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MAKING THE MOST OF OUR ASSETS:
THE INTENT OF THE NEIGHBORHOOD COMMERCIAL
REVITALIZATION PROGRAMS

In Fulfillment for
UP 898

By
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Professor Keith Honey
Professor Duncan Case

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INTRODUCTION

The debate between central city redevelopment and suburban economic integration is ongoing and is characterized by the works of Harrison and Downs.[1] The intent of this paper is to discuss one element of the position favoring inner city redevelopment.

The area of neighborhood commercial revitalization is one that has become a growing concern to economic development professionals. This new found concern is speculated to be the result of the frustrations and failures of the urban renewal era of the 1950's and 1960's. Large scale attempts to reverse inner city disinvestment rarely succeeded, draining monumental sums of local, state, and federal resources. Neighborhoods, the basic units that compose the city, were often disrupted if not irrevocably parted by these renewal efforts. In effect, neighborhood commercial revitalization is a response to the hard learned lessons of the past.

The purpose of neighborhood commercial revitalization is to turn around the overall investment and psychological assumptions in a neighborhood.[2] Yet as learned from the years of frustration under the urban renewal programs, how a program is designed to perform and its actual performance can be

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[1]Anthony Downs, Opening Up the Suburbs (New Haven: Yale University Press, 1973).

Bennett Harrison, Urban Economic Development (Washington: D.C.: The Urban Institute, 1974).

[2]"Neighborhood Commercial Revitalization," Neighborhood Business Revitalization (Washington, D.C.: National Development Council, 1978).

totally different. What then is the effect of neighborhood commercial revitalization on reversing the deterioration of our inner city neighborhoods?

The problem statement offers a direction to research yet lacks the specificity necessary to focus upon. Therefore, it is the intention of this research paper to rely upon a working hypothesis for guidance and, more importantly, to determine the appropriateness of this approach to inner city redevelopment. The hypothesis is that neighborhood commercial revitalization is an effective approach in turning around disinvestment and the blighted state of older inner city neighborhood commercial strips.

In essence, the long range goal of this revitalization program is to attract new investment into the central city neighborhoods. Goldstein labels the process as comprehensive, cooperative, and sequential.[3]

Edward S. Dulcan, director of the Neighborhood Revitalization Program for the National Center for Urban Affairs, exemplifies the sentiments of those who advocate stronger neighborhood revitalization programs over the grandiose Marshall plans of urban renewal. He commented that an "urban policy can succeed only if we recognize that cities are mainly coalitions of neighborhoods and that the richness of any city is characterized by pluralistic healthy neighborhoods

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[3]Benjamin Goldstein, "Revitalization of Commercial Areas in Urban Neighborhoods," Practicing Planner, June 1976, p. 33.

in which the dimensions of family, friendships, and tradition can be brought to their highest potential."[4] Neighborhood commercial revitalization efforts specifically address redevelopment at this local level.

Neighborhood economic development, the overall heading of which commercial revitalization is but a part includes wide ranging strategies for commercial, industrial, income-employment, and residential redevelopment. Each strategy is but a component of the whole. A basic point is that emphasis in one field while neglecting the others will detract from the effectiveness of a program.

Commercial redevelopment in the neighborhoods was chosen for study principally because of the field's intrinsic nature of forecasting the state of the neighborhood. Several authorities concur that if a neighborhood is undergoing decline, the commercial strip should be the first sector to reflect this condition. MacGregor asserts that the commercial strips are the "image makers" of the neighborhood. Signs of deterioration are first revealed in the vacant and tarnished store fronts of these strips. He reiterates what others have said, "If we are going to deal effectively with our neighborhoods we must first address these main streets."[5]

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[4]Edward Dulcan, "Neighborhood Economic Revitalization: Elements of an Effective Program," Commentary, October 1978, p. 18.

[5]Robert W. MacGregor, "Commercial Strips: A Key to or Lock on Our Neighborhoods?" Commentary, January 1978, p. 18.

Similar to the need for a comprehensive revitalization scheme for each component within the neighborhood, commercial revitalization efforts must also express the trait.

In this field, several authors have stressed that isolated, single purpose efforts will simply not work. Goldstein commented that "too often, efforts at commercial improvement have emphasized the physical aspects of development while overlooking the basic economic processes going on within a neighborhood."[6] As a result, Sower has remarked, "Most Older Business District revitalization efforts have been piecemeal."[7]

Dissimilar to urban renewal, neighborhood commercial revitalization is not linked to one funding source or program. Conversely, it is an approach to redevelopment which integrates a diversified field of financial resources into one unified program.

Contrary to past redevelopment efforts, the overall goal of neighborhood commercial revitalization is approached in the attempt to jell several objectives into one unified program. The fields concentrated on include:

1) Strenghtening the competitive position of neighborhood business

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[6]Goldstein, Practicing Planner, p. 33.

[7]John Sower, "Successful Revitalization of Neighborhood Commercial Districts: A Comprehensive Four-Point Program," Neighborhood Business Revitalization (Washington, D.C.: National Development Council, 1978), p. 39.

2) Increasing the cash flow into neighborhood businesses

3) Reverse patterns of disinvestment

4) Enhance the local shopping environment

5) Provide new opportunities and incentives

6) Finally, and perhaps most importantly, to create a new partnership among the public, private and community sectors to make the program workable.[8]

The intent of this paper as identified earlier is to discuss the general concept of neighborhood commercial revitalization and to demonstrate its importance in the redevelopment of America's aging inner cities. The paper will begin with a discussion of the illusive term "neighborhood" that defines the area of emphasis but is void of a definition that is fully agreed upon. A clear understanding of the term is central to the revitalization programs currently being implemented in our declining neighborhoods. Next, the problems confronting the neighborhood commercial strips will be presented. The central portion of the paper will draw together the comprehensive planning and organizational structure regarded as necessary to bring about commercial revitalization. Lastly, the major points developed throughout the discussion will be brought together in a summary statement. The summary will go beyond simply identifying the major components of neighborhood commercial revitalization. Examples of cases

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[8]Dulcan, Commentary, p. 18.

where this approach has been attempted will be given and evaluated as to their success or failure in achieving the goal of reversing disinvestment in the central cities.

In all, the objective of this paper is to clarify the importance of neighborhood commercial revitalization and to synthesize what planning measures should be assimilated to strengthen the vital parts of our cities - the neighborhoods. For it is the neighborhood, as MacGregor states, that"holds the key which unlocks the door to the future health and wellbeing of the cities."[9]

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[9]MacGregor, Commentary, p. 18.

THIS ILLUSIVE TERM NEIGHBORHOOD

Cities are more than an agglomeration of individual neighborhoods. But it is the neighborhoods that form the geographical districts basic to the function of the city.

The term neighborhood is an illusive one projecting a different and sometimes conflicting image in people's minds. There doesn't appear to be a general consensus among academicians or practitioners as to what constitutes a neighborhood. Definitions are profuse.

Among neighborhoods, no matter how they may be defined, there are successful ones and those inflicted with seemingly terminal illnesses. Jacobs defines a successful neighborhood as a place that keeps sufficiently abreast of its problems so as not to be destroyed by them.[10] Conversely, a failing neighborhood is one that exhibits an inability of handling its own dilemmas. It is to this latter type of district that neighborhood commercial revitalization programs are designed to assist.

Prior to dwelling on the revitalization program, a clear understanding of the concept of the neighborhood as the basic working unit needs to be achieved. A neighborhood, above all else, must not be considered self-contained, but a unit that is fully interacting with its surrounding environment. The limits of the neighborhood can be drawn around nu-

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[10] Jane Jacobs, The Death and Life of Great American Cities (New York: Vintage Books, 1961), p. 112.

merous measures.

There are several different ideas of what signifies a neighborhood. Demographic, political, socio-economic, cultural, and physical criteria have all been used to discern one neighborhood from another. Each definition usually has one key area of emphasis while letting the other criteria fit in where they may. For example, the private financial sector usually defines a neighborhood on purely economic criteria, the similarities of property values and potential for investment.[11]

Yet the neighborhood has also been described as encompassing several criteria, some that are unquantifiable. As Jacobs stresses, it is not the boundaries that make a neighborhood, but the cross-use. The boundaries of her unit can be recognized as the physical or perceived barriers that restrict the ease of cross-use.[12] The term cross-use is applied in this context to refer to the various forms of interaction that exist, primarily in the socioeconomic and political areas.

Some academicians have gone to the extent of questioning whether the neighborhood is even a concept that can be applied to the urban environment. Issacs has taken the posi-

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[11] "Neighborhood Economic Development," Coordinated Urban Economic Development (Washington, D.C.: National Council for Urban Economic Development, 1978), p. 90.

[12] Jacobs, The Death and Life of Great American Cities, p. 132.

tion that due to the fluidity of city residents, it has become impossible to place them in the narrow confines of a segmented urban landscape.[13]

As most often the case, the limits of the neighborhood are drawn around political strength. In basic terms, particularly in the issue of economic development, an effective neighborhood must be large and united enough to be able to take on city hall. Political power includes both the ability to unite collectively within the neighborhood and also to employ that leverage to influence municipal action. The inability to serve as a challenge to city hall may also signal the unit's weakness to deal effectively with the serious dilemmas inherent in declining districts of the inner city.

Perhaps most importantly, a successful neighborhood must have the capacity and ability for collective action. Streets fighting by themselves have little hope of reversing decline and blight through their own efforts. As a result, the neighborhood is often referred to as a district rather than a singular street due to the political weakness of the latter. Therefore, it has been the district neighborhood that has been regarded as the mediator between the politically weak street area and the powerful city.[14]

Interestingly a general criticism of the neighborhood

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[13]Ibid., p. 116.

[14]Ibid., p. 121.

deliniations by planners is that they have notoriously been too large to fall under the heading of a street neighborhood while remaining too small to function as a district.

In effect, population is an essential component for a district neighborhood to maintain. Votes and control of money are the ingredients to political power with both necessitating a solidified, large population.

Jacob's concept of the neighborhood is important to consider and may represent the best articulation of what does characterize this complex term. Neighborhoods are not, and should not be, discreet units. They are physical, social and economic in nature, interwoven to form what is termed a neighborhood.[15]

In defining the neighborhood as it pertains to commercial revitalization efforts, the basic factors discussed previously are pertinent. Again, the principle criteria is clout; political, social and economic that allow for successful revitalization.

To reiterate an earlier point, commercial revitalization is only a component of the overall plan for neighborhood economic redevelopment. As a component, some size standards need to be attached to a commercial revitalization effort. Practicality forces some compromise as to the specific scale of the project which may or may not concern itself with the whole

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[15]Ibid.

of the neighborhood's commercial activities. In effect, the absolute boundaries of the neighborhood are not of great importance because the revitalization efforts are not of great importance because the revitalization efforts are directed towards one element within the district.

The commercial area within a neighborhood is usually composed of the businesses along a major transportation artery. This area needs to be of a limited scale and recognizable from the surrounding area if it is to have any hope of success.

According to Dulcan, the optimal size of a neighborhood project would be an area containing from 35 to 40 small consumer oriented businesses. The group should be of such size as to allow for cooperative measures to be taken while maintaining a workable coalition of businesses.[16]

The "workable coalition" concept relates back to Jacob's stress on the political power that is necessary to form a successful neighborhood. The neighborhood commercial strip, a component of the neighborhood as a whole, needs to be large enough to be able to interact with one another and to have the potential of becoming a political voice to work with city hall.

The area of the necessary organizational structure will be discussed in a later portion of this paper. What

[16] Dulcan, Commentary, p. 18.

needs to be recognized here is that for a successful commercial revitalization program to be brought about considerable attention must first be addressed to the issue of site selection.

The working definitions of neighborhood and project area identified in this section are important to recognize for they will be the bases from where the necessary organization and planning will be drawn from or directed toward. Specifically, these concepts are the focal points from where the revitalization programs are initiated. A failure to clearly understand the terms could jeopardize the usefulness of neighborhood commercial revitalization as an approach to inner city redevelopment.

The next section relates directly to this discussion of the neighborhood. The problems facing the declining business strip will be looked at, particularly as they relate to the neighborhood transitions that have caused the "graying" of project areas.

THE DECLINING STATE OF INNER CITY NEIGHBORHOODS

The loss of businesses within the inner city neighborhoods is often referred to as urban disinvestment. This form of disinvestment is the result of a number of changes that have taken place within our urban environment.

One change that is often cited for the flight of businesses into the suburbs is the inability of financially sound firms to obtain the necessary capital to meet their needs. In effect, what is being claimed by some professionals is that the existing private capital market is operating imperfectly. A few go to the extent of stating that redlining of neighborhood businesses occurs within these greying districts. The issue is controversial, stirring considerable debate over these imperfections and to the extent of their importance in increasing the trend toward disinvestment.

There does appear, however, to be a general consensus that imbalances in the existing private capital market persist in and around metropolitan areas. Existing firms often find it easier to obtain expansion capital for use outside of the central cities then in the established and aging neighborhoods.[17] "Seed money" for setting up a business is characteristically more difficult to secure. Interest rates, most evident in recent years, have made the mixture of short and medium term loans less reasonable or practical to small

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[17]"Encouraging Private Investment in Cities," Commentary, January 1978, p. 10.

businesses. At this point, it is necessary to realize the role that small businesses play. The importance of small business in the American economy is seldom heard. There are over 13 million small businesses, representing 97 percent of all businesses in the United States. Of the 9.5 million new jobs created between 1969 and 1976, 99.2 percent were generated by small businesses. The top "Fortune 1000" firms created a mere 75,000 new jobs.[18] The inability of the inner city neighborhoods to retain or attract these small businesses has dealt a severe blow to the tax base of the older municipalities.

The vast majority of jobs lost from the central cities have been in the manufacturing sector. The loss of these jobs have come about largely as a result of small businesses folding or relocating into the suburbs.[19] The reason for the failure or migration are many. The search for new capital is but one factor. Other factors include the pursuit of skilled labor, land, integrated transportation network, newer infrastructure, all have helped draw businesses away from the central city and its neighborhoods.

A potentially greater threat to the central cities is the all too evident fact that few new businesses are

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[18]"The Importance of the Small Business Sector to the Economic Base of Cities," Neighborhood Business Revitalization (Washington, D.C., National Development Council, 1978), p. 91.

[19]Ibid.

starting up in the neighborhoods. The central city has often been termed an incubator for new industries providing them with cheap structures, an available labor supply, and accessability to the needed communication and transportation networks found within the urban setting. When the needed capital to "seed" new business or expand existing firms is not there, the inner city, and as a consequence the neighborhoods, find themselves confronted with a severe dilemma.

Unfortunately, it is often not that the market dissipated but that capital cannot be obtained. For example, in a transitionary neighborhood in Baltimore, established firms were profitable along Gay Street, yet no new firms were developing. Vacancies increased for a number of reasons but one was the fact that short and medium term capital were not available at practical rates.[20]

The ability to secure adequate capital is far from all of the difficulties facing inner city neighborhoods. There are basically four other major problem areas which include:

1) consumer shopping preference toward the shopping center

2) crime

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[20]Michael A. Calvert, "Baltimore's Old Town Mall A Prototype of Urban Neighborhood Commercial Rehab," Practicing Planner, March 1971, p. 43.

3) insurance

4) parking

Each of these problems will be addressed separately.

A major trend in consumer preference has substantially influenced the economic viability of the neighborhood commercial strip. Shopping malls have great consumer appeal due to their variety of products offered, ability of finding free and accessible parking, and, finally, the benefit of one-stop shopping in an enclosed mall.

The ability or inability of a neighborhood commercial district strip to compete with the malls is complex. What is important to recognize is that the small neighborhood firms simply cannot compete with the malls on several terms. These small businesses can ill afford the inventory, specialization or "discount" prices found in the suburban malls.

Coupled with the changing preference of consumers is the lack of adequate and/or convenient parking. An older commercial strip is rarely not faced with a parking dilemma. The problem may stem from a variety of difficulties. Perhaps the most common difficulty is the shortage of available cheap land to develop into parking.

Parking was a key issue to the merchants in the Gay Street neighborhood of Baltimore. But as often the case, the shortage was more perceived than real. The problem was more due to the inadequacy in planned land use.[21]

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[21] Ibid.

The "necessity" of charging a user fee also inhibits the frequency of shoppers using these commercial districts. Yet developing free, adeqate, and accessible space are not the only parking difficulties. Parking areas, similar to the businesses themselves are often regarded as unsafe and often justifiably so.

Crime is regarded as a "root problem" for neighborhood commercial deterioration not only in the poorer, more deteriorating areas, but in most strips within the city. Shoplifting adds sizable costs to the merchandise, a cost that is eventually passed on to the consumer. Vandalism is more frequently apparent in the greying and transitionary areas where blight has become an accepted reality.

The problem of fear enters particularly in the high crime neighborhoods. Here, shopowners fear for not only the mounting material losses due to shoplifting and vandalism, but also from robberies and assaults that threaten bodily harm to their customers as well as themselves. A deeper fear is also there in many poorer ghetto neighborhoods. The riots that followed the assassination of Dr. King in 1968 may have left some areas relatively untouched but fear of what might occur has had a mushrooming effect. Fear is real.

An indirect cost of crime is the high cost of obtaining sufficient insurance coverage. Insurance companies often charge exorbitant fees and, as a last step, cancel coverage when the losses in areas become too great. The inability of shopowners to obtain "livable" insurance rates may make further operations financially impossible. Arson is also a very real problem to many and a "solution" to a few unscrupulous businessmen.

A final factor which may be true in most older commercial districts are the complaints directed toward city hall over the lack of an adequate level of services. Some contend that there is discrimination in the level of services that are being provided within the city neighborhoods. This has further encouraged the antagonism and rivalry that exists between the municipal government and neighborhood residents, particularly the low and moderate income group.

Basically it is the age of the infrastructure and roads as well as the types of services provided that are being questioned by neighborhood citizen groups. Due to the age of the infrastructure, more efforts need to be centered towards maintenance needs to be made here than is necessary in the newer growth corridors of the city or metropolitan area. Needs of the population can also differ. Kaufman argues that what is regarded as surface uniformity in the level of public services often turns out to be a deficiency in certain areas.[22]

The solutions to these many and varied problems con-

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[22]Herbert Kaufman, Chairman, Department of Political Science, Yale University, Hearings Before the National Commission on Urban Problems, Vol. 1, (1969), p. 176.

fronting the aging older commercial districts would, unquestionably, be expensive to solve, if indeed a solution is possible. But the costs of inaction may be higher than the outright costs of revitalization. Higher costs for the social services will result, in unemployment benefits, and welfare payments. What tax base that does exist will experience further erosion. Assessed valuations of businesses can make dramatic drops. In one declining neighborhood valuations plummeted 18 percent in only a five year period between 1963 and 1968.[23] Failure breeds failure and will most likely spread from one neighborhood to the next.

The remainder of the research paper is directed toward determining the appropriateness of neighborhood commercial revitalization to inner city redevelopment. The research hypothesis is useful in serving as the link to bind the findings of this research together together and the means of evaluating the usefulness of the approach to the problem of inner city commercial disinvestment. Restated the hypothesis is that neighborhood commercial revitalization is an effective approach in turning around disinvestment and the blighted state of older inner city neighborhood commercial strips.

The next three sections are devoted to discussions of the general and specific activities needed to develop an effective strategy as well as to the organizational structure

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[23]Calvert, Practicing Planner, p. 45.

necessary to implement the approach in the neighborhoods themselves. The summation will draw together the findings and relate them to the hypothesis and to draw out the findings.

REVITALIZATION EFFORTS: THE BROADER VIEW

Phasing of the various development strategies is an important concept that has gained recognition in recent decades. The term refers to what sequence of steps should be taken, in this case with commercial revitalization, to encourage neighborhood development.[24] For example, would it be more practical to initiate the program by developing the housing stock that make up the market area or should attempts first be addressed toward the revitalization of the commercial strip? Obviously, assumptions are made to place one alternative above the others, however, the point is that the redevelopment activity is not singled out to focus in one area but several. The choice is not which sector but what sequence would be the most appropriate to coordinate activities in all sectors.

The choices are many. Tradeoffs are made. The weighing of one sector, i.e., residential vs. commercial, often are required. Cities never have the resources necessary to initiate citywide development or even to focus on one sector over such a large geographical spectrum. Certain measures can be taken to provide assistance to commercial strips seeking public commitment. However, specific neighborhoods end up having to wait while others receive attention.

Tradeoffs occur in the selection of the neighborhoods

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[24] "Neighborhood Economic Development," Coordinated Urban Economic Development, p. 86.

to be in the city's work program. Is a commercial strip that is severely stricken by blight, high vacancy rates, crime, and deteriorated infrastructure worth a sizable proportion of the limited resources of the city? Would the resources be more efficiently allocated over a larger number of neighborhoods that are just incurring the first stages of deterioration?

Many feel that the first stage should be oriented toward the commercial strips. These strips are regarded as the "image makers" of inner city neighborhoods. Several benefits can be derived by following such advice. The revitalization of commercial strips within the city can help reduce direct public costs particularly in areas where public assistance expenditures are high by providing jobs and upgrading the tax case of the city.

A strategy to project a healthy image is an important component to neighborhood commercial revitalization. Vacant and boarded storefronts don't convey a favorable image and reflects a negative image upon the neighborhood overall. The first action to upgrade a neighborhood commercial strip is by stopping the loss of what remains. Matz, similar to others, emphasizes that cities should concentrate first on business retention.[25] Maintenance and encouragement of expansion of existing firms are the most practical means of generating both

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[25]Deborah Norelli Matz, "Stimulating Private Investment in Cities," Commentary, October 1978, p. 10.

new employment and expanded tax base.

New, small firms have a difficult time of keeping above water. In 1976, one of five business failures occurred in firms with liabilities between $25,000 and $1,000,000. Of all businesses under five years old half were found to have closed their doors.[26] Without some incentives it is likely that these percentages will continue to grow worse, particularly in the declining inner city neighborhoods. As has already been discussed businesses in the inner city are already experiencing a difficulty in obtaining the necessary capital to start or expand.

Interestingly, recent data collected by the Massachusetts Institute of Technology (MIT) has found that there is only a marginal variation between areas in the number of firm deaths and relocations. The significant difference between areas of growth and those experiencing decline is in the number of firm births.[27] This same data also showed that the majority of new employment opportunities are with small and medium sized firms, not in the larger firms of over 250 employees.[28]

The types of new firms encouraged to start up is as well an important consideration. The manufacturing sector

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[26] Ibid., p. 11.

[27] Ibid., p. 10.

[28] Ibid.

shows little hope of being drawn back into the central cities. The factors that enticed them away are almost without exception still there. However, the sector that has experienced the greatest increase in real growth has been in the provision of services.

The best means by which to promote retention and expansion is through the creation of a favorable business environment. The creation of such a "climate" is also the most effective way to draw in new investors. As is evident from the data above, the ability of attracting new firms is paramount to a commercial district no matter what its age or state of decline may be.

It is interesting to see here that the processes is really cyclical in nature. The best way to demonstrate a favorable climate is to keep what is there and to satisfy the needs of current firms, which, in turn, will draw in new firms. A city of poor rapport with existing firms is most assuredly handicapping its own efforts.

Competition with the suburban malls is perhaps the greatest disadvantage facing the inner city neighborhood commercial strips. The shopping malls have attracted and captured the market of several of the firms within these small commercial strips leaving them few alternatives. Some have left while more have died out or been absorbed by those who can compete. The malls are the greatest threat to the business climate of the neighborhood strips. They must be understood before the neighborhoods can hope to successfully compete with them.

The shopping malls have several inherent advantages. Not only are there the distinct physical advantages of ease in accessibility, abundant free parking, all-weather enclosed shopping facility, but there is also the ominous centralized management. The contrast of the centralized management of the malls versus the decentralized form in the neighborhood strips may be the decisive difference in the competition between the two shopping districts. Usually, a modern shopping mall will have a professional full-time staff for the promotion, administration and attraction of new businesses. Aggressive promotional campaigns are commonplace.

The most obvious incentive to the centralized management is the prospect of increasing their own profits. Malls typically have centralized ownership of the facilities themselves. Coupled with this the management usually receives a percentage of the revenue generated by the tenant firms. Additional profit is a highly motivating factor in the aggressiveness of the mall management's sales campaigns. The older neighborhood commercial strips are plagued by fragmented ownership and the absence of a direct financial incentive to the decentralized management.

The attraction of private lenders and developers into a deteriorated neighborhood commercial strip is obviously a difficult and frustrating task. The private sector is motivated by the opportunity of gaining a sound investment not in the general welfare of the city or neighborhood. This sector needs to be drawn in to the neighborhood strips by incentives. Some of these incentives may already exist simply through the deteriorated state of the commercial strip. Cheap land, lower property assessments and the abundance of low cost labor are inducements that are characteristic of such areas.

Coupled with the incentives are the disincentives touched upon earlier of crime, blight, insurance, parking, and competition. Unfortunately, it is often a self-fulfilling prophesy in that once an area is experiencing escallating disinvestment, further disinvestment is inevitable. Failure breeds failure.

An important objective in neighborhood economic development is that a commercial strip must be able to compete successfully within the city for public and private services and investment. The suburban shopping malls have been able to compete successfully with one another. The neighborhood commercial strips have not been able to compete for the most part and show signs of failure. The next section concentrates on presenting an integrated program that is specifically designed to make the neighborhood firms competitive. It is to this program that the paper now addresses itself.

REVITALIZATION EFFORTS: THE FOUR PART PROGRAM

The ability to successfully compete is the most decisive factor in determining whether a commercial strip will thrive or go under. In order to compete, these neighborhood commercial strips must have a comprehensive program specifically designed to address this issue. Initially, attempts must be made to develop an overall plan that includes four basic areas. First, public improvements are needed to fulfill the service needs of existing as well as foreseen firms. Second, mandatory design standards and mandatory participation is essential. Third, private and public sources of financing need to be made available. Lastly, some form of management must be developed in order to promote what activities may be undertaken, to provide guidance to existing firms and to attract potential investors into the area.[29]

Prior to dwelling on the specifics of the strategy in the comprehensive program some knowledge of the area and its needs would be beneficial. An initial step to take in attempting to rejuvenate a commercial strip would be to conduct a market study. Answering the question as to what are the needs of the neighborhood is essential. Finding out whether or not the number and types of stores in the neighborhood are addressing the specific needs of the residents are important considerations.

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[29]Sower, Neighborhood Business Revitalization, p. 40.

The composition of the market study needs to center upon consumer opinion and shopping preferences. The study should reflect the perceptions of the consumers and, more importantly, would identify what is wrong with the current marketing practices and what changes are called for. It would as well indicate what potential markets do exist and what firms would most likely succeed. As a result, the analysis would identify new avenues that both existing and potential firms might consider. It is in this context that the four part program should emerge.

Public improvements are the most recognizable upgrading of a neighborhood commercial strip. Such improvements can include anything from pedestrian malls, additional parking, landscaping, to lighting and street furniture. The comprehensive plan should coordinate the public improvements to assure that streets don't get paved and then torn up to build up the infrastructure underneath.

Due to the high degree of exposure that public improvements have received by most traditional commercial revitalization efforts, it is not the intention here to dwell further. What is useful to recognize is that these improvements are not an end in themselves. Physical improvements alone cannot make for a successful neighborhood commercial district. A failure to understand the complexity of the difficulties facing the declining commercial strips usually tends to have the revitalization program concentrate almost entirely upon the physical "image." Overemphasis in one factor severely handicaps future efforts. Again, there are four not one area to a successful program.

Some form of cooperative effort among the participants needs to be demonstrated. This is an area where considerable difficulties can arise. Not all business owners are adamant over the prospects of revitalization. Much of the resentment centers around the additional costs incurred by all firms. Some firms will tend to thrive off of the expenditures of others. Sower emphasizes that voluntary participation programs by merchants often don't stand up over time.[30] Mandatory commitments negotiated by the city with the merchant organization is a most effective means to assure fairness. Anything other than mandatory actions will detract from the effectiveness of the revitalization program.

Examples of mandatory requirements can include the areas of building design standards and financial commitments. In the case of Baltimore's Oldtown Mall, the mandatory design standards ended up as a compromise between the city which sought to rennovate along the lines of the 19th Century from which most of the structures date and the position preferred by the merchants of new, modern storefronts.[31]

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[30]Ibid.

[31]Calvert, Practicing Planner, p. 46.

The method of assuring adherence to the established standards is often that of using public improvements as leverage. As was the case in Baltimore, the merchants were first required to adopt the standards before the city would commit itself to the physical improvements.[32]

Mandatory design standards have two basic impacts upon a commercial strip. First, is the aesthetic impact whereby the area is upgraded as a whole. The adage "good design is good business" is backed up by the most useful incentive - profits. Second, as brought out previously, not all owners are willing to commit themselves. Absentee landlords, bank trust departments and some conservative businesses would prefer to avoid further capital expenditures particularly in a declining area.

The threat of a fine is the most effective means to employ when a business refuses to abide by the mandatory design standards.[33] Condemnation of a firm even when the city has clear right to use it must be used sparingly and with reservation. Should it be used too often, landlords will be less likely to given in to the design standards and unload their property on the city after "milking" it for as much as possible.

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[32] Ibid.

[33] "Neighborhood Commercial Revitalization: A Step-by-Side Process," Neighborhood Business Revitalization, p. 65.

Financing is the key to the revitalization efforts. Without the availability of financing on reasonable terms, a neighborhood has little chance of keeping what investment remains. The areas of finance include the provision for long-term financing of projects covering up to 90 to 100 percent of the required capital needs. This objective is difficult to achieve particularly in declining neighborhoods. The firm seeking to establish itself in suburbia has a far greater chance of securing the necessary terms.

A loan packager needs to be made available to firms seeking financing to negotiate and identify both private and public sources of financing. Such an individual should also have the knowledge to evaluate firms. This last point is especially pertinent in that it is futile to attempt to salvage a dying firm. Market changes and a continued long-term record of poor management cannot usually be successfully raised.

A good point to consider is that a company seeking loans for expansion and the purchase of large capital goods is usually financially sound. Many of the businesses in the declining neighborhood commercial strips are small. Unfortunately, a small business usually cannot finance large capital outlays without long-term financing.[34] Special government programs and incentives to private lending insti-

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[34]Sower, Neighborhood Business Revitalization, p. 49.

tutions are regarded as necessary to overcome the "long-term financing gap" and the results of redlining.[35]

The financial capital requirements of businesses vary. Included in these general needs would be:

1. Long-range capital for land, plant or equipment acquisition.
2. Medium-term expansion capital
3. Short-term working capital
4. Capital for new business starts
5. Capital for research and development - "technology creep."[36]

All but the last capital requirement for businesses in general relate to the needs of firms in the declining inner city neighborhood commercial strips. Of these, long-term capital is the most important yet remains the hardest to obtain.

Commercial banks tend to give only short-term loans, that is, loans not over five years in duration. Insurance companies will make loans for long-terms but typically desire to make such loans for a 1,000,000 dollars or more per loan. Savings and loans do make short-term loans but they are restricted by law from having less than 80 to 90 percent of their deposits in residential rather than commercial loans.

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[35]"The Importance of Long-Term Financing and the Long-Term Financing Gap," Neighborhood Business Revitalization (Washington D.C.: National Development Council, 1978), p. 93.

[36]"Encouraging Private Investment in Cities," Commentary, p. 10.

Therefore, what long-term financing that is available is characteristically in tight supply. Those who inevitably capture the bulk of the capital or those firms with the best credit rating and location. Of these fortunate firms, few are in the neighborhood commercial strips of the inner city.[37]

There appears to be a cap on the conventional means by which capital can be obtained by neighborhood commercial businesses. However, there are several alternative sources of funding that can be available given the proper public-private organizational structure discussed later on. The listing of sources includes:

1. Local Development Corporations (LDC)
2. Small business investment corporations
3. Property owners
4. Tax exempt revenue bond financing
5. Tax increment financing
6. Tax abatement
7. Special local mechanisms
8. Capital budgets
9. Community Development Block Grants (CDBG)
10. Urban Development Action grants (UDAG)
11. Small Business Administration (SBA)

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[37] "The Importance of Long-Term Financing and the Long-Term Financing Gap." Neighborhood Business Revitalization, p. 94.

12. Economic Development Administration's public works funding
13. Bonds
14. Law Enforcement Assistance Administration (LEAA)
15. Special assessments.[38]

The listing is far from inclusive but does demonstrate the variety of options available, and indeed necessary, to inner city neighborhood businesses. However, it should also be realized that not all of these alternatives are feasible to each municipality. For example, some states have tax abatement programs for specific types of industries as does Michigan for both manufacturing (Act 198) and commercial activities (Act 256). Yet both acts have their own set criteria that make it difficult to qualify all businesses that you are attempting to assist. Other states lack similar state enacted legislation.

The fourth point in the overall plan for commercial revitalization concerns the need for a centralized form of management. This last point was addressed in the earlier section but does need to be recognized as the last component of the four point program for neighborhood commercial revitalization.

The four point program is an attempt to address the severe and diversified problems confronting the inner city

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[38]Goldstein, Practicing Planner, p. 36.

neighborhood commercial strips. The program is broad yet basic to specific areas that ultimately must be addressed if a turnaround is to become a reality.

The weakness of most past development efforts is that only a few, usually one or two of the points identified in the discussion above, were ever addressed. Emphasis on one area while superficially applying or, as more frequently the case, denying the practicality of the others have doomed projects to failure or marginal success.

However, to the other extreme, seldom have successful neighborhood commercial revitalization programs carried all four points in their plans. More often, the successful programs were able to implement a majority of these points into their program. But it has been this lack of the missing link, usually mandatory design standards, that has served as the instigator of program disruption and frustration. It is to all four points that a program is best able to cope with the enormous difficulties of the inner city neighborhood.

Neighborhood commercial revitalization programs are more refined than past redevelopment efforts. They are specifically designed to deal with the numerous and complex problems facing inner city commercial districts. But more is needed than just a sound strategy. Without the necessary means of implementing what has been developed, the programs are doomed to fail.

The most effective means by which these declining commercial districts can be assisted is through an effective organizational structure. Political leveraging, as was previously identified, is a much needed component for having a successful neighborhood. Similarly, a successful commercial district within a neighborhood must have an organizational structure with the ability of lobbying and negotiating with city hall. It is to the issue of the organizational structure that attention is now directed.

THE NECESSITY OF AN ORGANIZATIONAL STRUCTURE

Neighborhoods that are in the most deteriorated stages often lack the ability to foster any community organization. A needed component of the revitalization program is a local neighborhood organization. Without this organization, the commitment of public resources might be looked upon as "beating a dead horse." With a lack of any sign of life in the project area the city is most likely to look elsewhere. Factors which make a neighborhood commercial area attractive for investment both by the public and private sectors are those with the greatest amount of community involvement. A strong sense of identity within the various levels of community organization is important in leveraging the greatest amount of reinvestment.

The organizational framework is the key ingredient to a program's success. Paramount is the ability of the actors to form an assemblage of individuals with the diversified backgrounds necessary to act as the project staff. In some cases the staff would be small, yet, full-time concerted efforts by a professional staff is vital. Volunteers and part-time consultants usually cannot fully commit themselves to the project.

The organization is necessary to provide the much needed leadership. A fundamental requirement in such an organization is the participation of three sectors. There is a need for both public and private participation in some form of coalition or, preferably, a long-term partnership. The major participants in a neighborhood commercial revitalization program should be the city government, the private sector as represented by developers, investors, and finally, by the local residents and merchants of the neighborhood. All three are needed. The extent of success in a revitalization program rests with the degree of cooperation and compromise that can be achieved.

The role that the city can take is varied. The major areas of intervention usually are in the provision of a professional staff and the assumption of some of the front end costs, typically in the development of additional infrastructure in the neighborhood. Linked with this development would be steps by the city to use its powers of eminent domain, zoning, and code enforcement to upgrade the neighborhood's resources while working closely with the organizational structure established for the revitalization of the area.

Advocates for direct city involvement in the leadership role adhere to the desire to let the small businesses do what they have done best - operate. The responsibility of leadership and manhours expended in establishing a strong program should be part of the committment of the city. Expecting the businesses of the strip to commit themselves to very time consuming activities may be unjustified for it would distract them from their area of expertise and could weaken their firm's operation. Others stress the need for aggressive committed leadership from the business community not just the professional staff and the city.[39] There may be some contrast in the degree of commitment by the public and private sectors but it should be noted that both, not just one, are essential.

The professional staff that is brought in is traditionally composed of at least one planner, an organizer and a financial packager. Other staff members are added when the work load increases or for special activities, i.e., the design of the urbanscape by architects and landscape architects.

The role of the planner is usually threefold. First, he/she can assist in solving the dilemma of no formal plan for the project's area. Second, he/she can analyze the market potential of the commercial strip. Third, the planner can determine which city resources can be used with the most effectiveness in leveraging public investment.[40]

The initial and ongoing role of the community organizer must be to educate then coordinate. Education here is the key in that people often are not aware of what alternative avenues there are in a revitalization program. Seldom do these same neighborhood residents have the skill to take on any of the necessary tasks involved.

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[39] Dulcan, Commentary, p. 19.

[40] Goldstein, Practicing Planner, p. 34.

Finally, the professional financial packager is important in assembling the various government and private sector grant and loan possibilities for the neighborhood based organization to assess. The packager's role is more than pointing out financial opportunities. The job includes arranging financing, analyzing the financial statements of firms seeking funding and working with the public and private sectors in providing grants, loans, and loan guarantees.[41]

The role taken by the private sector is primarily as the provider of capital and to use its entrepreneurial skill in assisting businesses in their operation. Commitment from the private sector will be the most difficult to achieve but is the element that, if forthcoming, has the greatest potential for stimulating revitalization in a neighborhood. A bank will be more willing to commit the necessary funds for redevelopment if it can see a unified effort by the local neighborhood and city organizations toward achieving a comprehensive program.

Involvement is required of all three groups throughout the planning, financing and implementation stages of the revitalization program. The failure to match the requirements for an organized commitment by the public and private sectors

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[41] "Neighborhood Commercial Revitalization: A Step-by Step Process," Neighborhood Business Revitalization (Washington, D.C.: National Development Council, 1978), p. 67.

will jeopardize the program's usefulness.

MAKING THE MOST OF OUR ASSETS

The purpose of neighborhood revitalization, as stated previously, is to turn around the overall investment and psychological assumptions in a neighborhood. In essence, the long range goal of the revitalization program reviewed in this paper is to attract new investment into the neighborhoods of our central cities. With these thoughts in mind, the intent of this paper was to clarify the importance and issues involved in neighborhood commercial revitalization and to synthesize what planning measures should be assimilated to strengthen the vital components of our cities - the neighborhoods.

Several important points were discussed ranging from the need to have a clear understanding of the concept of a neighborhood to the necessity of a multi-faceted development program with the political power to both finance and implement. Throughout the revitalization program it was seen that there was a need to coordinate all planning activities. Land use, transportation, capital improvements programming and a host of other areas must be monitored in order to best insure complementary rather than conflicting activities in and around the neighborhood commercial strips.

At this point it is useful to no longer speak in general terms but to look at three cases where neighborhood commercial revitalization efforts have been attempted. The three show the contrasts among the number of already successful cases in the size and scope of projects that have been tried. Oldtown Mall in Baltimore is the oldest of the three and has been used as a model by both thd Department of Housing and Urban Development (HUD) and the Small Business Administration (SBA). Trenton Commons in New Jersey offers a more characteristic approach in a project that represents a moderate success. The Mitchell Pedestrian Mall is one of the largest attempts at neighborhood commercial revitalization.

None of these cases have all four of the points discussed earlier for the ideal comprehensive development program, yet all three have certain components of the four points.

Oldtown Mall, Baltimore, Maryland

In early 1977, Baltimore was engaged in 12 neighborhood commercial revitalization projects. The first of these projects, the Oldtown Mall, was started in the late 1960's. Since its initiation period the mall has served as a model for others, not just within Baltimore, to learn from.

The Oldtown Mall is a four block commercial strip in one of the older neighborhoods in Baltimore. By the mid 60's, the strip had shown many of the symptoms of a deteriorating and blighted area. Businesses were folding or relocating and, more importantly, few new businesses were starting up. Those that chose to remain had fairly successful operations. Yet crime, climbing insurance rates, and a perceived parking problem were cutting in on the merchants profit margin.

The city took action by integrating the mall into their community renewal problem. A special district was established that brought in direct government investment. The city committed itself to several public improvements, e.g., a pedestrian mall, but the first and perhaps strongest point of the four points to a successful revitalization effort was not without strings. The second point, mandatory building design standards to assure fairly uniform participation by merchants was the city's requirement if Baltimore was going to make heavy financial commitments of its own through the improvements. The city also offered the merchants the financial means to rehabilitate their places of business. Local and federal loans were made available. Of particular use was the section 502 local development corporation program offered by the Small Business Administration. Private capital loans were also forthcoming.

The weak link in the program was the lack of the fourth point - centralized management. The inability of the neighborhood and municipal participants in securing this point weakened the effectiveness of the Oldtown Mall rehabilitation program.[42]

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[42]For further discussion of the Oldtown Mall revitalization program, see Calvert, Practicing Planner, pp. 42 ff. and Sower, Neighborhood Business Revitalization, pp. 40-41.

Trenton Commons, Trenton, New Jersey

The present site of the Trenton Commons, a 2 block pedestrian mall in downtown Trenton, New Jersey is a second example of what neighborhood commercial revitalization efforts have done. Unlike the Oldtown Mall Project, Trenton Commons is specifically designed around a centralized form of management. The Commons Commission is funded directly through assessments of properties fronting of the mall. The organization controled by the local merchants and the municipality's officials has an operating budget to work from.

The weakness of the Trenton Commons Project is that the commitment of public services and improvements were linked only with a form of centralized management. The two other points of the ideal comprehensive revitalization program, financing and mandatory participation were missing. These other two program points are still not part of the Trenton Commons Project. Problem areas have resulted from the inability on the part of the city to gain these commitments. As has been the case in other similar attempts at neighborhood commercial revitalization the mandatory participation component has been the most troublesome of the four points to secure. Apparently it is too controversial of an issue for many to try to obtain. It is often not a question of whether or not a municipality has the legal right to make such a demand of the merchants and property owners, it is simply politically impossible to implement.

The Mitchell Center Pedestrian Mall, Milwaukee, Wisconsin

The Mitchell Center Pedestrian Mall was a fairly large scale revitalization effort that composed much of the city of Milwaukee's special impact area as designated in its Overall Economic Development Program (OEDP). The city's attention towards this area was due to size and the fact that since the 1960's the commercial neighborhood had suffered from the declining ability to successfully compete with the outlying suburban malls.

Mitchell Center is classified as a regional shopping center that serves a neighborhood of more than 300,000. The population in the last decade and a half had remained fairly stable. The business climate, however, had turned sour. Adjusted personel expenditures for the period 1963 to 1972 had dropped by 21 percent. The number of stores had fallen from 154 to 94 during those same years.[43] Boarded store fronts grew in number and blight was spreading from an increase in neglect and vandalism.

Crime was escalating. The Mitchell Street neighborhood had witnessed a rise in the crime rate from one that was lower than that of the city's average in 1970 to one that was higher in 1974.[44]

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[43] Sower, Neighborhood Business Revitalization, p. 43.

[44] David H. Laughrey, "The Mitchell Center Pedestrian Mall: A Case Study of Neighborhood Commercial Redevelopment in Milwaukee, Wisconsin," Research and Policy Analysis Report. National Council for Urban Economic Development, 1975, p. 20.

Something needed to be done to stop the continued disinvestment by both consumer and merchant. A simi pedestrian mall was proposed. A simi rather than a complete pedestrian mall was conceived out of a compromise. The mall sought to create a favorable, less conjested shopping district while keeping the two important bus routes that served the commercial strip.

The city offered to split the costs of establishing the Mitchell Street Pedestrian Mall with the merchants/ property owners. Approximately half of the cost of the project came from the private business community who raised their percentage through a front-footage assessment. However, several of these merchants were unable to raise the necessary capital. The private lending institutions recognizing the need to preserve their own long-term investment in the neighborhood chose to work with the city in offering businesses the necessary financing on the terms that the merchants could meet.

The Mitchell Street Pedestrian Mall represents one of the largest attempts at neighborhood commercial revitalization. Yet even with a well organized public and private organization problems did arise. The project did have at least two of the four points of the ideal comprehensive program in a committment for public investment and in the availability of financing. Although firms were assessed their share of the project mandatory participation by merchants was a weak if not nonexistent in a few circumstances. A centralized form of management was also lacking although some sense of a mall image was attempted in advertising.

The major if not overriding point to be drawn from this research paper is that the long term problems cannot be solved "overnight." A multi-year program is mandatory to allow for an adequate coupling of both physical resources and the time to implement the plans. Large scale urban renewal efforts, as evidenced in the past, rarely succeed. Neighborhood commercial revitalization efforts recognize the importance of rehabilitating what exists rather than forcing an artificial facelift that does nothing for the cancer within.

Neighborhood commercial revitalization efforts have had a positive effect and do offer municipalities a means by which to reverse the deterioration of our inner city neighborhoods. Drawing upon the evidence presented in this paper it does appear that progress has been made in the field. Therefore, although it can not be stated conclusively, there is substantial evidence to support the working hypothesis that neighborhood commercial revitalization is an effective approach in turning around disinvestment and the blighted state of older inner city neighborhood commercial strips.

To reiterate what Jane Jacobs has stated, "Cities like anything else, succeed only by making the most of their asset."[46] Neighborhood commercial revitalization programs attempt to do this very act by making the most out of the assets of our neighborhoods.

[46] Jacobs, The Death and Life of Great American Cities, p. 140.

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