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Convergence and Divergence: The Simultaneous Transformation of Old City Philadelphia

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Keywords

Urban Studies, Philadelphia, development, land use

Disciplines

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Convergence and Divergence:
The Simultaneous Transformation of Old City Philadelphia

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Urban Studies Senior Seminar Thesis
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The development of Old City Philadelphia represents a unique transformation of the urban form. Development and land use patterns in Old City reveal two different sub-neighborhoods with two different groups of users. The first sub-neighborhood, which formed north of Market Street, can be generally explained using classical cultural gentrification models like those presented by Neil Smith and Sharon Zukin. However, more thorough analysis of this sub-neighborhood reveals a gentrification movement that was formed based on the convergence of ideal physical landscape, culture in the form of artists and art galleries, and financial capital, made possible by the Federal Historic Rehabilitations Tax Incentives.

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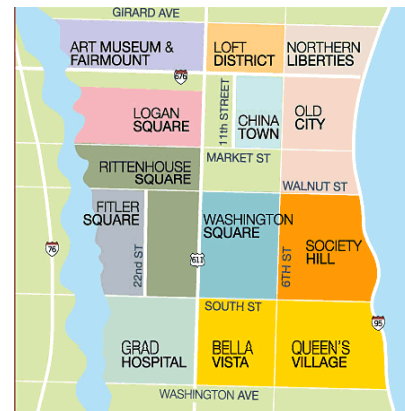
Convergence and Divergence: the Simultaneous Transformation of Old City

Preface

When I set out to begin work on my thesis, I planned to examine the impact that one restaurant, Stephen Starr's Continental Restaurant and Martini Bar, had on the gentrification of Old City. It was apparent to me at that time that Continental sparked a restaurant and bar revolution in Old City that propelled it to the forefront of Philadelphia's burgeoning nightlife scene. However, as I pursued my research, I stumbled upon a far more complex history of Old City, mainly in the area north of Market Street. It was here that the economic transformation of Old City began, and while Starr's Continental was certainly the catalyst of economic development south of Market Street, it became clear that there were actually two stories to be told-- one north of Market Street and one south of Market Street. It is these stories, and the interplay between them, that this thesis examines.

Introduction

Philadelphia's Old City lies at the eastern edge of the city, just west of the Delaware River and Interstate 95 and east of the city's central business district and historical area. It is bounded by Front Street to the east, Fifth Street to the west, Walnut Street to the south and Wood Street to north. Old City has a mix of residential, cultural and commercial uses. This relatively large Philadelphia



neighborhood is bisected by Market Street, which, as this paper will demonstrate, separates commercial development from the residential and cultural district.

The history of Old City dates back well before the birth of this nation. Elfreth's Alley, the oldest continually inhabited street in the United States, lies at the heart of Old City, just north of Market Street. Throughout its long history, Old City has seen a plethora of transformations, from a bustling residential district when the Constitution was signed, to a heavy industrial district lined with warehouses that served Philadelphia's Delaware waterfront, to a languished post-industrial district, to a thriving art community, and finally, to a mix of restaurants, clubs, art galleries and studios, and boutique retail shops. In this way, Old City as a neighborhood serves as a prime example of the historical cycles of urban transformation.

Old City represents many of the standard characteristics of a post-industrial gentrified neighborhood. Its pioneering gentrifiers were artists displaced by increased rents in the former art districts of Philadelphia. Many of these artists saw the large and open warehouse spaces in Old City as inexpensive alternatives to the rising rents of

studio space in the cities more established art districts, most notably Rittenhouse Square and South Street, which was undergoing substantial commercial transformation. The supply of warehouse space was abundant and extremely inexpensive. Large warehouses were being sold for as little \$2,500 (Thom). As artists began moving in large numbers to the raw warehouse spaces of Old City, art galleries followed, and following a nation-wide trend of many warehouse neighborhoods, Old City became established as an artists' community. As the number of galleries grew, many residents and small business owners, who had seen South Street turn from an artist community to a mixture of chain stores and rowdy bars, feared Old City would suffer a similar fate.

In response to this fear, the Old City Civic Association began lobbying for, and finally succeeded in getting enacted in 1990, the Old City Residential Area Special District Control (Zoning Overlay). The Zoning Overlay prohibited the use of any commercially zoned building as a restaurant or bar in the area north of Market Street without a special permit from the community zoning board, which is nearly impossible to achieve. It is here that the case of Old City deviates from the typical post-industrial gentrification story. The Zoning Overlay hindered the economic growth north of Market Street, while the area south of Market was open to all manner of nightlife-oriented development.

Soon after Old City's north of Market corridor became known as an art district in the fall of 1990 (Sozanski), Stephen Starr -- a young nightclub owner and concert promoter -- saw an old sixties-style diner on the corner of Second and Market Streets. Under the philosophy of "dining as entertainment," Starr converted the old diner into Continental Restaurant and Martini Bar, which immediately became a beacon of nightlife

in Old City. The opening of Continental sparked a restaurant and nightclub boom in Old City, but the development was limited primarily to the two square blocks between Market and Chestnut Streets and Front and Third Streets. The dense concentration of restaurants and bars in this area was an unintended consequence of the Zoning Overlay. The resulting homogenous use hindered the cultural development of the area south of Market. It also discouraged retailers from opening in the immediate area, for there was little daytime foot traffic. In all, the Zoning Overlay created two distinct forms of economic transformation in Old City -- strictly commercial transformation south of Market Street and cultural and residential transformation north of Market.

Old City provides an example of two very different types of gentrification, and serves as a prime example of how different catalysts materialize into different growth. In this study, I will examine the effects that Continental had on the development of Old City and the reasons why it sparked a restaurant revolution. I will also consider the development north of Market Street, which was started by artists and has evolved into a gallery and boutique district. Most importantly, I will examine the interplay between these two areas of Old City and show that the Zoning Overlay created, within the same neighborhood, two distinct areas that developed in very different ways. Through this, I will show that the Old City transformation does not fit the classical model of gentrification and will define a model of co-transformation that better fits the development patterns of Old City. Finally, I will consider the form in which the Overlay was enacted, and the political power struggle that resulted in the passage of an Overlay different from the one originally proposed.

Literature Review

Before addressing these issues, it is important to examine neighborhood revitalization, redevelopment and gentrification through a broader lens. Originally, the word gentrification referred to residential rehabilitation and an increase in housing prices in a given neighborhood. The Merriam-Webster Dictionary defines gentrification as “the process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents.” However, the word quickly took on a far more complex and controversial meaning. Zukin writes, “From the moment an English sociologist invented the term ‘gentrification’ to describe the residential movement of middle-class people into low-income areas of London, the word evoked more than a simple change of scene” (Zukin 1987, 131). Many scholars have tackled the complexities of gentrification, and it can now be explained on a micro-level by two main theories: production side theory and consumption side theory.

Production side theory stresses the importance of capital flow into neighborhoods as a cause of gentrification. Neil Smith and Peter Williams, the two main proponents of production side theory, point out that, “In reality, residential gentrification is integrally linked to the redevelopment of urban waterfront for recreational and other functions, the decline of remaining inner-city manufacturing facilities, the rise of hotel and convention complexes and central-city office development, as well as the emergence of modern ‘trendy’ retail and restaurant districts” (Smith 1996, 3). Smith asserts that gentrification is “a movement of capital, not people” and contends that gentrification can be “explained by the ‘rent gap,’ which was the difference between the actual value of inner urban land and its potential value” (Atkinson, 5-6). When this gap becomes large, investors hedge

the risk of their investment in urban land because they foresee a profit gaining opportunity. Smith concludes, “The so-called urban renaissance has been stimulated more by economic than by cultural forces. In the decision to rehabilitate inner city structure, one consumer preference tends to stand out among others – the preference for profit” (Smith 1979, 540-1). Smith reiterates his point directly, concluding, “the relationship between production and consumption is symbiotic, but it is a symbiosis in which production dominates” (Smith 1979, 540). However, not all scholars agree with production side theory, and others argue the dominant aspect of the symbiotic relationship is consumption patterns.

Consumption side theory focuses more on the individuals and the “gentrifies,” rather than the flow of capital. Consumption side theorists cite “life style changes, preference patterns and simple descriptions of demographic changes” as major causes of gentrification. Robert Beauregard asserts, “Gentrification begins with the presence of ‘gentrifies,’ the necessary agents and beneficiaries of the gentrification process, and the directions taken by their reproduction and consumption” (Beauregard 41). According to Zukin, “‘demand side’ interpretations affirm a consumer preference, for demographic or cultural reasons, for the buildings and areas that become gentrified” (Zukin 1987, 131). Changes in consumption habits and demand can affect post-industrial neighborhoods more than others. Mullins links gentrification to the desire of “educated labor” to reside in the inner city for “unique consumption reasons,” as opposed to their historic industrial counterparts who lived in these areas because their employment was centered around the manufacturing facilities that were in the neighborhood (Mullins 1982). Mullins goes on to point out that “the key role of production and consumption of particular leisure

orientated arts services within the inner city” (Mullins 1982, 48) as a reason for the redevelopment of many neighborhoods and the displacement that ensues. Consumption side theory also attempts to explain gentrification through the emergence of a new social group with new “modern” demand preferences that have arisen out of the national shift from an industrial to a service-based economy. This new group helps to explain the sudden shift in cultural consumption habits (Hamnett).

Both theories provide compelling arguments. However, the complexities of gentrification are best described through a combination of both theories. Smith (1986) later attempted to integrate consumption theory into his model of capital flow, saying “The crucial point about gentrification is that it involves not only a social change but also, at the neighborhood scale, a physical change in the housing stock and an economic change in the land and housing market. It is this combination of social, physical, and economic change that distinguishes gentrification as an identifiable process/set of processes” (Smith 1987, 463). Smith highlights the importance of understanding the “geographical question” of why the inner city areas, which for decades did not meet the demands of the middle class, “now appear to do so handsomely” (Smith 1987, 162). Smith finally concludes about the causes of gentrification, “Gentrification is a differentiation of the cultural social and economic landscape” (Smith 1987, 161).

The transformation that occurred in Old City does not fit plainly into either of these models. These models seek to explain the causes behind the historic definition of gentrification, the residential movement of the middle-class into low-income areas. However, the development patterns of Old City reflect a different type of cultural and commercial transformation. These models serve as merely a starting point for describing

the cultural and residential gentrification north of Market Street and the commercial transformation south of Market Street. This paper will define a new type of economic transformation that took place as a result of the catalysts that spawned redevelopment and the unique zoning overlay that affected development patterns in Old City.

Focusing on Cultural Development and the Demand for Loft Living

The influx of artists into a neighborhood is often a catalyst for residential and cultural gentrification (Zukin 1982). Zukin attempts to explain the role that artists play in residential transformation by examining the gentrification of artist communities as a result of cultural industries. She writes:

In a three-stage process, the location of artists becomes the place of gentrification: artists' networks establish proximity, their amenities of galleries and cafes are integrated into the cultural practices and aspiring cultural consumers, and the media enhances the value of the artists' district through buzz. (Zukin 1982, 15)

Zukin's model of the three stage process centers around the cultural premonition that artists are typically cool and hip. She asserts that the presence of a large number of artists can change the demand habits of an entire neighborhood, which creates organic growth of cultural institutions, something that the "new middle class" desires. Zukin writes, "Like the loft buildings in which they were often located, artists' studios appealed to the public's imagination. But in contrast to the buildings that appeared obsolete, the studios seemed dynamic" (Zukin 1982, 78).

Zukin also examines the cultural demand and built supply of loft living in America. She examines the "change in values" of American culture, which arises out of the notion that artists had lived in lofts since the 1930's, yet loft living only became hip in the 1970's. She attributes this to the fact that "artists' living habits became a cultural model for the middle class" and that "old factories became a means of expression for a

‘post-industrial’ civilization” (Zukin 1982, 14). As any economist knows, supply must equal demand, and Zukin matches this new demand for loft living with the supply of unused industrial buildings that existed in post-industrial cities. However, she is quick to point out that the “market in living lofts was also shaped by the needs of investment capital” (Zukin 1982, 35) in order to redevelop these loft spaces.

Neil Smith examines similar patterns of artistic development, though he analyzes them through the economic investment of capital in these neighborhoods. He writes, “The gentrification frontier is advanced not so much through the actions of intrepid pioneers as through the actions of collective owners of capital” (Smith 1996, 41). Smith also attempts to explain why artist or professional communities typically attract more lively unique shops. He writes, “Given the movement of capital into the urban core, and the emphasis on executive, professional, administrative and managerial functions, as well as other support activities, the demographic and lifestyle changes help to explain why we have proliferating quiche bars rather than Howard Johnsons, trendy clothes boutiques and gourmet food shops rather than corner stores” (Smith 1986, 31).

Examples of this form of cultural development are widespread across America, though artists are not always the pioneers. Christopher Mele describes the impact that hipsters had on the East Village in New York City. He writes:

“By the early 1960s, the Beats’ enclave of Greenwich Village had been... commercialized by middle-class onlookers... Between 1964 and 1968, dozens of specialty shops that catered to the hippies had opened along St. Mark’s Place... In addition to students and hippies, the neighborhood’s countercultural atmosphere attracted copywriters, editorial workers, fashion designers, and commercial artists... Although the youthful movement criticized middle-class values and lifestyles, its members, nonetheless, were of largely middle-class origin living in one of the poorest working-class districts in the city” (Mele).

Other forms of cultural gentrification occurred in the South Street section of Philadelphia in the 1960s, Hoboken, New Jersey and Williamsburg, Brooklyn. However, the most documented and relevant account of cultural gentrification in the urban core is the evolution of SoHo from an industrial zone to one of the most exclusive neighborhoods in New York City.

The SoHo Model

The case of SoHo, the South of Houston neighborhood of New York City, serves as the most distinguished example of artist led gentrification. The gentrification of SoHo demonstrates the profound impact that an influx of artists and art galleries can have on redeveloping an industrial district into a thriving residential and cultural community (Zukin 1982). The history of SoHo's transformation, which is most notably documented in *Housing for Artists*, in conjunction with Zukin and Smith's theories of gentrification, constitute major theories that have arisen surrounding cultural gentrification.

Modern day SoHo's buildings are the result of a rebuilding effort that took place between 1850 and 1870 after two fires swept through Manhattan between 1835 and 1845. As the study *Housing for Artists* reports, "SoHo today is a panorama of 19th century Renaissance and Italian architectural styles, a living testimony to New York's cultural past" (Wilkie, 4). SoHo thrived from the post-civil war era until the 1950s and served as a "thriving commercial center which housed the City's expanding dry goods industry" (Wilkie, 6). However, the post-war industrial lag hit SoHo hard, and many of the industrial factories began relocating. SoHo rapidly deteriorated in the 1960s and a New York City Planning Commission report entitled "The Wastelands of New York City" called for complete demolition of the SoHo area (NYC Planning Commission).

While the Planning Commission's report called for the demolition of the historical neighborhood, Commission member Chester Rapkin fought to save SoHo and argued that "the old structures sheltered small industries at reasonable rents and employed marginal workers" (Rapkin 62). While Rapkin's study maintained that industry was the reason to preserve SoHo, the economic recession of the 1960s caused continued industrial flight from the area (Wilkie). At the same time, "Urban renewal began replacing older neighborhoods throughout Manhattan with modern and efficient but more costly structures. As loft space in upper Manhattan became scarce, artists began moving their studios to the industrial vacancies in SoHo" (Wilkie 9). To preserve money, artists began using the warehouses as living space and studio space, even though the area was zoned light industrial and commercial (Zukin 1982).

The zoning problem did not deter landlords from knowingly renting to artists that were using the space to live, as they too needed the income that the industrial warehouses produced (Wilkie). However, the illegality of the artist's residences provided problems for both the artists and the city. Artists were constantly engaged in a game of "hide and seek, with artists on one side and the building inspectors on the other" (Wilkie 11). Furthermore, the newly established residential area lacked the goods and services required for residential use. This did not, however, slow down the cultural pace of SoHo, as a *New York Times* article reported: "With lots of space still unexploited, and with increasing tolerance on the part of City Administrators, South Houston is rapidly becoming the home turf of the liveliest concerted art activity in America" (NYT 1969).

As the number of artists living in SoHo increased, the City was forced to react and implement a policy that either supported the artists or enforced their removal. With

somewhere between 600 and 1000 artists living in the district, “the artists had become a viable political entity,” (Wilkie 13) and the City began amending zoning plans to accommodate them.

The City Planning Commission and the City Council began enacting a series of ordinances and legislation that addressed the needs of the artists (Wilkie). However, at first the new legislation , Article 7 – B, only made loft living legal for those that were engaged in the “visual fine arts,” which excluded dancers, musicians and filmmakers (Wilkie). Further, the Article was designed only to support the influx of artists into buildings that were already abandoned by industry and it attempted to prevent further displacement of industrial use (Wilkie). Three years later, the bill was amended to include all persons “engaged in the performing or creative arts” and a series of amendments to the fire codes and other facets of the warehouses was adopted.

The most drastic change in the zoning laws came in 1971, when the New York City Board of Estimate approved the SoHo Zoning Resolution. The Resolution “allocated space between artists and industry by imposing building lot sizes and subdivision restrictions” (Wilkie 23). To avoid displacement of SoHo artists, the Resolution also required artists living in SoHo to register with the New York City Department of Cultural Affairs.

As the population of artists continued to grow, art galleries also began moving to SoHo. Zukin writes, “Where artists innovated, their dealers were not loath to follow” (Zukin 1982, 89). Zukin cites an increase of 77 galleries in SoHo between 1968, when the first gallery opened, and 1978. The appeal of the artist studios and art galleries increased as the economy moved towards services rather than industry. Further, the

artists of the 1960s were different from the original Bohemians of 19th century Paris, as the new class of artists entered the white-collar labor force (Zukin 1982).

The zoning laws were further amended in 1973 to eliminate the artist criterion from the Regulation. This caused widespread demand for SoHo lofts among the upper class. Developers quickly began entering the SoHo loft market, and rents were quickly driven up by increased real estate speculation (Zukin 1982). Zukin writes, “The development of the loft market from subsistence housing to luxury residence shows how a variety of investors, with different strategies for capitalizing on their investment, can coexist within a single market” (Zukin 1982, 132). The success of speculation in the SoHo loft market can be seen through a building in SoHo with 3,000 square foot floors. Zukin recalls the sale history of this building from its original owner in 1974 for \$120,000, to its second sale for \$520,000 in 1977 to its final sale for \$800,000 in 1978 with little to no tenant improvements (Zukin 1982).

With the increased luxury of the loft market came increases in the number of high-end boutique shops that lined the streets of SoHo. SoHo is still considered New York’s premier art district, but there was a drastic influx of high-end boutiques and shops that catered to SoHo’s new upper class residence (Zukin 1982).

The history of SoHo and the creation of the SoHo model of cultural gentrification are valuable resources in examining the transformation of Philadelphia’s Old City, especially north of Market Street. However, there are two clear shortcomings of the SoHo model in explaining the development of Old City: the creation of an adjacent nighttime entertainment destination caused by the success of a single restaurant and the forced Zoning Overlays which separated the commercial and residential uses. The SoHo

model lacked the establishment of a pure restaurant and nightlife district that drastically impacted the development patterns of Old City.

Restaurants and Neighborhood Redevelopment

In his book Niche Strategies for Downtown Revitalization, David Milder speaks of the importance of “niches” in downtown areas and provides keen insight into the role that restaurants play in revitalization. Milder claims that pockets of retail attract large numbers of customers that creates higher demand for certain products in certain areas. On the “restaurant niche,” Milders writes, “The importance of this niche in a downtown revitalization strategy should not be underestimated. Because of the way people behave, this niche is closely connected to other niches in a very broadly defined ‘entertainment niche’...restaurants can attract diners from trade area residents, tourists and downtown employees. A strong restaurant niche is also an important amenity that can greatly enhance a downtown’s ability to attract business tenants...[F]urthermore, people have demonstrated a willingness to travel considerable distance to go to a particular restaurant” (Milders 29).

Big name and successful restaurants usually spark notoriety and press about a given neighborhood, and this draws investment and visitors. This was true in Tribeca, New York City, now one of the hippest districts in the City. According to Martin Shapiro, a partner in the successful and well-known Myriad Restaurant Group, Tribeca “was never a bad area” before Myriad opened Tribeca Grill in 1990. "It was just largely undiscovered. It was mostly residents, warehouses and factories. There was very little retail. Without sounding too self-important, we brought a lot of notoriety to the area. When people saw that we opened a successful, viable restaurant in this neighborhood,

they started to think of this as a place to open businesses” (Belman). Today, Tribeca is a thriving retail and commercial community, with recent investment in office space by Citi Group, which moved its U.S. Headquarters to Tribeca.

Restaurants help revitalize communities because of the role and ownership they take in their community. More than most other businesses, restaurants benefit from being in a clean, nice and safe community. Therefore, many restaurateurs take a keen interest in community development and leadership. Perhaps the most publicized example is Danny Meyer of Union Square Hospitality Group (USHG), one of the most well regarded restaurant operators in the country. In his book, *Setting the Table*, Mr. Meyer describes USHG’s ownership stake in its community. He writes, “I am convinced that doing things that make sense for the community leads to doing well as a business. We would never undertake a project in the first place if we didn’t believe it was the right thing to do, or a useful thing to do” (Meyers 251). Mr. Meyer’s has certainly been influential in the Union Square community, playing a lead role in Union Square’s Green Market and other community groups.

Restaurants also impact neighborhoods because of their ability to draw consumers into the area and because of their emphasis on appearance. This is especially true for Destination Restaurants¹, the type that will be considered in this study. Destination restaurants typically have large dramatic entrances, so street cleanliness and safety is critical to the success of the restaurant. They also draw diners from suburbs, other parts of town and even tourists. Stephen Fuller, professor of public policy at George Mason

¹ A Destination restaurant is one that draws a majority of its customers from outside the neighborhood or city. They do not typically serve a regular client base, but instead rely on the business from a wide variety of customers from different areas. Destination restaurants must have a liquor license and generate a fair amount of business from liquor sales. They also must be big, typically encompassing more than 75 seats plus a bar area. Residential restaurants, on the other hand, typically rely on repeat business and serve a local customer base. Residential restaurants in Philadelphia typically operate without liquor licenses and are much smaller and lower key than Destination restaurants.

University notes, “Restaurants bring people into the area at times when the offices are closed. They bring street-level activity into the neighborhood, which begins to establish a retail identity. They put light on the street. And other people and other types of retail [can] start to trade off of that” (Belman). This goes hand in hand with an idea introduced by Jane Jacobs in her landmark book *The Death and Life of the American City*. Jacob asserts that the quality of life in a neighborhood is increased when there are more “eyes on the street.” She writes, “

The basic requisite for street surveillance is a substantial quantity of stores and other public places sprinkled along the sidewalks of a district; enterprises and public spaces that are used by evening and night must be among them especially. Stores, bars and restaurants, as chief examples, work in several different and complex ways to abet sidewalk safety. (Jacobs 36)

Chris Walker of the Urban Institute takes it one step further, asserting “restaurants are the leading edge of commercial revitalization in urban neighborhoods” (Telman). The artistic influx of culture north of Market and the restaurant revolution caused by Continental south of Market spurred development in Old City. However, the Zoning Overlay was the most unique and most influential aspect of Old City’s development patterns.

Zoning

Zoning is a city government’s and planning commission’s most powerful tool. However, there is not much literature regarding the affects of zoning, probably because the only comparable is a hypothetical situation. Most of the literature on zoning examines the unique legal process by which zoning ordinances are passed, rather than the effects of these ordinances. Zoning is “a mechanism to enforce land-use policies by a set of rules governing allowable construction and land use in specific zones” (Steele 709).

Zoning was created to allow city governments and suburban districts to prevent incompatible land uses from being near each other. The zoning board determines these uses, albeit in a largely political process. Pollard writes, “In so restricting and prohibiting uses and in permitting other uses in other sections, the city is bound only by a reasonable exercise of police power” (Pollard 61). Although as the zoning process has become increasingly politicized and as the results of zoning changes have become ever more lucrative, zoning has taken on a far more complex role in urban development. As Sussna notes, “We had better recognize that the humble zoning ordinance is probably of direct concern to more people than any other statute” (Sussna 1031).

Many scholars argue that zoning has become a tool to protect residential communities. As Steele points out in his article about the functions of zoning, “urban zoning functions as a dynamic, participatory mechanism to protect existing viable residential communities from the destructive and traumatic impact of overly rapid changes in land use” (Steele 711). Steele examines the communities’ or developers’ ability to impact the zoning process and finds that the zoning process differs from many other legal processes in this country, because of its case-by-case method of approving or rejecting zoning ordinances. He identifies two mechanisms that are important to zoning procedures, the rules mechanism, which takes the form of traditional laws and enforcement of laws in our society, and the procedural mechanisms, which take the form of community participation. However, not everyone agrees. As Harry Culver notes, “Zoning by political preferment has become a curse in some American cities” (Culver 207). Steele and Culver have differing views of community involvement in the zoning

process, however neither passes judgment on the impact of commercially restrictive zoning ordinances.

Literature regarding commercial or business zoning is even sparser than literature regarding residential zoning. The literature on commercial zoning that does exist explains the generally halting effects that zoning can have on commercial use, generally because zoning boards are more sympathetic to residents and residential land use. As Harland Bartholomew points out, “There has been error in zoning too much property for business purposes, as there has been even greater error in most cities in zoning too much property for certain other uses, such as apartment houses. The net result has been a tremendous invitation to the unstabilizing of property development in cities” (Bartholomew 102). While historically zoning practices have focused on isolating different land uses, new urbanism theory provides that a mixed use strategy, which provides for a combination of uses within a single neighborhood or parcel, has prevailed as the most successful in recent years. The mixed use theory argues that mixing residential with commercial use provides optimal economic and cultural utility while improving the quality of life for residence.

The effects of zoning from an economic perspective are generally measured using the welfare principal. This principal, articulated by Pogodzinski and Sass in their review *The Economic Theory of Zoning*, explains, “Zoning is welfare improving if it reduces the level of negative externalities to which consumers and firms are exposed by an amount greater than the costs associated with implementing and enforcing zoning” (Pogodzinski and Sass 295). However, Pogodzinski and Sass acknowledge that the variables used in applying the welfare principal of zoning can be arbitrary and are extremely hard to

measure. Many other economists have derived complex economic models to analyze the impacts of zoning. None of these models fit the scope of this research paper, as they are only concerned with the macroeconomic impact of zoning regulations of residential versus industrial, rather than development patterns that have arisen from certain zoning regulations.

The limited scholarly research on direct zoning overlays, like the one implemented in Old City, reveals that zoning protection can protect residential uses. Using various urban China towns as a model, Harry Margulis describes the primary reasons for zoning overlays. He writes:

“1) to restrict growth and encroachment of downtown commercial activities; (2) to encourage ethnic businesses to refurbish and relocate; (3) to foster new residential construction and housing rehabilitation; (4) to maintain the low-rise scale of buildings in keeping with reconstruction of a comprehensive pedestrian-scale urban village; (5) to preserve industries on which local wage earners depend; (6) to ensure land use conformance to specified criteria concerning types of uses, location, size, design, and operating characteristics; (7) to specify design standards, off-street service facilities, sign control, and building requirements; and (8) to preserve historical monuments, landmarks, and buildings” (Margulis 158).

In examining the effects of zoning overlays in various residential areas, Margulis concludes that they are an effective way to prevent the overtaking of residential communities. He writes, “In brief, zoning regulations ensure that strategically located East Asian villages are protected from incompatible land-use incursions. Zoning provides a means for survival and allows for the community's economic and social transformation” (Margulis 158). However, Margulis fails to consider the impact that zoning overlays has on adjacent neighborhoods, especially adjacent neighborhoods with a commercial component.

The literature on gentrification and zoning do not account for the unique

development patterns that occurred in Old City. Old City's development underwent a process that does not exhibit the historical and working definition of gentrification. Instead, Old City underwent two distinct process of urban redevelopment. The redevelopment north of Market Street more closely resembles a combination of the models presented by Zukin and Smith, where an influx of culture and capital led to gentrification of the housing stock and the proliferation of small retail uses that catered to the new class of residents. However, neither of these models, nor any other research that I have found, define the economic transformation (as opposed to gentrification) that occurred south of Market Street. The transformation south of Market Street led to growth of the "Martini District," where destination restaurant and nightlife entertainment became the exclusive land use. Compounding the complexities of Old City's Martini District was the existence of a drastically different cultural neighborhood just across Market Street. The Old City Zoning Overlay protected this neighborhood, as previous literature would have suggested. However, it also aided in the dense development of the Martini District south of Market, which ruined any chance this distinct southern area had to grow as a cultural and residential community.

Methodology

The data for my research is both quantitative and qualitative. The bulk of my qualitative data are interviews I conducted with restaurateurs, gallery owners, and political activists in the Old City community. Their accounts are by no means objective, however, I have compared and cross-referenced different interviewees' accounts to assess, with a high degree of confidence, salient facts of the redevelopment process in Old City between 1970 and 2000. The goal of the interviews was to unravel the patterns

of development in Old City to analyze the causes of Old City's transformation and the unique "bi-neighborhood" development that persisted in Old City, especially in relation to the Zoning Overlay. Along these lines, most of the interviews centered around the history of development in Old City, the reasons behind interviewees choice to relocate to Old City, and their thoughts on the impact of the Zoning Overlay.

Two main factors, aside from availability, went into choosing subjects for interviews. The first was to find people who had a sustained presence and active involvement in Old City during the period I am studying. The second was to talk to people who, in my mind or the mind of other interviewees, had a pioneering role in Old City or actively followed the movement of capital into Old City. Both perspectives are important, for the first provides insights into the reasons Old City began developing, and the second provides clarity into the reason Old City obtained a critical mass of restaurants, retail, and art galleries. This sample is by no means random, but it is to a degree *randomized*; that is, I chose interview subjects to obtain a cross-section of informants in the residential, restaurant, artists, civic and political sectors. Their accounts enabled me to assemble a history of the development landscape and analyze the catalysts behind Old City's transformation. With the help of other data sources, the interviews were integral to constructing a model for Old City's development patterns.

I have also examined zoning ordinances and land use maps from different points in history to analyze the pattern of development and to establish possible causes for these patterns. The zoning ordinance is the Old City Residential Area Special District Control, and the amendments that were made to this legislation. Land use patterns can be observed using the Sanborn Insurance Maps and through maps that I have constructed

based on restaurant and gallery inventory data collected from the Old City Arts Association, the Old City District or personal observations that show art galleries, restaurants and retail shops. These maps offer visual clarity to the accounts of Old City's history that were gathered through interviews and provide visual evidence of changes in Old City's commercial and cultural make up. They also show the spatial implications of the Zoning Overlay, which is vital to my argument.

I used also Census data and inventories of the number of art galleries and restaurants in Old City. In addition, I used information from the Cartographic Modeling Lab's Neighborhood and Crimebase databases, but this information has limited use because it only dates back to 1998. I felt it was necessary to use this quantitative data in concert with a qualitative component to provide statistical evidence for changes in the number of residences, commercial uses and other quantitative aspects of Old City that provide evidence that the economic viability of the area improved in correspondence with certain catalysts that I examined.

Data & Analysis

The Decline of Old City

Old City's decline followed the fate of many post-industrial cities in America. This nationwide trend was a product of deindustrialization, in which factories were moving to cheaper industrial sites outside the city. This trend was compounded by the movement from an industrial to a service based economy, which drastically decreased the number of industrial jobs and the demand for industrial spaces. However, Old City's decline was not a direct result of deindustrialization. Instead, Old City's demise was the direct result of a governmental decision to build Interstate 95 east of Front Street. In this

way, Old City's economic troubles were somewhat unique, as they were the consequence of direct planned actions by the City and State.

Historically, Old City prospered because of its proximity to the Delaware River Waterfront. Many of the industrial buildings in Old City were built as warehouses to serve waterfront commerce. Historic records indicate these uses, such as warehouses for ship building supplies and storage facilities for goods traded using the Delaware River Port. Records also show that manufacturing facilities for goods that were traded using ships were located in Old City, because their proximity to the port meant lower transportation costs.

In an article for Philly Praxis, a division of the Penn's School of Design, Matt Blanchard described Old City as "the heart of maritime Philadelphia: a dense collection of old warehouses, wharves, factories and homes that, had they survived, might be some of the city's most desirable real estate today" (Blanchard).



However, in 1959, construction of Interstate 95 began east of Front Street. A 1947 report to the Philadelphia City Planning Commission explained the need for the highway. It argues, "The great industrial area that runs from the Trenton area south to the Wilmington area is clustered largely along the banks of the Delaware River... Merely listing the various sites that are tied together by the Delaware Expressway makes self-evident the tremendous advantages of the proposed highway." (Philadelphia City Planning Commission). While the highway was considered crucial in maintaining the

Delaware riverfront area's designation as "The Workshop of the World," planners failed to consider the effects of separating Old City (and other waterfront communities throughout the city) from the water. This was mainly due to the fact that Edmund Bacon, the Executive Director of the City Planning Commission, envisioned a world in which travel by automobile was paramount. Architect Frank Weis approached Bacon about the problems with the proposed plans, which were echoed by many community activists. Weis recalls the conversation in a *Philadelphia Inquirer* article. He said, "Bacon told me I was off my nut. He told me I wasn't living in the age of the automobile" (Blanchard).

Weis and the community proved to be correct, as the highway cut off Old City's economic foundation, and many of the warehouses in Old City quickly became abandoned. Regarding the construction of the highway, Richard Thom, former President and current board member of the Old City Civic Association and an architect in private practice, said, "Philadelphia has suffered from a lot of bad urban planning over the years, I-95 being one example of that. Old City has lost its connection to the waterfront, probably forever" (Thom). Wholesale restaurant supply houses managed to take advantage of the large warehouse spaces, and the Existing Land Use Map (Map 2) in the appendix reveals a large density of industrial and commercial, with very little residential. Despite this industrial and residential use, Old City was still lined with "50 cent flop houses on Third Street for homeless guys...but this was not a residential area by any means" (Thom 11/20/07). Bacon's plan for I-95 either did not consider the impact that severing Old City from its economic lifeline would have, or more bluntly, Bacon just did not care. The immediate severance from the waterfront caused by construction and the highway precipitated a more rapid economic decline than other post-industrial

neighborhoods that were declining due to macroeconomic trends in industrialization. Further, Old City's migration of industry was not organic or caused by market forces; government officials exogenously determined the construction of the highway. This rapid degradation caused Old City to encompass some of the cheapest blocks of real estate in the city. The deindustrialization of Old City that resulted had grave short-term economic impacts, and represents the danger in separating a neighborhood from its economic core.

The decrepit state of Old City during the late 1950s and early 1960s led Bacon to propose wholesale demolition of industrial buildings east of Fifth Street in order to create Independence Mall. While Bacon's full plan never came to fruition, entire city blocks were demolished on the eastern border of Old City in order to make way for the current design of Independence Mall. In doing so, Bacon destroyed "some of the finest cast iron buildings in the city, maybe the finest on the east coast" (Thom). This demolition was part of Bacon's philosophy of "Urban renewal that became urban removal" (Thom). Old City benefited greatly from Bacon's change in demolition plans, for Old City's built landscape attracted marginal gentrifiers to Old City, which in turn, began the process of Old City's economic revival.

Patterns of Development North of Market Street

The north of Market Street corridor (see map 1) underwent a process of residential and cultural gentrification similar to the gentrification of SoHo. Like SoHo, artists were attracted to this area because of its endowment of large warehouses that were ideal for residential and studio use. Old City was also designated a Historic District under the Federal Historic Preservation Act, which, along with demand for housing by

artists and other innovators, attracted investment from developers. Lastly, artists began creating a cultural community, which appealed to the more educated middle class, which began moving into the area north of Market Street in the 1980s. The change in demographics north of Market Street follows the particular economic factors that are typical of gentrification. For these reasons, the gentrification north of Market can be explained by a combination of Zukin and Smith's models, which point to the importance of cultural demand and capital investment. However, the built landscape also played a vital role, and it can therefore be said that Old City's north of Market Street gentrification was caused by a convergence of great physical space, financial capital and artist driven culture caused by a new class of inhabitants.

The Built Landscape

Old City's economic vitality may have dwindled, but Old City's built environment, the physical and aesthetic design of the buildings and streets north of Market Street, began attracting the attention of local artists and architects that were in search of studio space. Old City was not alone in this regard, as many post-industrial neighborhoods saw steady influxes of artists who needed cheap studio space. The warehouses of Old City, and other once industrial neighborhoods, served as perfect spaces for artistic creation because they had high ceilings, which allowed for attrition of natural light into the space. Zukin observed a similar phenomenon in SoHo. She writes, "Originally, the large amount of floor space and window area in lofts appealed to artists, who created live-in studios for both work and residence" (Zukin 1982). Also, art studios are not dependent on foot traffic, so the low levels of activity did not deter artists from moving there. Rick Snyderman, founder and owner of the Snyderman and Works

Gallery and co-founder of the Old City Arts Association, observed the movement of artists into Old City. He said, “Artists who were looking for studio spaces moved into them...in the 1970’s and there was actually an organization called Old City Arts in the 1970’s that was the group of artists that occupied this area” (Snyderman 11/15/07). The artist’s quest for cheap rents and their innovative attitudes made them the marginal gentrifiers of Old City. They were the first to venture into the relatively desolate neighborhood. In doing so, they made the built landscape attractive to others, namely those that had greater access to financial capital.

The built environment was also appealing to gallery owners that were facing increased rents in other gallery districts. These gallery owners generally had greater access to capital than the artists themselves. The large raw spaces with high ceilings and natural light also made for perfect display rooms. Furthermore, there were few art studios occupying ground floor space, which provided a large supply of storefront units. In explaining his reasons for opening the first art gallery in Old City in 1976, Rick Rosenfeld, founder and owner of the Rosenfeld Gallery, said, “I looked around and I found this wonderful space here that was just being renovated” (Rosenfeld, 11/18/07). Despite the slow trickle of galleries into Old City between 1976 and 1988, Old City remained a primarily underground art district where artists would open up their studios for display. Snyderman said, “So how did we know about Old City, because this was an arts district, except it was an underground arts district known only to those of us that were involved” (Snyderman 11/15/07). The emergence of Old City as an art district created widespread demand for gallery space by entrepreneurs and gallery owners that were looking to flee from increasing rents on Rittenhouse Square and on South Street.

Eventually, Old City's artist and art gallery population reached a critical mass, and Old City became known as Philadelphia's cultural district. In this way, Old City serves a model of urban land use change, as the increase in demand for gallery space in Old City was caused by an abundant supply of great raw space and relative economic benefits compared to other neighborhoods. For this reason, Old City's revival cannot be examined in a vacuum. Recognizing the interconnectedness of different neighborhoods in the urban space, and the interplay between them, is vital to understanding the drivers of redevelopment and changes in development patterns across the city.

As rents in other commercial districts continued to increase, gallery owners looking for space found it in Old City. Snyderman cites the built spaces as a primary reason he decided to relocate his gallery to Old City, thirteen years after Rosenfeld. He says, "So, these [old warehouses] were raw spaces and they were very energized spaces" (Snyderman 11/15/07). It is clear that the built environment attracted many of the cultural establishments that are now present in Old City. It also attracted much of the investment capital that began moving into Old City.

Developers began to take notice of Old City's built landscape, and began renovating and redeveloping the historic buildings. This increase in development was also a byproduct of increased demand for loft style living that Zukin describes in the 1970's and 1980's. Stephen Solms, founder of Historic Landmarks for Living, took an interest in the natural aesthetics of Old City's buildings in the mid 1970's. Solms "started walking around the streets." He liked what he saw, and explained "I thought, 'This is like SoHo...This reminds me of New York'" (Gutis 2). Solms interest in Old City was twofold. First, the Federal Historic Tax Credit (to be discussed in detail later) granted

large tax incentives for development in Old City. Secondly, Solms saw the demand for housing in Old City that was being created by the artists' migration and recognized that the unique warehouse spaces provided an easily convertible base for loft style living. The convergence of the tax credits, artist infiltration and built landscape motivated Solms decision to begin investing large amounts of capital. This natural convergence displayed the organic growth that took place north of Market Street in the early stages of Old City's redevelopment.

The importance of the built landscape north of Market Street cannot be underemphasized. The buildings attracted the marginal gentrifiers that served to spark interest, and then demand, for residential and commercial spaces in Old City. This increase in demand reflected a change in cultural preferences from new suburban style homes to authentic intercity neighborhood lofts. And while the artists that first moved to Old City were certainly innovators, they led a process of organic growth in Old City that started with the built landscape, but also moved far beyond it. The redevelopment of Old City was made possible by many pieces of an evolving puzzle, the first of which was an inherited endowment of authentic 19th century buildings that spurred interest in Old City from artists and developers alike. The next, and equally vital, components were the establishment of the Federal investment tax credits and the migration of artists into Old City.

Convergence of Culture and Capital

Artists began moving into Old City north of Market Street as early as the 1970s. They were attracted to Old City because of the built landscape and inexpensive rents that were available. The development of residential lofts in Old City provided artists with

viable living and workspace, which minimized overhead and offered a convenient life style for artists. As Rich Thom observed, “The artists and their friends... began living and doing their art work in these buildings here” (Thom). Rosenfeld describes his views of Old City when he opened his art gallery in 1976. He remembers, “A few young architects/designer moved into them [warehouses of Old City] and wanted to start developing...The interesting thing about these buildings is that they had dual zoning, so you could live in them and have a business in them. And it attracted architects and photographers and designers and people like that. It had a very nice flavor to it down here” (Rosenfeld 11/18/07). While Rosenfeld’s comment about dual zoning is incorrect (the buildings were zoned light industrial/commercial, which technically prohibited residential use), his description of the economic motives of artist’s relocation to Old City was the key to its early development. Artists began moving into Old City in large numbers in the late 1970’s and early 1980’s.

The first group of artists to move to Old City used “sweat-equity rehabs” to transform the industrial buildings into inhabitable spaces. Sweat equity rehabs refer to the practice of owner-driven rehabilitation when money is in short supply but time and skills are not. This was especially popular among artists, who generally could not afford to pay for renovations and had the artistic know how to perform renovations themselves. Richard Thom recalls a conversation he had with his original landlord in 1980. He said:

“She asked, ‘Do you have any problem with your electrical system.’ I said ‘No, there are no big deals with it’... She goes, ‘that’s amazing, we wired the building. I said, ‘You guys did?’ She said, ‘Oh, it was wired at two in the morning on a Saturday night. We would have parties where we would go and wire people’s buildings... we took the steel cables and pulled it through holes that were drilled in the floor, so they ran the wiring through each apartment. And she said, ‘as the cable was pulled through there was a joint wrapped in the cable, and as it went through each floor everyone took a toke on the joint and it went back around and

pulled it through to the next floor. Everyone was high as a kite...nobody knew what the hell we were doing” (Thom).

These sweat equity rehabs enabled more artists to move into Old City, which began to create a network of artists and led to the establishment of a viable cultural community.

While sweat equity rehabs emerged as a growing trend among artists, existing land use maps from 1971 and 1976 (Maps 4 & 5) show very a very small number of residential units. Sweat equity rehabs could only take the redevelopment of Old City so far; the full scale redevelopment process would require a far much substantial investment of financial capital. While the existing land use maps might bias slightly towards under-representing artists that performed sweat equity rehabs because of their unofficial residential state, this data is still telling. It shows that approximately five years of sweat equity rehabs was not enough to push Old City past the tipping point into full scale redevelopment.

The emergence of sweat equity rehabs was also accompanied by more official and substantial equity investments in Old City. In 1976, the federal government established the Federal Investment Tax Credit program to “foster private sector rehabilitation of historic buildings and promote economic revitalization” (NPS). The program offered accelerated depreciation for the renovation or rehabilitation of buildings that were either listed on the Federal government national register of historic places, or as in the case of Old City, are within a Federal historic district. The renovated buildings also required an income producing use, such as commercial or rental residential. In 1981, the Federal Government strengthened the legislation, adding 25% tax credits for the private redevelopment of buildings that match the above criteria. A 1986 *New York Times* article asserts the Federal Investment Tax “created a historic rehabilitation industry” (Gutis 2).

Old City was the first historic district in America defined under the new tax incentive program. The designation as the first historic district greatly benefited Old City, as it created a Federal incentive for investment that could not be achieved anywhere else in the country. Many developers sought these financial rewards, which led to a renovation revolution in Old City. Among the first residential rehabilitations in Old City was developed by Historic Landmarks for Living, a company that, as the name suggests, specialized in the conversion of old warehouses into apartments. The company was founded shortly after the tax credit was introduced with the intent to take advantage of the new incentives. Susan Snyder, a professor at the University of Pennsylvania and founder of Civic Visions, an urban economic transformation consulting firm, noted that the tax credits made development in Old City a viable economic option, for without the credits they “couldn’t make their pro-formas work” (Snyder 11/17/07). In this way, the Investment Tax Credit was the ultimate catalyst for the investment of financial capital in Old City, a concept that Smith claims is central to the gentrification and transformation process (Smith asserts that gentrification is “a movement of capital, not people.”). The Tax Credit created a large supply of investment into Old City, demonstrating the power and ability of rehabilitation, or even simple tax credit incentives, as tools for spawning private sector development in distressed urban areas.

Historic Landmarks for Living’s first two projects were the 135-unit conversion of the Chocolate Works and the 165-unit conversion called Bridge View. Other developers soon followed. Shortly after the Historic Landmarks for Living projects began, the American Classic Development Company began work on a 61-unit conversion and the Devoe Group began construction of 75 new units at the Smythe Stores. The

increase in residential investment and development north of Market Street continued. U.S. Census data reveals a 2011% increase in housing units in Old City’s census tract between 1970 and 2000.

<i>U.S. Household Census Data (Tract 1) - Old City</i>				
Year	1970	1980	1990	2000
Housing Units	90	406	1665	1900
% Change		351.11%	310.10%	14.11%

Carl Dranoff, the former President and co-founder of Historic Landmarks for Living, commented on the impact that the flow of financial capital, and specifically Historic Landmark’s projects, had on Old City. He claims that the firm was “a major stimulus to development in Old City. It brought in critical mass” (Gutis 2). From 1981 to 1986, 900 new rental apartments were developed in Old City.

The new supply was matched by new demand from artists that were quickly moving into Old City. Philip Gutis, writing for the *New York Times* in 1986, asserted, “Artists seeking large and cheap living and working spaces...found the old warehouse buildings perfect” (Gutis 2). Census data confirms this increased demand. The U.S. Census reported a 10800% increase in the number of residents in Old City’s census tract in the 30-year period between 1970 and 2000.

<i>U.S. Household Census Data (Tract 1) - Old City</i>					
Year	1970	1980	1986	1990	2000
Number of Residents	80	300	2200	7150	8969
% Increase		275.00%	633.33%	225.00%	25.44%
Median Gross Rent	574	936	---	1037	959
% Increase		63.07%	---	10.79%	-7.52%

The increase in median gross rent demonstrates a strong increase in demand for housing units, as gross rent displayed robust growth despite increasing supply of housing units in the area. The absorption of the new housing stock coupled with increasing rents signaled strong demand growth in Old City.

The artists generated a good portion of this residential demand, and their presence changed the cultural landscape of the neighborhood. They gave the neighborhood a hip feeling and a newfound source of energy and vibrancy, and an artist community quickly grew in Old City. The artists that occupied the area started an organization called Old City Arts, which provided a connection between many of the young and new residents in the community. Old City quickly became known as an artist friendly community. But mainstream Philadelphia was not aware of the cultural movement into Old City.

Snyderman described Old City as “an underground art district” (Snyderman 11/15/07). However, Philadelphians would soon take notice of the cultural migration into Old City, as art gallery owners who were deterred by high rents and small spaces began looking to Old City.

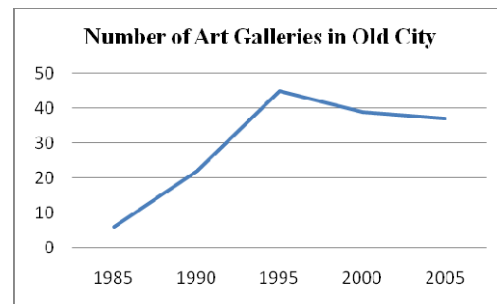
Rising rents impacted gallery owners in the same way that they impacted artists. As commercial rents began to rise on South Street and around Rittenhouse Square, two historic gallery districts in Philadelphia, gallery owners began looking for new space. Many looked to Old City, which became known to gallery owners because many of the artists whose works were shown in the galleries had relocated to Old City. The gallery owners observed the same favorable characteristics as the artists had a decade earlier.

Remembering his thought process in moving to Old City, Mr. Snyderman said:

“So what happened was that we were looking for larger space. We were on South Street in those days... I was actually there at the very beginning of that as an arts

district in 1968. In those days we were fighting the highway [South Street Highway]. So there was this logical need to expand on our part in the late 1980s and we looked at the Rittenhouse Square area which was another traditional gallery district... But the spaces in Rittenhouse Square it was the go go 80s and the real estate prices were higher per square foot or just about as high as they are today except in 1980 dollars. That was an outrageous sum of money for first floor so it was practical choice. And then somebody said you should take a look at Old City. I know someone who has a building for sale, except it's not for sale. There's no sign on it but I know someone that's interested in selling it to the right person. So I met with the guy, Randy Williams. He liked me, I liked him, and we made a deal to buy this building in 89." (Snyderman).

The artists' migration to Old City laid the foundation for the immigration of galleries because they established Old City as a cultural center, which relieved some of the pressure of gallery owners to locate in historically commercial areas. This began a cycle of cultural investment in Old City.



As the cycle continued, more gallery owners invested in Old City (see graph).

Richard Rosenfeld, founder and owner of the Rosenfeld Gallery, the first gallery in Old City, recalls his reasons for moving to Old City. He said,

“I started out and I was vastly undercapitalized. All of the other galleries were in Rittenhouse Square, and that's where I looked. And what I could have afforded would have been a very very small space so I knew I would have had to relocate from that area and become a target rather than a gallery that people would just walk by” (Rosenfeld).

Rosenfeld shared the same problem as many other art galleries, the problem of under capitalization. Because art is expensive for galleries to buy, and developing a reputation as a prominent gallery owner can take time, new art galleries can rarely afford to pay rents in high fashion districts.

While many gallery owners were moving and investing in Old City, financial capital was not always easy to come by. Rick Snyderman bought his art gallery in 1989,

but could not begin using the space until 1992 because he had no access to the capital he needed to renovate his raw space. He explained, “When I bought this building there was the savings and loans scandals of the late 1980’s and suddenly banks stopped making loans. Then there’s the recession, so for two and half years I couldn’t get a bank to give me the money to do this renovation” (Snyderman). Without the capital needed for renovation, Snyderman would have not been able to open his art gallery, and many of the neighborhood’s cultural establishments would not have been created.

Snyderman’s capital dilemma highlights the important of capital investments in neighborhoods and shows the importance of combining both Zukin’s and Smith’s models. As Snyderman’s experience demonstrates, a demand for space in a given area is not enough to drive gentrification, for without capital this demands goes unmet. However, as we will see, the supply of capital does little to help a neighborhood if there is no demand for the housing units and goods and services that it offers. Neither demand for investment nor a supply of capital alone can spur redevelopment.

The interactions between supply and demand factors prove to be vital in understanding gentrification. As discussed above, the convergence of culture and capital was a result of demand of space by artists and supply of investment made possible by Federal tax incentives. However, demand for housing in Old City eventually moved beyond artists, as Old City’s new cultural landscape led the area north of Market Street to become a young and fashionable neighborhood.

How and why the artists and art galleries made these areas appealing to other people is of some importance and varies from neighborhood to neighborhood. Zukin

attributes this phenomenon to changes in the demand patterns of the middle class. She writes,

“An increasing number of middle-class people moved into certain cultural patterns, particularly an active appreciation of ‘the arts’ and historic preservation, which had previously been the upper-class domains. Their growing identification with fine arts production and fine old buildings led them first to try to protect space for artists and historic preservation and then to appropriate this space...for themselves. In this process, art and historic preservation took on a broader meaning. They became both more commercial and less elitist” (Zukin 1982, 75)

Zukin’s explanation is only partially correct in the case of Old City. It is true that many members of the middle class moved to Old City because they were interested in the cultural happenings that were taking place. However, as the cultural cycle above explains, most of these people had some previous connection to the art world. Why, then, did other members of the middle class with no affiliation to the art world move into Old City? They did so in a response to the new supply of livable and affordable housing that was created in response to the demand by artists. We can now add one more layer to the cultural demand cycle model, where demand by artists seeking low rents and interested in the emerging cultural community, along with tax incentives, drove the supply of housing. This supply of housing, in turn, drove demand for housing in Old City by members of the middle class unaffiliated with the arts. This model helps to explain why artists, acting as marginal gentrifiers, have the ability to create residential gentrification.

For this model to work, members of the middle class that are unaffiliated with the arts must have some way to find out about new housing supply in cultural neighborhoods. In Old City, this occurred through the establishment of First Friday in 1991. First Friday takes place on the first Friday of every month. Participating art galleries remain open throughout the evening and serve wine and refreshments to those that attend. This was

perhaps the most influential step towards establishing Old City as a cultural district. The Old City Arts Association, which adapted the concept from similar happenings in other cities and now organizes the event, describes it as an open house in Old City's galleries that "brings together city dwellers and suburbanites, contemporary arts and antique collectors, aficionados of classical and contemporary design, and theater and performance buffs" (Old City Arts Association). First Friday has been enormously successful, as thousands of people travel to Old City to participate in the event.

First Friday arose from a realization that gallery owners had to attract visitors to Old City. In describing how First Friday came to be, Rick Snyderman, who originated the event in Philadelphia with Bob Mendell, said "And I said, you know if we all sort of did an event one night a month and call attention to it [Old City], it might be a way of getting some visibility, because there was no visibility at that point in time" (Snyderman). First Friday certainly succeeded in bringing the public's attention to Old City and transformed Old City from an underground district of art studios and art galleries to a cultural destination in Philadelphia.

The success of First Friday also hinged on the growing demand for cultural events. The early 1990s were a time of reinvestment in cities and especially arts and culture in cities across the United States. This phenomenon was especially apparent in Philadelphia. Snyderman describes the demand for art and culture from the population that he felt, and the way that the Old City Arts Association was able to harness this demand into a positive event for the neighborhood. He explains:

"What happened was that we had no anticipation of what a need this was for Philadelphia, we had no idea that people were just hungry for some kind of cultural event in Philadelphia. Gradually what began to happen was there began to be an understanding that cultural activities were a reason for people to come to

cities. And that the more activity you could create and generate in the way of cultural activities the more interesting the city became. Because the cultural resources were here and you couldn't, you didn't have to invent them, they weren't bogus, they were here since long times ago. So taking advantage of those and learning how to use those resources became one of the interesting challenges of this area. So all of these different players from all these different entities, never had they had any kind of linkage with each other, so creating the Old City Arts Association and linking them all together, you took advantage of the critical mass that began to develop here and the critical mass became a self fulfilling prophecy" (Snyderman).

First Friday publicized the artistic migration into Old City and introduced the public to the unique cultural experiences that were available in Old City. This began with the artists, who saw a supply of cheap housing and studio space in buildings that were aesthetically and practically appealing. The artist population in Old City created a cultural allure that galleries were interested in, and this underground art culture along with the physical and economic interests that galleries found in Old City, caused galleries to move to Old City. Once a critical mass of galleries had been achieved, First Friday introduced Old City to the rest of Philadelphia, and established Old City as a major cultural district. As Snyderman says, "So we began to identify Old City as a place, as the cultural district of Philadelphia and we called it that and we were going to make it that because that's what we believed. So in due course that's exactly what happened. Oh there's a cultural district in Philadelphia, its called Old City" (Snyderman 11/15/07).

The convergence of culture, capital and the built landscape launched Old City's north of Market Street corridor into an established residential and cultural Philadelphia neighborhood. With over half a billion dollars of private and public investment, over 55 art galleries and other art related shops, and 1665 new housing units, Old City had a lot to lose. The threat of commercialization was on the mind of Old City residents and business owners, many of whom had fled South Street after it underwent a commercial

transformation that many argued ruined its integrity. With the memories of South Street lurking, and the threat of commercialization looming, the residents and business owners of Old City organized in an effort to permanently protect the cultural and residential community they had created.

Zoning

Patterns of development in Old City highlight the drastic impact that changes in zoning and zoning regulation can have on development in urban communities. Land use specification plays an important role in determining patterns of development and zoning boards do not always make decisions with best use and best practices in mind. Further, the concept of best use differs among people and groups. For example, residents of a community could have one best use in mind, while business owners and developers could have a contrary opinion.

The two major zoning changes that affected Old City's modern development occurred at the intersection of these viewpoints. The first, implemented in 1976, changed Old City's zoning code from light industrial to light commercial (includes light residential), which fueled the housing boom that was occurring in Old City in the mid-1970s, as discussed in the previous section. The second and arguably more profound zoning change occurred in 1990, and was designed to protect the residential neighborhood north of Market Street by limiting commercial use in the immediate area. While the Old City Zoning Overlay may have succeeded in protecting residential land use, it had an important unintended consequence -- the establishment of a homogenous strictly nightlife district south of Market Street (to be discussed later). In this way, the Old City Zoning Overlay highlights the impact that limited use zoning can have, as it

took the natural progression of residential development north of Market Street and polarized it, creating adjoining polarized land use areas. The impact of zoning changes in Old City exhibits the convergence of market driven spatial distribution patterns, which led to the creation of the overlay, and the political forces that impacted the design and implementation of the overlay.

Residential Zoning Changes in Old City – 1970s

The first zoning change was a result of the Venturi, Scott, Brown study on Old City, in which the architecture firm was commissioned by the City Planning Commission to make recommendations of public sector improvements to Old City. The study made many recommendations. Among them was a change in zoning from light industrial to light commercial (which includes light residential) and included all of Old City, not just the area north of Market Street. They suggested, “Modifying existing building codes to allow more economic methods of renovation” (Venturi A-9). While the Planning Commission acted on this finding and did indeed implement a change in zoning, most of the recommendations were never implemented due to lack of public financing.

Old City was originally zoned as a G2 district (light industrial). Therefore, many of the original sweat equity rehabs were done illegally, for many of the residential buildings were zoned for industrial use only. Further, developers were required to apply for and receive a zoning variance every time they wanted to develop a historic building. The Venturi study recognized that this red tape was prohibiting high levels of investment in the area, as applying for zoning variances took valuable time and could be very expensive. The need for “more economic methods of renovation” referred not to the physical costs of construction, but to the cost required to apply for zoning variances.

Thom explained, “this process [zoning variances] was hindering it [investment]. So they said, you might as well encourage it [investment]” (Thom). The City Planning Commission changed the G2 classification to C3 (light commercial). This ordinance allowed commercial uses that pre-existed the change to remain “as a matter of right.” It also allowed new commercial uses “as a matter of right” and allowed the conversion of industrial buildings to residential uses “as a matter of right.” In short, the zoning change eliminated the red tape that had been in place. This made it easier for the private sector to invest in Old City, or as Smith would claim, encouraged the movement of capital into Old City. Thom agrees, noting that, “The zoning change and RITC [Rehabilitation Investment Tax Credit] really created Old City” (Thom).

Map 6 shows zoning regulations of Old City before and after 1976, when the change to light commercial occurred. As the map demonstrates, the zoning changes expanded light commercial classification to the entire area north of Market Street, creating a large block of land that could be used for residential or commercial space. While Old City’s market trended towards residential growth in the area north of Market Street, the light commercial specification did not protect this residential development from commercial uses, such as restaurants and retail. The map indicates that there were no zoning changes between Market and Chestnut Streets, as this area was already zoned light commercial. The area between Chestnut and Walnut Streets changed from light commercial to recreational, and this new recreational area was later incorporated into the National Park Service’s Independence Park. The map also shows that only one small subsection of Old City, the area around Elfreth’s Alley, was zoned residential. This

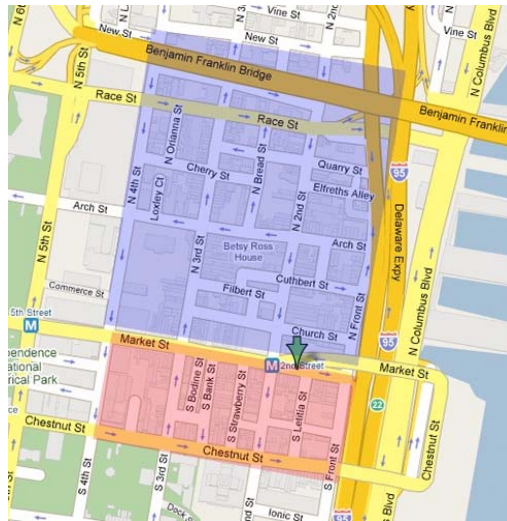
classification allowed strictly residential use, and was intended to protect the historic cache of Elfreth's Alley.

The change to light commercial created organic and market driven growth in Old City, especially north of Market Street. It did not alter, or attempt to alter, the organic patterns of development that were occurring. In fact, this zoning change aided the patterns of spatial distribution that were already taking place. The zoning change was also successful because it did not universally discriminate against any specific land use. Instead, it widened land use possibilities in Old City, which fostered a market in which residential, cultural and retail uses could interact. The positive impact that the first residential zoning change had on development north of Market Street shows the importance of assessing zoning changes relative to the current patterns that are taking place, and creating measures that aid, rather than hinder, this development.

Old City Zoning Overlay

The second major zoning change in Old City occurred in 1990. The Old City Residential Special Area District Controls (Zoning Overlay) was created "to protect the historic, residential, cultural and economic vitality of this section of the City" (Bill 14-1610, sec. 1g). The Zoning Overlay limited "the size and location of certain specific entertainment and commercial uses" (Bill 14-1610, sec. 1g) by prohibiting use of space as restaurants or nightclubs, among other things, within the boundaries set forth by the Overlay (see Map 9). The boundaries were, "On the north, the south street line of Wood Street; on the east, the west street line of the Delaware Expressway; on the south, the north property line of all properties fronting on the north side of Market Street; and on the west, the east street line of Fifth Street" (Bill 14-1610, sec 3a). The Overlay protected

the north of Market Street area from restaurants and bars, whose owners were eyeing Old City as potential locations.



Old City Zoning Overlay – Blue: No Restaurants or Bars, Red: Commercial

Nightclub owners’ prime interest in Old City stemmed from the large footprints of the old warehouses. These large footprints allowed for large floor plates, some of which exceeded 30,000 feet that were ideal for large nightclub venues. Thom recalls one proposal that he oversaw as president of the Old City Civic Association. He remembers, “We had a proposal from Electric Factory concerts to go in there. Then we had a proposal in 1990 for Electric Factory Entertainment on the 200 block of Callowhill, for a 6000 occupancy night club...4 bar areas, 3 live entertainment venues, max capacity 6000 drunken patrons. It would have been the largest indoor non-stadium licensed facility in the Commonwealth of Pennsylvania” (Thom). The fear of nightclub infiltration and the negative effects that this would have on property values and quality of life, became ever more real after the South Street mini-riot of 1988.

Philadelphia’s South Street district gained national media attention in 1988 after the police brutally beat rowdy partygoers leaving nightclubs. Images of horse-mounted police officers beating young adults with Billy clubs were aired on national news

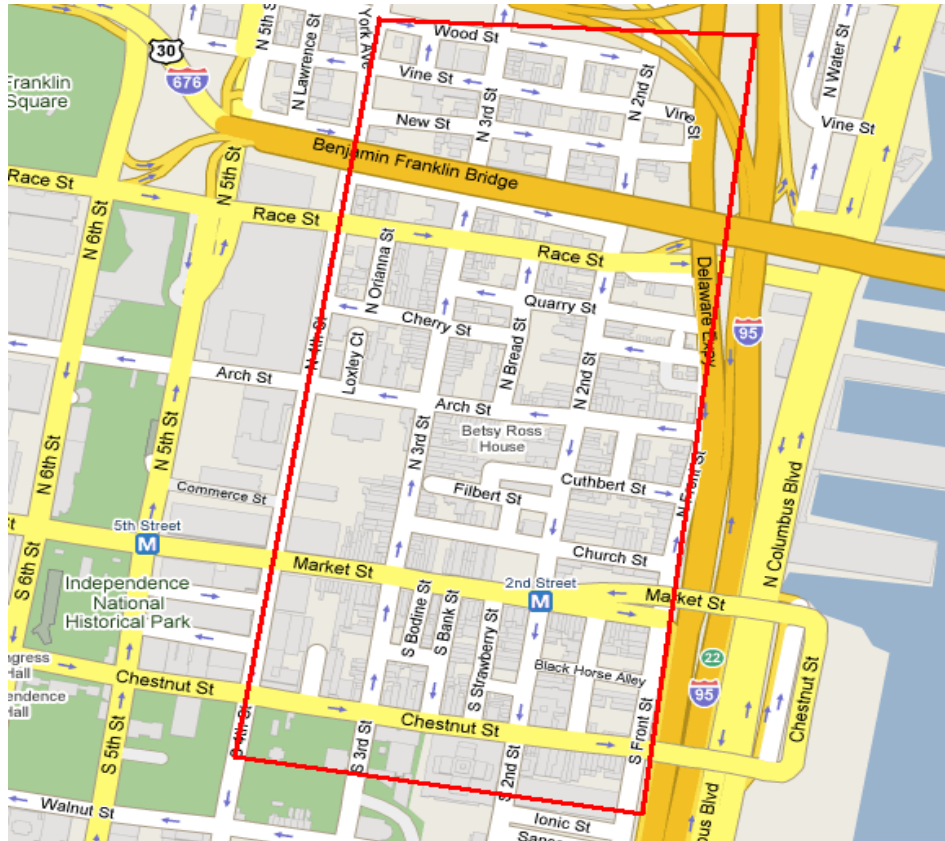
programs. This mini-riot had an adverse affect on nightclub business and “some of the nightclub operators and some of the restaurant operators, that also had live entertainment, made it very clear that they were going to move north, they were going to leave South Street and they weren’t going to go in Society Hill, they were going to skip over Society Hill and go to the big footprint buildings” (Thom). The residents of Old City feared the consequences of the migration of such establishments into Old City. Lead by the Old City Civic Association, the residents fought vehemently in court the granting of liquor licenses in Old City.

Fighting the state Liquor Control Board at the court level proved to be an uphill battle. As Richard Thom noted, “the Liquor Control Board is in fact set up to give licenses, not to intervene on the community’s behalf” (Thom). Further, the Old City Civic Association found it nearly impossible to resist licenses in court that had already been granted by the State’s LCB. In response to multiple court cases of this kind, Thom and his fellow activists felt, “We fought it at the LCB level and we lost. And we all scratched our head and said, OK, the only way we can stop this is by limiting restaurant use in the zoning code” (Thom).

Further complications arose from the Pennsylvania LCB’s unique classification, or lack thereof, of nightclubs. Pennsylvania’s liquor laws, unlike the other states that surround it, do not differentiate between restaurants and nightclubs. A “Capital R” liquor license is granted to any restaurant, bar or nightclub, irrespective of its intended use. Therefore, the only way to block nightclub development is to prohibit any type of liquor license, including those that serve normal well-to-do restaurants.

Seeing no other way to protect the decade of positive cultural and residential investment and development, the Old City Civic Association led by Thom pressured the Planning Commission to enact the Overlay, which originally covered all of Old City, including the area south of Market. Thom's main argument centered on the large amount of financial and cultural capital that had been invested in Old City, which he estimated to be somewhere around 500 million dollars in 1990. He told the City Planning Commission, "At least the area north of Market had to be protected from nightclub activities, otherwise all the investment that had come in...This whole thing was for naught if no one could sleep, if the value of your properties were going down because people were puking outside" (Thom). The Executive Director of the City Planning Commission, Barbara Kaplan, resisted the Overlay because of her personal theories on zoning restrictions. However, Rich Thom engaged in what he called "hard nosed politics" and arranged for a meeting with Philadelphia's First District Councilman and the State Senator from the district. Thom brought three busloads of residents to the meeting, along with two local television news crews. Seeing the large representation of his voting constituents that supported the ordinance, the Councilman begrudgingly agreed to the more limited version of the Overlay, which only stretched to Market Street.

The political climate out of which the Overlay was born had drastic impacts on its affects. Originally, the Zoning Overlay was designed to cover all of Old City, from the northern boundary of Wood Street to southern boundary of Walnut Street.



Originally Proposed Old City Zoning Overlay: Inside Red Box – No Restaurants/Bars

Under these specifications, no nightclub or restaurant would have been permitted anywhere in Old City, north or south of Market Street. This original design had two major problems. First, the recently gentrified Society Hill area that bordered Old City to the southwest was zoned exclusively residential and was considered by the Planning Commission to be one of its crowning achievements (although it received harsh criticism from many)(Hassebroek). If Old City had been zoned as the original Overlay proposed, there would have been one large residential zoning block in the eastern section of Center City.



Zoning Classifications/Proposed Land Use under Original Overlay



Zoning Classifications/Proposed Land Use under Enacted Overlay

However, this block was not caused by best use zoning practices, but by the fact that the redevelopment of Society Hill was a cornerstone achievement of the Planning Commission and its success was generated largely through the creation of purely residential zoning. Therefore, the Commission refused to alter the zoning code of Society Hill, which prevented an Old City wide Zoning Overlay from being plausible because of the large residential zone that would have been a result. Second, the political players involved were largely not in favor of the Zoning Overlay, and only agreed to

accept the compromised version after large community protests and pressure. As a result of these two political mechanisms, the revised version of the Zoning Overlay was passed.

The Old City Zoning Overlay represents the convergence of political actors, local business interests and concerned residents and exhibits the problems that can arise out of politically influenced zoning ordinances. In the case of Old City, the players that were involved lost sight of the goal of changing the zoning, to ensure best use and best practices in development, and instead compromised to promote their own cause. The political actors wanted to appease the concerns of their constituents, the residents and business owners, and were therefore forced to compromise. The question remains – who should be responsible for zoning and whose interests should they protect? Historically, zoning has served to protect residential areas. While the case of Old City represents this historic trend, certain concessions were made to commercial uses, which proved to have unintended consequences on the maturation of Old City as an entire district.

The Zoning Overlay greatly altered the patterns of development in Old City as a whole. By limiting the size and location of specific entertainment and commercial uses north of Market Street, it protected residential and cultural development there, and created a haven for developers to convert warehouses to lofts without fear of being overtaken by rowdy nightclub goers. It also allowed the art galleries to exist in peace and maintained a more subdued artists' culture in the area north of Market. However, the Zoning Overlay also forced all commercial development to be south of Market Street. While the mere speculation of this type of development sparked the resident's desire for the Overlay, widespread commercial development would not overtake the southern area

of Old City until 1995, when a catalyst called Continental Restaurant and Martini Bar opened on the corner of Second and Market Streets.

Development Patterns South of Market Street

The south of Market Street Development Area (Map 2) underwent a very different transformation than its northern counterpart. This is in part due to slight variations in the built environment, but the major differences were indeed caused by two primary factors: the enactment of the Zoning Overlay in 1990 and the opening of Continental Restaurant and Martini Bar in 1995. The first of these factors created artificial spatial development which prohibited the natural inflow of restaurants and bars into the northern development area. The second acted as a catalyst for nightlife development in Old City, which spawned a restaurant and bar revolution that was limited to the four square blocks south of Market Street. While the Overlay affected development patterns of Old City as a whole and within the two distinct development areas, the Continental defined the southern development area as a certain type of urban entertainment destination, one that was not overly compatible with the history of development in the northern part of Old City and one that cannot wholly be defined by the standard framework of gentrification.

A Brief History

The area south of Market Street in Old City did not benefit from the same endowment of physical buildings and built landscape as its northern counterpart. While individual buildings within this area certainly appealed to restaurateurs, the size of the buildings south of Market Street were much smaller, and the scale of the streets were much less appealing. For this reason, there was little residential development south of Market Street in the 1970s and 1980s. Cultural development also was not prominent in

the area south of Market Street. However, as Map 7 shows, there was a small conglomeration of art studios in the square block between Market and Chestnut Streets and Second and Third Streets. There were some bars and restaurants in the area, mostly on Front Street between Market and Chestnut Streets and along Chestnut Streets between Front and Third Streets. The Venturi study notes that “The retail businesses along Chestnut St...are one of the City’s largest concentrations of restaurants” (Venturi C-16). However, these restaurants and bars did not constitute a critical mass, and with the exception of Bookbinders and the Middle East, did not widely attract people that did not live in the area. Old City was in no way an entertainment destination as it is today. It was merely a semi-concentrated collection of restaurants scattered throughout the southern district. This restaurant population declined in the 1980s, and many of the larger restaurants in Old City closed. This led the way for a second-generation concentration of restaurants in Old City, which was paved by Stephen Starr, CEO and Principal of Starr Restaurant Organization and the creator of Continental. Describing Old City’s commercial landscape when he opened the Continental, Starr recalls, “Old City was a deadman’s land when I came here” (Starr).

The Built Environment

The built environment of Old City’s southern district played a critical role in attracting the first entrepreneurs that ventured to Old City. Starr attributed his interest in Old City to the physical landscape. He said, “What I saw was north of Market an area that was industrial and felt very much life SoHo, or Old Montreal...It would have been my hope that the Continental acting as a catalyst would have been more developed north of Market because I think that’s by far the cooler area” (Starr). While Starr’s affinity for

Old City was caused by the area north of Market Street, it was the physical diner itself that motivated Starr to cross over into the restaurant business.

Starr attributed his initial interest in Old City to the physical layout of the diner in which Continental opened. In choosing the location of the restaurant, Starr explained, “I



saw the space and thought restaurant, bar...space is what generally dictates things to me, it's the space that matters, not the location or the concept, but the space” (Starr). The diner was especially appealing to Starr because:

“it was built in 1963. If it was a 50's diner I would not have been interested, because that whole Happy Days thing was so played out. The 1960s thing I always found fascinating, that era of early 60's design. So it was the space that did it for me. I could care less that it was in Old City at that point” (Starr).

Bradlee Bartram, Vice President for Restaurant Development at Starr Restaurant Organization and the original Executive Chef at Continental, portrayed a similar sentiment. He “had always looked at the Continental diner as being a great restaurant space... Every time I would get close I would look at it and go, ‘Wow this is a great restaurant space. How much fun would this be’” (Bartram).

Two other locations in Old City attracted Starr's attention a few years after he opened the Continental, one on Chestnut Street between Third and Fourth Streets and one on Market Street between Second and Third Streets. The Market Street location opened as Tangerine, a Mediterranean concept, in 1999. Referring to the Chestnut location, the sight of Starr's flagship restaurant, Starr recalls, “Buddakan always felt like safe and like an oasis, because its on Chestnut Street across from a park...When I went to Buddakan it had this very high ceiling and it was a box, but I felt Cuban and it wasn't going to be

Asian, it was going to be Latin” (Starr). On the Buddakan location, Bartram said, “I walked in and I could just feel it. This is something huge, this is great. Across the street Carpenters Hall, a giant box with tall ceilings-- it’s like this is going to be phenomenal. All you have to do is make the right choices with what to do within it”(Bartram).

While specific spaces in the southern development area attracted the attention of marginal entrepreneurs, the street and sidewalk capacity south of Market Street was limited. The Venturi study of 1976 identified traffic concentration and density as a key issue facing Old City’s southern development area. The study asserts, “Traffic volumes on the north-south streets represent the heaviest traffic movements through Old City...If this potential congestion is allowed to develop unabated, it would probably deter the influx of new businesses and residents” (Venturi A-32). Although the Venturi study cited congestion as a deterrent of development, the city made no effort to address the problem, and traffic congestion continued to plague the southern development area throughout its transformation. Map 8 shows traffic congestion as observed by the Venturi study. It exhibits increased traffic congestion on the same blocks where critical restaurant development has now occurred. The prediction of the Venturi study is only partially correct, as development in Old City went unabated, especially after 1995. However, traffic congestion continues to plague Old City, its residents and its users. This congestion is especially pronounced in the areas of densest restaurant concentration.

The Continental

The hallmark and catalyst of Old City’s southern commercial area was Stephen Starr’s Continental Restaurant and Martini Bar, which opened in 1995 on the corner of Second and Market Streets. In a *Philadelphia Magazine* article detailing the rise of

Stephen Starr, Starr remembers his initial thoughts of the neighborhood, driving by the sight of Continental and thinking “Are you crazy? What can you get in for a gross place like this? Four thousand a month” (White 51)? Starr did not cite the cultural community that had been established north of Market Street as a reason for opening Continental in Old City. Describing Old City before he arrived, Starr said:

“There was a Middle East restaurant. There were some other things. There were a couple of iconic sort of Philadelphia restaurants. Then they went out of business and then there was a comedy club here that was well known. So back in ‘93, ‘94 there was nothing here. There were a couple of bars and that was it. Then the diners were on the corner, Continental and Snow White, which were owned by Greek brothers, and they closed around five o’clock. They were done serving and it was pretty desolate here” (Starr).

Instead, as previously mentioned, Starr was attracted to the space, the physical configuration of the sixties style diner, originally called Continental, that he would eventually take over.

It is interesting to note that from the very beginning, Starr recognized Old City primarily as the area south of Market Street. This is because the cultural community that evolved north of Market Street was not Starr’s target market, nor did he see them being a large part of his business. In this way, Starr was trying to appeal to a broader audience in creating an Entertainment Destination, a place where people came to eat and go out at night, rather than where residents go to eat dinner. The distinction between these two types of restaurants -- one in which people go to an area because of the restaurant and the other in which people go to the restaurant because it is in an area -- is important. The former case represents a key component of a Destination restaurant,² which has very different effects on development than a neighborhood restaurant.

² A Destination restaurant is one that draws a majority of its customers from outside the neighborhood or city. They do not typically serve a regular client base, but instead rely on the business from a wide variety of customers from

Starr's success in Old City, along with the concept of trendy dining that had never been introduced in Philadelphia, attracted other entrepreneurs to the area. After 1995, there was a drastic increase in the number of liquor licenses in Old City (Pennsylvania Liquor Control Board). Many restaurateurs who moved into the area cited Starr's success as one of many reasons they decided to locate in Old City. Ellen Yin, the owner of Fork Restaurant, one of the few nationally regarded restaurant experiences in Old City, said, "It's easy to say when someone else is successful that you could replicate the same business...His [Starr's] clientele had to be coming from somewhere... so of course, seeing a successful restaurant might imply there is a need to be met" (Yin). However, Yin warns that success in replicating other restaurants is "not necessarily true" and claims that "Stephen's success at Continental has to do with his concept" (Yin).

Others have also attributed the rise of Old City's restaurant and bar scene to Continental's success. In an article written in 2004 for *Nation's Restaurant News*, Bret Thorn briefly describes the history of Continental. He writes, "It all began in 1995, with a \$300,000 investment in a property on Market Street in Philadelphia's then-languid, now -hip Old City. The Continental Restaurant and Martini Bar was an instant success and paved the way for all the successes to follow" (Thorn 1). Wendy Tanaka, writing for the *Philadelphia Inquirer*, described Continental as "a retro diner and martini bar in Old City that helped propel the redevelopment of the historic neighborhood" (Tanaka 2). Twelve years later, the Continental serves as the cornerstone of Old City's nightlife. It did 3.5 million dollars in revenue in 2006. Since 1992, the number of restaurants in

different areas. Destination restaurants must have a liquor license and generate a fair amount of business from liquor sales. They also must be big, typically encompassing more than 75 seats plus a bar area. Residential restaurants, on the other hand, typically rely on repeat business and serve a local customer base. Residential restaurants in Philadelphia typically operate without liquor licenses and are much smaller and lower key than Destination restaurants.

Philadelphia's Center City District has tripled, and the number of restaurants in Old City increased by 20 from 2000 to 2001. There are now 92 restaurants and bars in Old City, more than any other neighborhood in Philadelphia. Restaurant employment has also increased in Philadelphia, from 27,723 in 1991 to 39,755 in 2000. Many of these jobs can be attributed to the restaurant revolution of Old City.

Starr's impact on the development landscape south of Market Street makes him a "marginal entrepreneur." The concept of the marginal entrepreneur is similar to the role of the artist as a Marginal Gentrifier, however the entrepreneur brings with him commercial economic development, whereas the marginal gentrifier causes residential development. While the difference may seem slight, it is a crucial distinction, as the development patterns south of Market Street do not represent classical gentrification and we must therefore adopt a different model to explain it.

Starr's role as a marginal entrepreneur highlights the impact that one innovative person can have on a neighborhood. The concept of a marginal entrepreneur can be expressed through the idea of complementarities, which is an important framework of analysis in economic development. They are used to explain a situation in which the cost of adopting a new good goes down as more people adopt it, or more generally, a decision of one person to act in a certain way increases the likelihood that others will act in the same way (Ray). Marginal entrepreneurs are the first and most critical step of restaurant and nightlife development in marginal neighborhoods. As more and more people began opening bars and restaurants in Old City, the incentives for others to open increased, as Old City was becoming established as the nightlife district in Philadelphia.

In many cases, early adoption by the marginal entrepreneur has economic benefit. In the case of Old City, those that adopted first got extremely low rents, or in the case of Stephen Starr, were able to buy their spaces for low prices. This economic benefit comes at a high risk. If the neighborhood does not develop, it may be extremely difficult to stay in business. This is not to say that all restaurateurs knowingly act as marginal entrepreneurs, because they certainly do not. To the contrary, many restaurateurs open restaurants in marginal neighborhoods to reap the economic benefits with no intention of spawning development, and, as in the case of Starr and The Continental, transform a marginal neighborhood into a destination.

However, many of the entrepreneurs that ventured into Old City after Starr were generally not equipped to handle the fierce competition of the restaurant business. Many of those that witnessed Starr's success were in no way ready or qualified to open restaurants. They merely saw a cool concept that was successful and thought that they too could run a restaurant. Starr explains:

“What happened was, look it's the market place, I don't like it, the rents are cheap, so you get these half assed entrepreneurs that go and just open something cheap. They throw it together. They put some tables outside and it's a restaurant, and it's really a bar, and they lower the drink prices and they attract a lower class clientele, which I don't like” (Starr).

Due to the extremely challenging nature of the restaurant business, owners typically turn to liquor sales when the restaurant portion of their business begins to decline. This changes the fabric of the neighborhood, for restaurants have far different cultural and economic impacts on communities than bars do. Starr's continued success 12 years after he opened The Continental is a tribute to the concept that he has created and the balance and quality he is able to maintain.

Continental Restaurant and Martini Bar is just that, a restaurant and a bar. Starr opened Continental under the premise of “dining as entertainment.” Drawing from his background as a concert promoter and club owner, Starr felt that the design of the restaurant and the music was equally important as the food that was being served. Furthermore, Starr recognized the importance of the bar to the overall success of the restaurant, not only because margins on alcohol are typically higher, but also because the bar scene framed the conceptual vision of the restaurant. In describing his initial thoughts when viewing the space, Starr recalls, “I saw the space and thought restaurant, bar and with a heavy emphasis on bar” (Starr).

The conceptual framework of Continental as a restaurant and bar shaped the evolution of Old City’s southern development area. Craig Laban, restaurant critic for the *Philadelphia Inquirer*, noted, “Old City has evolved more into a martini district than a fine dining district” (Laban). Perhaps the most obvious reason for this evolution is imitation. Continental as a concept and a restaurant are extremely well operated by Starr. Continental maintains a unique balance between a “groovy” vibe at the bar scene and a well-regarded, high quality restaurant. This balance is maintained by one of the most prominent restaurant operators in the country, Starr Restaurant Organization. Richard Thom observed this as president of the Old City Civic Association. He said, “So people would come to us and say they want to be a restaurant. They would operate it as a capital R restaurant with a liquor license issued by the Commonwealth of Pennsylvania and within a year or to two morph into a nightclub...restaurants become nightclubs” (Thom). As Starr observed, many restaurants tried to copy Continental’s balance between food and liquor, with very limited success. Starr said, “In Philadelphia, as soon as there is one

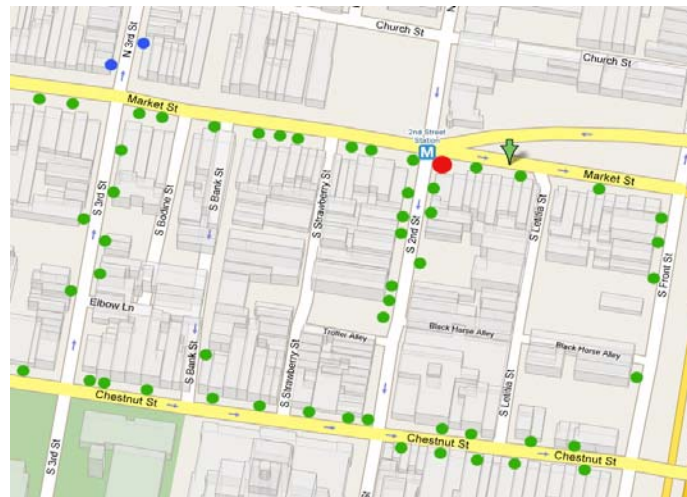
successful restaurant, there are three more that imitate it badly. They don't control the crowds" (Starr).

Starr cites crowd control as the key to maintaining a well-regarded restaurant in the midst of a burgeoning bar and nightclub scene. He remembers the fate of Rococo, the second high concept restaurant to open in Old City, a few years after Continental. Rococo operated as a restaurant and bar for a few years however, as growing competition mounted, Rococo's operators did not control the bar scene. Starr remembers, "Rococo opened and it probably mainstreamed things a lot, because it had a lot of the South Philly and Northeast crowd that ultimately did it in, because they didn't control the bar" (Starr). Rococo's fate left a large impact on Starr who "worked the door myself at the Continental...I wouldn't pick and choose people...but when I saw people that I knew were not right, like guys that were drunk...I would make them wait" (Starr).

The evolution of Old City as a martini district has caused fine dining and cultural restaurateurs to invest elsewhere in the City. With the exception of a few restaurants – Buddakan, Tangerine, Fork and Amada – all the investment in Old City has been of a bar first, restaurant second mentality. Starr explains what he has observed among restaurateurs in the Philadelphia restaurant community. He said, "Restaurateurs are not looking at Old City favorably, because late at night here, the crowd is not conducive to fine dining or eating. So the entrepreneurs are going to Northern Liberty's, or back to the Rittenhouse area, and even some are going South" (Starr). Either way, the influx of restaurants into Old City has been good for its economy. According to Bruce Grindy of *Restaurants USA Magazine*, "Critics may view the restaurant industry as a collection of low-wage jobs that has a nominal impact on a region's economy, other than providing

students with part-time jobs. However, closer inspection of available data reveals that the restaurant industry is the cornerstone of the U.S. economy and career opportunities” (Grindy 1). In 2007, the restaurant industry is forecasted to employ 12.8 million people (9% of the US population), second only to the government (Restaurants USA).

Since Continental opened, there has been a drastic increase in the number of liquor licenses in Old City. Old City has also become a major entertainment destination in Philadelphia. Thousands of young adults line the streets of Old City on Thursday, Friday and Saturday nights. Many of these patrons are not Philadelphia residents, as Bradlee Bartram, Starr’s Head of Restaurant Development notes, “When you look at the area codes for our reservation book, 610...610...610. And then you know its probably 40-50% western suburbs, 20-25% New Jersey and 20-25% Philadelphia” (Bartram). Old City’s south of Market Street area is primarily used by non-city residents, while the area north of Market Street serves as a prime example of community investment.



Dense Concentration of Restaurant South of Market: Green Dots = Restaurant/Bar

The southern development area’s transformation took on a form that is not well documented in current literature and can be captured through the notion of a “Martini

District.” As demonstrated by Old City’s southern development area, a Martini District is a dense concentration of restaurant and nightlife establishments that serve as a destination for a broad array of users, many which are not immediately local. Further, local residents tend not to look favorably on Martini Districts, as they typically provoke crowding and rowdiness at late hours. The concept of a Martini District implies almost exclusive restaurant and nightlife land use and exhibits an environment which can be hostile to other uses, such as residential or retail. Martini Districts are also defined by positive economic factors, such as increased tax revenue for the city, increased employment in the area, and a more competitive commercial real estate market caused by increased demand. The forces that lead to the creation of a Martini District are also unique.

The transformation into a Martini District south of Market Street began with the act of a marginal entrepreneur, Stephen Starr. Starr did not open Continental with the intention of spurring development; however the nature of his concept and his success spurred imitation from other less marginal entrepreneurs. As more and more restaurants and bars opened in Old City, it became an established restaurant and nightlife district. The influx of restaurants looking to capitalize drove out other types of land use, such as retail and residential, which created a homogenous nightlife use in the southern development area. As the number of restaurants grew, the competition increased and restaurants that struggled to make profits used their universal liquor license to morph into bars and lounges. As more and more bars and lounges began to open, more traditional fine dining restaurants became deterred from operating in Old City, which left the maturation of the nightlife scene unimpeded. It is through this cycle that Old City’s

southern development area, and other similar Martini Districts, arrives at their current states, a highly concentrated conglomeration of restaurants, bars and lounges serving out of area users with very little restriction and very little use by neighboring residents. Old City's southern development area serves as a prime example of the evolution and existence of a Martini District that cannot be explained through the traditional models of gentrification.

Linking North of Market and South of Market

The transformation of the northern and southern development areas each tell their own story and offer keen insight into the factors that lead to two different types of development. Analysis of these neighborhoods sheds light on the patterns of development in other comparable neighborhoods, and both the Cultural and Capital Convergence model and the Martini District model can be observed and applied to neighborhoods other than Old City. However, the last piece of the Old City puzzle is the interplay between these two neighborhoods. I have already analyzed the ways in which these neighborhoods arrived at their current state, but to truly understand the impact of the Zoning Overlay, and therefore the development of Old City as entire neighborhoods, we must understand the links between these diverging neighborhoods. In doing so, we can assess the impacts of government mandated intervention in private urban markets and the costs and benefits of intervention.

Diverging Development

The Zoning Overlay created two distinct areas within Old City. Local opinion confirms this. As Starr confirms, "The Zoning Overlay forced all development to be on Market Street, or south of Market Street" (Starr). Thom refers to this area as the

“restaurant ghetto,” and conceded that this dense commercial development was an unfortunate, though worthwhile, byproduct of the Zoning Overlay. Snyderman agrees with Starr’s assessment, saying:

“First of all, it pushed everything that had to do with restaurant and entertainment south of Arch Street. So now you have this really kind of crazy overstuffed area fit into two blocks, which is unnatural, whereas if you look at Northern Liberties...what you see is nice interesting restaurants, maybe one here maybe one over there” (Snyderman).

The divergence was created because once restaurants and bars were prohibited north of Market Street, restaurants and bars that wanted to open to draw on Continental’s success were forced to do so in the small area between Market Street and Society Hill. Once the dense concentration of restaurants began to cluster, it deterred any residential development from occurring south of Market Street because people prefer not to live in a densely concentrated nightlife area. In this way, the official prohibition of restaurants and bars north of Market Street created an unofficial prohibition of residential use south of Market Street.

The polarization of these connected neighborhoods is also apparent through spatial analysis. The map below, provided by the Old City District, exhibits the two distinct land uses. The map represents restaurants with yellow dots and retail, including galleries, with pink dots. The map clearly shows a stark difference in the two areas, as the upper half of the map (representing the northern development district) has a high concentration of pink dots with only three yellow dots. These three yellow dots are Bistro 7, La Locanda and Chloe, all of which are BYOBs³ whose spaces were grandfathered into the Zoning Overlay. The bottom half of the map has a high concentration of yellow dots, which displays the large concentration of restaurants and

³ Bring Your Own Bottle – Restaurants do not have liquor licenses

bars in this area.



Polarizing Neighborhoods: Yellow Dots = Restaurant, Pink = Retail/Gallery

One of the most interesting aspects of development in Old City is the lack of interaction between the area north of Market Street and the area South of Market Street. Stephen Starr conceded that very few of his clients come from the immediate area. Ellen Yin, owner of Fork Restaurant, explained that she wanted her restaurant to serve the neighborhood, and at first it did. However, national media attention and the growing transformation of Old City established Fork as a Destination restaurant. She said:

“At the beginning, my vision was to create a neighborhood restaurant. 60% of our customers came from Center City...Additionally, with the publicity we were getting from national publications and travel publications, our client base continued to grow and Fork increasingly became a destination restaurant” (Yin).

Many of the gallery owners agreed. Rosenfeld conceded, “I don’t think there is a lot of cross over from south of Market Street to north of Market Street” (Rosenfeld). He even said, “I don’t think I have ever gotten a customer from Continental” (Rosenfeld).

Old City has a diversity of uses, but the fact that they are used by different users negates many the benefits that mixed use development often provides. The lack of crossover creates a single set of users for the northern area, those that live in the immediate area or those that go there to take advantage of the cultural amenities, and a

separate set of users for the southern area, those that go there at night to take of advantage of the night scene. Further problems are created through the separate usages, as many Old City residents complain of the high traffic volume and noise late at night on weekends. The number of cars in the area late at night is drastically increased by the destination use of the southern development area, for if nearby residents were using the space than they would not have to drive.

The lack of cross usage can also cause neglect for the neighborhood. The users of the southern development area have no personal interest or investment in the neighborhood, and therefore tend to neglect it. Property damage and random acts of vandalism are common complaints that I heard from gallery owners and residents when asking them what the impact of southern redevelopment was. Party goers often park in the northern development area while going out in Old City for the evening. Drunken acts of property damage are common because these partygoers have nothing vested in the community, and therefore do not treat it with the same care as residents might. This also creates hostility between the residents of Old City and the owners and users of restaurants and bars in the southern development area whose businesses attract this clientele.

The hostility between residents of Old City and its non-resident users is often high. Many of the gallery owners I spoke with seemed to be unhappy with the developments that were occurring south of Market Street and were frustrated with their inability to control it. Richard Thom told me many stories about his confrontations with bar owners that were violating the Community Board's regulations. However, he also acknowledged that there was little that he could do to force restaurant and bar owners to obey the Old City Civic Associations and Community Board's wishes.

The interactions between the Cultural and Residential District and the Martini District demonstrate the consequences of zoning changes. In Old City, zoning has proven to be an extremely powerful tool to produce and protect residential development in specific areas. However, it has also created polarized neighborhoods between which interactions are limited, and user compatibility between the neighborhoods is rarely established. The Zoning Overlay succeeded, at least for now, in its goal to protect residential development and investment north of Market Street. However, its unintended consequences have led to the creation of two nearly incompatible sub-neighborhoods where the struggle between preservation and growth is continuously played out.

Conclusion

Old City provides a unique situation in which to analyze the complex concepts of urban redevelopment and gentrification. Old City has played host to two very different types of transformations, one residential and one commercial. The residential and cultural gentrification that began in 1970, when artists first starting moving into Old City, continues to spawn urban growth and gentrification in the area north of Market Street. As this area grows, culture, capital and the built landscape continue to converge and, though the development landscape has drastically changed, the fundamental success of this convergence in urban redevelopment is still apparent. This Cultural and Capital Convergence Model, which is a combination of the models proposed by Zukin and Smith, accurately defines the patterns of development north of Market Street and explains the simultaneous drastic increase in residents and cultural institutions that called Old City home.

The development landscape in Old City is different today because the northern

area now shares Old City with a very different neighbor, the Martini District that developed south of Market Street. This Martini District was developed through a very different model, in which one marginal entrepreneur, Stephen Starr, ventured into Old City to transform Continental Diner into Continental Restaurant and Martini Bar. Starr's resounding success motivated others to follow suit, and Old City quickly became established as a nightlife destination. However, this nightlife development was forced south of Market Street, as the Old City Zoning Overlay prohibited restaurant and bar use north of Market. This created a densely packed nightlife entertainment destination, which I define as the Martini District because of its evolution into an area in which bars and lounges have overtaken fine dining restaurants and because most of its users come from outside the immediate area. The density that defines the Martini District was caused by the Zoning Overlay, which had drastic effects on the patterns of development in Old City.

The Zoning Overlay altered the organic progression of development in Old City. The Overlay exhibits the strength of zoning as a tool for controlling patterns of development, but also emphasizes the large role that politics play in determining zoning outcomes. The compromise that was created in response to resistance of an overlay encompassing Old City succeeded in its goal of protecting the cultural and residential area north of Market Street. But it also created an area south of Market Street that many argue has had extremely negative impact on the entire neighborhood. Many residents of Old City question the ability of these two neighborhoods to coexist.

That brings us to the interesting conundrum inherently associated with zoning disputes between business owners and residents. In general, when these players disagree,

they attempt to reach a compromise. However, in the case of zoning (and especially Old City), compromise in zoning variations can lead to unintended negative consequences. If this is the case, than which interest should be valued more? This question is beyond the scope of this paper, but further research could help to decipher a more transparent solution to solve zoning disputes.

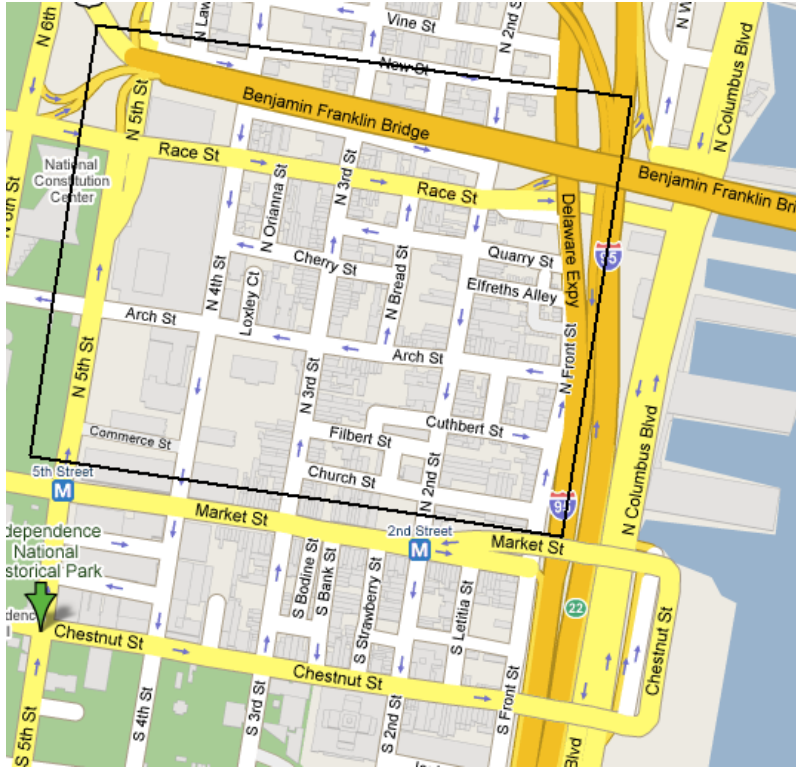
A seemingly better way to solve this dispute would be to widen the types of liquor licenses that are issued by the state of Pennsylvania and to increase enforcement for those that do not adhere to their specified liquor license. The Zoning Overlay was born out of a fear that bars and nightclubs, not restaurants, would overrun the residential area that had been created. The inclusion of restaurants in the prohibited uses north of Market Street came from a fear that failing restaurants would turn into bars to increase profits. The introduction of Conditional Liquor Licenses by the State of Pennsylvania's LCB in 2005 helped to address this problem, however, political activists in Old City complain that enforcement of disobedience is impossible to carry out, and therefore restaurant owners have no incentive to adhere to the conditional licenses. In order to truly remedy the problem, the LCB should issue a wide variety of licenses with very specific uses and monitor adherence to the licenses based on the ratio of food sales to liquor sales, which could be easily done through analyzing sales and liquor tax.

Communities could also be given a set different of tools to preserve certain aspects of their communities. Creating partnerships between residents and business owners is a crucial first step for both sides to understand the needs and wants of the other group while creating a dialogue to deal with problems. Also, creating more specific zoning classifications would benefit communities, developers and business owners.

Many argue that our zoning classifications no longer fit the demands of the modern markets and the spatial distributions they cause. Analyzing and implementing a new zoning system could prove to be a vital piece in solving the power struggle between residents and business owners.

The struggle between residents and business owners is a problem that will persist as long as the two coexist in the urban space. It is a struggle that has defined spatial development in Old City, and in other neighborhoods around the country, and continues to be a driving force of urban development in America. No matter what tools our legal system can come up with to solve this problem, it seems that this political power struggle is an inherent consequence of market driven growth. As this case study of Old City demonstrates, this type of organic growth can sometimes be more desirable than government intervention in the form of zoning. However, there are certainly other cases in other places in which government intervention is the optimal outcome, and hence a wide-ranging solution to this power struggle is not possible. Each neighborhood must be looked at individually, and the unique factors that are driving development and growth must be considered. In this way, the case of Old City continues to demonstrate the interconnectedness of urban neighborhoods and exhibits the delicate nature of power and place in the urban environment.

Appendix:

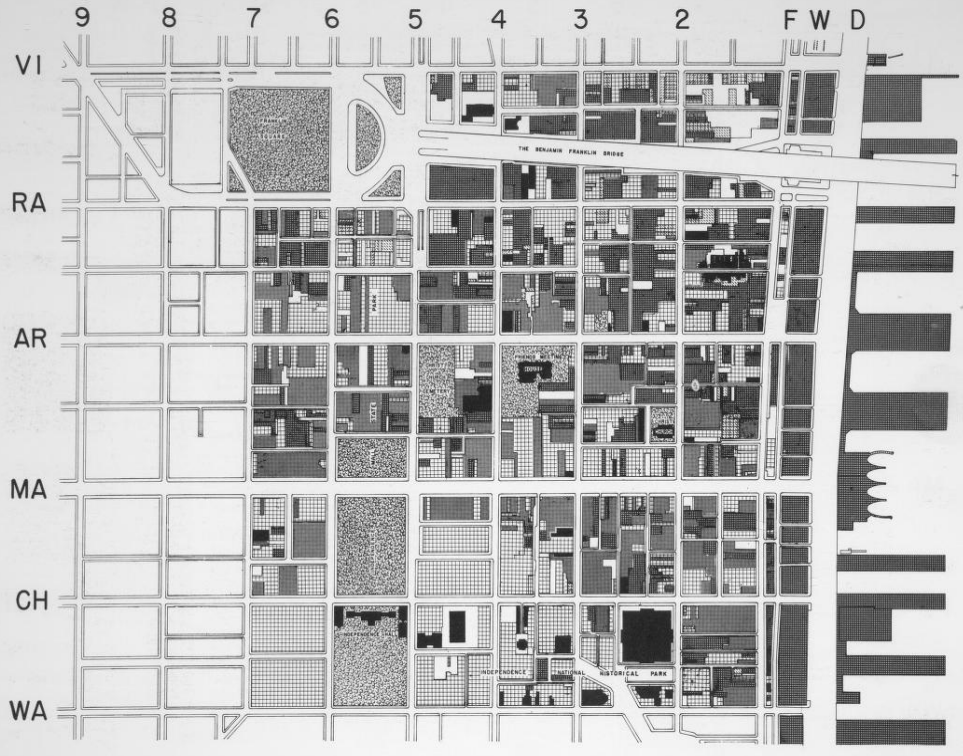


Map 1: North of Market Street Development Area



Map 2: South of Market Street Development Area

42
NA
68
P
H



SOURCE: BUREAU OF ENGINEERING, SURVEYS, & DESIGN - 1960

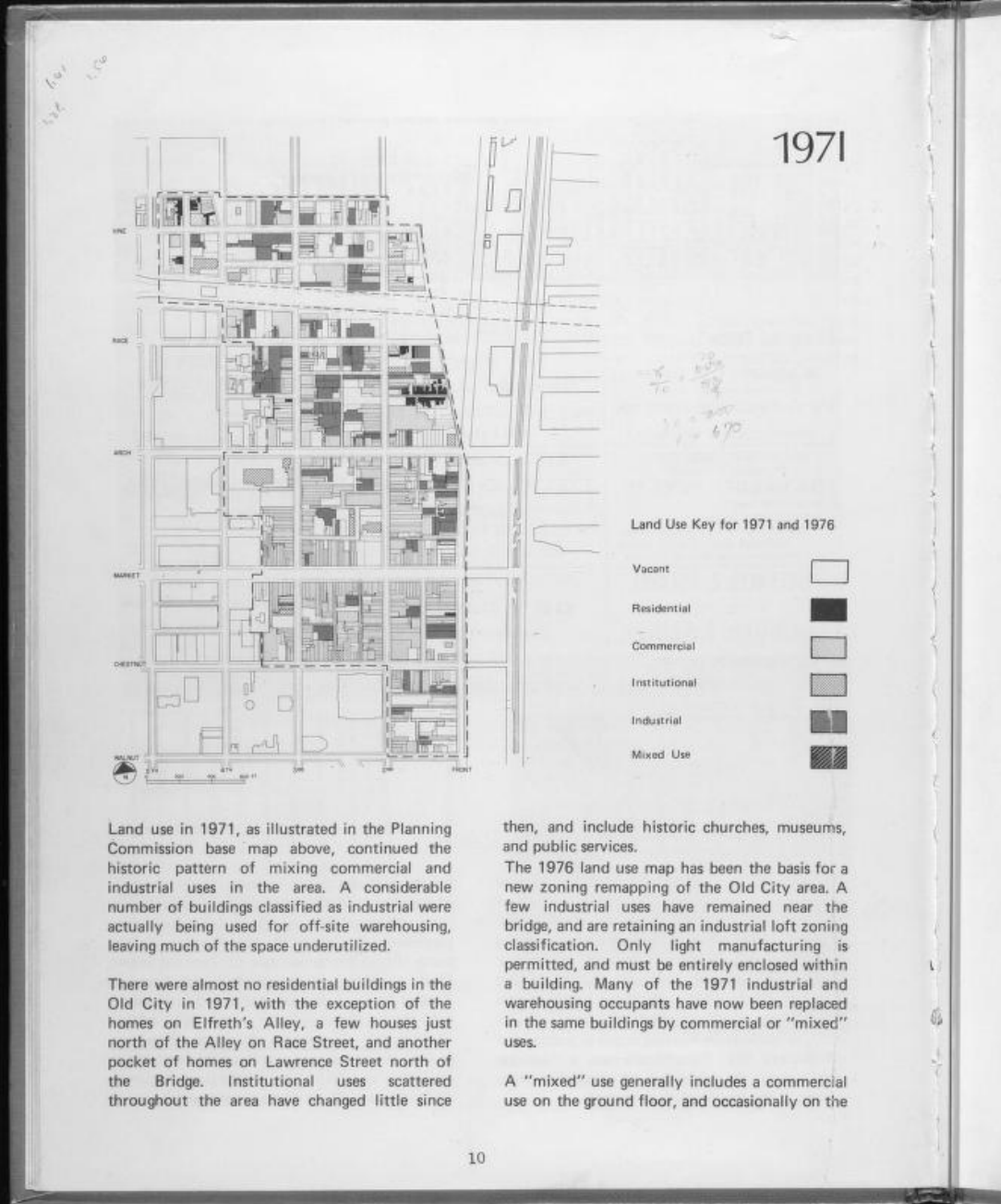
RESIDENTIAL		COMMERCIAL & RESIDENTIAL	
VACANT AREA		COMMERCIAL	
PLANTED AREA		COMMERCIAL & INDUSTRIAL	
HISTORICAL & INSTITUTIONAL BUILDINGS & COMMUNITY FACILITIES		INDUSTRIAL	

EXISTING LAND USE

MAP NUMBER **2**

A mixed pattern of light manufacturing, wholesaling and retailing extends indiscriminately through most of the area. Except for a few small islands, notably Elfreths Alley, residential use is limited to upper floors over shops. In 1957 there were 950 residents, a drop of nearly 100 since the 1950 census. Corollary to the small number of residents is a complete absence of schools, playgrounds and similar neighborhood facilities. In the Independence Square area, long established publishing, banking and insurance interests have maintained a solid character. The area is almost completely built over except for spaces around historic shrines and the sites of demolished buildings.

Map 3: Existing Land Uses - 1960



Map 4: Existing Land Use - 1971

1976



second floor, and dwelling units on the floors above. The buildings converted within the last five years have proved ideally suited for such mixed uses.

Accessibility both to important center city sites and extensive pedestrian activity makes Old City's ground floors highly desirable commercial locations. The upper floors are less accessible, since most of the buildings do not have functioning passenger elevators. These floors are generally more economically productive when converted to living units, instead of being left as warehouse space. Residential development has concentrated on Third and the eastern part of Arch Streets, and on the interior alleyways,

principally Cuthbert, Mascher, Bread, and Church Streets, because they are quieter than the more commercially active streets such as Market and Race.

Commercial uses remain almost evenly divided between retail and wholesale, and are generally split by Market Street. North of Market Street the predominant commercial uses are "wholesale", though most of the stores also sell to retail walk-in trade. Opportunities to buy quality products at discount prices abound throughout this section. South of Market Street, most of the commercial uses are retailers, including a wide variety of restaurants and clubs, and an assortment of clothiers.

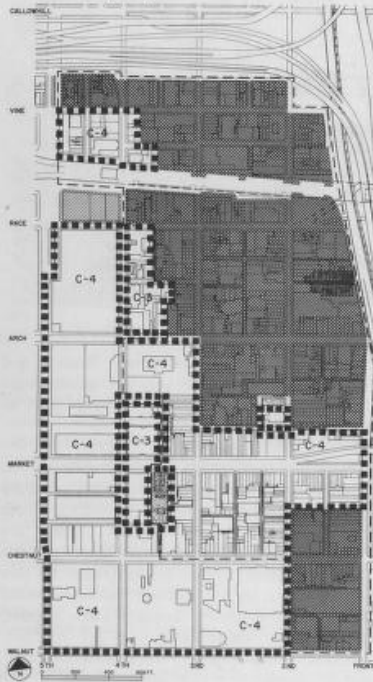
Map 5: Existing Land Use - 1976

ZONING

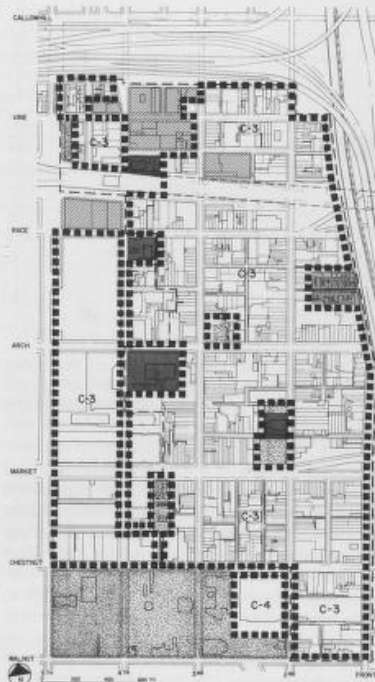
In 1971 few actual industrial uses, aside from warehousing, remained in buildings in the Old City. Since then over 100 of those warehouses have changed into either residential or commercial buildings or are vacant. No new industrial uses, with the exception of crafts such as handthrown pottery, have moved into the area since 1971. Many of the large loft buildings are now used as artists' lofts for living and/or working, a use encouraged by the community.

The old zoning category of "General Industrial", however, permitted a variety of industrial uses that could generate considerable noise, pollution, open air storage, and heavy loading which would be difficult to accommodate on the narrow streets and alleys of Old City. In 1975, the local community recommended that the industrial zoning in Old City be changed to a commercial category that would allow the continuation of specialty wholesale uses, and the introduction of a mix of new retail and residential uses. Existing industrial uses are permitted to remain as "nonconforming uses".

- | | | | | | |
|--------------|--|--------------------|--|---------------------------------|--|
| Recreational | | Limited Industrial | | Multi-Family Residential R-10 | |
| Commercial | | General Industrial | | Single Family Residential R-10A | |

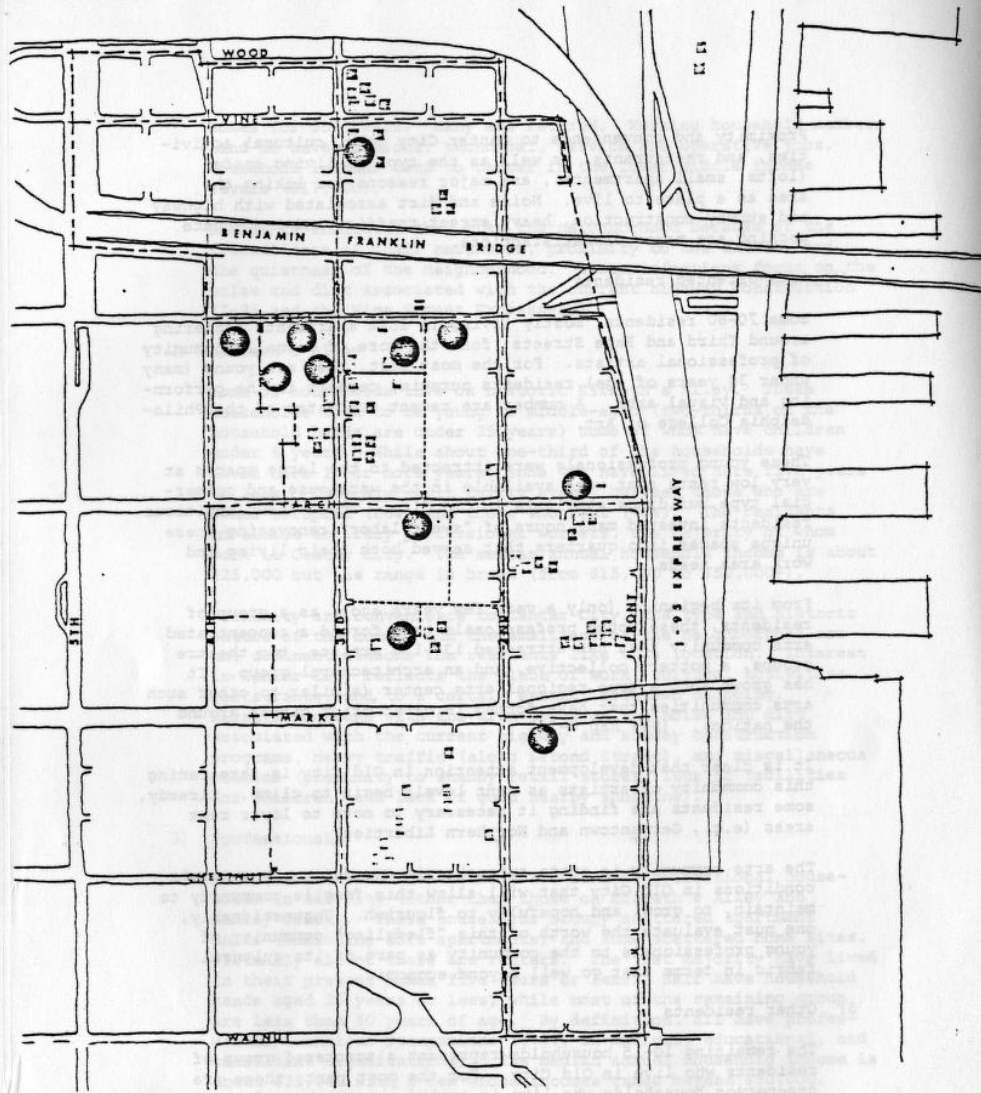


ORIGINAL



1976

Map 6: Zoning Changes in Old City - 1976

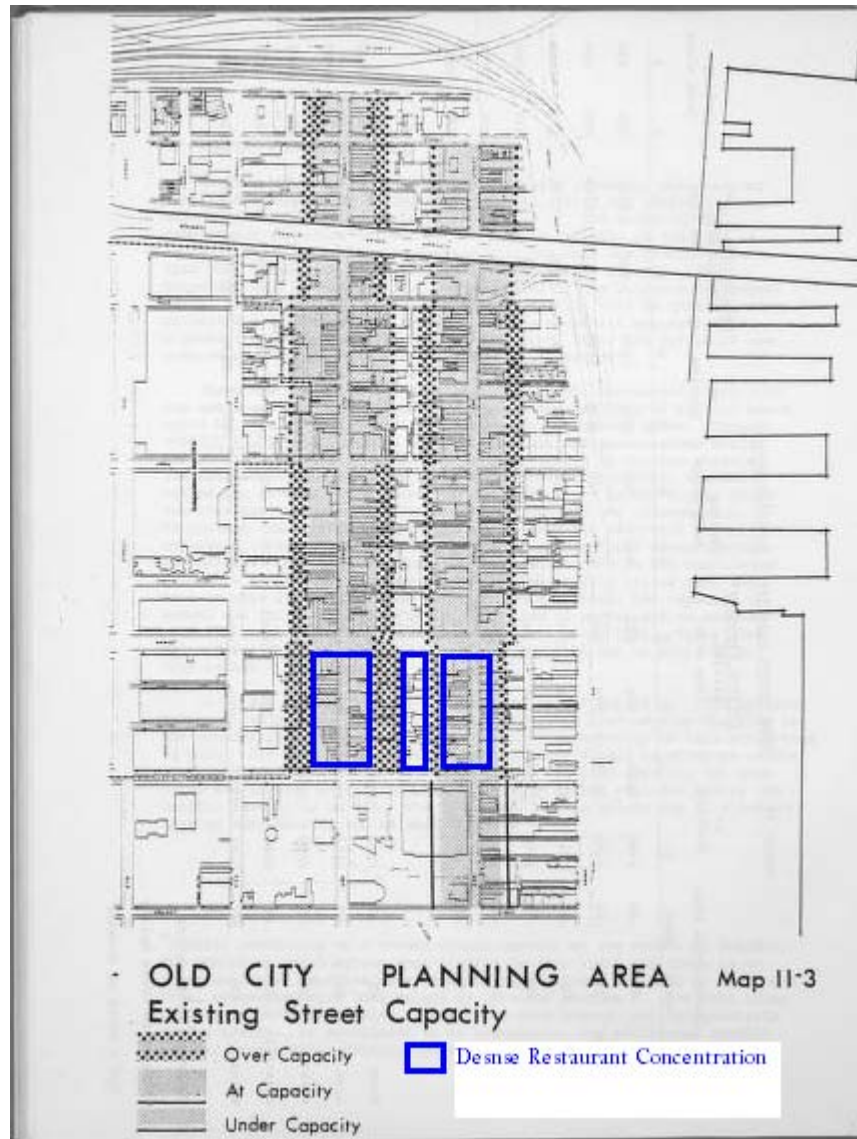


OLD CITY PLANNING AREA Map V-3
 Artist Community

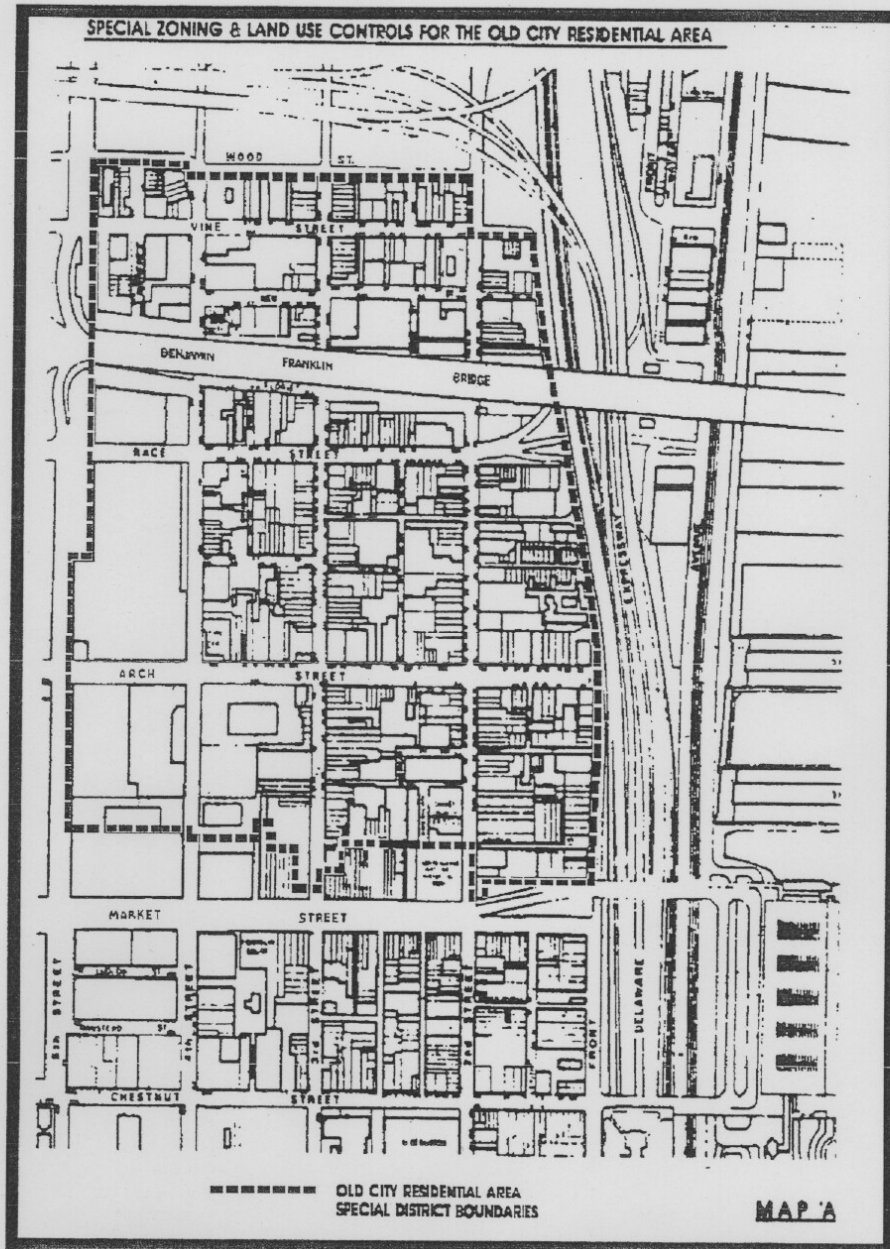
- Existing Performance & Exhibition Locations
- Artist Studios

B-23

Map 7: Artists Communities - 1978



Map 8: Traffic Congestion in Old City - 1978



Map 9: The Boundaries of the Old City Zoning Overlay – Map from Actual Legislation

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Cover:

Picture: Old City District, www.oldcitydistrict.org

In Body of Text:

Page 1, Diagram: www.chrisdecaro.com/centercity/maps/index.html

Page 23, Image: <http://www.pahighways.com/interstates/I95.html>

Page 35, Chart: Old City Arts Association

Page 43, Map: Google Maps, created by author

Page 46, Map: Google Maps, created by author

Page 47, Map 1: Page 31, *Plan for Center City*, augmented by author

Page 47, Map 2: Page 31, *Plan for Center City*

Page 51, Image: <http://www.messyandpicky.com/index.php/2005/08/04/continental-restaurant-and-martini-bar/>

Page 59, Map: Google Maps, created by author with data from the Center City District

Page 63, Map: Old City District, www.oldcitydistrict.org

Appendix:

Map 1: Google Maps, Created by author

Map 2: Google Maps, Created by author

Map 3: *Plan for the Old City*, 8

Map 4: *Old City Philadelphia*, 10

Map 5: *Old City Philadelphia*, 11

Map 6: *Old City Philadelphia*, 12

Map 7: *Old City Study*, B-23, Map V-23

Map 8: Old City Special District Control, Map A