(Re)vitalizing Inner-City Neighborhood Business Districts:
An assessment and strategy framework for integrated micro-business and real estate development by non-profits

Riverbend, Des Moines, Iowa

Codman Square, Dorchester, Massachusetts

Jeffrey Morgan
The Edward M. Gramlich Fellowship in Community and Economic Development
NeighborWorks® America & Joint Center for Housing Studies of Harvard University | Summer 2011
(RE)VITALIZING INNER-CITY NEIGHBORHOOD BUSINESS DISTRICTS:
An assessment and strategy framework for integrated micro-business and commercial real estate development

Outline:

Context

- Research approach: abstract-thesis, and methodology
- WHAT this is about: neighborhood business district and micro-business typology
- WHY do this work: trends, benefits and consequences

CDC Decision to enter this business sector

- Pre-planning considerations
- Planning Step 1 – Neighborhood economic and physical assets and potential
- Planning Step 2 – Assess CDC and community capacity for action
- Implementation – Survey the field: actions and actors

Selective sources and strategies

- Sources for micro-business and real estate development capital
- Strategies for neighborhood business district development
- Strategies for micro-business retailing

Risks, challenges, and trade-offs

Policy considerations

Discussion: questions and comments
Sustainable inner-city urbanism includes strengthening and in some cases creating local economies at the neighborhood scale.

Stabilization and regeneration of neighborhood business districts contributes to resident wealth-building by fostering local retail entrepreneurialism as one part of a multi-front strategy for creating a neighborhood-based economy.

CDCs (and CDFIs) using the combination of commercial real estate development hand-in-hand with micro-enterprise assistance programs can provide the support and capacity needed to maximize the potential for effective revitalization, transformation, and long-term success of neighborhood business districts (NBDs).
Context: the *caveat*

- The economic, social, political, and spatial conditions of inner-city neighborhoods, and associated business districts are **complex, dynamic, layered, systemic, and unique** to location and community.

- A **multi-front approach** is required to achieve expected outcomes and **all issues may not be immediately solvable -- if ever**, but working toward better neighborhood living and working conditions **MATTERS** and improvements can be made.

- No easy answers – **no set of formulas**

- Solutions are not always readily apparent – uncover through assessment, **experimentation**, and **process**

- Need for **flexibility** in the plan
Context: Research Methodology

- Literature review including:
  - Community and economic development
  - Business and urban economics
  - Design, urban planning, and urban and real estate development

- Interviews & reviewed website material
  - CDCs
  - CDFIs
  - Intermediaries and foundations
  - Academics & Practitioners

- Case studies as examples to highlight key points
What this is about: Typology of shopping districts

Central Business District (CBD)
Downtown business core with multiple department stores and mid- to high-rise office buildings with ground floor retail

Secondary Business District (SBD)
Smaller than the CBD and typically centers on at least one anchor department or variety store

Neighborhood Business District (NBD)
Centered on satisfying the day-to-day convenience shopping needs of a neighborhood and typically contains several small stores and an anchor grocery or variety store with an increasing number of national chains and franchises along a major transportation artery

Additional types: Convenience Shopping Centers (strip-malls), Regional, and Super-Regional Shopping Centers (shopping malls)
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What this is about: Characteristics of NBDs

- Located along primary vehicular corridors
- First-tier suburbs – historic (narrative to tell)
- Working class and often multicultural residents
- 1-3 story buildings
- Small foot-print and multiple storefronts:
  - grocery or variety store anchor, convenience stores, dry cleaners, food retailers such as a bakery, bank(s), multiple restaurants and bars, post office, liquor store, clothing and novelty stores
- Pedestrian - walkable to adjacent residential:
  - ¼ mile radius of retail market base for services
- Storefront-pedestrian-street-parking
  - Large windowed storefronts to draw customers in, display product, “window shopping”, and provide a sense of safety - “eyes on the street”.

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What this is about: Typology of business

<table>
<thead>
<tr>
<th>Large Business</th>
<th>Small Business</th>
<th>Micro-business</th>
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<tbody>
<tr>
<td>Multiple typologies and archetypes that can be generally defined by what the business does and how the business makes money ranging from inventors and traders to wholesalers and retailers</td>
<td>SBA defines as independently owned and operated, organized for profit and not dominant in its field. Employee size is determined by business sector; for example: 100 to 500 for wholesaling and 500 to 1500 for manufacturing. Annual receipts for retailing may not exceed $5-21 M</td>
<td>Generally 5 or fewer employees and less than $50 K in capital financing needs. Family owned and managed, sole-proprietors: Retail, food, craft, consulting, and service oriented.</td>
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</table>
What this is about: Characteristics of retail micro-business

- Small-scale “mom & pop” – family works
- They want a personal working relationship with lenders

- Cultural differences
  - Need to understand business culture
  - Need to understand ethnic cultural
  - Need to build trust
  - Overcome language barriers

- Access to capital has been difficult due to
  - Scale for lending institution profitability
  - Location in distressed and blighted areas
Why do it: Economic, spatial, social, and political concerns

Trends

- High unemployment – tap experience, intellectual capital, for entrepreneurialism
- Commercial foreclosures create need to stabilize, and opportunity to obtain both property and businesses
- Access to capital remains tight – non-profits are filling the gap
- National retailers discovering the inner-city as an untapped, underserved, and captive market
- Networking – social and business intersection is needed for employment opportunity and advancement = class mobility
- Equity in job access: real CHOICE includes local employment
Why do it: Economic, spatial, social, and political concerns

Benefits

▪ Local jobs = reduced transportation costs, time with family, and youth employment
▪ Business ownership = resident wealth building
▪ Supporting and stabilizing existing micro-businesses while developing new micro-businesses for filling vacant storefronts
▪ Infill development of vacant sites thus strengthening the entire shopping district & to meet the underserved retail needs of the neighborhood
▪ (Re)establish neighborhood social structure & cultural identity
▪ Profits remain in the community = Grass-roots political clout
▪ Improve the quality of living experience for residents
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Why do it: Economic, spatial, social, and political concerns
Consequences of not doing this work

- Continued erosion of social structures and the family
- Continued decline of physical quality leading to blight and safety leading to crime
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CDC decision road map

Pre-planning: Why enter this business sector?:

Question: is there a problem in the NBD? = NEED TO DO

- People moving out: to better jobs, quality of life, etc
- Existing businesses: distressed and need support
- Physical condition – vacant buildings, blight, safety, crime

Question: is there an opportunity? = WANT TO DO

- Tight capital markets = for-profit RE developers are looking to CDCs
- Consider availability or requirements of funding sources for this work
- CDCs have the structure, organization, and capacity to channel funding
- Mission: Affordable housing alone has not entirely addressed the issues of concentrated poverty, resident wealth-building, safety, blight, livability and quality of life
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CDC decision road map
Planning Step 1: Neighborhood economic and physical assets and potential

**Question:** is there a there there? (Partner/hire consultants)

- Assessing **economic** assets and potential
  - Retail **Market Study** = buying power - capture value
  - **TALK** to residents & existing business owners = needs
  - **TALK** to city ED staff and politicians = plans, support
  - Retail **Economic Base Study** = basic and non-basic services
  - Potential **ethnic marketing** = destination potential

- Assessing **physical** assets and potential
  - Survey **vacant building and sites**
  - **TALK** to City **planning staff** – are there plans for the area
  - Urban design: **regional** scale relationships
  - Master planning: **building site** development plan
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**CDC decision road map**
Planning Step 2: Assess CDC and community capacity for action:

**Question:** can we do it alone or do we need partners?

- Business **PLAN** for the CDC in market sector including:
  - Financial strength, seed money, budgets, etc
  - Other CDCs in the market – competition and partnership opportunities
  - Expected level of economic and real estate development

- Identify KEY relationships: city, state, fed, chamber, etc

- Strategic planning process for **vision and mission**

- Assessing **CAPACITY** assets:
  - Capacity of community: inventory COMMITMENT, motivation, fortitude, skills, clout, etc (ABCD)
  - Capacity of CDC: in 4 CORE competency areas

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CDC decision road map
Planning Step 2: Assess CDC capacity for action: 4 CORE competencies (actions)

1. Real Estate Development: commercial
   - Complexity of construction; building systems; zoning and building codes
   - Expertise access: in-house, consultants, and contractors

2. Business Development: micro-business
   - Entrepreneurial programs, coaching, mentoring (pre and post lending)
   - Working with business training programs, colleges, and universities

3. Business Funding: micro-business
   - Micro-business: funding stream access (SBA, revolving loan pools)
   - BID: self taxing funding stream (may come later in the process)

4. Business District Organization
   - Community of business owners – for mutual benefit
   - Promotion, events, beautification, and safety
**CDC decision road map**

**Implementation: 4 CORE Action Areas**

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CDC decision road map
Implementation: Actors

Real Estate Development: commercial
- Assemble Land
- Design Improvements (hiring consultants)
- Finance
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Business Development: micro-business
- Technical Assistance
  Plans, budgets, credit enhancement, and business basics
- Entrepreneurial Development (pre-lending and post-lending)
  Training, mentoring, and coaching
- Retaining, expanding existing, and developing new businesses

Business Funding: micro-business
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Business District Organization:
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CDCs
Currently doing economic development or want to enter the business market

CDFIs
Typically only Referrals

Main Street
Four-Point Approach
Organization, Promotion, Design and Economic Restructuring

BIDs
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CDC decision road map
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**CDC decision road map**
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  - Promotion
  - Physical appearance - Design
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**Typically only basics and referrals**
- Limited success in urban settings

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**CDC decision road map**
Implementation: **Actors & Actions**

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  - **Cleanliness and Beautification**

** CDCs**

**CDFIs**

**Main Street**
Four-Point Approach
Organization, Promotion, Design and Economic Restructuring

**BIDs**
Limited on marketing and promotion

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**CDC decision**
Partner, coordinate, and capitalize on capacity, competencies, and strengths:

Integrated and comprehensive approach for maximizing success

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**City & Community**
Community and neighborhood organization and outreach, real estate development, and overall coordination and staffing

**Main Street**
Organization, beautification, design basics, marketing, and promotion

**BID**
Safety, beautification, and business networking

**CDC**

**CDFI**
Entrepreneurial development micro-business lending and real estate lending

**Colleges**
Business training

**Business District Organization**

**Business Development**

**Business Funding**

**Real Estate Development**

**Sustainable Neighborhood Business District**

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Sources for micro-business and real estate development capital

CDCs need to undertake a capital sources study

- HUD: CDBG, Brownfield grants, Empowerment Zones, Enterprise Communities
- SBA: SBA 7(a), SBA 504, Microloan Program
  *Small Business Jobs Act of 2010* - Allows Community Development Loan Funds (CDLFs) to access the US Treasury’s Small Business Lending Fund
- Treasury: CDFIs, NMTC ($2-5M), BEA
- IRS: LIHTC – Housing portion of mixed-use, Historic Preservation Tax Credits
- Dept Health and Human Services – OCS Grants (jobs)
- Intermediary funds, foundation grants, NMTC proceeds, and other sources for revolving loan pools
- Local funding: TIF, state income tax credits
- Microlending – Kiva (emerging countries & Detroit)
Strategies for **neighborhood business district development**
What elements, conditions, and relationships to look for:

- **Urban context and conditions**
- **Existing buildings, businesses, and land**
- **Relationships**: storefront-pedestrian-street-parking
- **Transit Oriented Development (TOD)**
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Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- **Urban context and conditions: Urban Planning**
  - Transit and transportation corridors
  - Employment centers
  - Parks and public amenities
  - Schools
  - Adjacent residential
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Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- Survey existing businesses, buildings, and land
  - Vacant and abandoned buildings, empty lots are opportunities for renovation and infill
  - How much can be saved?

Wherry Building, before
Source: Jeffrey Morgan Architecture Studio

Wherry Building and block, after renovation and infill
Source: Jeffrey Morgan Architecture Studio
Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- Survey existing businesses, buildings, and land
  - Keep and support existing business with facade improvements and streetscape beautification projects

*Tienda Mexicana, before*
Source: Jeffrey Morgan Architecture Studio

*Tienda Mexicana, after*
Source: Jeffrey Morgan Architecture Studio
Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- Survey existing businesses, buildings, and land
  - Keep and support existing business through relocation to new infill development allows for expansion potential

Mixed-use building, before
Source: Jeffrey Morgan Architecture Studio

Mixed-use building, after renovation
Source: Jeffrey Morgan Architecture Studio
Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- **Survey existing businesses, buildings, and land**
  - Keep and support existing business through relocation to new infill development allows for expansion potential

*New in-fill development for re-located and new businesses*
Source: Jeffrey Morgan Architecture Studio
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Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- **Relationships Master Plan:** storefront-pedestrian-street-parking
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Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- Transit Oriented Development

Codman Square
Dorchester

Legend
- 1 Family Residential
- 2 Family Residential
- 3 Family Residential
- Apartment/Condo
- Mixed Use (Res./Comm.)
- Commercial
- Institutional
- Industrial
- Open Space
- Surface Parking
- Main Streets District
- MBTA Stations
- MBTA Green Line Station
- MBTA Underground Station
- Commuter Rail
- Elevated Commuter Rail
- Water Transit Facilities
- Water Transit Routes
- Bus Routes

Ground Breaking
Codman Square transit stop
Strategies for neighborhood business district development
What elements, conditions, and relationships to look for:

- Transit Oriented Development

Talbot Commons, Codman Square, Dorchester, MA
Design by The Narrow Gate for Codman Square NDC
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Strategies for **micro-business retailing**: Questions to consider

- What **anchor business** are needed?
- What uses would **bridge day-to-evening activity**?
- The trade-offs of **local vs. national** businesses?
- Allow **franchises**? (CDC ownership opportunity?)
- What is the **catalyst project** for the tipping point?
- Branding concepts: **ethnic retailing appropriateness**?
- NBD place-making as a **social** consideration?
- Establish **realistic expectations**
- Be willing to **experiment**
Risks, challenges, and trade-offs:

- Economic and real estate **down-cycles**: wait them out/find opportunity
- Micro **business failures**: reduce through strong entrepreneurial programs
- Long term **process**: actors change and requires patience
- Plan for **set-backs**: need for flexible planning process – “living” documents
- Conditions **change**: need for flexibility
- Mixed-income and neighborhood revitalization can lead to **gentrification and displacement**: how will the CDC manage this?
- Community **resistance to change**: requires patience and education
- Need to **balance real estate profits with micro-business support**: the micro-business / property may require on-going subsidy
- May **get it wrong**: evaluate, correct, and move on
Policy considerations:

- Greater focus on the role of community-based / mission oriented non-profits in the economic recovery
- Enhanced lending programs and greater capital access for micro-business retail and “entrepreneurial” development
- Explicit focus on integrated real estate and micro-business development programs
- Explicit focus on the importance and value of neighborhood business district redevelopment in “sustainable” neighborhood stabilization and revitalization
- Urban planning and community development policies that emphasize mixed-use and mixed income development along with master plan flexibility to respond to market conditions