries and big boxes have a negative effect. Auto corridors are positively impacted by having other, nearby corridors (see Figure ES.7).

Figure ES.7 - Impact of Selected Competition Types on Philadelphia's Corridors

Explanatory Variable	Shopper Choice	Real Estate Values	Retail Sales Levels	Retail Sales Growth
Chain groceries provide significant positive commercial impacts for corridors, more for mixed corridors than auto corridors. Groceries are very strong trip generators, visited frequently by many households. Chain grocery stores are associated with lower real estate prices nearby.	+ +	- -	+	.
Chain pharmacies are beneficial by all measures in a corridor, and are most beneficial when they are in, *not near*, a mixed corridor. Chain pharmacies are really several stores in one - prescription drug seller, basic dry goods retailer, and convenience store - and should be seen as an amenity to a neighborhood.	+ +	+ +	+	.
Big box stores provide limited but positive commercial impacts, as they are associated with increased trips but not retail sales, and are moderately harmful for real estate values. *Other large-scale national chains* are associated with lower retail sales in some circumstances, and therefore may not necessarily be superior to non-chain stores in terms of trips, sales, or sales growth.	+ +	- -	.	.
Auto oriented corridors with *other corridors* nearby had greater retail sales than isolated auto corridors, but the same is not true for mixed corridors. Because cars make larger, multi-store shopping runs easier, nearby auto corridors may mean multiple trips, while nearby mixed corridors may compete for trips.		+ +	+	.

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Interventions. Two interventions demonstrated a consistently significant relationship to corridor success:

- *Business Improvement Districts*, which improve the physical environment for businesses; and
- *Pennsylvania Horticultural Society land stabilizations*, which convert trash-filled lots into green spaces.

Three other interventions offered some indication of a positive correlation to corridor success:

- The City of Philadelphia's *Business Security Improvements* program, which reimburses business owners for security measures;
- *Philadelphia Local Initiatives Support Corporation* investments, which provide gap financing for housing and other development initiatives; and
- *Mural Arts Program* projects, which bring communities together to convert abandoned lots and blank walls into public works of art.

For the majority of interventions, there is no strong evidence of significant influence on corridor success, particularly those programs that offer subsidies, although it is important to note that positive impact may be found if a parcel-level rather than corridor-level analysis is performed (see Figure ES.8).

Figure ES.8 – Impact of Selected Interventions on Philadelphia's Corridors

Explanatory Variable	Real Estate	Retail Sales	Retail Sales Growth
Strong Evidence of Effect			
Corridor in city BID/NID	+ +	+	++
PHS Land Stabilization	.	++	+
Some Evidence of Effect			
Business Security Assistance Program	+	+ +	.
LISC intervention and capacity grant spending	- -	.	+
Mural Arts Projects	+ +	+	.
Other Interventions			
Business Property Improvement spending	+ +	.	.
Community Design Collaborative Projects	+ +	.	.
Corridor in PA Enterprise Zone	+ +	.	.
Number of city tax credit partners	+ +	.	.
PHS Landscaped Gateway project area	+ +	.	.

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MODELING THE SYSTEM OF CORRIDORS

From our base of data collected and relationships inferred, *we can model the effect of changes in the system of corridors on the choices of individual shoppers*. In other words, having determined what matters to shoppers, we can see what happens when we change the landscape in which they shop: the addition or subtraction of a major store, the creation of a brand new cluster of stores, or changes in transit access. For example, we can predict the following impact of opening a big box store in Roxborough (see Figure ES.9):

- The *Roxborough* corridor itself, which does not currently have a big box store, will gain shoppers, primarily from *Manayunk* and *Chestnut Hill*, which also do not have big box stores. In other words, having a big box store now differentiates Roxborough from these other two nearby corridors.

- *Ivy Ridge Center* and *Central Germantown* also lose shoppers to Roxborough, although not as many as Manayunk and Chestnut Hill, because they are not as similar in scale and store mix.

Figure ES.9 – Simulating the Effect of Adding a Big Box Store to the Roxborough Corridor

Corridor	Original Trips*	Change in Trips*	% Chg in Trips
Ridge Avenue - Roxborough	78	+11	+14%
Central Germantown	300	-2	-1%
Chestnut Hill	86	-4	-5%
Ivy Ridge Center	47	-1	-2%
Main Street – Manayunk	5	-4	-80%

Each trip in the model is equivalent to hundreds of real shopping trips per week.

NEXT STEPS

Having collected, cleaned, and displayed all of this data on corridor attributes and outcomes, and explored the possible relationships between attributes and outcomes, we are in a position to make the following recommendations for policy action and further study (see Figure ES.10):

Figure ES.10 – Policy and Data Recommendations

Policy Action	Further Study
• Despite its widespread use for work trips, *transit* is underutilized for retail trips; shoppers usually drive, even to areas well-served by transit. Many retail developments are adjacent to transit access but not well oriented to capitalize on it. Higher energy prices and SEPTA's improved financial position can make transit proximity a competitive advantage for many corridors, and the City should work towards that end by promoting transit-oriented development. • *Zoning reform* should be mindful of the ways in which chain retailers can strengthen corridors. • *BIDs and NIDs* should be encouraged, as they provide corridors with necessary leadership, organization, brand identity, and services. • Because appearance matters, there should be more efforts like *PHS land stabilizations* and the *Mural Arts Program*, because they are effective and cost efficient ways of replacing eyesores with symbols of care. • *Subsidies* should not be the bedrock of programs to improve corridors.	• *Refreshing existing data*, particularly the shopper survey, will enable ongoing performance measurement at the corridor level, thus enhancing decision-makers' ability to observe where success is happening. • Expanding the scope of future exploration to include *suburban shoppers and suburban locations* better accounts for the regional nature of shopping patterns. • The existing analytical model can be used to look at retail behavior at the micro level, to track *fresh food purchases* or *ethnic corridors*. • *Future corridor inventories* can be informed by data gathered in this study, particularly as it relates to typology and activity levels. • Additional, *store-level analysis* can measure the extent to which single retailers are affected by the introduction of chain competition. • The building blocks are in place to *model future outcomes*, such as the impact of 1) new chain competition 2) coordinated investment 3) transit infrastructure 4) corridor consolidation.

In short, while we have learned much about commercial corridors in Philadelphia, and provided an unprecedented look at their attributes and performance over time, there are still additional explorations that can and should be undertaken. The data, visuals, and relationships presented in this report provide a useful starting point for policymakers and investors to understand how the system of corridors works in Philadelphia, and how to best interact with that system of corridors for the benefit of residents, businesses, and shoppers. We hope that additional study will enhance that understanding and guide future action.