Private Firms and Holistic Development in Second-Tier US Cities
A Case Study of Repopulating, Re-urbanizing Cincinnati and Pittsburgh

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America’s secondary cities are enjoying a well-documented urban renaissance. New residents and their dollars are reversing decades of disinvestment in the urban cores of conventionally less attractive, mid-sized US metro areas. Rising urban populations are largely due to new residents flocking from the suburbs; flat or declining metro populations suggest the cities themselves aren’t becoming more competitive, but their urban areas are. Whether they seek a lower cost of living versus larger or coastal cities, or merely reflect the shifting preferences of millennials and empty nesters, many of these new urbanites say they seek vibrant and diverse living environments – value drivers that are sometimes undermined by unchecked private development in larger cities.

As public and private forces in these places grapple with how best to meet this emerging demand, second-tier cities present a tremendous opportunity for holistic, community-minded economic growth that isn’t possible in more competitive, established urban markets. This thesis explores the ways in which market-driven real estate development can be uniquely holistic and long-term focused in re-urbanizing centers, while also being financially advantageous for the private firms that can lead the way. The paper analyzes the extent to which, unlike for-profit developers in cities with more established urban preferences, firms in these secondary cities engage in long-view, community-minded projects as a means of creating or maintaining social diversity, as well as the factors that seem to encourage or hinder such efforts. I also analyze the extent to which these civic-minded approaches are regarded as drivers of long-term financial stability by the firms considered.

I find that most for-profit firms in these cities have not, to date, made significant investments in holistic neighborhood-building. That said, a number of conditions have allowed for progressive, long-view projects to take place: public-backed development corporations, creative financing tools, and proactive local institutions, foundations, and corporations all lay the groundwork for private developers to do projects that create or maintain urban diversity. Conversely, I find that still-low rents, political favoritism, and other challenges often make it difficult for projects in second-tier cities to justify investing in the public realm. I conclude by presenting ideas for new programs that may unlock holistic-minded, profitable development. These include crowdsourced funding for creative subsidies, programs that tie support for local entrepreneurs to public loans and grants, and responsible development consortia, among others.

Advisor: Albert Saiz, MIT Department of Urban Studies & Planning
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Chapter One: Introduction

America’s mid-sized cities today are faced with incredible opportunities for making fulfilling urban living an option for millions. With renewed focus on dense, walkable city centers around the globe, these smaller, mostly suburbanized cities have the chance to create vibrant and strong neighborhoods that are within the financial reach of Americans of many different income levels. The last decade has seen a tremendous increase in investment in these cities’ downtowns and urban neighborhoods, as falling crime, new amenities, and shifting preferences have drawn new residents, firms, and pleasure seekers to long depopulated spaces. The investments that have enabled the oft-hailed “return to the city” have come from a wide variety of sources. The cities’ long-term redevelopment efforts are, however, largely dependent upon the actions of private firms. As such, this paper examines those firms, their actions, and the conditions that have enabled them to take long-term, holistic approaches to development (or not). I seek to determine if the social diversity this community-minded development process enables is seen as having a financial value in second-tier cities. Finally, I provide a series of recommendations for how cities, firms, and investors can cooperate to ensure that rapidly repopulating urban neighborhoods grow in an equitable, vibrant, and financially strong manner. These are meant to assist in addressing the great challenge of modern urban development: when a neighborhood is gentrifying, can sustainable growth be shared by both developers and a wide array of residents?

The thesis is structured as follows: Chapter 2 introduces the case cities and defines the “second-tier” status that unites them. It discusses their physical characteristics, key neighborhoods, and traditional economies. I also provide a brief history of the cities’ depopulation processes and subsequent postwar revitalization efforts. In Chapter 3, I examine the recent urban history of these cities, including the early stages of “rebirth.” This entails an analysis of each city’s key firms, institutions, and political concerns. I also present the emerging issues that these entities face as investment and interest in their urban cores have taken hold. Chapter 4 presents the case for holistic, long-term real estate development as opposed to traditional models of gentrification or resistance. Diverse private capital is presented as the greatest and most important tool in affecting positive change in this way. I also examine the factors that may make second-tier cities particularly attractive for investment, and ideal spaces in which to do long-term diverse development. In Chapter 5, I analyze in what ways the aforementioned holistic development practices are taking place in the case cities, and in which
cases they are not. Each city is found to have unique institutions, challenges, and priorities that play a role in determining how much long-view development work takes place. Finally, in Chapter 6 I present a series of recommendations for private firms and cities to unlock and encourage community-minded development that is both profitable and sustainable, making fulfilling urban lifestyles more available to all.

The case studies in this paper are informed by analysis of census and real estate transaction data, a review of local and national press coverage, existing literature on the redevelopment processes of second-tier cities, and over twenty interviews conducted in Cincinnati, Pittsburgh, my home base of Boston, and over the phone. These interviews were with employees of private and nonprofit developers, public development agencies, city planning agencies, and neighborhood-based community development corporations. I also spoke with several journalists, bloggers, and urban revitalization consultants deeply familiar with the two case cities. While a broader analysis of redevelopment processes in these cities would require more interface with the general public and residents experiencing these dramatic shifts in urban living, I aimed to write this paper with a specific focus on the motivations and thought processes of the cities' development communities themselves.

There is evidence that many middle-class residents seek diversity when choosing a neighborhood in which to live. Diversity (which manifests itself in many different forms) is found to be a key driver of a community's perceived vibrancy, vitality, and urbanity. “For developers responding to this demand by investing in diverse urban neighborhoods, the loss of social diversity caused by gentrification-driven displacement can pose a risk to property values.”

The goal is to examine the conditions necessary to spur urban revitalization via an investment-led alternative to both speculative gentrification and sheer resistance. The term “inclusive gentrification” seems apt. The concept has been described as “the potential of the inflow of capital and wealthier residents into a depressed neighborhood to generate shared growth - improving the quality of life of in-place residents without full displacement - along with creating an amenity-rich mixed-income neighborhood desirable to the new residents.” Second-tier cities

1 Hollman, Carolina.
2 Hollman, Carolina.
3 Hollman, Carolina.
where the market for urban living is still taking shape may represent the best opportunity for this development approach within the US.

Previous studies have shown that when private real estate developers take a patient, long-view approach to investing in a revitalizing neighborhood, their interests in maintaining or creating a diverse environment can align with the interests of the current residents to create an inclusive model of gentrification. This long-term approach offers an alternative to the traditional, speculative model of gentrification that leads to exclusion, while providing better outcomes than a resistance to change that perpetuates existing inequalities. Through an analysis of Pittsburgh and Cincinnati’s urban declines, social dynamics, real estate communities, and powerful local organizations, this thesis argues that visionary, long-view private development can truly be a tide that raises all boats - and that this approach may have a greater chance of success in re-urbanizing second-tier cities than elsewhere.

Chapter Two: The Cities, Their Collapses, and Early Revitalization Efforts

Cincinnati and Pittsburgh are cities with proud industrial and economic heritages. Each enjoyed a sustained “boom” period in which their geography and natural resources helped make them among the country’s most important economic engines. Cincinnati’s factories & and port facilities on the Ohio River, a critical connection to the ever-expanding west, helped make it the country’s 6th most populous city by 1840. Pittsburgh ascended to global preeminence in the steel industry, advantageously located on three westward-flowing rivers near vast hills of coal. Yet by the end of the 20th century, both were grappling with mass depopulation, urban poverty, and identity crises in the face of a rapidly changing world. The proverbial “second-tier city” and its place in modern America was very much in doubt.

This paper broadly defines American second-tier cities as non-coastal metropolitan statistical area populations of between 1 and 4 million people; qualitatively, these cities are seen as less conventionally attractive places than their larger or coastal peers, often due to suburban sprawl, a perceived lack of cultural identity, an ageing population, and other reasons. Many exist in the

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5 US Census.
so-called “flyover states.” Cincinnati and Pittsburgh serve as proxies for these cities at large, but it is acknowledged that second-tier cities face very different challenges attributable to geography, industry, climate, and other issues. For example, San Antonio clearly does not confront the same issues of deindustrialization as Pittsburgh. The cities do, however, share the opportunity to participate in holistic and community-oriented urban development, as a means of reinventing themselves and reversing decades of suburban sprawl. They represent chances for often struggling metro regions to provide a viable, less-expensive alternative to coastal cities, and to retain professionals that have flocked to more urban places like New York and San Francisco for decades. According to these criteria, American “second tier” cities may include (but are not limited to):

<table>
<thead>
<tr>
<th>City / Metro Statistical Area</th>
<th>2015 ACS Population Estimate (to nearest 1,000) 6th Rank Population MSA within US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis</td>
<td>3,525,000</td>
</tr>
<tr>
<td>Denver</td>
<td>2,814,000</td>
</tr>
<tr>
<td>St. Louis</td>
<td>2,812,000</td>
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<tr>
<td>Charlotte</td>
<td>2,426,000</td>
</tr>
<tr>
<td>Orlando</td>
<td>2,387,000</td>
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<tr>
<td>San Antonio</td>
<td>2,384,000</td>
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<tr>
<td>Pittsburgh</td>
<td>2,353,000</td>
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<tr>
<td>Sacramento</td>
<td>2,274,000</td>
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<tr>
<td>Cincinnati</td>
<td>2,158,000</td>
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<tr>
<td>Kansas City</td>
<td>2,087,000</td>
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<td>Cleveland</td>
<td>2,061,000</td>
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<tr>
<td>Columbus</td>
<td>2,022,000</td>
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<td>Austin</td>
<td>2,001,000</td>
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<td>Indianapolis</td>
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</tbody>
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This paper presents case studies of two cities that today are widely regarded as undergoing an urban renaissance; businesses and cultural institutions are opening in the urban core, and multifamily residential development is moving at a fever pitch for the first time in decades. Are

6 American Community Survey, 2015 estimates.
these cities actually, however, growing? Recent population figures from the annual American Community Survey (and an accompanying report from the Urban Land Institute) were reported by news outlets like The Wall Street Journal as a statistical rebuke of the so-called “urban renaissance” in American cities. What critics missed was that data reported at a metro level, county level, or even city level do a poor job of representing urban vs. suburban living patterns. As Joe Cortright at City Observatory wrote, “A more finely-grained geographic analysis shows that the closer you get to the city center in most metros, the stronger has been the performance. While it’s true that the more outlying parts of some cities are losing population, their cores are becoming increasingly vibrant.”7 As urban spaces like Cincinnati’s Over-The-Rhine and Pittsburgh’s Strip District are seeing an encouraging reversal of long-time disinvestment processes, the cities’ relative lack of population increase seems to indicate that most new urban dwellers in second-tier cities are intra-city migrants. While lacking definitive data, urban scholars suspect that those returning to urban living patterns are pouring in from the cities’ own suburbs and surrounding towns as opposed to from other, further places. The American Community Survey’s population estimates for 2015 support this theory: the city of Pittsburgh’s population fell by 9% between 2000 and 2015, while its urban core8 showed a 1% population gain in the five years from 2010-2015. Likewise, Cincinnati saw over 10% of its population head outside city limits between 2000 and 2015, yet its urban core9 population dramatically swung from a 19% loss from 2000-2010 to a 3% gain from 2010-2015. While single-digit percentage gains in urban population may not seem substantial, these figures in many cases actually represent a 10-20% improvement when considered against previous population losses. The data reveal a clear divergence in the fortunes of these cities’ urban cores versus the greater cities around them. While second-tier cities as a whole may not be enjoying a population comeback, certain parts of them are - and those parts appear to be mostly urban in character.

The ongoing increase in demand for urban living in places where it had long been out of vogue can be traced to a number of factors. David Ley writes that demand shifts for urban real estate

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8 Estimated as Allegheny County Census Tracts 201, 305, 103, 511, 501, 509, 203, 605, 506, 603 901, 1011, 902, 1609, 1702, 2206, 2503, and where applicable, 2204, 2304, 2205, 2201, 5627, and 5632.
9 Estimated as Hamilton County Census Tracts 7, 11, 9, 10, 16, 17, and where applicable, 265, 263, 264, 269, 6, 4, 1, 3.01, 3.02, 8, 15, and 14.
occur as the result of four conditions. Economic factors, like Pittsburgh’s shift from heavy industry to a less space-intensive, technology and service economy, have made living in the urban core more pleasant and shifted valuable waterfront properties’ highest and best use away from manufacturing and logistics. Housing market factors like mortgage rates and construction costs play a role in people’s choices about where (and when) to rent or buy. Demographic shifts, like smaller households and people delaying marriage, can greatly affect a person’s priorities when weighing the benefits of urban life against the space that suburbia can afford. Finally, and perhaps most significantly in second-tier cities, an increased demand for urban amenities has some residents prioritizing “a more diverse community, recreational and cultural venues, consumption opportunities, better access to jobs and high wages, and aesthetic characteristics of the urban architecture and landscape.”

Cincinnati’s Urban History & Setting

Cincinnati is a midwestern metro region of over two million people, in the southwestern corner of Ohio. Its urban core is nestled on a basin, surrounded by rolling hills on three sides and the Ohio River separating it from Kentucky to the south. From its founding in 1790, the city drew its energy and its economy from the water; its rapid growth as “Queen of the West” in its first forty years was due to its status as a major shipping center to the new western half of the country. Major firms, most notably consumer goods giant Procter & Gamble, grew to national and international renown, quite literally putting the city on the map alongside the country’s better known centers of industry. Cincinnati’s large population of German immigrants, over 150,000 strong by 1890, helped make it the beer brewing capital of the midwest throughout much of the 19th century.

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11 Hollman, Carolina
12 Disclosure: The author was formerly employed by Procter & Gamble.
A traditional grid system extending from the Ohio River towards the city's "seven hills" on its other three sides, Cincinnati's urban core is tight, walkable, and, historically, densely packed. In 1925, it became the first American city to adopt a comprehensive urban development plan, a "revolutionary" step that called for green corridors throughout the city and a system of boulevards, and included a transportation analysis that would soon become standard for all modern master plans. The city's urban core had by the late 1800's come to be defined largely by three distinct areas: downtown, the West End, and Over-The-Rhine. Downtown, which fronts the river and today remains Cincinnati's central business district, counts its center of gravity not as the water's edge itself, but as the centrally-located Fountain Square. Fountain Square has functioned as Cincinnati's primary public gathering space, home to cultural festivals, political speeches, and sports celebrations. The square's German-made *Genius of Water* statue endures as the city's unofficial symbol. The urban core's two other critical neighborhoods were of a very

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16 Clubbe. p 11.
different, more human scale, largely consisting of three to five story rowhouses. The West End was, until the early 1950's, a largely middle class, African-American neighborhood. 17

Over-The-Rhine, from its beginnings in the 1830's, was the center of German culture in the city. The name describes how it felt to cross the now-filled Miami & Erie Canal to enter the neighborhood: like going over the Rhine River and into Germany itself.18 By the 1870's, Over-The-Rhine (now often simply “OTR”) had become "one of the densest neighborhoods in the Western Hemisphere," and was a veritable stronghold of German culture: German-language newspapers and schools pervaded, breweries (not always legally) blossomed, and German churches were on nearly every street. Many such churches survive today, their stone-carved German-language signs still mounted high above the street. Beermakers like Christian Moerlein and Ludwig Hudepohl built massive and ornately decorated brewing facilities throughout the district, and stored their products in long, naturally cooled tunnels beneath.19 The northern reaches of OTR remain home to Findlay Market, a colorful produce market and source of vibrancy in the neighborhood since 1852.20 With a 1900 population of around 45,000 in a 362-

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17 Sparks, Sarah D. Still Segregated After 50 Years: A Visit to Cincinnati's West End. Education Week. 1/22/2014.
acre footprint, the neighborhood was nothing if not vibrant. “If the scene in its frivolity and uproarious gaiety recalls the Sundays of Paris, the locality may be described as considerably more German than Germany itself,” noted Harper’s magazine in 1883. 21 The neighborhood undoubtedly suffered from overcrowding and poor sanitation, yet to many the streets had an air of Gemütlichkeit: “friendly, festive good cheer.” 22 This is not to say that OTR was beloved by all. Many regarded parts of OTR as “unsavory” dens of vice, hosts to shooting galleries and gambling halls; whatever guests wanted, they could usually find. 23 The unique scene continued into the 1910’s, when popular hysteria over World War I led much of the city’s German character to be suppressed and quietly assimilated into other less central neighborhoods. Street names were changed; Bremen Street became Republic, and Berlin Street became Woodrow, among others. 24 The neighborhood would pass through the hands of several, increasingly poor ethnic groups over the remainder of the 20th century.

German-language signage provides everyday reminders of Over-The-Rhine’s past, 2017. Photo by the Author.
The city's most important thoroughfare has historically been the north-south stretch of Vine Street, which runs from the riverfront through Over-The-Rhine and up Bellevue Hill and into Clifton, home of the University of Cincinnati. In OTR's heyday, Vine Street was the region's cultural heart. "At the turn of the (20th) century, there was no inland city street in the country that came up to the standard of Vine Street," says Jim Tarbell, a former city councillor. Vine Street at one point had theaters, concert halls, German beer gardens, and more cafes per square foot than any other street in the country.

Despite its once-booming urban population, Cincinnati never saw the astronomical period of growth that would vault New York and Chicago to global preeminence. Some scholars say this lack of a mass growth spurt is what kept much of the city's historic urban architecture in place. Neighborhoods like OTR are unique within the entire country, as "the tangible evidence of its past [has] survived into the present."
Pittsburgh's Urban History & Setting

Roughly 500 miles up the Ohio River, Pittsburgh was the site of a British, then French fort from as early as 1754. The origin of the Ohio itself, western Pennsylvania’s city of Three Rivers is situated on a basin and amongst hills overlooking the Ohio, Allegheny, and Monongahela Rivers. From its earliest days, Pittsburgh has been synonymous with industry. Its location in the middle of “one of the most productive coalfields in the country,” among a wealth of other natural resources, made it an ideal center for making and shipping products via its rivers. From the 1830’s and through into the 20th century, Pittsburgh’s iron and steel industries boomed, and industrialists with now-famous names like Mellon, Schwab, Carnegie and Westinghouse made manufacturing advances that kept the city on the cutting edge of technology.

As Pittsburgh’s industrial landscape shifted from small, city-based workshops towards larger, company-owned factories beginning in the 1870’s, the city’s geography expanded outward along its rivers. Manufacturers sought larger sites with easy access to railroads and the rivers, sometimes building small factory towns of their own to house workers. Proximity to the region’s coalfields helped spur the dispersal, and by 1910 greater Pittsburgh “was a complex urban landscape with a dominant central city, surrounded by proximate residential communities, mill towns, satellite cities, and hundreds of mining towns.”

Pittsburgh’s industrial success came with a price. The city became famous for its sooty, heavily polluted air, and was home to some of the country’s most intense labor conflicts. A heavily unionized workforce routinely went on strike, and violent uprisings in 1877 and 1892 resulted in numerous deaths and massive, destructive fires.

Pittsburgh has long been described as a city of neighborhoods, 90 in all today. Downtown, on the narrow V-shaped stretch of land between the three rivers’ confluence, functions as the city’s central business district, as it has for centuries. To its east are Oakland, home to Pittsburgh’s two most famous research universities and medical facilities, the residential Hill District (often split into “Lower,” “Middle,” and “Upper” to describe the bluff’s ascent away from downtown), and the Strip District, among others. The Strip District lies in the blocks between the northern

cliffs of the Hill District and the Allegheny River. While maintaining an industrial legacy along the waterfront, the Strip is home to the city's long-running and vibrant market district, home to ethnic food sellers, furniture stores, and kitschy Pittsburgh-themed gifts. Bordering the Strip further east along the Allegheny is Lawrenceville, home to some of modern Pittsburgh's most intensive development. Traditionally a densely packed low-rise neighborhood of mostly single-family homes, Lawrenceville was a stronghold of white, working class steel families; like the Strip, its blocks nearest the Allegheny were home to warehouses and production facilities. Lawrenceville's center, Butler Street, is one of the city's most important economic thoroughfares.

Approximate locations of Pittsburgh's urban core neighborhoods. This study aimed to focus on neighborhoods adjacent to downtown, typically characterized by dense, walkable streets and multifamily or rowhouse housing. Map by author.

Other significant neighborhoods in the urban core include the heavily redeveloped East Liberty, the historic architecture-filled South Shore, and North Shore, home to the city's new football and baseball stadiums. While the number of neighborhoods that could be considered "in the urban
core” is greater in Pittsburgh than in Cincinnati (and its geography perhaps more debatable), this paper focuses primarily on development in Downtown, the Strip, Lawrenceville, Oakland, North Shore, and South Shore. It should be noted that determinations of which neighborhoods are in the “urban core” are my own and are subjective - I generally chose those communities within view of downtown, where street grids are walkable and most homes are multi-family or rowhouse style dwellings.

![Pittsburgh's South Shore. Photo by the Author.](image)

**Depopulation**

As in cities across the country, the years after World War II produced a new set of challenges for Cincinnati and Pittsburgh. Two phenomena would simultaneously take root and remake urban landscapes for the remainder of the century: mass suburbanization of the middle class, and the long, steady decline of American industry.

**Depopulation Part One: Suburbanization + Urban Renewal Plans**
Second-tier cities were dramatically affected by the exodus of middle-class families from cities to suburbs in the years after World War II. Those that could afford it sought cheap land, larger single-family houses, and typically a sense of greater safety, cleanliness, and access to good schools. The idealized form of the “American Dream” had shifted (or come within reach). This shift was due in no small part to the proliferation of the private automobile. By drastically and immediately reducing the travel cost (mainly in terms of time and comfort as opposed to actual dollar value) of commuting from more far-flung suburbs into the city center, proximity to one’s workplace and shopping was decreasing in importance. This, combined with the Federal Housing Administration’s “liberalization of the mortgage market as well as its regulations favoring new construction (over rehab), and the single-family detached house (over apartments),” sent middle-class, and by and large white, Americans to the suburbs in droves.

In the hollowed-out inner cities they left behind, property prices plummeted. This left lower-income populations to live in a rapidly depreciating built environment, with suddenly financially-crippled public services - services that still struggle in many second-tier cities today. I spoke with a Cincinnati politician who described the cities’ hollowing-out processes as leaving behind "a living body, a body built to be fed by 500,000 people that now had only 300,000 or less supporting it... we still had to support a lot of the infrastructure that was built to take care of 500,000. The sewers, the streets, the schools... that stuff never went away." Restrictive covenants and racist zoning policies exacerbated these new geospatial inequalities.

As urban populations declined and cities’ middle class citizens settled in the suburbs, city planners and civic engineers prioritized creating high speed highway access directly from those suburbs into the city center, often at the financial expense of nearly every other urban improvement program. Thanks to the Federal-Aid Highway Act of 1956 Cincinnati and Pittsburgh were the recipients of massive, federally funded highway projects that blazed through inner city neighborhoods. The national trend of pushing these projects through the poorest, typically minority-populated neighborhoods held firm in both cities.

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33 "Derek Bauman, Cincinnatians for Progress." Personal interview. 29 Dec. 2016.Cincinnati, OH.
36 US DOT Federal Highway Administration.
In Cincinnati, construction of the Mill Creek Expressway, later to be part of Interstate 75, effectively destroyed most of the West End neighborhood. Nearly 5% of the entire city’s population called the West End’s Kenyon-Barr district home in 1958. Its streets as “architecturally significant as any… in Over-The-Rhine,” the 400-acre neighborhood was home to almost 26,000 when its demolition was approved. \(^{37}\) 25,155 were not white. In the process that followed, the city would lose 10,295 housing units, 137 food stores, 118 bars and restaurants, and 86 barber shops and beauty parlors, all in the name of slum clearance.\(^{38}\) The process was enabled by funding from a 1956 local bond issue, which notably passed a popular vote. It was not Cincinnati’s surrounding neighborhoods that supported the bond levy; it was mostly inner city residents themselves, and the West End overwhelmingly so. An area minister later stated: “The people in the suburbs voted it down. They didn’t want the black and the poor moving in their direction. But the people in the downtown area were a real voting bloc. They voted themselves out of their homes and invited the bulldozer in. They didn’t know what was happening to them… I remember hearing at the time that the people down there were promised they’d have the first chance to come back and they would be helped to be resettled. All that was paper stuff. It was just an inducement to get the area cleared.”\(^{39}\)


\(^{39}\) Davis.
Cincinnati's West End, a densely packed neighborhood home to much of the city's African-American middle class, was cleared in the name of urban renewal. Photo: urbanohio.com

The final days of Cincinnati's Kenyon Barr section in the West End, 1958. Photo: Cincinnati Museum Center History Library and Archives.
By 1962, a quarter of the first phase of clearance had been completed, and the project continued through most of the mid-60's.\textsuperscript{40} The planned residential and commercial development, renamed Queensgate, remains mostly unrealized today - the neighborhood is a scramble of industrial buildings and low-rise offices around rail yards in their approach to the old Cincinnati Union Terminal.

After the clearance of Kenyon-Barr, several low-income housing developments were subsequently opened on the 400-acre remainder of Cincinnati’s West End, near Over-The-Rhine’s western edge. At the time, local institutions largely heaped praise upon the redevelopment. \textit{The Cincinnati Enquirer} raved that “substantial chunks of the run down, crumbling blocks are gone and shining new neighborhoods are taking their place.”\textsuperscript{41} Procter & Gamble president Howard Morgens, as part of the Citizens Development Committee’s Executive Board, had been instrumental in making the “New West End miracle” a reality, boasting that “the difference between the way the West End looks now and the way it did before is unbelievable.”\textsuperscript{42} His observation remains true to this day. Morgens made clear that Cincinnati’s corporate community has not always had interests directly aligned with those of the urban population.

Missed by the celebrating politicians and businesspeople, however, was the fact that two thirds of the West End’s housing had not been replaced, and that three quarters of its population had been permanently scattered.\textsuperscript{43} The fabric and institutions of Cincinnati’s preeminent black community had been broken. Most of the West End’s black homeowners moved to outlying neighborhoods where their dollar would go further; the poorest renters were left to hope for space in a new low-income public housing development, crowd into the West End’s remaining tenements, or find cheap housing elsewhere in the urban core.\textsuperscript{44}

Over-The-Rhine would become home to most of the poorest African Americans, concentrated poverty that set the stage for the decades of decay, disinvestment, and the subsequent development battles of today. At approximately the same time, whites were leaving OTR for the

\begin{footnotes}
\item[40] Davis. p138.
\item[41] Davis. p139.
\item[42] Davis. p139.
\item[43] Davis. p139.
\item[44] Davis. p147.
\end{footnotes}
suburbs in droves: the 1960’s saw Over-The-Rhine lose an astounding 63% of its white households.\(^{45}\)

Following the construction of the Mill Creek Expressway and other urban highways, truly “urban” Cincinnati had effectively been reduced to downtown and Over-The-Rhine, ringed by highways and vast acres of surface parking alongside them.\(^ {46}\) Not only did this infrastructure prioritize commuters (most of whom lived outside the city of Cincinnati) over those that called the city home, but it built new barriers between the urban core and the dense peripheral neighborhoods that extended into the adjacent hillsides.\(^ {47}\)

In Pittsburgh, many of the same urban renewal strategies were pursued in the face of suburban exodus. A government agency, the Urban Redevelopment Authority (URA) was founded in 1946 to be the driving force behind the city’s revitalization efforts.\(^ {48}\) In its early days, the URA’s strength was in its ability to take land via eminent domain and to assemble properties large enough for transformative civic projects. Its first was the conversion of industrial and rail yard properties into Point State Park, as well as a new highway overpass, at the scenic meeting of the Ohio, Allegheny, and Monongahela Rivers - the tip of the so-called “Golden Triangle.”\(^ {49}\)

The project was deemed an overwhelming success by those in power, as well as by most Pittsburghers. Attempts to create green space and to reduce traffic were hailed in a city famously choked by industrial pollution.

The URA’s next large project, which would be under construction for the entirety of the 1960’s, effectively created the American model of “blight-clearing urban renewal.” The Gateway Center project, directly adjacent to Point State Park, was “the nation’s first commercial urban redevelopment project” that used eminent domain for private reuse.\(^ {50}\) The government, via the URA, had cleared 23 acres of private property - and not for a public redevelopment, but for private development done in the name of the “public good.” The URA’s 50th Anniversary book, *Forging the Pittsburgh Renaissance*, calls the rebuilt area “a park-like complex” of mixed uses,

\(^{45}\) Diskin, Jonathan and Dutton, Thomas A. *A Rush To Judgment*. Miami University Center for Community Engagement in Over-The-Rhine.


\(^{47}\) Cowan. p26.


\(^{49}\) Economou. p8.

\(^{50}\) Economou. p8.
and points to Gateway Center as the inauguration of the rebuilding program that would come to be known as “Renaissance I.” This “business-inspired” rebirth program created a sense of civic commitment and succeeded in reducing Pittsburgh’s famous industrial pollution, yet “did little to expand or improve working-class housing or social conditions.”

This rebirth was executed, in part, by the “aggressive” clearing of sites elsewhere in the urban core; South Side, Hazelwood, and Oakland all were chosen for the bulldozer, at the URA’s discretion. Pittsburgh’s business and government elites had, in the face of economic crisis, “overcome business factionalism... and sponsored a ‘reverse welfare state,’” in which public power was expanded to reposition Pittsburgh’s urban core as a place for private and corporate uses.

Similar to urban renewal schemes in other American cities, Pittsburgh’s City Hall looked at the blight clearance program as a massive opportunity for financial gain. The Title I urban redevelopment program allowed the URA to “assemble, clear, and prepare land” for reuse with very little financial risk. Federal capital grants were promised to cover two-thirds of any losses not covered by sale or lease of the land; the other one-third was split evenly between the state of Pennsylvania and the city itself. The URA could effectively clear “blighted” blocks with exposure to just one-sixth of any financial risk involved in the resale. Roy Lubove (1996) has suggested that this financial setup “may have created... a state of mind that encouraged evasion of hardcore issues” like a city’s economic diversity, or its competitive status within the national or global market. “If city authorities could balance the budget” by means of influxes of federal cash, “one did not have to worry about creating a viable municipal economy.”

With the federal dollars pouring in, cities like Cincinnati and Pittsburgh paid little attention to reports that sounded the alarm of the economic crises ahead. In 1963, a Pittsburgh Regional Planning Association study clearly predicted Pittsburgh’s coming economic obsolescence, and called for “modernizing and diversifying the Pittsburgh economy.” Yet the city pressed on with

51 Economou. p6.
53 Economou. p10.
54 Lubove.
55 Economou.
56 Lubove. p27.
57 Lubove. p27.
large-scale, top-down physical planning in the name of renewal; the bulldozer remained one of its favorite tools.

The 1956 clearing of the Lower Hill District, Pittsburgh’s dilapidated and unhealthy yet vibrant center of African-American culture, would prove to be a scarring experience for the city. Under the banner of deconcentrating poverty and desegregating a poor black neighborhood, 95 acres immediately adjacent to downtown were cleared for redevelopment including the construction of a new Civic Arena. While there was no doubt that the neighborhood had severely deteriorated (90% of structures were substandard and beyond their useful lives, one city councillor noted), the social optics of the destruction were damning. “There was little concern about social upheavals that the proposed massive displacement could generate,” the URA’s official commemorative book concedes. The URA maintains that most if not all displaced residents found homes immediately, most of which “better” than what they had before. The project’s most profound impacts, however, were the community’s loss of social capital, collective history, and sense of identity. While the Civic Arena was completed in 1961, much of the rest of the cleared area remains a parking lot today. The official narrative is a familiar one: “Further development on the Hill did not materialize as planned: its course was altered by rebellion against the massive displacement which erupted in the mid 1960’s, economic reversals, and changing attitudes.”

The destruction of places like Kenyon-Barr and the Lower Hill District left deep physical and emotional scars in these cities. The deep distrust of government-led urban regeneration programs among certain communities, especially the minority groups that lost the most during postwar urban renewal programs, can be traced directly to these moments.

**Depopulation Part Two: Deindustrialization**

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58 Pittsburgh Sports & Exhibition Authority.
59 Evans, George E. (July–August 1943). "Here Is a Postwar Job for Pittsburgh... Transforming The Hill District". *Greater Pittsburgh*.
60 Economou. p12.
Deindustrialization compounded the effects of suburbanization and the resultant urban blight in American cities. The downfalls were especially pronounced in mid-sized midwestern cities; unlike their larger coastal peers, their economies lacked diversity and often depended on just a few large firms. Deindustrialization had varied effects on the case studies considered. Cincinnati endured a 24% drop in employment between 1967 and 1977 - dizzying job losses to be certain. However, the city's more corporate and service-focused industry had created a level of diversification that provided something of a hedge against economic risk. Pittsburgh had no such safety net. Over the same decade, Pittsburgh's manufacturing employment decreased by more than 35%.\footnote{Cowan, Aaron. \textit{A Nice Place to Visit: Tourism and Urban Revitalization in the Postwar Rustbelt}. pp 21. Philadelphia: Temple UP, 2016. Print.} By 1987, just 14% of jobs in metro Pittsburgh were in manufacturing, as opposed to 25% nine years earlier.\footnote{Lubove. p29} The American steel industry's wrenching decline had disastrous effects that were twofold; the city was left with large sections of land that suddenly did not produce tax revenues, as well as a growing number of unemployed residents who did not have the means nor the training to pursue employment in other economic sectors.\footnote{Cowan. p21.}

The steel industry's collapse, which saw many Pittsburgh factories close in quick succession, reached its nadir in the 1980's. It was the result of numerous forces: "declining industrial productivity, international competition, market changes, miscalculations by management and labor, and the failure of the steel companies to adapt to newer technologies" all have been blamed.\footnote{Lubove.} The city was dealt a crippling blow financially and economically, but almost equally as crushing were the social, human consequences of dying industry. "Relatively prosperous and stable working-class neighborhoods and communities were devastated by unemployment and the loss of that sense of security and identity that had been an integral part of the steel workers' culture."\footnote{Lubove.}

Second-tier, industrial cities like Pittsburgh, Buffalo, Detroit, and others had been fiercely proud of their relevance in the national economy. While they may not have had the cultural clout or historic relevance of a New York or Boston, they at least did one thing and did it very well - better than any other cities in the world in some cases. With industry evaporating in
manufacturing-dependent cities, these places entered what might be called, to borrow from President Jimmy Carter, a “crisis of confidence.” If the economies that built these cities weren’t to be part of their future, what were places like Pittsburgh at all?

**Early Renewal Efforts: Large-Scale Projects, Preservation, & Community Planning**

Faced with struggling economies and rapidly deteriorating inner cities, Cincinnati and Pittsburgh had varied levels of success with revitalization efforts in the last quarter of the 20th century. Both cities completed large-scale, publicly-financed projects that aimed to bring suburbanites back to the city, if only for a few hours at a time. In Cincinnati, smaller-scale urban revitalization discussions focused on preservation versus rebuilding. In Pittsburgh, a sorely needed economic diversification program called Renaissance II grew to encompass issues of community planning and quality of life, led by a powerful set of nonprofits in cooperation with the URA.

For many struggling second-tier cities in the postwar 20th century, tourism became a focal point of urban economic development programs. In the face of economic decline and depopulation, tourism development “came to [be viewed], in many cases, as proof that the city as a whole was vital, successful, and worthy of visitors, capital investment, and media attention,” according to scholar Aaron Cowan. Local leaders that supported investment in amenities that would attract suburban tourists believed that efforts at urban beautification would “inspire civic spirit and social unity.” Their focus on a tourism-friendly downtown, however, was often at the expense of surrounding neighborhoods where people (usually the poor) actually lived. For cities like Cincinnati and Pittsburgh, locales that don’t present a natural tourist draw like Boston or San Francisco, it was seen as especially critical to create downtowns in which visitors felt safe, while hiding the city’s unsavory elements away from view.

The city itself was rarely the attraction; cities across the country poured millions of dollars of public financing into tourist-focused projects such as hotels, convention centers, sports arenas and entertainment complexes. Politicians saw in these projects tangible, physical accomplishments that

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67 Cowan. p7.
68 Cowan. p viii.
they could flout come reelection time; a job training program or revised housing policy might not show measurable results for years, but voters would certainly remember a beautiful new downtown stadium. Corporate leaders also saw these large-scale interventions as key to making their cities more attractive, often as a means of “buttressing downtown business and property values.”69 “This [corporate] effort moved beyond the traditional roles of philanthropy and boosterism, and involved direct participation” in some processes of city planning and redevelopment policy.70

Cincinnati’s Riverfront Stadium and Pittsburgh’s Three Rivers Stadium both saw their first action in 1970. Each was meant to be a replacement for a dilapidated but historic baseball stadium, and both were built to accommodate both football and baseball, along with concerts and other events. In Cincinnati, the publicly funded stadium and a reconfiguration of downtown’s Fountain Square dominated the city’s renewal efforts in the years after the leveling of Kenyon-Barr.71 Three Rivers Stadium was the recipient of a federal urban renewal grant of over $14 million, and multi-million dollar grants from the city and county just to cover land acquisition, demolition, and access road construction.72 The historic shift from stadiums being primarily privately-funded facilities to being majority-funded by the public was in part a result of city governments’ increasing desperation to bring visitors downtown as a means of economic development. Publicly-constructed convention centers were viewed as another tool; Pittsburgh’s, completed in 1981, and Cincinnati’s, originally completed in 1967 and rebuilt in 1984, were both central to their cities’ plans to bring in tourists to catalyze downtown.73

Three Rivers Stadium, while at the time called a “focal point of the Renaissance,” was one of the final embodiments of the city’s “Renaissance I” approach to economic development. Renaissance II, which began in earnest in 1977, would become known for economic diversification and further downtown development, but also for its newfound focus on community organizations, the city’s cultural image, and quality of life.74 “The spearhead of Renaissance II,” wrote Roy Lubove, “was a public-private partnership, but with the addition of a significant nonprofit sector and a transformed URA.”75 The URA, once known as City Hall’s...
sculptor of mass urban renewal schemes, had become “the city’s most comprehensive instrument of economic revitalization” via a range of new grants, funds, and subsidies that it could offer, along with its ability to assemble land for reuse. Many of these assembled parcels were sold to new civic-minded organizations. After the tumultuous 60’s saw drastic changes in how citizens felt about government renewal programs, the 70’s brought a slew of new community development corporations, or CDCs, to Pittsburgh. “The Pittsburgh CDC network fought against destructive redevelopment plans, sought to halt neighborhood disinvestment and factory closings, promoted a variety of new housing and homeowner initiatives, worked for improved social services and local business start-ups, and advocated preservation and recycling of historic buildings and sites.” The newly formidable CDC’s had powerful partners. Carnegie Mellon University and the University of Pittsburgh had evolved into economic development agencies in their own right, and provided thousands of new medical and research jobs. Older nonprofits like the Regional Industrial Development Corporation (RIDC) converted abandoned industrial spaces into modern facilities, and helped advance the city’s technology-based modernization strategy. Pittsburgh’s influential private foundations emerged as key drivers of urban revitalization, at times even surpassing the contributions of government or corporations. Benefactors like the Heinz Endowments and the Mellon Foundation were able to be “more flexible and less accountable... to external pressures” than were more public actors. These groups cooperated in financing low-income housing and job development projects, and fought for community involvement in planning processes.

Renaissance II also brought a renewed focus to developing the city’s artistic and cultural scene. “One of the greatest obstacles to economic development,” wrote Lubove, was “the longstanding negative image of Pittsburgh as a smoky inferno populated by philistines and drones.” The results of Renaissance II’s efforts to build a more diverse economy, a stronger arts community, and an empowered set of neighborhood organizations formed the backbone of Pittsburgh’s modern-day urban revitalization.

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76 Lubove.
77 Lubove.
78 Interview, Don Johnson
79 Lubove. p 32.
80 Lubove. p viii.
81 Lubove. p viii.
82 Lubove. p 31.
In Cincinnati, by contrast, neighborhood revitalization efforts in the 70’s, 80’s and 90’s often focused more upon preservation than upon evolution. As Cincinnati’s urban core bled residents to the suburbs and to other cities, deteriorating conditions in the city’s historic neighborhoods made preservation a priority for elected officials. This process was a new approach for inner city neighborhoods, via “the use of historic conservation techniques and subsidies both to protect low-income housing and to attract to the neighborhood more prosperous people, regardless of their race and ethnicity.” Local historic districts could provide the city with control over the demolition of substandard housing, and City Hall hoped they could preserve “features of metropolitan life that made Cincinnati attractive to many prosperous blacks and whites.” In its struggle to define the balance between historic preservation (which poor residents felt would gentrify the neighborhood) and OTR’s highly concentrated social services (which city officials and others believed to be dooming the area to perpetual poverty and crime), two larger-than-life rival figures emerged: social activist Buddy Gray and business owner Jim Tarbell. Their contrasting visions of the neighborhood came to a head in the planning of 1985’s Comprehensive Plan for Over-The-Rhine, but would continue dominating the local discourse until race-related riots ravaged the city in 2001.

Gray was committed to the idea of racial and socioeconomic separatism, and fought to keep Over-The-Rhine as a bastion for the city’s black poor. He was able to gain control of the OTR Community Council, and in the planning process for the 1985 Comprehensive Plan for Over-The-Rhine, he successfully pushed City Council to make protection and enlargement of the area’s stock of low-income housing its top priority. Tarbell emerged as Gray’s biggest ideological rival, warning that without historic preservation and social integration Over-The-Rhine would remain a “predominantly black enclave of poverty and despair.”

The 1985 Plan looked to most like a victory for the Separatists: a firm commitment from the city to create over 5,000 units of low-income housing, effectively putting Tarbell’s push for more mixed-income development on the back burner. While the full housing program would never come to fruition, the Plan assured that the Tarbell and Gray camps would be in a virtual stalemate for years to come, in which neither party would be happy unless given complete

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83 Miller & Tucker. p 159.
84 Miller & Tucker. p 143.
85 Miller & Tucker. p 159.
86 Miller & Tucker. p 159.
87 Miller & Tucker. p 151.
control over the neighborhood’s future. Both sides remained frustrated until a racial and class explosion forced the city to take drastic action.

**Chapter Three: Rebirths**

*Cincinnati’s* urban nadir is, for most residents, easily defined: April, 2001. Over-The-Rhine’s population had shrunk by nearly 30% over the previous decade,\textsuperscript{88} and downtown itself remained stuck in the mire of 9-to-5 business activity and vacant, often dangerous evenings. A small but promising nucleus of young urban professionals had moved in on the south end of Main Street in OTR, near a handful of new bars and tech-focused office space. Large swathes of Over-The-Rhine and its longtime heart, Vine Street, remained abandoned, desperately impoverished, and crime ridden. “The persistence of such conditions and [violent] events in one of the city’s most visible and historic neighborhoods” was a citywide embarrassment, and a significant liability for City Hall and the corporate community.\textsuperscript{89}

That spring, white Cincinnati Police Officer Steven Roach shot and killed unarmed black teenager Timothy Thomas after a 10-minute chase through the streets and alleyways of Over-The-Rhine. Wanted on 14 minor warrants, Thomas was the 15th African American to be killed by Cincinnati Police since 1996.\textsuperscript{90} The rioting and looting by the city’s black community in the days that followed caused significant damage in OTR, and put the city on front pages around the western world. After an official state of emergency and a citywide curfew, city leaders were left to figure out how to move a divided, hurting, and embarrassed city forward. Then-mayor Charlie Luken told Politico in 2016, “The riots completely ended it for me with the [separatist] point of view,” as it related to Over-The-Rhine and downtown. “I was worried about the future of the city. After the riots, it was really like, ‘Will the last person turn out the lights?’ But out of desperation comes innovation.”\textsuperscript{91}

“There was a realization [in Cincinnati, after the riots] that concentrated poverty is not only bad for the people there, it actually has a deleterious effect on a larger portion of the city,” says

\textsuperscript{88} US Census, 1990 & 2000. OTR defined as Hamilton County Census Tracts 9, 10, 16 & 17.
\textsuperscript{89} Miller & Tucker. p xix.
\textsuperscript{91} Woodard, Colin.
Bowdeya Tweh of *The Cincinnati Enquirer.* Keeping OTR as a home for the poor alone “might seem like you’re doing something good, but it’s actually really bad. There was a need for a mixed-income community in order for OTR to thrive.”

This energized, increasingly desperate mindset was behind then-freshman City Councillor (and today, Mayor) John Cranley’s controversial *Impaction Ordinance,* passed shortly after the unrest. The ordinance effectively prohibited the development of any additional low-income housing in selected city neighborhoods, under the assumption that “an over-saturation of low-income residents” had crippled the chances of economic development. Critics contended that the program demonized low income housing as a primary cause of the city’s decay and recent violence. While the Ordinance called for neighboring cities and towns to “help carry the load” of low-income housing, the report’s very ethos provided all the ammunition those communities needed to fight against any such housing (and unwanted residents) being “rammed down their throats.”

With the low-income housing freeze in place, the City grappled with how to change perceptions of the urban core in the wake of its darkest hour. A 2001 documentary, aired on local network television, opined that the city center, Vine Street, was a street where “many are afraid to walk,” even in broad daylight. “It’s going to be tough to convince people to live down here, period,” a Cincinnati Police Officer said in the documentary. “The image is there. It’s OTR, it’s the highest crime neighborhood in the whole city.” Vine Street was seen as ground zero for violence, the drug trade, and the city’s urban decay; its importance as a connection between the riverfront and the city’s largest employer, UC, made its failure even more disheartening for city residents. “The idea is to connect the city to Clifton via Over-The-Rhine, and that’s why we need a mixed-income neighborhood,” said a hopeful but increasingly desperate Mayor Charlie Luken in 2001. “Until that happens, Over-The-Rhine is just going to get worse.”

In June of 2002, the City released “The Over-The-Rhine Comprehensive Plan.” While the Plan sought to address many of the issues that led to 2001’s unrest and the subsequent tension

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93 Diskin & Dutton.
94 Diskin & Dutton.
95 Diskin & Dutton.
96 *Visions on Vine.*
97 *Visions on Vine.*
across the city, its most lasting recommendation was for the creation of “central management of the [revitalization] process... by a development corporation that has... stakeholders both for profit and nonprofit, residents, and businesses.” 98 The Plan called for a tax increment financing (TIF) designation for the neighborhood, as well as a refocused and “better packaged” set of financial tools to make holistic development happen. Vine Street and Main Street were emphasized as the most critical corridors for mixed uses, calling for clusters of businesses and refurbished housing that could eventually build a sustainable, critical mass of activity. 99 A mixed-income housing model (in which up to 40% of housing units added were to be “market rate” - a revolutionary step for OTR at the time) took center stage alongside “The Vine Street Project.” 100 The new development corporation was to lead the way, and the planning department was simultaneously eliminated - Luken said it was because urban planning, when merged with economic development, could be more “developer friendly.” 101

In 2003, the Cincinnati Center City Development Corporation, or 3CDC, was created as a private non-profit entity. Its funding (described in further detail in Chapter 5), came from City economic development funds, but also from Cincinnati’s powerful corporate community, a reaction to their growing inability to attract and retain employees in a City increasingly known for decay and racial strife. 102 After a rehabilitation of Downtown’s Fountain Square that brought a robust programming schedule and new restaurants to the city’s center, 3CDC in 2005 turned to OTR and to executing its 2002 Comprehensive Plan.

“After the riots in 2001, there was a massive population flight,” says John Yung, a writer for UrbanCincy.com, an urban development blog. “Not only people that had been trying to revitalize the area, but also a lot of African American residents decided to leave. We had a golden opportunity with 3CDC coming into OTR in 2003 - you had a lot of “slumlords” divesting. 3CDC bought it all. Hundreds of properties - they were landbanking from the start.” 103 Freed from much of the public sector’s red tape, 3CDC’s investments were highly strategic, focusing on critical corridors and intersections. 12th and Vine, the southern gateway to the neighborhood’s

98 City of Cincinnati, 2002 OTR Comprehensive Plan. 1.
100 City of Cincinnati, 2002 OTR Comprehensive Plan. 8-9.
102 “Derek Bauman, Cincinnatians for Progress.” Personal interview. 29 Dec. 2016.Cincinnati, OH.
traditional economic heart, was especially vital - a launching point for a development march up Vine. Funding from corporate partners enabled the landbanking through the New Markets Tax Credit programs, with a "block by block" phasing strategy. Historic buildings were refurbished and independent restaurants on their ground floors served as new community anchors, while market rate condos were built upstairs. By 2007, 100 new condos and 23,000 square feet of commercial space had been created in the first two phases of redevelopment.

3CDC fixed streetscape infrastructure like the sidewalks and streetlights as development spread from the 12th & Vine nucleus, and sought specific tenants for each commercial space. P&G CEO AG Lafley, who was instrumental in 3CDC’s early years, told Politico that the group had “made a pretty big decision that [they] weren’t going to go for national chains,” and favored local business owners that were committed to helping in the city’s comeback.

If Vine Street is OTR’s cultural heart, its most cherished open space has long been Washington Park, a block west of Vine Street and in front of the imposing, German-designed Music Hall. 3CDC led the park’s redevelopment from a dangerous, run-down, drug-filled cancer to a vibrant neighborhood commons. The project was the recipient of almost $14 million in New Market Tax Credits from the Local Initiatives Support Coalition (LISC), a large chunk of the park’s $47 million redevelopment program. Washington Park reopened in 2012, and as of writing in 2017, some of Over-The-Rhine’s strongest development projects are taking place along its edges, and a 450-space parking garage lays beneath. On summer nights the park is overrun with children and picnickers, and frequent events cater to all sorts of area residents. Some in the community bemoaned the loss of popular basketball courts in favor of a children’s water feature and a dog run, but few argue that the new park isn’t vastly superior to the old.

As development moved north, east, and west from Vine Street (and pushed north from an original cluster of businesses near 12th and Main Street), 3CDC continued partnering with local developers like Model Group and UrbanSites, experienced urban builders who mostly refurbished and created mixed-income housing and commercial spaces on land-banked properties. After the 2014 completion of a controversial mixed-use new construction project

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107 Woodard, Colin.
called Mercer Commons, 3CDC finished construction of its third new homeless shelter, in the nearby West End.\textsuperscript{110} In 2017, ongoing renovations of Music Hall and Ziegler Park are further expanding the redevelopment program’s footprints, and several projects are planned for 2017 north of Liberty Street (the dividing line that separates northern OTR from southern), in the still-dilapidated blocks near historic Findlay Market.

The area has, for many, become the focal point of a renewed sense of civic pride in Cincinnati. Vine Street buzzes with activity throughout the week - together with Main Street, it’s ground zero for a popular “made in Cincinnati” ethos that supports makers of goods from furniture to gin. It is a central feature in the city’s marketing materials for prospective tourists or transplants.

Recent American Community Survey estimates of the area’s population and demographics illustrate this stark reversal in the neighborhood’s fortunes, and despite the complaints of some social activists and organizations, show little to no statistical evidence of displacement in OTR. Anti-development cases presented in papers like Shireen Deobkhata’s at the University of Louisville tend to rely upon anecdotal evidence, personal stories about individuals who left the neighborhood.

neighborhood. These are valuable, but difficult to verify on a larger scale. Census data reveal a more complex story. Over-The-Rhine’s population bottomed out in 2010, with 2,775 calling the neighborhood home. While all types of residents had been leaving OTR for decades, between 2000 and 2010 there was a significant outflow of black residents, likely as a result of the 2000 restructuring of the federal Section 8 housing voucher program. The reworked program allowed subsidy vouchers to move with individuals regardless of where they chose to live as opposed to being attached to a rental housing unit. This out-migration of black residents preceded the coming influx of wealthier white ones; over the same decade, Over-The-Rhine’s white population sank from 1,316 to 590.\textsuperscript{111}

The years since 2010 have seen a stunning reversal of decades of out-migration. OTR’s population grew by a whopping 82% between 2010 and 2015, to 5,058 (that number looks poised to increase significantly in 2016 and 2017 based on new housing construction data). As expected, white population growth has outpaced that of the neighborhood as a whole (+266%), with OTR’s population approaching an even black/white split in 2015. Encouraging to displacement-worried planners, however, is the fact that Over-The-Rhine’s black population isn’t shrinking; in fact, it grew by 38% over the same period. While there may be many reasons for these population increases, which could conceivably cover up individuals who have been displaced, the data show that the first five years of OTR’s population rebound have largely succeeded in creating a more economically integrated community. It is also worth noting that fluctuations in the neighborhood’s per capita income and education level suggest that some of those moving to OTR are not upper middle-class - the neighborhood’s population without a high school degree has nearly doubled since 2011.\textsuperscript{112} While this growth raises other concerns about education access, it does at least suggest that there are housing opportunities for a very diverse population in one of the city’s most desirable neighborhoods.

\textsuperscript{111} All figures in these two paragraphs: US Census & ACS, 2009-2015.
\textsuperscript{112} American Community Survey, 2011-2015.
### Over The Rhine, Cincinnati – Key Demographics 2010-2015

All figures inflation-adjusted to 2015

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<tr>
<td>Black PC Inc</td>
<td>$14,374</td>
<td>$15,314</td>
<td>$12,639</td>
<td>$10,129</td>
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<tr>
<td>% College Grad</td>
<td>25%</td>
<td>27%</td>
<td>31%</td>
<td>23%</td>
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<td>33%</td>
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<tr>
<td>% Less HS Grad</td>
<td>24%</td>
<td>15%</td>
<td>19%</td>
<td>20%</td>
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<tr>
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<td>319</td>
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<tr>
<td>Vacancy Rate</td>
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<td>65%</td>
<td>58%</td>
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<td>46%</td>
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</table>

Over-The-Rhine approximated as Hamilton County 2010 Census Tracts 9, 10, 16, 17

Cincinnati’s Central Business District and Over-The-Rhine saw 18 residential development projects completed in 2016, with another 30 under construction at the end of the year and 19 more in the approval process. 2016’s completed and under construction projects were worth over $1.2 billion. 113 2016 saw OTR’s average condominium price increase for the 5th consecutive year, reaching $266,000. This was still below the CBD’s $336,000 average sale price.

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The CBD and Over-The-Rhine saw 65 new businesses open in 2016, with nearly half of those setting up shop in OTR. Vine Street from Central Parkway to Liberty Street is as vibrant a stretch of restaurants, bars, and retail as can be found in the midwest. The old Christian Moerlein Brewery has reopened, and out-of-town guests flock to Rhinegeist Brewery on Elm St.; it's opened a roof deck and gone from 50 to 200 employees in the last year. A long-controversial but sleek streetcar shuttles visitors and residents from Findlay Market down through OTR to the stadiums and the beautiful Sasaki-designed Smale Riverfront Park. Jim Tarbell’s vision for Cincinnati’s most historic, and contested, turf seems well on its way to fruition.

I spoke with a still gregarious Tarbell at a cozy (and packed, at 5pm on a Tuesday) new bar on 13th Street, just off the beaten path of the “new” OTR. He sat down after working the room, doling out kisses and hugs to residents and neighborhood entrepreneurs that clearly adore him. At the bar he enjoyed a tiny glass of local beer, perhaps made just up the street. He spoke with

the determination of a man on a mission, of the next improvements needed in town. The man officially recognized by City Hall as "Mr. Cincinnati" seems far from satisfied with the city's ongoing rebirth, despite the once-unthinkable scene of everyday urbanity taking place around him.

In Pittsburgh, the seeds of a cultural urban revival were laid much earlier, with the successes of the so-called Renaissance II program, as described in Chapter 2. Whereas Cincinnati's renewed sense of urban purpose and civic pride has centered around culture, history, and entertainment, Pittsburgh's emerged out of a new technology economy.
In addition to the rise of Pittsburgh’s powerful and locally-focused CDC’s, the city’s progress in the immediate aftermath of the steel collapse was fueled by its universities and foundations. The University of Pittsburgh ("Pitt") and Carnegie Mellon University (CMU), situated directly adjacent to each other in the Oakland neighborhood just east of downtown, were to emerge as world class research institutions at the forefront of medical and robotics technology.

The nonprofit Regional Industrial Development Corporation (RIDC), which had been working since at least 1983 on repurposing abandoned industrial sites for use in a more modern economy, made a natural partner for the newly university-centered tech sector. The largest physical product of the early partnership between the URA, RIDC, and the universities was the transition of the former J&L Steel Plant to a facility dubbed the Pittsburgh Technology Center.\footnote{Lubove. p36.}

The URA had acquired the abandoned plant's 48-acre site at low cost in 1983. It sat less than a mile from the center of downtown, along the Monongahela riverfront in Oakland, just south of the universities. The URA worked with the RIDC to obtain funding via a number of grants and industrial reuse programs, and the project was able to land CMU’s Research Institute and Pitt’s Center for Biotechnology and Bioengineering as two principal tenants. The Center was one of the city’s first and most successful industrial “brownfield recycling” projects, and included elements aimed at improving the Monongahela waterfront. While the project could hardly be called urban (its office park-like setting so close to the city center might be handled differently if redeveloped today), it remains a successful hub that is home to some of the city’s brightest firms: Thermo Fisher Scientific (a biotechnology company), Braskem (a plastics firm), Ansaldo STS (the American headquarters of an Italian transit logistics firm), and others occupy space next to CMU and Pitt laboratories.\footnote{RIDC. http://ridc.org/view-property/pittsburgh-technology-center/}
The University of Pittsburgh Medical Center (UPMC), today a $13 billion health system, has grown into one of the world’s great medical research centers, and serves as anchor for the city’s oft-hailed “Ed’s and Med’s” economy.\(^{117}\) Pittsburgh’s medical and robotics labs have attracted complementary firms, which in turn have induced other firms to enter and compete for top talent. The city’s influx of firms today includes the biggest names in world tech; Apple, Uber, Google, Intel and others all have set up shop, eager to hire CMU and Pitt grads and to take advantage of the city’s “easy-going regulatory approach.”\(^{118}\) Current Mayor Bill Peduto has pushed a pro-tech and pro-business agenda since taking office in 2014, often speaking of his desire to make the


\(^{118}\) Helmore, Edward.
Steel City the east’s answer to Silicon Valley. While critics have accused Peduto of giving private firms excessive benefits in attempts to sell them on Pittsburgh, the Mayor has held steadfast to his belief that the city’s long-term future depends on its ability to attract such businesses.119

High-tech industry has brought a wave of young residents into Pittsburgh’s urban core; consistent with nationwide trends, more young professionals are choosing to live in more centrally located housing than did their predecessors. Prospective renters or homebuyers often cite Pittsburgh’s relatively low cost of living as part of the attraction of living there (PayScale, a hiring consultancy, estimates Pittsburgh’s total cost of living as 5% below the national average), yet a rapid increase in demand is putting newfound pressure on the real estate market.120 While rent for a 2-bedroom unit in Lawrenceville or the Strip District may sound like a bargain for an incoming Bostonian or San Franciscan, for long-time residents, the sheer percentage increase in rents can be offputting.

The explosive growth of the tech industry in Pittsburgh “has definitely made the [real estate] market tighter,” one realtor told PennLive.com.121 Rising rents are being seen in many neighborhoods despite a strong flow of new housing units coming online, according to CBRE’s Pittsburgh office.122 The Pittsburgh Post-Gazette reported in 2016 that the average 1-bedroom rental in the East End, which includes Lawrenceville, East Liberty and other repopulating neighborhoods, had risen nearly 30% between the fourth quarters of 2014 and 2016.123 The Pittsburgh market as a whole, it should be noted, remains stable; Zillow, a real estate service, says the city’s single-family median residential rents decreased by 0.5% in 2016, one of just two major markets in the country that saw falling median rents.124 Still, concerns about the ability of low-income residents to remain in their homes are becoming a reality in certain Pittsburgh enclaves. Pittsburgh’s black community, cognizant of what happened at the hands of the URA in the Lower Hill decades ago, looks anxiously at tech-led, lifestyle center-style housing

119 Deppen, Colin. "War on Google": In a changing Pittsburgh, some fear the hidden costs of progress. PA Live. 1/12/2017.
120 PayScale.
121 Deppen, Colin.
122 Deppen, Colin.
development in places like East Liberty. There is mounting evidence of some poorer blacks being pushed to the city’s periphery, areas less well-equipped to provide the services many rely upon. As Pittsburgh’s economy goes through a sustained period of evolution and growth, city leaders are grappling with ways to ensure that the low-income and specifically low-income black communities can grow with it.

While there are legitimate worries about rapid neighborhood change and displacement of residents, Kryn Sausedo of the URA says there are a number of mitigating factors that may explain why more for-profit developers have found it unnecessary to do significant low-income housing or long-term neighborhood planning.

For one, unlike in Cincinnati, the urban core has an abundance of housing, most of it very much liveable. Pittsburgh’s famously neighborhood-centric geography offers a far greater number of communities immediately adjacent to downtown: not just Lawrenceville, the Strip, and Oakland, but places like the Lower Hill, Polish Hill, South Side, North Shore, the Mexican War Streets district, and others. So while Lawrenceville is often the target of studies on the rapid rise of rents and home prices in Pittsburgh, Sausedo says some of the fears of displacement may be overblown. Urban rents, he says, may finally be correcting themselves after decades of being underpriced. “Prices here in Lawrenceville can get pretty high depending on where you look, but you still see some really low prices. Part of the issue with the gentrification discussion is that there is a ton of affordable housing in this city. The place was priced drastically below what an urban market should be, so some of the rent increases is just catching up.”

Sauedso, in referring to the rapid growth of housing development in Lawrenceville, says that a high percentage of working class families that were previously employed in the steel industry are homeowners, limiting the specter of forced displacement. “Displacement tends to be an ownership versus rental issue. Places like Lawrenceville are so heavy on homeowners that there really has been very little in the way of displacement. Couple that with the fact that homeowners in Lawrenceville are typically older and might be ready to sell their homes anyways based on life stage. In the Hill District, I’m not sure they have the same protections - but the development isn’t quite there yet.”

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Finally Sausedo says that private development has been able to proceed in Pittsburgh mostly unimpeded in part because of the relative diversity of its inner city neighborhoods. “Affordability comes up primarily in the neighborhoods that are historically African American,” and community pushback against private investment tends to concentrate in those places. “Lawrenceville is just as much of a low-income, working-class community as a lot of others, but because it’s a white one, the discussion hasn’t been as heated as other ones. That’s the reality of how things can look.” While Cincinnati hasn’t had a significant white population in its urban core for decades (in 2000, it was just 22%, and 14% north of Central Parkway\(^{127}\)), Pittsburgh’s South Side, Lawrenceville, Polish Hill, and other neighborhoods have added a different dynamic, in which gentrification and redevelopment processes have been somewhat devoid of racial subtext.

Butler Street in Pittsburgh’s Lawrenceville. Photo by the Author.

Neighborhood groups’ concerns, however, appear in some instances to be well-founded in Pittsburgh. While Sausedo is correct to say that Lawrenceville has traditionally been a largely white, working-class enclave, its black population (18% of the neighborhood in 2010) has shrunk by nearly 40% in just five years.\(^{128}\) A modest 6% increase in Lawrenceville’s population has seen per capita incomes jump by 40% and the presence of college degree-holders by 15%. Despite the efforts of

\(^{128}\) American Community Surveys, 2010-2015.
CDC’s, the URA, and other benevolent actors, the numbers suggest a process of traditional, winner-take-all gentrification and displacement. The decade from 2005 to 2015 saw black populations emerge in historically white, further-flung neighborhoods like McKees Rocks, McKeesport, and Swissvale; advocates say it’s a direct result of rising rents in neighborhoods closer to the city.\textsuperscript{129} Low-income black residents that have moved to less connected suburbs out of necessity often face mobility issues due to a lack of public transportation, which can make it harder to hold down a job or meet family obligations. Matt Galluzzo of Lawrenceville Corporation, a nonprofit CDC, says that’s a critical piece of the case for centrally-located affordable housing. “Talk about the variables that affect quality of life for families, you’re talking about proximity to jobs and services and transit. If you’re going to promote affordable housing, do it where people need it most to be the most successful. It’s not in [suburban] Ferrywood, or places without those services. It’s here in the center.”\textsuperscript{130}

Today, newly built and refurbished residential projects and accompanying retail are showing up in downtown and concentrated around the walkable commercial streets that define the city’s diverse neighborhoods. Butler Street in Lawrenceville is full of unique bars, restaurants, and independent shops, and the forthcoming Arsenal 201 housing development will knit together the street’s north and south ends for the first time. New businesses have opened all over the Strip District (home to Uber, Apple, and other giants), spreading from the historic market on Penn Avenue to the industrial waterfront buildings on Railroad Street. South Side’s Carson Street buzzes with bars and shops after sunset, and Mexican War Streets has become the place to find a cozy coffeeshop after a visit to the popular Mattress Factory Art Museum. Much of the activity is taking place in repurposed structures, giving new life to the symbols of old Pittsburgh. “I love the way Pittsburgh’s defunct libraries are now cafés, steel-mill sites become retail districts, old warehouses become artist lofts,” says Amelia Rosen of CMU.\textsuperscript{131} The city has extended its renewed focus on great urban spaces to its riverfronts. Riverlife, a nonprofit, designs, consults, and advocates for projects that bring activity to the waterfront, and led the recent $129 million revitalization of Three Rivers Park.\textsuperscript{132} Lubove was happily accurate when he said that “lately, it has dawned upon Pittsburghers that their rivers might be used for something other than industrial waste discharge.”\textsuperscript{133}

\textsuperscript{129} Deto, Ryan.
\textsuperscript{130} "Matt Galluzzo, Lawrenceville Corporation." Personal interview. 31 Jan. 2017. Phone call.
\textsuperscript{132} Riverlife.
\textsuperscript{133} Lubove. p vii.
Pittsburgh's challenge will be ensuring that it can create or preserve social diversity in these revitalizing urban neighborhoods, building economic opportunity for more than just the best-educated techies or artists. Places like the Strip District, known for its eclectic vendors and markets, are at risk of sterility if city planners and developers don't engage in long-view strategies that promote diverse businesses and uses.
Chapter Four: The Financial Case for Diverse Urbanism

Valuing Social Diversity

It has been posited for years that part of what makes urban living attractive and fulfilling for many is the social diversity that they encounter daily. Proponents argue that a subset of people place value in living, working, and playing around people that are different from them. This is especially held to be true among the young “tastemakers” that are often the first movers in revitalizing an urban core’s neighborhoods. In largely suburbanized cities, this group is often young college graduates that grew up in the suburbs and are seeking a different experience in their hometown, with a different set of preferences than their parents. With these stated preferences revealing themselves in cities around the country, it is reasonable to assume that there is a financial market for lifestyles that serve them. Conversely, these stated preferences may be merely background noise as young professionals seek out the underpriced housing that typically exists in hollowed out second-tier cores - as urban neighborhoods become safer and more desirable and prices rise, do the first movers value their newfound social diversity enough to pay for it? Quantitative data on this valuation process is scant, but may prove key to knowing if social diversity truly plays a role in the financial decisions of new, young urban residents.

Well-known urbanist Richard Florida has called this initial influx of young people into urban cores the “bohemians.” He characterizes them as “artists, musicians, gay people, and members of the creative class.”134 These broadly-defined groups likely make up a just a portion of the new urban population in smaller, less culturally renowned places like Cincinnati and Pittsburgh, but certain characterizations tend to hold true. This influx is generally young, well-educated, socially liberal, and relatively more focused on experiences than on material consumption. Florida argues that this group is exceptionally “tolerant” - meaning they are open to living in a neighborhood with people of different economic means, races, and interests. Whether “tolerance” is a proxy for “preference” is unclear, but a tolerant atmosphere has been viewed as a key to “attracting and retaining top creative talent”135 - economic talent that deindustrialized second-tier cities badly crave.

135 Florida.
Florida and others have posited that gentrification processes in certain neighborhoods follow a predictable pattern: a tolerant bohemian class seeking low rents enters and infuses the space with interesting and unique businesses and events, and ends up attracting a less-tolerant gentry that views the neighborhood’s diversity as a negative at least partially offset by other interesting positives. This new, secondary group in turn inspires more investment and development, but does not prioritize and may actually discourage the maintenance or creation of social diversity. This degradation may result in short term financial gains for private, for-profit firms, as they are able to build higher margin properties aimed at higher income demographics. Conversely, the shifting demographics may open a firm’s properties to greater long-term risk if there is indeed a financial value associated with social diversity. As one Cincinnati reporter told me, “Where somebody might find economic value in neighborhoods where everybody doesn’t look the same - some will say they can’t prosper. Not everyone feels that way. It’s political.”

The Role of Private Capital in Neighborhood Revitalization

While government agencies, philanthropists, and institutions all play a key role in ensuring social diversity in re-urbanizing second-tier cities, private capital is and will continue to be the most powerful driver of urban change, for better or for worse. This is consistent with papers that find that neighborhood reinvestment (and gentrification) occur as the result of urban land economics more so than any specific policy intervention or civic-minded organization. Critics of redevelopment processes in urban neighborhoods often deride privately-led improvements as unwanted or inequitable - and while public spaces and social programs are critical functions of US cities, “private investment and consumer activity have been the raison d’etre and thus the principal driving force behind most physical development and redevelopment” within them.

There will always be questions about the extent to which private investment can increase the economic prosperity of all residents. Cities like Cincinnati and Pittsburgh can provide reminders of what happens when private investment in a community dries up. Peter Hall once wrote that “behind the glistening facades” of revitalized city centers are often “dire poverty and hopelessness… The question must be what [those cities] would have been like if those developments had not happened. And the obvious answer must be: much worse.”

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137 Holliman. p24.
139 Cowan. p10.
Cincinnati's Over-The-Rhine, as previously discussed, factors like perceived (and real) violence and an abrasive set of landowners dead set on keeping Over-The-Rhine as a haven for the poor systematically drove away would-be investors throughout much of the 80’s, 90’s, and up to the 2001 riots.\textsuperscript{140} In the eyes of most of those in the broader city as well as in the neighborhood itself, the resistance to private capital-based change “was a disaster.”\textsuperscript{141}

Cincinnati and Pittsburgh saw processes of disinvestment in which landlords were unable, due to low demand, to increase rents to cover the increasing maintenance costs of an ageing building stock. MIT’s Albert Saiz found that if the cost of replacing a housing unit is greater than its as-is market value, building owners “have no rational incentive to maintain” the property for as long as it is livable, and then will abandon it when it becomes unlivable.\textsuperscript{142} This is precisely the pattern that took place in second-tier cities, from Buffalo to Kansas City.

Rent gap theory, first published by N. Smith in 1979, is a pillar within the study of urban land economics. The “rent gap” is defined as the difference between a parcel’s capitalized land value given its present use and the potential value that could be achieved if the site’s “highest and best use” were to be developed.\textsuperscript{143} A landowner or developer might seek to raise a plot’s land value to its highest potential via rehabilitation, a complete redevelopment, or a change in uses. Conversely, if the gap between realized and potential values isn’t enough to entice investment, parcels may be left to fall into disrepair. Simple and logical private capital decisions like those concerning the rent gap and replacement costs led to the physical and social deterioration of Cincinnati and Pittsburgh neighborhoods - illustrating the immense (and simple) power of land economics and private investment to shape urban environments.

A market-based approach to urban regeneration does not limit decision making to the private sector.\textsuperscript{144} For urban development projects in second-tier cities, the city government itself is often tasked with encouraging and enabling private capital to enter; risk is too great and expected returns too low to induce investment with subsidy. Some liberal researchers like Deobkhata

\textsuperscript{140} Visions on Vine.
\textsuperscript{141} Visions on Vine.
\textsuperscript{144} Hollman. p 24.
have bemoaned the rise of this “municipal entrepreneurialism” in which city governments actively work as facilitators of private redevelopment, not merely as regulators of it. She calls “gentrification... a planned, coordinated process that is profitable to elites” both in government and in business.145 These critics miss that second-tier city developments typically are not profitable versus investments in other cities - if they were, they wouldn’t struggle so often with attracting national and international developers to invest. The public sector’s continued involvement in development processes is a critical way of keeping the broader city’s interests present while advancing revitalization processes. Development-related tax receipts are only one of many motivations for encouraging development; a city’s self-image, its ability to attract and retain businesses and talented employees, its public safety, and positive urban growth that wins re-election votes are just as critical to city leaders.

Concentrated Poverty & The Need for Mixed-Income Communities

Urban scholars have long posited that concentrated poverty is among the living conditions most detrimental to the urban poor. W.J. Wilson wrote of the “neighborhood effects perspective,” which states that an individual’s poverty and associated disadvantages are made worse “when

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living in highly concentrated areas of poverty, cut off from institutional and relational ties that characterize flourishing communities."^{146} Statistics support Wilson’s assumption. In addition to simple correlations between low-income communities and crime and unemployment, researchers like Elliot have examined the long-term deleterious effects upon children that grow up in low-income neighborhoods. Children that are raised in American neighborhoods that have higher poverty rates, lower average incomes, a higher percentage of households on welfare, higher unemployment rates, and a lower percentage of professionals tend to have lower wages and a lower family income-to-needs ratio later in life.^^147

While a massive unaddressed shift in demand for urban living can lead to displacement of low-income individuals and families if proper safeguards are not in place, attempts to keep higher-income residents out without presenting a viable alternative solution are misguided. In Cincinnati, social activist Buddy Gray and ReSTOC, the organization that carried on his work after his death, represented a regressive approach that opposed any private investment that would bring a greater socioeconomic diversity to the neighborhood. Some accused Gray of glorifying a life of poverty and urban squalor, and of viewing Over-The-Rhine as a fortress to be protected as a haven for the poor. Yet urban economic scholars have shown that the substandard, often dangerous living conditions that exist in these impoverished neighborhoods have long-lasting consequences that increasingly hamper the potential of residents and their children.

The case for building mixed-income neighborhoods as a means of lifting residents out of poverty goes beyond creating new jobs and increasing local tax receipts. Proponents say that the opportunity to interact with higher-income incomes can result in connections that lead to job or training opportunities (critics say this may be exceedingly rare). Some also laud mixed-income neighborhoods as motivating to lower-income individuals; seeing people leading more comfortable lives and acquiring new skills may provide role models to people in need of them. While there is little data on the prevalence of these two phenomena, there is a long-standing body of work that shows the benefits that poor residents of distressed neighborhoods enjoy when they move into more mixed-income neighborhoods. A 2016 paper by Eric Chyn of the University of Michigan showed that the benefits of moving poor children to neighborhoods even

slightly more economically integrated can be sizable.\textsuperscript{148} In the study, children that moved from communities with an average poverty rate of 78\% to places with an average poverty rate of 53\% (still very high versus the national average) achieved greater economic success later in life than those children that stayed in the more impoverished neighborhoods.\textsuperscript{149} These results are consistent with other studies of “mobility programs” in which low-income families in public or subsidized housing are given vouchers that can be used in other, less distressed neighborhoods, and their children reap long term economic benefits\textsuperscript{150} (as discussed, much of the early-2000’s population decrease in Over-The-Rhine is thought to be due to newly available housing vouchers that allowed residents to move to other neighborhoods and keep their housing financial support intact).

These analyses confirm the long-held belief that concentrated poverty can exacerbate the negative effects of being poor, and further the case for economic integration. Experiments like Chyn’s, however, focus on the effects of moving poor residents into less poor neighborhoods; in the case of re-urbanizing cities, the process is typically wealthier individuals moving into low income communities. The challenge lies in ensuring that market forces don’t displace the residents who might stand to benefit the most from increased economic integration.

\textbf{Second-Tier Cities & Social Diversity}

The current wave of interest and investment in the urban neighborhoods of second-tier cities represents a rare and significant opportunity for private firms to lead the way in a \textit{gentrification without displacement} effort. The cities’ still-high vacancy rates, housed within the street infrastructure of typically older, walkable urban cores mean secondary cities may be able to add higher-income residents and urban amenities while having far fewer of the negative impacts of gentrification. In San Francisco and New York there is very limited capacity to bring new residents into poor neighborhoods without directly or indirectly displacing low-income people.

There are few spaces in those cities where development projects can emerge without a dense, established population immediately adjacent feeling the effects, good or bad. In places where development pressures are less intense and neighborhoods have seen depopulation in spaces that were built to accommodate far more residents, an increase in socioeconomic diversity can be better absorbed and can unlock economic vibrancy.

As illustrated by Census data in Chapter 3, Cincinnati has seen an influx of higher-income residents taking to the urban core, with little or no evidence of significant displacement. This is not to say that displacement can’t still happen – either to long-time OTR residents, or eventually to those that came to cheap “first-wave” refurbished apartments in the late 2000’s. Preserving socioeconomic diversity in OTR will require constant investment in a wide array of housing typologies, both within the district itself and in neighboring districts as the redevelopment wave spreads. In Pittsburgh, a more robust wave of market-rate housing development has shown that without proper safeguards, displacement can occur quickly in already-dense neighborhoods. Lawrenceville has, despite the claims of some city officials, seen its population slide from being 18% black in 2010 to 10% black in 2015. Still, in second-tier cities this type of winner-take-all gentrification appears the exception to the rule in these early days of reurbanization.

“Gentrification is a bad word, but it means something very different in Boston or New York or San Francisco than it does in Cincinnati, Pittsburgh, or Buffalo,” says Jason Hellendrung of Sasaki, an urban design consultancy. “If gentrification is investment, that’s often helping with financial health of the whole city in those places.”

Tadd Miller, CEO of Milhaus, a developer that works in many second-tier cities, says those markets provide the unique opportunity for the same firm to do many different types and sizes of housing, often in the same neighborhood. “We can do a tremendous amount of housing diversity in these cities,” he told me. “We’ll go from microunits to 4000 square-foot units in the same building. That’s a big key in secondary cities - it’s not all just high end.” He says that heterogeneity creates a competitive advantage for developers, not only because it enables the varied and vibrant neighborhoods that new urban dwellers seek, but also because it provides financial diversification that’s not possible in bigger urban markets. “It’s less volatile in these markets. On 57th Street in Manhattan, if China or Russia has a financial collapse, developers

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are in trouble. In secondary cities we’re independent of that. It’s all about this growing market for urban living.”

Chapter Five: Private Firms and Conditions for Holistic, Long-view Development

Private developers and city governments alike tend to say that socially diverse, vibrant, and economically prosperous neighborhoods are a central goal of their work in these revitalizing cities. Proof of such a mindset is, as of writing, difficult to find among for-profit firms in second-tier cities. Without a number of underlying conditions and influences, I find that private firms have rarely constructed subsidized housing, public space, or other urban amenities as a matter of practice. This indicates that in the current state of re-urbanizing second-tier cities, most for-profit developers either do not yet feel that maintaining or creating social diversity is a process that results in higher long-term real estate value for their own projects, or they are kept from investments that can promote diversity by certain barriers. When lacking the involvement of government-backed agencies, civic-minded foundations, or nonprofit CDC-style developers, for-profit firms in Cincinnati and Pittsburgh have largely done projects that put less than ideal emphasis on the public realm, on creating or sustaining social diversity, or generally upon bettering the neighborhood beyond simply adding density. Many of the largest residential, for-profit development projects give no allowance for below-market housing nor for investments in local transit systems, streetscaping efforts, or financial equity-based concerns. These community-minded investments are rarely if ever required by law, and developers are correct in saying that their project’s mere presence, adding density and the safer streets that it brings, is a significant shared benefit. They are, however putting their neighborhoods’ continued economic and social diversity (a feature that many of their tenants covet) at risk in the long-term.

This chapter details the reasons why this long-view, holistic development approach may not yet be happening, as well as the conditions that seem to have enabled community-serving projects that actually have taken place. City-backed development agencies like 3CDC and the URA have led the way in providing gap financing to enable transformative market-rate and affordable projects, and even handle some development themselves. Civic-minded corporations and
institutions, like the Heinz Foundation, Procter & Gamble, and the cities’ universities have supported transformative projects with funding and political influence, and are reshaping their own urban neighborhoods. Rare but encouraging mission-driven for-profit firms, like Cincinnati’s Model Group, are functioning as bridges between public-led revitalization efforts and traditional for-profit developers, building diverse projects and taking on short-term risk in exchange for the long-term value that vibrant neighborhoods can create.

Revealed barriers to unlocking this value include entrenched development communities accustomed to more traditional, often suburban for-profit processes, political conflicts that can shut out progressive developers in favor of more politically connected ones, and the financial constraints that come with immature second-tier markets that support rents that, while rising, are still too low to attract significant profit-seeking investments.

‘Where It’s Happening’ Part One: City-backed Development Agencies

City and state governments across the country have, for years, formed development agencies to spur economic activity in neighborhoods that have experienced significant disinvestment. These agencies, often in the form of community development corporations or CDCs, have varying levels of involvement with their respective governments; some function as private non-profit entities while others act simply as agencies within the governmental bureaucracy. While results have been mixed and by no means consistent over time, this paper finds that these groups are among the most critical actors when it comes to making decisions targeted at neighborhood-minded private development as opposed to purely profit maximization. The two agencies considered in this case study are 3CDC in Cincinnati, and the URA in Pittsburgh. While 3CDC calls itself a “private nonprofit” and the URA is a state agency, they play similar roles in enabling private real estate transactions aimed at economic development. Each has a “development” wing, but much of their power lies within their targeted gap financing tools, meant to make both market rate and affordable housing projects feasible for true private firms. Gap financing, often in the form of low-interest loans, makes projects feasible by freeing up firms’ cash flow, reducing equity requirements, and lowering exposure for traditional lenders. That said, the two organizations work in very different ways, reflecting the spatial and economic contrasts between their cities.
Cincinnati Center City Development Corporation (3CDC)

3CDC operates as a private nonprofit entity, but serves as the economic development engine for Cincinnati’s downtown and Over-The-Rhine. The firm is unique in that it owns land, provides gap financing via a revolving loan fund, and typically partners with developers to execute projects, all while having a growing development function of its own. For most of its short existence, the firm has focused its resources on acquiring large swaths of land in OTR, and then selling development rights to outside developers, with support from a number of different financial resources that 3CDC managed. By owning the land and controlling the gap finance tools, 3CDC has been able to wield tremendous influence on the shape and form of development in the urban core’s regeneration.154

As covered in Chapter Three, 3CDC was founded in 2003, the key result of a 2002 Comprehensive Plan for Over-The-Rhine that was meant to signal drastic change in the wake of the 2001 riots. The firm was tasked with increasing the “effectiveness and efficiency of development activities” in the city, in pursuit of four goals: “creating great civic spaces, creating high density, mixed-use development, preserving historic structures while improving streetscapes, and creating diverse, mixed-income neighborhoods supported by local businesses.”155

The firm’s direct funding and board of directors came from Cincinnati’s powerful corporate community. Companies like Procter & Gamble and Kroger, who employ vast swaths of the city’s population, were strong proponents of the new development corporation - Cincinnati’s struggles were causing the firms to struggle with recruiting and retaining talent.156 Today, the large local companies that helped with its initial seed funding continue to play a leading role in the firm’s direction via its board. While 3CDC theoretically operates entirely independently from City Hall, theirs is a symbiotic relationship that clearly requires very close ties - pseudo-govermental is a term often heard in conversations about the firm.

154 "Jason Chamlee, Model Group." Personal interview. 28 Mar. 2017. Cincinnati, OH.
155 3CDC. https://www.3cdc.org/about-3cdc/
The company’s President, Steve Leeper, told me in a January interview that 3CDC is defined as “a real estate development company first and foremost... but [one that] very much invests in non-traditional real estate assets that have benefits to the entire community.” That dedication to neighborhood-minded investments, effectively a mandate from the City government that founded it, makes 3CDC a unique private tool in the city’s revitalization efforts. It is part city planner, part developer, and part provider of public and private financing tools that encourage other developers to do catalytic work. Its status as a private firm enables 3CDC to (effectively) do City Hall’s bidding without much of the red tape that often encumbers city-led redevelopment efforts. “It was only ever going to be them, a government-backed but private group, that could do it,” The Cincinnati Enquirer’s Bowdeya Tweh told me.

3CDC’s business model has typically involved purchasing strategic properties and then bringing in an outside development partner to build out the property using the available financial incentives. While the firm’s finances are kept private (just one source of controversy around the often secretive firm), property acquisition and rehabilitation is funded at least in part by the corporate community’s $50 million in seed money as well as by $17 million from the city’s Cincinnati Equity Fund. A revolving loan fund is used to back development projects on both 3CDC-owned land and properties owned by other firms. New Market Tax Credits (NMTC), Historic District tax credits, and Low Income Housing Tax Credits (LIHTC) are routinely utilized by the firm as gap financing tools.

The firm’s work in OTR hasn’t been without criticism; some in the neighborhood and in the media have questioned the firm’s dedication to preserving diversity and creating opportunities for existing residents. While the firm maintains that no one has been displaced as a result of OTR’s revitalization program, critics described the firm as “ruthless” and as unresponsive to community feedback in the revitalization project’s early years, which were characterized in large part by market-rate developments. Some city leaders are leaning on recent 3CDC projects, and its forthcoming work in the neighborhood’s poorer, undeveloped northern blocks, as

160 Alttucker.
162 "Derek Bauman, Cincinnatians for Progress." Personal interview. 29 Dec. 2016. Cincinnati, OH.
evidence of a softer, gentler 3CDC that is more dedicated to creating diverse types of housing. Whether 3CDC has shifted its strategy in response to an especially contentious project involving the destruction of a historically significant building, or simply as moving into a second, less “market-making” phase, urbanist blogger John Yung says their more patient, non-market capital has enabled them to pivot. “3CDC used to say “We have plans. You may like them, or not,”” he says. “Now, with some of their partnerships with developers like Model Group on affordable housing, you're seeing them strive for more balance. They're saying, “we've done a lot of this [market rate] stuff, let's go back to help balance it out.””

Still, the firm's aggressive early years were enabled by its unique structure, as a private entity effectively operating with the interests of a public economic development agency, without any of the public scrutiny. In shutting down many of OTR’s crime-ridden convenience stores, pushing projects through approval processes, and going toe-to-toe with forces that had vested interests in keeping the neighborhood as it was, 3CDC relentlessly built a nucleus from which development could spread. “They had to be super focused and driven,” in order to build a critical mass of economic development, urbanist and candidate for City Council Derek Bauman told me in OTR. “I think they had to be somewhat insulated, and tuned out the noise in order to get a foothold in the neighborhood, to get to where we are now.” With a tipping point reached, Bauman feels, 3CDC now is feeling its way through a new phase - a challenge traditional private developers don’t traditionally confront. “At what point does your game plan change, where you don’t have to be a hammer and everything’s a nail? When can we be a little more open and engaging? I think they’re grappling with that now,” says Bauman.

With demand for market rate housing, retail and office booming in Over-The-Rhine, 3CDC is able to apply a system of cross-subsidies, leveraging its market rate, upscale residences, and often its sizeable parking garage portfolio, to cover the development of community-focused projects like parks, housing, and streetscape improvements. Much of 3CDC’s stunning makeover of once-dangerous Washington Park in Over-The-Rhine was possible thanks to a bond now financed by an underground parking garage. While some have levied criticism at the firm for building too much parking (often, in reality, at the financial expense of City Hall itself), Leeper says it is just one among several means to an end. “None of the parking revenue for any of our facilities runs up to the mothership. It’s a way to finance our debt - and part of it is

164 “Derek Bauman, Cincinnatians for Progress.” Personal interview. 29 Dec. 2016.Cincinnati, OH.
that the city requires it and the banks require it. People think we're in the parking business, because it's cash - but it's a way to make projects that benefit the community."\(^{165}\)

The refurbished Washington Park, in front of Music Hall. Photo via Cincinnati Parks.

While still taking advantage of available tax breaks and municipal perks, 3CDC's ability to invest in assets that don't demand short-term, market-level financial returns enables them to make strategic choices that make strides towards being a "dynamic, mixed-use, mixed-income neighborhood." That flexibility has created opportunities for investments that are revolutionary in Cincinnati - civic-minded projects that most in the local development community wouldn't dare to take on. "3CDC has been a sort of lab in many ways," *The Enquirer's* Bowdeya Tweh told me. "It's been an experiment - and I think other neighborhood groups and developers have been watching and saying, "it's interesting how they did it, but there may be opportunities for us to do it elsewhere, and maybe better." That's encouraging for economic development programs elsewhere in the city - an implicit endorsement of social diversity and holistic real estate as an asset, not just a cost driver.

While projects like Washington Park or the low-income housing partnership with Model Group may seem like low financial-return benevolence, Leeper frames 3CDC's actions as simply serving the market, one that he clearly believes places a monetary value on diverse urban living. "It's what people want," he told me. "I think people, particularly the folks who grew up in use-segregated communities, want a neighborhood like this. We see it to be important that we

\(^{165}\) "Steve Leeper, 3CDC." Personal interview. 19 Jan. 2017. Cincinnati, OH.
integrate different types of people. I think people feel best on a summer night when they’re in Washington Park and there are people from all walks of life there. There are clearly folks that desire that lifestyle, and it’s becoming more evident that that’s the case.”

“I think we’re building a product that people want, and to the extent that people view it as being equitable, compassionate, building community, those I think all go along with it,” Leeper says. Market demand seems to be justifying 3CDC’s philosophy. New and refurbished apartments in downtown and Over-The-Rhine are at nearly 100% occupancy, virtually unheard of in modern second-tier cities. Under-construction housing units at the end of 2016 were set to grow the CBD and OTR’s total stock by a massive 21%. “The demand is strong. I think the residential demand will continue to be strong for a good residential product with good value… it’s a combination of people from the suburbs having had enough, it’s young people looking for a lower cost of living, and I think it’s the empty nesters,” says Leeper. Central to the urban core’s future will be whether firms that do have a profit mandate see the same value in diversity and act upon it, or feel content to rely on the work of nonprofit and public actors. “It’s going to take time, and demonstrable proof,” said John Yung of what it will take to get more for-profit firms to follow 3CDC’s lead. “They’re looking for proof of concept… the existing development community here is sometimes very entrenched in doing “what works”. “

Pittsburgh Urban Redevelopment Authority (URA)

In Pittsburgh, public-backed development work is done through the Urban Redevelopment Authority (URA). While its roots are in the large-scale, eminent domain-backed projects detailed in Chapter 2, the URA today is a much more deliberate agency that mostly works as a gap financer. As the city’s official economic development agency, the URA functions as the public side of the public-private partnerships that have led much of Pittsburgh’s revival. “Today’s URA has the vast majority of its impact via its partnerships with developers, especially those utilizing low-income tax credits,” says Kryn Sausedo of the URA’s Economic Development group.

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In 1978, the URA became Pittsburgh’s first agency to offer tax-exempt bonds as a means of financing housing improvement. This initial bond offer represented a “major turning point” in the way the Authority did its business, wrote Roy Lubove.170 “It added a new banking dimension to an already versatile entity. The banks and the URA, working in tandem, became full partners” in the housing and economic development efforts.

Today, the URA’s financing tools are among its most potent weapons in its push for economic growth and integration. The URA’s Center for Innovation and Entrepreneurship, or CIE, manages many of the gap financing tools that are available to for-profit “small businesses, growing businesses, and urban/infill real estate development.”171 Like 3CDC in Cincinnati, the URA CIE can provide access to New Markets tax credits and historic tax credits, as well as low-interest loans from the Pittsburgh Development Fund, Urban Development Fund, and others.172 With freed up cash flow and reduced equity requirements, developers are able to make projects aimed at creating and preserving social diversity a realistic option. While not codified, URA loan programs tend to favor those projects that include low- and mid-income housing and projects that the community has prioritized, according to Sausedo.173 The relatively small nature of the loans “inherently favors smaller businesses and development projects,” he says. While managed by the Department of City Planning and not the URA, Community Development Block Grants specifically targeted at neighborhood improvement projects like low and middle-income housing and economic development, and can be used in tandem with URA funding programs.174

At times the URA’s partnership with a developer will include a commitment to manage the public infrastructure components of a given project. Transformative developments at South Side Works, the East Liberty Transit Station and The Streets at Bakery Square 2.0 all were built with direct URA infrastructure assistance as part of the deal.

The URA’s wide array of tools for enabling transformative real estate projects are in part a reflection of its sweeping mandate: since 1983, it has housed the city’s Housing and Economic Development departments.175 This broad scope has made the URA a formidable agent for

170 Lubove. p 27.
175 Lubove. p62.
change - and as opposed to 3CDC, the URA has the freedom to take on projects all across the city. “No other municipal institution combined so many functions: initiator, catalyst, coordinator, planner, funding agent, provider of technical assistance, and (not least) land assembly,” wrote Roy Lubove in 1996.176

Decades after the URA used its land assembly powers to push through large urban renewal projects, the repackaging of underutilized parcels for development remains one of the agency’s key roles. Tax delinquent properties, abandoned housing and industrial sites, and underutilized parcels in critical spaces are all targets for responsible, value-add redevelopment. Today the URA’s land assembly projects may aim at creating housing or at repurposing industrial spaces for use by the city’s ever-expanding tech and medical sectors.

Agencies like 3CDC and the URA illustrate the need for public involvement in the construction of socially diverse and equitable neighborhoods. They provide vital financial and land assemblage tools that enable for-profit firms to get in the game. These agencies, which each have their own civic-minded mandate, have access to their own funding and tend to have more patient capital and greater flexibility to try new approaches that can offer proof of the strong market for socially diverse neighborhoods. Their implicit goal should be not only to build transformative projects themselves, but also to establish and prove that the market for diverse urban living in secondary cities is so strong that profit-seeking firms see the benefit of building diverse, community-minded projects of their own.

‘Where It’s Happening’ Part Two: Corporations, Foundations, & Institutions

While governments and the development corporations they back have provided much of the power behind revitalization efforts in the urban cores of second-tier cities, the cities’ corporations, institutions, and civic-minded nonprofits have been influential players in their own right.

176 Lubove. p74.
Pittsburgh boasts one of the country’s largest and most active philanthropic communities. The Heinz Endowments, the Mellon Foundation, the PNC Foundation and others control billions of dollars in assets, and put tens of millions into economic development, education, and other civic projects every year.\(^{177}\) In Cincinnati, major corporations like P&G, Kroger, and Fifth Third Bank play an outsized role in efforts to create a more vibrant urban core. Firms in both cities have moved beyond simple charitable contributions as a means of supporting and improving the places they call home; in recent years they have become far more active in the actual physical and social transformations of their cities via real estate and other pieces of the urban built environment. Private development firms often have the opportunity to work with these powerful institutions, either on cooperative financing of projects or in some cases as actual development partners.

The Heinz Endowment’s real estate arm has had financial positions in many of Pittsburgh’s largest real estate projects, often involving the repurposing of former industrial sites; it currently has a stake in the $1 billion redevelopment of the former LTV Steel coke works in the Hazelwood neighborhood, alongside nonprofits like RIDC.\(^{178}\) While supporting programs as diverse as impactful real estate and the Pittsburgh Symphony, Heinz and Pittsburgh’s other foundations also often function as a “backstop” for the financial tools that the URA and other public agencies use to enable community-minded development. Entering deals as third position lenders, foundations help enable projects that might be unable to get conventional lending. “It’s not always huge dollars, but the foundations take on the risk that others won’t,” says Kryn Sause do of the URA. “That can make a big difference if a developer knows how to do different types of financing. Some people go to the state for good loans, but the foundations are nuanced. They do some flat-out giving, but they also structure their giving so that they can cycle it.” Loan terms from the foundations are “very nice,” according to Sause do. “It’s tough to overstate the vital role the foundations play here in making good projects happen.”\(^{179}\)

Like Pittsburgh, Cincinnati’s economic fortunes have long depended upon the strength of its large companies. With nine Fortune 500 companies calling the city home, it outranks New York,


\(^{179}\) "Kryn Sause do, URA." Personal interview. 27 Jan. 2017. Pittsburgh, PA.
Chicago, and Los Angeles in Fortune 500 headquarters per capita. While Cincinnati’s largest firms have not traditionally had charitable foundations as active or powerful as those in Pittsburgh, the companies can have a tremendous influence on civic projects. As employers of a massive percentage of the city’s working population, firms like Procter & Gamble, with over 10,000 local employees, can hold significant sway over elections and local development matters if they so choose. “Some other cities have huge endowments, like Pittsburgh and the Heinz Foundation, and Indianapolis’ Lilly Foundation, but we don’t,” Cincinnati Business Committee Chair Tom Williams told Politico in 2016. “For us, P&G is the big gorilla in town and it cares about Cincinnati because it has to recruit people to come here when the whole wave of our country has been people moving back from the suburbs.” This recruiting need was a key in P&G and other firms pushing for, and ultimately funding, the city’s new development corporation, 3CDC, in 2003. “They needed to make sure the city was attractive to people,” Williams said of the effort. Most firms don’t get involved in actual development or lending themselves, but have found other ways to revitalize the city’s core; several have sponsored efforts to revitalize urban parks and to construct facilities for the arts in distressed neighborhoods. Cincinnati Bell, a telephone company, is the title sponsor of the city’s new urban Streetcar system. The loss of any of these firms would represent a major blow to a mid-sized city, with real repercussions for local developers. Cincinnati’s loss of Chiquita Brands International to Charlotte in 2011, reportedly due to their concerns about the city’s airport and infrastructure, was seen as a massive loss. It illustrated the serious effects the built environment and perceived urban vibrancy can have upon powerful companies, and vice versa. When corporate giants move to improve their mid-sized home cities via targeted investments in economic development, the real estate community is more likely to get on board.

In Pittsburgh, the local universities have been the catalyst for much of the city’s economic rebirth, as discussed in Chapter Three. Acting as “development-oriented nonprofits,” the schools, primarily CMU and Pitt, played a key role in the earlier Renaissance II program, and served as a key differentiator versus the top-down approach of Renaissance I. The universities’ involvement at that time was, however, mostly in their own on-campus capital projects and the

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182 Woodard, Colin.
expansion of their medical and research capacities. In the process, the University of Pittsburgh
grew to become the region’s largest employer (in 2017, Pitt is the second largest; number one is
the University of Pittsburgh Medical Center Presbyterian Shadyside).\textsuperscript{184} Today, the universities
have expanded their influence from job creation and economic growth, and now exert significant
influence on real estate, property development, and urban design decisions that can make their
surrounding neighborhoods vibrant and economically integrated places. Since the mid 2000’s,
Carnegie Mellon has acquired and redeveloped properties throughout the Forbes Avenue and
Craig Street corridors in their Oakland neighborhood. Their choices in the development of those
parcels show how civic-minded institutions can push for progressive urban changes; CMU built
the region’s largest public car charging lot,\textsuperscript{185} and has proposed a dense, mixed-use
repurposing of a former gas station on Forbes.\textsuperscript{186} As CMU and Pitt have been critical catalysts
in bringing competitive jobs and industries to Pittsburgh, part of their task now lies in shaping
the urban environment in a way that encourages their graduates to stay in town and contribute
to the city’s economic revival. A 2017 report from the Urban Institute provided projections that
showed second-tier cities, especially those in the midwest, with increasing job opportunities.
Those cities are, however, significantly older and whiter than the nation overall, meaning a large
increase in the young, diverse workforce that firms crave is critical to the cities’ economic
recoveries as a whole.\textsuperscript{187} As magnets that already attract young and talented workers, second-
tier cities’ universities present a strong opportunity for cities to sell themselves as great places
to live and work after graduation.

The symbiotic relationship that a corporate or higher education community can have with the
city around it is due in part to those groups’ inherently long-term outlook. Compared with a for-
profit developer that might jump from one city to another for its next investment, universities and
local firms can maintain a relentless focus on the well-being of their own community. Institutions
like CMU and Pitt make powerful advocates in the revitalization process, because their time
horizon is by definition long-term; immediate financial returns are highly unlikely to be prioritized
over the 20-, 50- or even 100-year well-being of the university and the neighborhood in which it

\textsuperscript{184} "New Rankings: Who Are Allegheny County’s 50 Biggest Employers?" \textit{WTAE-TV. Pittsburgh’s Action
\textsuperscript{186} Belko, Mark. "CMU Proposes Hotel, Office, Retail Complex to Help Remake Forbes Avenue."
lives. This commitment is especially key in re-urbanizing second-tier cities, where real estate and planning decisions have a greater chance of reshaping the broader physical environment than in cities with more mature urban markets.

‘Where It’s Happening’ Part Three: Mission-Driven For-Profit Private Firms

“Neighborhood development takes place on a spectrum,” Jason Chamlee of Cincinnati-based Model Group tells me in a new coffee shop in Pendleton, a tiny historic district adjacent to OTR. “On one end might be the city itself, doing demolitions or boarding up vacant stuff. After that is quasi-public groups - a government authority is subsidizing, buying property, trying to repurpose it. Then comes CDC’s, like 3CDC in Cincinnati. They try to bring in market factors, but are ultimately non-profit and their capital sources don’t have private investment returns. Somewhere between them and true, traditional market developers who might want to build offices along the highway, sits us.”188

Model Group, founded as an affordable housing owner and manager in the late 70's, provides the closest example this study has found to a profit-seeking private firm realizing the benefits of long-term, community-focused development. The firm today has real estate development, construction, and property management functions, all in-house. One of the largest landowners in Cincinnati's urban core, Model has led the way on many of the region's most transformative housing and commercial developments, both market-rate and affordable, and has done it as a for-profit firm. As the largest property owner in the Findlay Market area of OTR and in neighboring Pendleton, Model has made a name for itself doing diverse, quality projects in what one employee called OTR's “more fringe properties - away from the core where 3CDC has dived deep.”

188 "Jason Chamlee, Model Group," Personal interview. 28 Mar. 2017. Cincinnati, OH.
Model's Broadway Phase I, in the foreground, aimed to build a critical mass of activity to boost demand in Phase II, under construction behind in 2017. Photo by the Author.

Model was one of the first developers to address affordable housing concerns in Over-The-Rhine in the early years of the neighborhood’s rebirth. Between 2003 and 2008, Model completed full rehabilitations of 8 affordable housing developments in OTR, creating 383 units that they call “indistinguishable from market rate units.” The project eliminated the largely vacant and unsafe smaller units that made up 30% of the original buildings’ bedrooms - seen as a key step to reducing blight and improving safety. Model was one of three developers to partner with 3CDC in building out early land-banked properties in the “gateway” of 12th and Vine Streets.

The firm is unique in its dedication to a “buy and hold” strategy - Model plans to continue owning and operating its Cincinnati properties in the long-term. The mindset is one of neighborhood change, in which Model enters a newly repopulating area early, absorbs a tremendous amount of front end risk, but owns the creation of a market for urban living in that neighborhood. In a relentless focus on what Development Project Manager Jason Chamlee calls “urban planning principles,” Model feels it is creating diverse and unique urban spaces that will hold their value for decades to come. Early deals in a newly redeveloping block or district require more

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189 Model Group.
assistance from programs like New Markets Tax Credits and Low Income Housing Tax Credits, but as Model’s new market takes root, “every subsequent deal works a little bit better, needs a little less help. It’s choppier, bumpier, tougher on the front end, but once you do (create the market), there’s a belief that the assets are far more sustainable and create lasting change.” As Cincinnati’s urban core’s population rises and suburbanites increasingly see the benefits of urban living, Chamlee feels the market will only keep growing because firms like Model are providing real estate products that haven’t existed, in some second-tier cities, in a century. “It’s a new real estate type here. There’s been a market for this kind of living, but it’s been rather unknown - is there a ceiling in these cities? Yes, but where is it? We’re leasing as fast as we can build, and there’s a feeling that this isn’t just a market trend - this is a paradigm shift, a demand for a product that didn’t exist. This isn’t an either/or situation. We’re actually growing the pie because the true urban lifestyle product didn’t exist here.”

Betting that that product can do well in a new district or set of blocks involves a tremendous amount of risk, in part because of the poor reputation that still exists in corners of the urban core. Chamlee says Model can afford to take on front-end risk and accept lower early year returns due to its founders’ large, long-term equity stake, and their belief in building sustainable urban communities. “Our equity capital is patient,” says Chamlee. “Our owners will say, “I’m not looking to subsidize a deal, but I also don’t need 15-20% returns year one, day one, 3-5 year exit strategy. We really believe in buy/hold, long-term, changing the city for the better, having ownership long-term, and benefitting from it financially.”

That financial benefit, Chamlee says, comes in the form of stability - and in the firm’s growing reputation for doing transformative work. “Year to year, we might not beat people on return, but in the long-term our properties are going to hold their value for a longer time than a lot of others. A tenant may come or go, but these buildings and the market they helped create are long-lasting. There’s an intentional alignment of our investment with the long-term health of communities.”

A look at one of Model’s pro formas lends truth to Chamlee’s statement that Model will do “anything to get a deal done” when it involves transformative mixed-income housing. With dollar amounts removed to respect Model’s wishes for confidentiality, the sources for an ongoing

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190 “Jason Chamlee, Model Group.” Personal interview. 28 Mar. 2017. Cincinnati, OH.
project (Paramount Square, in nearby Walnut Hills, Cincinnati) reveal a patchwork of public and private funds at work.

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<td><strong>Sources of Funds</strong></td>
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<td>City of Cincinnati Loan</td>
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Model makes clear that there are spaces for for-profit private firms to compete and succeed while dedicating themselves to diverse, community-focused, mixed-use development. Why, then are there so few firms following Model’s lead? “It’s a very specific business model,” says Chamlee. “We forego some short term gains - there’s not a ton of distributions of equity that our owners are taking, because they’re reinvesting. Once all this development is burned off, and in 10 or 15 or 20 years this market is stabilized, I’ve got this great cash-flowing asset. That’s a win-win financially and economically - and we’ve brought back a neighborhood.”

Model’s patient capital opens many doors for community-minded development, but also means that other, more profit-dedicated firms have a part to play in making OTR a vibrant place. Chamlee says that’s a good thing. “It’s not always a competitive mindset here. We can’t do everything - our business model is inherently limited by capital, our sources are competitive and scarce. In Findlay Market, we’re the primary landowner, and other firms come in and dabble - we want them there! We bolster each other. When other developers come next door and do

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191 "Jason Chamlee, Model Group." Personal interview. 28 Mar. 2017. Cincinnati, OH.
their own stuff, it creates more of a district. If people build around our housing units, that’s not necessarily competition, it’s actually more sustainable and it diversifies our portfolio, because we’re all in it together. It’s not like in the suburbs… here, one plus one equals three.”

Model see themselves as a bridge between purely public-backed development projects and traditional for-profit developers. As an urban core develops and its market for housing, office, and retail matures, there can come a time when Model is no longer needed there for new projects, Chamlee says. “We’re private and for-profit, but our role is really to come in with our unique financial tools and patient approach to move the market forward. Forward to a point, in theory, where we’re not needed anymore and we can move to the next spot.”

This approach, as a profitable, market-making bridge appears critical to the revitalization process in re-urbanizing second-tier cities. “Great financing tools are only useful if there are developers coming to use them - typically certain for-profit developers,” says Kathleen Norris, CEO of Urban Fast Forward, a Cincinnati real estate consultancy. More traditional - and less geographically focused - developers will wait to enter a market like Cincinnati until there is greater proof of concept.

Some more traditional for-profit developers can play this “bridge” role when they cooperate with city governments and public-backed development corporations to make community-focused alterations to their projects. Milhaus, the aforementioned for-profit developer known for its urban projects in second-tier US cities, emphasizes the importance of doing projects that make urban spaces better for the long-term, in part because it has a drastic affect on a firm’s ability to work in that location on other projects. “We’re all about a balanced, prepared, thoughtful, stakeholder-focused approach. That’s rare everywhere – although I think that’s where the world is going,” Milhaus’ CEO Tadd Miller told me in a phone call. While Miller says Milhaus never uses significant gap financing tools, their Arsenal 201 housing project in Pittsburgh’s Lawrenceville was hailed by local advocates for its focus on long-term, sustainable neighborhood growth. “We issued a challenge and that challenge was: Can you ensure that this project is not just in a neighborhood but of a neighborhood,” said Matt Galluzzo of Lawrenceville Corporation, a community nonprofit. “Voluntarily, Milhaus committed themselves to what was probably the most rigorous community process that we’ve been a part of to ensure that this project, which will bridge lower and central

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Lawrenceville, really is mindful of being in a place." Why, when operating in cities without many strings attached when it comes to development approval, would a for-profit firm make such holistic-minded decisions? "We believe very strongly in what urban planners talk about. The most impactful projects are those that focus on bringing back a missing class that hasn’t been there for a long time. That means we have to go deep on meetings, getting buy-in - in our firm we all live in the urban cores, so we’re not just selling it, we’re living it." In the case of the Arsenal 201 project, Lawrenceville Corp. were able to get a commitment letter from Milhaus that obligates them to certain conditions, mostly concerning urban design, riverfront access, and a new park, that was then tacked on as a condition to their Zoning Board approval.

What for-profit firms like Model Group and Milhaus make clear is that long-term thinking is a rare, and critical ingredient to making great neighborhoods, but also that operating with that holistic perspective can be possible, even advantageous for for-profit firms. Second-tier cities with a redeveloping appetite for urban living can provide fertile, rewarding ground for firms with this mindset. Not all firms in these rapidly-changing places, however, have the strengths or interest needed to build vibrant urban real estate.

‘Where It Hasn’t Happened Yet’ Part One: Entrenched Development Communities

"Most of the development community here is risk averse and pretty insular. They don’t want an out of town developer to eat their lunch," says UrbanCincy.com’s John Yung when we meet in his office on Main Street in OTR. Second-tier cities have often struggled to get their urban revitalization efforts off the ground due to a dearth of experienced national developers. As financial returns are typically lower than those for real estate in other cities, the firms that have the expertise necessary to do progressive projects that create great urban environments often don’t enter the market. That often means that urban development falls upon the shoulders of local firms. In cities that lack developed urban markets, the majority of those firms built their business on suburban, low-density projects, and are experts at that type of project. They may consider that type of development to be low-risk, as in many instances they have been doing it for decades. “Cincinnati and cities like it are conservative places in terms of investment..."
developers here don’t like taking many risks,” says Bowdeya Tweh of The Enquirer.197 When developers are accustomed to making money in a certain way, and may perhaps be skeptical of a nascent urban market, their efforts at building denser projects often fail to live up to the expectations of city planners or interested urbanists.

“Despite a really rich architectural history, we’re currently ten to fifteen years behind other large cities when it comes to equitable design, urban placemaking, and design quality,” says Donald Johnson of RIDC in Pittsburgh. “The development community, myself included, is still learning how to better integrate urban planners and design-oriented architects on projects, projects that can add real value beyond what most people [in Pittsburgh] think usually qualifies as “good design.””198

Unlike in heavily urbanized cities like Chicago and San Francisco, developers in second-tier cities generally do not face strict requirements for community benefits when they build real estate. Inclusionary zoning laws that require a portion of new housing units to be held for low-income renters are extremely rare in the country’s interior. Many midwestern and southern states actually regard inclusionary zoning as an illegal practice due to existing laws prohibiting rent control. In some respects this makes sense in secondary cities - most have been starving for investment in their inner cores for decades, and are not about to put measures in place that discourage firms from entering. Yet as these markets begin maturing beyond their most formative years of repopulation, some question whether asking local developers to provide community-minded benefits is the right move at all. “There’s an argument that many of our private developers in Pittsburgh aren’t set up to provide affordable housing,” says Matt Galluzzo of Lawrenceville Corporation. “Do you want to force them to do something they’re not good at? They’re not interested in doing it of their own volition, especially the ones that haven’t worked in other places.”

Outside of subsidized housing, other community benefits like improved streetscapes, access to natural amenities, or particular attention to how development projects affect pedestrian life are often beyond local developers, inexperienced with urban projects. A particular example, done by Pittsburgh developer Oxford in the popular Strip District, has been derided by critics as emblematic of many of these issues. The Three Crossings development is a collection of

buildings on 16 acres directly adjacent to the undeveloped Allegheny River waterfront. Billed as a “mixed-use project” in the “vibrant and eclectic” Strip District, the project was hailed in the local press after signing Apple on as an office tenant in 2015. Yet on a recent visit the site was objectively dull - a large above-grade parking garage isolates its buildings from the rest of the Strip, and its riverfront is a tangle of underbrush and weeds before a muddy cliff drops into the Allegheny below. At least one Pittsburgh-based developer agrees: “Three Crossings was lauded as this great place, a great addition to the Allegheny Riverfront plan - Oxford got input from Riverlife, who are a great advocate for good design, urban planning, and community benefits. Yet it’s very bad! It’s such a prominent piece of real estate - and they still managed to get that thing through planning commission with very little change, very little adherence to anything. The buildings themselves are such dogs. Oxford holds that up as a shining example of the great thing they do. They’re local. Which is fine." While Oxford’s website shows a portfolio with a few downtown office towers, the vast majority of projects are suburban hotels, office parks, and academic buildings that don’t appear to have first floors that activate the streets they sit upon. As critical riverfront spaces in Pittsburgh’s most high-potential neighborhoods fill up and become rarer, the city can ill-afford more projects like Three Crossings. The URA and Pittsburgh’s city planners should do all they can to make sure that the best, most community-minded urban developers, no matter from where they come, are entrusted with the city’s most important spaces.

Oxford’s Three Crossings development in Pittsburgh’s Strip District. On the right, its piece of Allegheny waterfront. Photo by the Author.

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199 Three Crossings PGH website.
Will more out-of-town firms show interest as the second-tier markets keeps growing? "Something big needs to change, it won’t just be time" that brings more ambitious development to town, says Johnson. “We do have a very progressive mayor, which has helped drive policies that improve the public realm. We still struggle, though, as a development community to produce the kind of groundbreaking projects you see in New York, Vancouver, Boston, Portland.” Pittsburgh’s still low rents can turn even tiny shifts in demand into large drivers of project risk, Johnson says. That “financial risk... [can] make us, our boards, and our financing partners - whether they are banks that hold conventional loan debt or investors - wary of moving in a different direction.”

Pittsburgh is also what Johnson calls a “very parochial town,” with a “gritty, fiercely independent attitude.” “We’re often hearing from visiting urbanists that we’re not doing it right,” he says. Case studies and examples of holistic-minded projects in other cities aren’t always well-received, Johnson says. “The reaction of local firms can be a “double-down” on development methods that have a more proven history in Pittsburgh.” This means a continuation of more traditional building methods, which may not prioritize public realm improvements, housing diversity, or mixed uses. “Some of us keep doing [development work] in the same old way, in a poor attempt to prove [other cities’ urbanists] wrong.”

‘Where It Hasn’t Happened Yet’ Part Two: Political Conflicts

Entrenched in-town development firms are seen by some as a symptom of a deeper problem: political favoritism that keeps the most desirable funding and opportunities from out-of-town firms. Local urbanists like Derek Bauman, the candidate for Cincinnati City Council, say political considerations have kept some out-of-town developers away, and have been a “foot on the brake” of the city’s urban development. “Cincinnati’s doing pretty well at the moment. But it could be ten times better. We know there’s demand, that people want to live downtown or nearby... we should be looking to other cities to figure out how to add the units.”

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202 “Derek Bauman, Cincinnatians for Progress.” Personal interview. 29 Dec. 2016.Cincinnati, OH.
Smaller American cities, who in tougher urban times often were left with only their local development firms and no interest from outside, learned to protect their own. Now that some second-tier cities are receiving pitches from perhaps better-qualified out-of-town developers, City Halls have been reluctant to prioritize their efforts over those of the hometown builders. “If a development needs a state or local subsidy to make financial sense,” says Donald Johnson in Pittsburgh, “and you need the City or the URA to sponsor you, then an out-of-town developer that is a relative unknown to both the community and government officials is going to find it more difficult to succeed.” Johnson says competitive grant programs might see 25 applicants vying for just 1 financing package. When that happens, city governments are far more likely to choose “developers that have cultivated the strongest relationships with city officials and public interest groups,” rather than “perhaps a more ambitious out-of-town company” that might try projects that have proven very successful in more progressive cities.

“We have this era now where we’re beholden to certain parties, and they’re usually the only people who get the support,” added John Yung in Cincinnati.

National developers like Milhaus also identify the public Request for Proposals, or “RFP,” process as political quicksand in cities where entrenched firms dominate. Milhaus’ CEO Tadd Miller told me that his firm does everything it can to not reply to RFP’s, which are open calls for a development partner to work on city-owned land. “A huge part of the problem in secondary cities is that properties so often go to RFP. The bidding process that follows is never able to get a true analysis of the costs of a project, because of the politics involved,” Miller says. In-town firms have a built-in advantage with politicians, who might choose them despite a relative lack of due diligence versus more established urban developers. “Whereas we can go into [an RFP process] with serious, true costs, someone who does less due diligence will always say they generate more value. But then after they win the bid, they get delayed for years. They have to do the real due diligence, the renderings, and often the financials don’t work out. We would already be under construction, but the local firm that won can’t even file their final proposal because they didn’t have to do the hard work to win the RFP.” While Miller’s assertions surely don’t apply to all local developers or politicians in second-tier cities, they do reflect a process that could easily be biased towards the local firms that politicians know and away from out-of-town developers well-trained in holistic-minded urban projects.

“If everything is fair, equal opportunity, I understand why you’d side politically with a hometown developer,” says John Yung. “but in reality it could be that in a free market, your hometown developer just isn’t efficient.”

‘Where It Hasn’t Happened Yet’ Part Three: Financial Constraints

Part of the very nature of less-developed urban markets like Cincinnati and Pittsburgh is that prices are lower because historical demand is less. Even with the tremendous momentum being seen in many second-tier cities’ real estate markets, developers still face an uphill battle to make projects profitable when compared to other more developed markets. “It’s difficult to get these [private] developers on board because commercial development is very hard to make profitable here without a lot of subsidy,” Don Johnson told me in Pittsburgh in January.

Interview subjects in both cities gave conflicting answers about whether market-rate development was able to survive without significant gap financing in 2017, but most agreed that only the most traditional, profit-maximizing developers were doing projects without relying on subsidy or other unique financial instruments. As discussed in the previous section, there are serious questions about whether those more traditional firms are well-suited to execute projects in complex urban environments that depend on vibrancy, walkability, and diversity.

Given that market-rate development often struggles to “pencil out” for a number of reasons, not least of which is still-low market rents, there are firm limits on how many community-minded choices are feasible for private developers. “You have to build it as cheaply as you can, which means leaving out a lot of things that would benefit everyone. There really is no wiggle room,” says Johnson. That may mean foregoing investments in design, streetscaping or tenant improvements, and lead a property owner to rent to the highest-paying retail tenant even if it’s not the best fit or use for the neighborhood. Developers like Model Group in Cincinnati spoke of the critical nature of having the “right commercial tenants at the right place” in a redeveloping neighborhood. A local coffeeshop or a bar can be a neighborhood anchor, according to Jason Chamlee. Though they can pay far less in rent than a national chain or other uses like medical or legal services, that opportunity cost is often worth it in second-tier cities if adjacent development projects see value in being near that anchor. So while Model Group sinks cash

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into tenant fit-outs for a relatively low-rent coffeeshop or retail space (meaning they have less free cash for development elsewhere), more traditional profit-seeking firms often seek a safer tenant bet or choose not to invest at all.

RIDC’s Johnson says that while developers in New York and London might scoff at construction costs in second-tier American cities, unique local conditions often make cost no laughing matter. Pittsburgh has “some of the highest labor costs in the country, because of the strong labor market, which is a product of the strength of the unions,” says Johnson. Coupled with “very low rents compared to other places,” subsidy-free development becomes a daunting task in Pittsburgh. In Cincinnati’s Over-The-Rhine, the refurbished (and protected) historic structures in which most of the revitalization has taken place represent high-cost choices versus new construction.

Chapter Six: Ideas for Making Holistic Private Real Estate Development Happen

While Chapter Five outlined conditions that have been found to make long-view, holistic real estate development possible in second-tier cities, the fact that more traditional for-profit developers aren’t seeing it in their best interests to invest in community-focused benefits means that redevelopment efforts may prove slow, or worse - unsustainable given the finite resources at hand. In this chapter I lay out my suggestions for programs and policies that can help make diverse, urbanistic development more achievable in more second-tier cities.

Development Consortia

Conversations in Pittsburgh and Cincinnati revealed a clear distinction in the minds of second-tier city urbanists and city planners, between developers “who get it,” and “those who don’t.” “It,” in this case is how an urban real estate project concerns and affects far more than just its developer’s bottom line. Urban buildings of course depend on the size and quality of the units inside itself, but also upon the way the building interacts with people on the street, with access to transportation, with the pedestrian environment, historic fabric, retail and amenities, and

207 "Donald Johnson, RIDC." Personal interview. 27 Feb. 2017. Pittsburgh, PA.
diversity of the population around it. While this mode of thinking has (painstakingly) become standard thinking in developed urban markets, secondary urban cores may not always have their entire development community on board.

With this in mind, developers that understand the critical symbiosis between each other’s projects and the environment immediately around them should consider forming consortia for responsible development. The involved firms could share knowledge and best practices, and commit to working towards certain diverse and urbanistic goals in tandem. Second-tier cities certainly don’t need reduced competition in real estate - development grants and loans are scant enough to ensure firms look out for their own best interests. What these cities do need is for progressive, like-minded developers to stand up for the projects and processes that they know can create a better city in the long-run. If they’re right, other firms will follow.

Developers that speak about the compound benefits of urban infill development are already, in effect, advocating for consortium-style behavior. When, in the previous chapter, Model Group’s Jason Chamlee says “in these cities, one plus one equals three,” he’s hailing the positive externalities that come with developments that make urban living more appealing - even if they’re not projects done by his firm. “Our tenants are constantly asking about what’s coming next. And it’s not just our projects. When’s the next restaurant coming? When do those apartments or offices come online? That building across the street, that’s not [Model Group], they’ve got signage up, that looks like it’s going to be great! We’ll include their building in our leasing strategy.” If firms like Model are seeing such value and importance in the projects that other firms are completing in the neighborhood, more formalized consortia could make non-binding commitments to developments that will raise all boats. That’s why, when it comes to projects being done by other socially responsible developers, Chamlee’s attitude is gung ho: “Come on!”

**Crowdsourced Redevelopment Funds**

Civic-minded firms like Model Group say their admirable approach to development is a means to unlocking long-term, stable financial returns that benefit the community in which they live and work. A key differentiator between developers like Model and others is their relatively patient

208 "Jason Chamlee, Model Group." Personal interview. 28 Mar. 2017. Cincinnati, OH.
equity investors; short-term gain is foregone in the name of long-term stability and quality control. While this may sound unique among real estate developers, it isn’t so far-fetched when thinking about how many individual investors put their money to work in more traditional assets. Stable financial returns are desirable enough in a volatile marketplace. Having an investment that one can feel good about while showing a sense of civic pride is icing on top. This concept underpins the idea of crowdsourced funding of development projects in second-tier cities.

Trusted public-backed agencies like the URA or 3CDC, or perhaps the aforementioned consortia of civic-minded developers, could act as stewards of crowdsourced investments. The funds, with a promised long-term return below current market returns for commercial real estate but above conservative bonds or CD’s, can then be offered as low-income loans to civic-minded developers who want to build subsidized housing, invest in good design, or to help set up a new business with tenant improvements. As mentioned in a previous chapter, some developers feel second-tier cities provide a safe haven from larger, more international cities that are susceptible to global shocks. It seems a safe assumption that investors large and small may feel the same. Like a bond, terms could be agreed upon to pay back the principal after 10, 20, or 30 years. Investors may see intrinsic value (and higher returns) in their investments going to actual for-profit firms doing good, versus municipal bonds that sometimes can be black boxes where investors can’t be sure exactly how their money is being used. Fund investors could be provided with real-time development progress updates, ongoing impact assessments, and planning documents, all presented in sleekly-branded materials that demonstrate the project’s impact on the community. Investors will feel they’re not only making a smart decision in earning a stable long-run return, but also that they’re helping their city get meaningful and sustainable development projects done.

While different from crowdsourced funding, the patient, conservative returns that a second-tier city real estate development fund could afford may also appeal to pension funds. These real estate investments could provide a measure of diversification for pension funds that traditionally would invest in riskier REITs or other securities. Often the pension funds are for employees of civic-minded organizations like teachers or city employees to begin with - those individuals may place value in holding investments that are seen as having a tangible, lasting impact on their city.
Other creative funding options might come from sources like a state’s Medicare funding. As the availability of safe, affordable housing has been shown to have a direct impact on a given community’s health, states like New York have researched ways in which Medicare dollars might be reallocated to the construction of low-income housing - a reallocation that may well result in substantial savings on traditional healthcare services.

Conditions for Public Grants & Loans

Re-urbanizing cities are in the business of trying everything they can to attract investment capital. New firms, new buildings, and new residential units are viewed as validation of the cities’ continued relevance in light of decades of depopulation. Therein lay the previously discussed difficulties of mandating community benefits of those who choose to invest - “Isn’t our willingness to invest in creating jobs and activity here, versus somewhere else, enough?” they might say. “The projects are hard to begin with,” explains Matt Galluzzo of Lawrenceville Corporation. “The climate historically has been just trying to create a market. We’re using subsidies from the URA because projects, any projects, don’t pencil out. To shift from that to providing affordability free of change, or to simply absorb community benefits in the financials is a foreign concept.”

It’s a fine line between encouraging development to replenish a badly hurt tax base and asking them to give back - but small steps can go a long way. Cities could start with ensuring their subsidies, grants, and loans go to developers that promise something in return. Public programs are often used not only for subsidy-worthy efforts like affordable housing or job training programs, but also for certain market rate development projects. As these markets develop, community benefits still should not be required by law in cities hungry for investment - but when public monies are involved as part of a pro forma, firms owe it to taxpayers to give a bit more to the community in which they’re building. The following are ideas for how those benefits might be realized.

New Business Creation Tenant Programs

City agencies or foundations could establish programs aimed at helping fledgling businesses get off the ground, and ask loan and grant recipients to take part as a means of finding unique, locally-based retail or office tenants. Private firms like Model Group in Cincinnati have tried this
to great effect. As briefly mentioned in the previous chapter, Model makes a point of waiting for
the “correct” local business to emerge before settling on a retail tenant for their critical spaces.
In the case of the recently opened Urbana Cafe on Broadway, Model “held out and kept the
space empty for a few months to make sure (they) got the right person,” according to Jason
Chamlee. “We’ll try to get a small business that’s growing, sometimes from a garage. We’ll hold
their hand, help them build out, be flexible, and get them up and running, because in the long-
term that’s what’s best for the neighborhood and for our assets.” By effectively “playing banker”
for a small business that likely wouldn’t have access to conventional loans, Model helped make
Urbana a successful and unique tenant in their first brick-and-mortar space.

KC Hardin, an American developer working on the holistic rebirth of an historic district in
Panama City, Panama, has made training and supporting local entrepreneurs as retail tenants a
central piece of his for-profit firm’s strategy (Disclosure: I worked for Mr. Hardin at his firm
Conservatorio, S.A.). While foregoing quicker and less risky rental returns in the short run, a
commitment to training local residents and getting their businesses up and running in the firm’s
ground floor retail spaces has had numerous benefits. The efforts have built tremendous
goodwill in a community sometimes suspicious of for-profit developers; the firm’s work with
reformed gang members turned entrepreneurs has garnered international press coverage. The
newly established retail tenants also offer an unmatchable authenticity to the space, capturing
the vernacular culture that customers can clearly identify as “of that neighborhood.” This in turn
can deliver value to Mr. Hardin’s surrounding residential units, targeted at renters seeking a
culturally unique and vibrant retail environment.

City agencies and foundations that provide financial tools to would-be developers can help
connect the firms to potential candidates for the support program. An agreed-upon percentage
of the financial package could be set aside for investment in tenant improvements and start-up
costs to help the aspiring tenant. This type of program could be a particularly strong concept in
neighborhoods like Over-The-Rhine, where race and class issues are significant. Critics say too
few non-service jobs are going to the largely black poor that call the neighborhood home, and
landowners contend that the vast majority don’t have the skills necessary to open a restaurant
or start a business.209 A program that trains would-be entrepreneurs and then actually sets them
up with the tools (cognitive and physical) to succeed in their own retail or office space could

prove revolutionary, and far more effective than traditional job-training programs in some communities. A firm’s short-term sacrifice that earns goodwill in the community could turn out to be a very strong financial boon to the developer in the long run.

**Low-Income Housing Provisions**

While inclusionary zoning remains illegal in most states, the provision of subsidized housing units could be officially listed as a factor to be considered in the process of reviewing applications for public or foundation loans and grants. The previous chapter’s section on Pittsburgh’s URA mentions that while not encoded, the URA gives preference to development proposals that provide low- and middle-income housing when allocating loans and funds. This priority could easily be made an official condition for consideration. Just as many public RFP processes require that the issuing public agency select the lowest-cost, capable bid, public loans for development could go only to projects that meet a certain percentage or number of subsidized housing units, depending on the need. City officials would need to ascertain what kinds of requirements would encourage the creation of these units while still valuing other important considerations like design, tenant spaces, and others. The stipulation could also provide a measure of separation between elected officials and developers. The subsidized housing provision can represent an impartial metric that helps funding go to firms that are well-equipped and committed to doing quality products, while not forcing firms to do projects for which they’re not best-suited.

**Chapter Seven: Conclusion & Further Research**

Much of the dialogue surrounding the so-called “return to the city” movement reveals two camps within the scholars that research and care deeply about urban communities; Robert Florida calls them urban optimists and urban pessimists. This paper is largely written from the perspective of the former, informed by a belief that dense, walkable, economically competitive cities represent the country’s (and the world’s) best chance at providing opportunity and the highest quality of life for the most people. Secondary cities in particular present tremendous opportunities to bring a higher quality of life within reach for millions. Private investment, and the forces that drive it, can be both a source of progress and of division. Without the right policies and institutions in place, the forces of urban regeneration risk causing just as much harm as good. That said, if
cities that have suffered from decades of urban disinvestment don’t court and encourage private investment, they are doomed.

As writers like Carolina Hollman have pointed out, most scholarly writing on urban regeneration and gentrification processes comes with a “contentious” tone. This makes sense. Yet much of the potential of gentrification, the benefits that it could unlock for communities if there were a way to make it a more inclusive process, are overlooked as a result of the animosity on both sides. This limits meaningful dialogue and hampers our cities.

This thesis advocates for an optimistic yet cautious approach to private firm-led development in these cities, grounded in the belief that there is a market for diverse and vibrant urban neighborhoods, and the hope that sooner or later firms will realize they must do their part to sustain that diversity, for their own good. The actors identified in Chapter 5 can push them in that direction - especially in cities where competition for urban land isn’t as fierce it is in more established urban markets. Every city has a personality of its own, and assets that can make it a unique and fulfilling place to live. It’s up to firms, city governments, and local institutions to ensure that the current wave of interest and investment in urban living doesn’t pass them by, and that revitalization takes place in a way that isn’t winner-take-all.

**Further study** on regeneration processes in secondary cities is sorely needed. This is in part due to the relatively short period of time in which significant reinvestment has been occurring in many of these cities. Researchers (and developers) should work towards a clearer picture of from where new urban residents are coming; it’s important for a city to know whether their urban core is competing mostly with its own suburbs, other mid-sized cities, or larger, more-established urban markets for new residents. In addition, further research is needed to definitely prove that a subset of the population values diversity when making decisions about where to live. Scholars should seek data that aims to verify if, all else equal, consumers of housing choose diverse neighborhoods over homogeneous ones.

It should be noted that all population and demographic information used in this thesis is from the latest American Community Surveys available at the time of writing - 2015. This means that the multitudes of development projects in late 2015 and through 2016, and the populations that now inhabit them, are not captured. It is entirely possible that 2016 was a year of substantial
demographic shifts in neighborhoods like OTR or Lawrenceville, so city watchers should digest each new set of estimates carefully.

An entire thesis could be dedicated to an exploration of non-traditional financing tools for low-income housing and other community-minded urban amenities. Ideas mentioned in Chapter 6, including pension fund investors, crowdsourced investment vehicles, and use of public programs like Medicare are deep and complex topics that warrant more than the surface-level advocacy provided here.

Finally, as mentioned in this paper’s early chapters, second-tier cities are by no means the same. The more detailed research dedicated to these unique and important places across the country, the better.
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