

Local Entrepreneur Insights in Philadelphia

February 2025

Overview

Cities Work gathered local entrepreneur insights through one-on-one virtual interviews, door-to-door canvassing, and in-person entrepreneur roundtables. We engaged 75 businesses in total through our outreach process, specifically:

- 28 in-depth entrepreneur interviews through roundtables, one-on-one interviews, and canvassing
- 64 businesses canvassed
- 4 neighborhoods canvassed (Bustleton, South Philadelphia, Kensington, Southwest Philadelphia)
- 3 languages used to conduct interviews with entrepreneurs (English, Spanish, and Russian)
- Interviewed a variety of business types including retail, service, food-related, and small manufacturing.

Different entrepreneurs highlighted different regulatory hurdles as being their biggest obstacle to starting their businesses, but several common themes emerged. We grouped those themes into three main categories while recognizing that these obstacles often overlap. Each category of insights is accompanied by a main goal that encompasses what entrepreneurs said they would like to see from the city.

Below, we share those common insights with accompanying entrepreneur quotes. These are the views entrepreneurs expressed to us, and we present them as part of our commitment to being transparent.

Navigating Permitting and Licensing Processes

GOAL: *Champion simple, accessible, and transparent permitting and licensing processes that appreciate the resource constraints within which entrepreneurs work and ensure the opportunity for businesses to comply with city requirements.*

Vague, Confusing Processes due to the Lack of Upfront Information, Permit/License Categorization, and Complex Zoning.

- Entrepreneurs don't know where or how to start navigating the regulatory process.
- Information about requirements is spread across multiple platforms and departments.
- The vast variety of permits and licenses confuse entrepreneurs about what actually applies to them.
- The categorization of permits and licenses by business type restricts innovative forms of businesses not included in the categorization from starting.
- The city uses zoning districts and overlays to prohibit or require certain items. The zoning overlays add complication by fracturing the city into a patchwork of varied regulatory spaces with different rules. For example, the city targets take-out restaurants by requiring them to obtain a special exception approval in certain districts and overlays while permitting other forms of food and drinking establishments by-right.

"We are a small manufacturing hot sauce business, there aren't guides for that. We slip between the cracks; I didn't know what information was applicable or what category we fit in."

"Every person has a different story because there is not a consistent path to follow from 1-10. Every single area of the city has different requirements."

Lack of Transparency in Inspections and Perception of Subjectivity.

- Entrepreneurs only know what they need to comply with after the initial inspection when inspectors will give them a report that shows what they are missing. This leads to more inspection failures and waste of resources for the city and the entrepreneur.
- The lack of transparency in the inspection process also contributes to the perception of subjective inspections. Entrepreneurs shared examples of inconsistent enforcement in inspections.

- Entrepreneurs emphasized that instead of citing all issues during the initial inspections, inspectors will find one thing wrong, cite that, and then leave. By citing one problem at a time, the inspection process is drawn out and entrepreneur and city resources are wasted.

“[Any requirement step] that [includes] a process, is subjective to the person on your case. You don’t know what you will get. They pick and choose what to enforce.”

Incentives to Comply with City Requirements are Misaligned with the City’s Goal of Promoting Health and Safety.

- The cost and time associated with completing city requirements often is more expensive than paying noncompliance fines if caught.
- The city wants to keep the community healthy and safe, but if costs of compliance are too high or requirements are too convoluted, aspiring entrepreneurs may turn to informal business operations and circumvent the process entirely.
- Some entrepreneurs experienced reactive penalization from the city in the form of fines instead of proactive education and assistance in understanding how to become compliant with requirements. By prioritizing education on and understanding of requirements and utilizing penalties as a last resort rather than first resort, the city can encourage future compliance more effectively.
For example, one Russian pharmacy owner erected a security gate during COVID-19 to protect against an increase in thefts. An inspector fined him for not having an appropriate building permit. This entrepreneur was just trying to protect his business during an uncertain time but was punished for it.

“We experienced a consistent theme of going through the proper channels and doing everything right, but this just led to us being screwed over by the city and spending thousands of dollars. We realized it was cheaper to just do, ask for forgiveness, and pay the fines.”

“Unless you have a lot of money, compliance and enforcement is a cat and mouse game.”

“There is something fundamentally wrong if the financial incentives of breaking the rules are better than complying.”

City Requirements and Their Associated Costs (Including Delays) Stifle Small Businesses.

- The cost of navigating complex city requirements disproportionately harms small and micro businesses. While chains, restaurant groups, and wealthier entrepreneurs can afford to hire permit navigators, accountants, and other professionals to help navigate requirements, individuals who are just getting started or come from modest means often cannot.
- The timeline of complying with city requirements can also be detrimental to small and micro businesses. Every delay that prevents opening costs entrepreneurs rent and lost revenue.
- These costs can lead to small and micro businesses closing their doors before they are even open, giving up mid-process, or shutting down after opening.

“Restaurant groups can open 30 restaurants in the city no problem. Because they hire people to navigate the requirements for them. But we can’t.”

“Timescale for the city is in business days, timescale for us is in calendar days.”

“We wanted a sign above our door. It took 2 years, so we ended up giving up.”

Accessing City Resources and Affordable Forms of Entrepreneurship

GOAL: Establish equitable access to city staff and resources and allow valuable forms of entrepreneurship that are more affordable than a traditional brick-and-mortar.

Perception of the City Prioritizing Big Businesses over Small and Microbusinesses and a Lack of Awareness of City Resources for Microbusinesses.

- Entrepreneurs perceive the city as prioritizing big businesses over small and micro businesses through customer service and resource availability.
- Perception that small and microbusinesses compete against bigger businesses for resources. Under the SBA, a small business can be any business with less than 500 employees, so when small and microbusinesses are applying for resources and must show revenue, years in operation, or a minimum number of employees, it can be hard to “beat” the bigger businesses since they generally have better criteria according to resource eligibility.
- In general, entrepreneurs feel like there is a lack of resources for microbusinesses especially without eligibility requirements (like credit score/years in operation/at least a certain number of employees). Whether or not there are adequate resources

provided by the city or third-party organizations for microbusinesses, there is not adequate resource awareness.

- Lack of entrepreneurial support organization. Small and microbusinesses have a hard time identifying what resources are applicable to them and what resources they could be eligible for.

“The charm of Philadelphia is in these small independent businesses. Not the chains. I think the city needs to focus on how to accentuate the cultural communities we have and what they have to offer instead of siloing people [through the regulatory process].”

“We as business owners and residents are happy to share resources with each other, but there is a barrier for communicating with the city.”

Prohibition of Cottage Food Businesses and a General Lack of Economically Accessible Ways to Start Your Business.

- Lack of economically accessible ways to start your business due to bans on certain business types and the expense of city processes. Entrepreneurs want to test their products and see if there is market demand for their businesses, but the city makes it hard to legally do this before committing fully to a business model and undergoing the extensive regulatory process to get started.
- For food businesses, securing a brick-and-mortar space can be prohibitively expensive as well as renting a commissary kitchen space. Limited food establishments (home kitchens) are allowed by the state but banned in Philadelphia, forcing many entrepreneurs to decide between either operating informally or giving up their business idea.
- The city process to vend at farmers markets and special events often isn't economical because of permit and inspection costs in addition to other costs required like staffing.

“The only capital some people have is their kitchen and it's illegal to use it.”

“For microbusinesses, how do you expect us to come up with so much money upfront? We already spent a lot of money to open and are starting in a deficit.”

“Affordable is a relative term. Many entrepreneurs don't have a lot of money, but they want to do something. Everyone could afford to do something if the city didn't handcuff them. If you want to do a pop-up once or twice a month, you have to forget about making money and instead ask yourself, are you making your money back from the permit costs.”

Interacting with the City

GOAL: Increase regulatory transparency and accountability at all levels of city government and strengthen customer service.

General Fear of the City Government

- Entrepreneurs express a general fear of the city government, especially for informal businesses, people of color, immigrants, people who don't speak English, and people with less resources.
- For individuals who are informally operating, they don't feel safe asking questions to the city about how they can formalize and comply with the city requirements.
- Entrepreneurs of color expressed that they feel the city targets and harasses them.
- Immigrants often come from countries with less or different regulatory requirements and might not realize they are illegally operating a business. Additionally, they might not feel comfortable asking for help or standing up to the city government because of their experiences with government in other countries.
- Individuals who don't speak English as their first language have a hard time interacting with the city because there is a lack of language accessibility. This augments the fear of getting in trouble with the city, because they might not understand what they need to do to be in compliance with the city requirements.
- People with less resources also cite a fear of the city due to the potential opportunity costs of being shut down by the city. Being shut down temporarily due to incompliance with city requirements can lead to businesses having to shut down permanently because they cannot afford the lack of revenue generation.

"I didn't want to out myself as being informal, so I didn't feel like I could ask questions."

"I am just spinning my wheels to keep this [business] alive and the only point of contact with the city feels like you will get in trouble."

Noticeable Improvement in Online Interface but Still Needs Work

- Entrepreneurs noticed the improvements in the online interface but felt there is still work to be done.
- Eclipse can be ineffective for filling out forms. Entrepreneurs resort to downloading forms and then needing to upload them to Eclipse to submit.
- People who are not tech savvy have an especially hard time navigating the online platforms and when they go in-person, they are often pointed to the online platform.

- Entrepreneurs appreciated the former snail-mail model of registration because they would be given exactly what they needed to fill out rather than spending time navigating various URLs and incongruous platforms for information. They want to know exactly what they need to do and what forms to fill out.

Poor Communication with Entrepreneurs and Lack of In-Person Language Accessibility.

- A lack of proactive communication with entrepreneurs about upcoming renewal deadlines. Entrepreneurs appreciated the former snail-mail renewal process model because they would receive a letter from the city stating they needed to renew a license or permit and provided the respective renewal application that needed to be completed and sent back. When asked if it is more about the clarity and proactive reminders of renewal rather than the physical mail aspect, they affirmed and mentioned online or text notifications about when their renewal period was coming up and specific instructions for which forms they must submit would be very useful.
- Multiple entrepreneurs cited the challenge of getting connected to city staff to ask questions because when they called the different departments, no one would answer the phone.
- Entrepreneurs who do not speak English as their native language expressed the challenges of going in-person to ask questions and receive assistance due to the lack of individuals working in the departments who speak languages other than English. They cannot receive real-time help, and the online resources are not always available in the language they speak.
- There is a perception of general hostility and lack of empathy from city staff. Entrepreneurs felt the city staff did not want to help them because of their demeanor, curtness, and lack of empathy for the resource constraints and stress of entrepreneurs.
- However, entrepreneurs did share how great it was when they did get to work with a “champion for small businesses” within the city departments who were empathetic and determined to help the entrepreneur achieve compliance with the city. Rather than viewing compliance requirements as a reason to say no to the entrepreneur, champions view requirements as a threshold for which entrepreneurs must meet, and they get to assist the entrepreneurs in successfully doing so.

“There is no city representation for people who don’t speak English. You already aren’t welcome; you have to fight to get your voice heard.”

Inconsistent and Incorrect Information Provided by City Employees Cost Entrepreneurs

- Multiple entrepreneurs shared stories of employees providing them with inconsistent or incorrect information resulting in costly errors for the entrepreneur. For example, one entrepreneur shared that an inspector arrived and told them they were required to have a sink disposal in a certain area to pass the inspection. After spending time and money to install one, a different inspector arrived and told them they were not allowed to have the disposal there.
- Common consensus by entrepreneurs is that that you will be sent on goose chases between people and departments to obtain information because you will not receive the correct information or correct person to ask your question to on the first engagement with the city.
- In another example, the owner of a family-run pizza shop attempted to erect a 6-foot-tall fence around his property. He received conflicting information, on the same day, from different L&I employees about whether or not a building permit is required for a fence of that size.

"Can the city itself explain the process? If you can't explain it to us, how do you think we will get it either."

Local Entrepreneur Insights in Summary

- Entrepreneurs in Philadelphia struggle with **complex, inconsistent, and costly regulatory processes**, making it difficult to start and grow their businesses. From unclear permit classifications to subjective inspections, the system often discourages compliance rather than supporting it. ("We realized it was cheaper to just do, ask for forgiveness, and pay the fines.")
- **Interacting with the city is a major pain point**, particularly for immigrant and informal entrepreneurs who fear penalties or struggle with language barriers. Misinformation, poor communication, and lack of accessibility make it hard for businesses to get the answers they need. While eCLIPSE and online resources are helpful, they do not mitigate the unclear and unresponsive communication issues.
- Solutions should focus on **simplifying processes, expanding support for small businesses, and improving city communication and customer service**. Clearer guidance, proactive outreach, and a culture shift toward helping rather than hindering entrepreneurs can make Philadelphia a more business-friendly city.

- Philadelphia’s entrepreneurs are eager to follow the rules, but they need a system that makes compliance achievable, not a financial or bureaucratic burden.

Conclusion and Next Steps

All cities struggle to strike a balance between protecting health and safety, governing efficiently, and allowing people to realize their full potential. We are incredibly grateful for the opportunity to work with the city of Philadelphia, and for how open and forward-thinking they have been throughout this process. We are confident in the city’s commitment to making it cheaper, faster, and simpler to start and grow a small business.

Next Steps

Local entrepreneur insights are a crucial step in regulatory reform. While on-paper regulatory research provides a notion of the regulatory pain points, hearing from entrepreneurs directly enhances and clarifies what the biggest regulatory obstacles are to starting a small business in their city. We are deeply grateful to the entrepreneurs who generously shared their time and experiences with us and will always have an open door to learn more from them. The entrepreneurs we engaged supported the following existing recommendations and encouraged the addition of new recommendations and areas to research:

Existing Reform Recommendations

- Support for consolidated non-permanent food license
- Support for more language accessibility
- Support for better online presence/notification systems of renewals
- Support for inspection checklists
- Support for emerging business fee reductions
- Support for simplifying zoning

New Reform Recommendations & Areas for Additional Research

- Removing the cottage food ban in Philadelphia
- Explicitly provide “amnesty” for informal businesses who come to the city to get assistance formalizing
- Investigate Philadelphia street parking for entrepreneurs who own the business’s building but live in New Jersey

The city of Philadelphia benefits greatly from the character, culture, and economic opportunities created by the small business community that persists despite the many

regulatory barriers entrepreneurs face to operate a business within the city limits. The city has the opportunity to truly make Philadelphia open to business by aligning the regulatory requirements to support and strengthen entrepreneurship while promoting community health and safety. Cities Work stands ready to assist the city and its entrepreneurs to make meaningful changes through these reform opportunities.