Inner City Shopping Centers:
National Development Trends and Local Community Impacts

By

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Submitted to the Department of Urban Studies and Planning
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Abstract

Within the past ten years, there has been increasing interest in bringing retail back into inner-city neighborhoods as a commercial revitalization and economic development strategy. In this thesis, a large data set of all US shopping centers is analyzed to examine general trends in shopping center development, as well as trends in inner-city shopping center development over time.

This research showed that inner-city centers are fairly similar to those in other parts of the MSA, although they are smaller, denser, and house a slightly different profile of retailers. During the 1980s, shopping center development in the inner city increased along with development in the rest of the metro area. As the overall market for shopping center development declined in the 1990s, inner-city development has declined even more sharply. And, while there is a major trend in the rest of the metropolitan area toward increasing renovation, expansion, and redevelopment of older centers, shopping centers in the inner city are not experiencing this surge of re-investment.

This thesis also examines the case for economic development through shopping center development, and explores the local community impacts of shopping center development through brief case studies of three inner-city shopping center projects in Houston, Boston, and Baltimore, with the goal of presenting how successful projects came about, why they were attractive to potential tenants, and what their impact was on the neighborhood.

Thesis Supervisor: Karl Seidman, Senior Lecturer in Economic Development
Thesis Reader: Prabal Chakrabarti, Deputy Director of Community Affairs, Federal Reserve Bank of Boston
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Next I have to thank all of my classmates, who have made these past two years such a great learning experience – especially Hania and Minami, who made me laugh much more than I ever thought I would in graduate school. I also have to thank all the people I interviewed for this thesis, who took the time to accept a cold call from a stranger, or were willing to talk to a very random person who just walked into their store off the street. Writing this thesis helped me realize that data sure tells you a lot, but often the most unexpected people tell you more.

And lastly, I have to thank the newest member of my family, to arrive in September, who has been a continuous reminder that there is life outside the DUSP computer lab.
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Chapter 1: Introduction

Within the past ten years, there has been increasing interest from the business community, local government, and neighborhood activists in bringing retail back into inner-city neighborhoods as a commercial revitalization and economic development strategy. There is little doubt that inner-city residents can support and often want greater retail choices in their neighborhoods. In addition to meeting local demand for goods and services, retail development, and in particular shopping center development, is often sought by CDCs, local government, and community advocates to create a "home" for local businesses, reinforce the investments made in housing, eliminate blight, and become a catalyst for future commercial development (Carlson 2003).

Shopping Center Development as Economic Development

Small-scale freestanding retail in historical downtown centers has been revived across the country since the late 1970s through the national Main Streets program and other similar downtown revitalization programs. While some inner-city neighborhoods have also successfully adopted the Main Streets or other preservation-based approaches to commercial revitalization, these types of neighborhoods often do not have the drawing power to attract comparison shoppers from a regional area, or have a historical legacy as a retail center. These mainly residential areas often require development at a greater scale to create a positive market environment for businesses. This is why shopping center development in particular, even during the current trend toward the development of more freestanding retail, can be an important revitalization tool in inner-city neighborhoods. However, due to the large parcels required for development and the larger number of players involved, shopping center development projects also provide a much greater level of complexity than freestanding retail projects, especially in inner-city neighborhoods.

Retail revitalization is by no means a complete strategy for economic development, and does nothing to address the root causes of poverty and crime in poor neighborhoods.
However, having safe places to walk, shop, and chat improves the standard of living for many families. Probably the most powerful argument for retail revitalization is that it is often supported by local residents, even those who have relatively little to gain, but who usually want the same choices and amenities that suburbanites have, and hate to see the empty lots and vacant buildings that attract crime, deflate community pride, and scare away possible investment. Commercial development provides a community with many intangibles that can lead to real tangible benefit.

The Inner City

Although the term "inner city" is often used to mean any area within the older, central part of a city, I use the term here to mean distressed urban community. By using the word community, I mean neighborhoods with a large residential component. To define the inner city, I used a geographic definition provided by the Initiative for a Competitive Inner City (ICIC), a national nonprofit organization that promotes economic prosperity in inner cities through private-sector engagement by providing research and consulting services. ICIC defines the inner city as contiguous 2000 census tracts within the central cities of the 100 largest metropolitan areas in the United States, excluding the CBDs (Central Business Districts), which have at least 200 residents, a median household income no more than 75% of MSA median, an unemployment rate at least 30% above the MSA average, and a poverty rate at least 50% above the MSA average, in which less than 40% of the population is made up of students.

The inner cities are home to a mainly poor, minority population. According to ICIC’s research, based on US census data, 31% of the inner-city population lives in poverty. The inner city is approximately 80% minority, including a 30% Latino population and a 40% African-American population. While both the African American and white populations in the inner city are decreasing, the Latino population continues to grow, and probably represents a far greater proportion of the inner city than is represented in the census. Nearly a quarter of inner-city residents are first-generation immigrants.
Outline of Research

Anecdotally, there is a great deal of optimism surrounding the return of retail to central-city neighborhoods, and even some of the most famously blighted inner-city neighborhoods, such as Harlem and South Central Los Angeles, have seen large retail developments succeed with a combination of private-sector, public-sector, and local community leadership. However, are these projects just high-profile exceptions to a trend of disinvestment, or is inner-city retail really experiencing a comeback? How are successful inner-city centers different from shopping centers built in the suburbs?

In this thesis, I attempt to answer these questions. I first examine trends in shopping center development generally. I then examine the case for retail development, and, in particular, shopping center development focused on capturing local demand as an economic development strategy. Next, I overlay a data set representing all shopping centers built in the US with a data set that represents one geographic representation of the inner city to examine trends in inner-city shopping center development over time, and determine how inner-city shopping centers are systematically different from other shopping centers.

Finally, I examine case studies of three very different inner-city shopping center projects in Houston, Boston, and Baltimore to illustrate some projects that have been built recently in the inner city, with the goal of presenting how successful projects came about, why they were attractive to potential tenants, and what their impact was on the neighborhood and as creators of jobs.
Methodology:

**Part One:**

Shopping centers were geocoded by latitude and longitude from the National Research Bureau 2005, Quarter 3 Shopping Center Directory on CD. The Shopping Center Directory data set includes all projects with at least 3 different retail tenants and at least 10,000 sf of space, and includes many mixed-used projects that also include housing and other commercial uses, although information about these uses is not included in the data. Each shopping center is identified by three latitude/longitude points that represent the edges of the center. Centers for which all three points are within the boundaries of the inner city (as defined below) were considered “inner-city shopping centers.” Because the data only represented centers built in the first three quarters of 2005, only centers built by the end of 2004 were counted in this analysis. The data includes only shopping centers that still existed in 2005, Quarter 3, therefore some centers that were built before 2000 but have been demolished will not show up in the data. All data for airport concourse shopping centers was thrown out, both in the inner city and within the MSA, as these centers are more likely to be located in inner-city areas, and represent a different type of development.

ArcMap, a GIS program, was used to overlay the geocoded points over the geographic definitions of the Inner City provided by Initiative for a Competitive Inner City (ICIC) in the form of ArcGIS shapefiles. ICIC defines the inner city as contiguous 2000 census tracts within the central cities of the 100 largest metropolitan areas in the United States, excluding the CBDs (Central Business Districts), which have at least 200 residents, a median household income no more than 75% of MSA median, an unemployment rate at least 30% above the MSA average, and a poverty rate at least 50% above the MSA average, in which less than 40% of the population is made up of students.

In addition, shapefiles of primary metropolitan statistical area (PMSA) boundaries from the US census website were used to overlay the shopping centers over the metropolitan
statistical areas that contain the ICIC inner cities, for the purpose of comparing centers within the inner city to centers within the same PMSA. Data from the 2000 US census at the census tract and the MSA level was joined to the data to determine demographic characteristics of each area.

Part Two:
The case studies of the three shopping centers represent interviews with local business owners, developers, and real estate professionals, plus sources of published data. Different types of information were gathered for each type of center, determined by availability of data.

My original criteria for finding centers to be subjects of this research were that they be more than 5 years old (one is not), in the inner-city, and be convenience-oriented centers that focus mainly on capturing local demand, rather than projects that are built to capture demand from new condominium construction or gentrification. I also wanted to look at centers of different sizes that were built in different markets, by a mixture of private developers and CDCs, both subsidized and completely privately built. Because of my findings about the lack of renovation going on in inner-city centers, I wanted to find one center that was not new, but had been renovated. I did not purposely look for centers that were necessarily “successful,” but all three centers are (so far) are generally considered successful both economically and as drivers of neighborhood economic development.
Chapter 2: Shopping Center Investment Trends

Since the 1960s, shopping centers have been an important form of retail real estate, and, for better or for worse, an important force in the economic and physical development of many communities. In 2004, shopping centers represented 63% of all retail square footage (ISCS 2005), 75% of all non-automotive retail sales (US Dept. of Commerce 2005), and 9.5% of all non-farm employment (ISCS 2006) in the United States.

Although many people think of shopping centers as “malls”, enclosed malls represent less than 5% of all shopping centers, according to the International Council of Shopping Centers (ICSC), which defines a shopping center broadly as any development (including mixed-use projects) with at least 10,000 sf of gross leasable retail area divided into at least three different tenant spaces. There are four basic types of shopping centers, categorized by their trade area, and characterized by their size. The smaller the trade area, the smaller the center. A neighborhood center provides convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Roughly half are anchored by a supermarket. A community center also responds to local demand for convenience shopping, but typically offers a wider range of apparel and other soft goods than a neighborhood center. Tenants often include discount retailers. A regional center is usually an enclosed mall, and provides a variety of services and general merchandise, largely apparel. A super regional center is similar to a regional center, but is larger in size and has a greater selection of merchandise. Regional and super-regional centers are always located near major highways and are often found at the intersection of two major highways. Shopping centers are increasingly also subdivided into different categories that refer to their major retailing or marketing strategy, such as “lifestyle centers,” which are open-air upscale centers that focus on the pedestrian-friendly experience, or “power centers” that are made entirely of destination big box retail. As will be seen in later chapters, this trend toward open-air centers has also been seen in inner-city shopping center development. Nearly 80% of all shopping centers are neighborhood or community centers serving local demand for convenience goods.
History

The shopping center as a form of retail development goes back as far as the 1920s, but the development of centers first became a major trend in the 1960s. Most shopping centers were, as they still are today, developed on suburban greenfield sites, mirroring the growth in population in the suburbs. However, shopping center development was also seen in the central cities as well. Many urban renewal projects responded to downtown decline and the opportunity to gain large plots through slum clearance by building a downtown mall. To compete with malls in the suburbs, central cities often attempted to provide malls that mirrored the large suburban malls in parking, style, and amenities, with the idea that these malls would create ancillary traffic that would keep some local retail downtown (Frieden and Sagalyn, 1997).

Although some of these malls were successful for a time, this trend toward downtown malls is generally considered to be a major failure that hastened, rather than prevented, the decline of downtown retail. Rather than attracting other traffic to downtown areas, in most communities, downtown retailers moved inside the mall or left the central city altogether. Even those retailers who went into the malls did not do well. Central city malls tended to do poorly in competition with their larger, newer, suburban rivals. In the 1980s, when many of the malls were economically obsolete, they created large, blighted sites that further led to the downward spiral of downtown retail. The current resurgence of downtown retail brings back freestanding retail, looking toward the pedestrian-friendly, open-air retailing trend that is currently experiencing a great deal of success in the suburbs. However, in blighted residential communities outside the CDB, such as inner-city communities, shopping centers are often favored by planners and CDCs who feel that development at the scale of a center has a better shot at revitalizing an area that has does not have the traditional drawing power of a CDB shopping district.
**Trends in development and investment**

Shopping center development, as a percentage of all retail, is declining with the recent trend toward the construction of freestanding retail. In the 1960s, when shopping centers first became the dominant form of retail, through the 80s, which saw another significant building boom, more than half of all new retail development was in the form of centers. However, in 1991, shopping center development square footage fell below that of freestanding retail centers for the first time, and continued to decline until 2001, when it leveled off at approximately 22% of new construction (ICSC 2005). This trend has been attributed to several factors, including general consumer preferences for open-air, pedestrian-friendly shopping environments, and the advent of big-box retailers, who often have freestanding sites.

Rather than occupy an in-line space in a shopping center anchored by a grocery store or apparel store, many retailers who once depended upon feeder sales from higher-traffic shopping center anchors now prefer to be located within a sight line and easy driving distance of big box retail, often a Wal-Mart. Wal-Mart has experienced massive growth within the past ten years, and the company’s current expansion plans are focusing on metropolitan areas as it begins to saturate the rural areas where the chain got its start. According to WalmartWatch, a watchdog group, Wal-Mart now represents nearly 9% of non-auto retail sales in the US, and 320 billion square feet of retail space, and continues to grow aggressively.

The drop-off in new shopping center construction, while leading to a lesser number of centers overall, has been mirrored by an increase in renovations and expansions of the stock of existing centers that began in the 1990s and continues currently. Shopping centers, which usually have an economic lifespan of about 27 years, are much more likely to be renovated than completely redeveloped because of higher demolition costs than for freestanding retail. The lower average economic lifespan of a freestanding retail space, as well as the huge existing stock of center space, means that shopping centers will continue
to represent a significant share of retail in the future, although new development may continue to be less significant than renovation of existing centers.

Barriers to Inner-City Shopping Center Development

Several major retailers have adapted their formats to urban neighborhoods or have found success serving unmet demand in low-income areas, and several individual firms have been extremely successful at exploiting these gaps in inner-city locations, including Magic Johnson Theatres, Pathmark Grocery Stores, Walgreens, and even Home Depot. However, the media attention surrounding these developments indicates that they are the proverbial exceptions that prove the rule. Although there is renewed interest in inner-city areas, this is still a tiny trend that is dwarfed by the amount development in suburban and other areas. Since suburban markets are increasingly built out, it would seem natural for retailers to go back into the inner city. However, data presented in Chapter 5 will show that less inner-city shopping centers are being developed than ever before.

According to a 2002 survey of retailers by the International Council of Shopping Centers, the three biggest barriers to potential tenants considering entry into inner-city areas are (1) perceived crime, (2) lack of a market, and (3) site size/parking constraints (ICSC 2002). On the real estate investment side, the Brookings Urban Markets Initiative (UMI) identifies three major knowledge gaps that hinder the development of inner-city retail locations: (1) limitations of existing site selection methodologies, (2) limited methods for investors to assess risk, and (3) limited visibility of “what works” (Sabety 2005). Inner-city markets provide several major challenges that make retailers and developers less likely to build in these locations.

Site Conditions

Virtually no inner-city parcels are greenfield sites, and many are contaminated brownfield sites or sites with very old infrastructure, which adds greatly to construction costs, and to the uncertainty surrounding the construction budgeting.
process. Therefore, it is often more expensive to develop in inner-city areas, and much of this added expense is difficult to quantify. Although inner-city areas are often located close to good regional transportation links, older infrastructure at a more micro level means that transportation and delivery costs may be higher, or that expensive upgrades will have to be made to facilitate the amount of new traffic drawn to a larger center. Crime rates are also often higher, leading to a fear that shrinkage or vandalism will be higher, and that this will effect rates of shopper traffic as well. In other difficult-to-serve markets, such as rural areas, or developing markets, companies can pay workers less, making the added risk or expense worthwhile. Although it has been speculated that inner-city businesses could make up for this additional risk with lower wages, ICIC research has shown this to be untrue. Inner-city businesses must pay equal wages to suburban businesses to attract workers (ICIC 2004), probably because of the high cost of living in these areas, and the long commutes for those from the suburbs.

In terms of physical formats, many developers are still hesitant to try new types of sizes and configurations. Retailers and real estate developers, used to developing suburban stores on greenfield sites, keep costs low by using a singular format for all stores. This established store footprint often does not work on inner-city sites because of site size constraints, or community or city opposition for design reasons to the types of suburban footprint sites that many developers would prefer to build – even in the city. Large parcels are difficult to come by in inner-city areas, and the new restrictions that many cities are putting on the use of eminent domain after the Kelo Supreme Court decision in 2004 may also make it even harder to get larger parcels. In Houston, Texas, where the central city has no requirements for physical zoning or traffic impact assessment, retailers who find a large enough parcel have routinely used the exact same site plan (parking in front, drive-through window, 40-foot setbacks) that one would find in a suburban location in dense, urban neighborhoods, to the ire of neighbors and the exasperation of the city.
Financing

On the lending side, most lenders do not respond to these added risks by adding a premium to a project's cap rate, lest they be considered discriminatory, so they limit their exposure by limiting the amount of capital they are willing to risk, leading to an overall rationing of capital (Malizia 2003). Although the CRA (Community Reinvestment Act) guidelines apply to commercial projects, these make up only a small portion of total CRA-funded projects due to a preference among financial institutions for housing investments, which are considered less risky (Weissbourn 2005).

The capital market for financing real estate greatly expanded during the 1990s, theoretically providing more opportunities for higher-risk projects, such as inner-city retail projects. After the major contraction in available credit following the Savings and Loan crisis in the late 1980s, the creation of a secondary market for commercial mortgages in addition to home mortgages created new sources of financing. In addition, in 1986, a change in tax laws decreasing the tax incentives for individuals to hold real estate, combined with new legislation allowing REITS (real estate investment trusts) to manage properties led to a dramatic increase in the amount of real estate held by these public companies, further creating new capital source for development. However, even with this expansion of capital, geographical patterns of real estate development have not changed (Rosen 2002).

Site Selection Methodologies

On a more fundamental level, some retailers will clearly never be drawn to inner-city markets, because for many of them, their target demographic is just not there. In fact, lack of interest from major department stores and other chains is probably a positive trend for inner-city neighborhoods struggling with gentrification. However, for many mass-market retailers, there is a market for their goods in the inner city, but it is difficult to find because of current site-selection methodologies. However, this is an area in which there is much hope for change, as site selection
methodologies used by retailers to gauge retail demand in inner-city and other areas improve. Growing minority populations in both the suburbs and the inner cities have created industry interest in learning how to market to and better serve a younger, more ethnically diverse demographic, leading retailers to better tailor their products, merchandizing, and marketing to these markets.

Measures of income density and sales leakage are typically done with existing demographic data, often based on the US census, or tax return information. Another major source of retailer site selection data is credit card sales, which are much easier to track than cash sales. Although even these types of analyses show the inner-city market to be underserved, these types of data sources often underrepresent the spending power of the urban poor.

First of all, many minority communities and especially immigrant communities are historically underrepresented in census counts. Even when census counts are adjusted for immigration estimates, inner-city demand is again underestimated. Inner-city households often have higher-than-reported incomes because of government assistance and informal sources of income, and their demand is often misunderstood when measured by standard instruments that measure retail demand based on demographic profiling. In addition, inner-city families, even when of moderate incomes, are more likely to be “mobility poor” (Proscio 2006) when compared to suburban families, meaning that their travel costs may be higher, meaning that they are likely to do even more of their shopping within their local areas than other families, which would translate into an even higher sales capture rates for local retailers than standard market trade area studies would suggest. In addition, some analysts have accused companies who develop data used for site selection of outright racism, especially the widely-used ACORN “social strata” definitions that predict the tastes and spending patterns of different socioeconomic and racial groups used by retailers for marketing purposes.
Social Compact, a nonprofit that supports market-based inner-city economic development, uses utility payments and automobile registrations to quantify the cash economy that is often hidden by typical retail sales estimates developed from tax returns, census data, and credit card spending patterns. Social Compact's research led to one of the case studies for this thesis. A Social Compact analysis found an extra $121 million dollars in spending power in one Houston, Texas inner-city neighborhood that led to the development of the GulfGate Center, described in Chapter 6.

Other Constraints
In addition, inner-city retail projects, and in particular shopping center projects, are growing more complex over time. While in times past developers only had to deal with city officials, now, most inner-city projects involve at least one CDC or other community organization. Although this is a positive trend because it increases community input in projects — especially those with possible gentrification effects, this does make the development landscape more complex, and some say more cumbersome. Many developers feel that the support of a CDC makes their relationship with the city and the community progress more smoothly, and use these relationships to find labor, access better market data, and deal with possible community or local business opposition. However, this does make some projects more complex. In addition, stricter zoning and more stringent requirements from larger city governments give projects more hurdles to climb, compared to projects in suburban sites.

There are increased costs in inner-city markets that will require significant public involvement, especially in remediation of brownfield conditions, improvement of site infrastructure, and site assembly. However, there are also barriers to development even in markets that could be profitable because retailers and investors do not have tried-and-true formulas for evaluating markets, developing sites, and financing projects in this different type of environment. However, there are many reasons to be hopeful that, while inner-city
sites will always be more expensive in some ways, that the information barriers are being bridged. When investors are better able to access and quantify financial risk, required returns for investment decrease, leading to more projects becoming financially feasible and economically attractive. This trend has already been seen in brownfields redevelopment, a market in which the return on investment required to greenlight a project has decreased significantly as government-subsidized projects have exposed investors to greater information about potential risks that were previously not well understood (Maizia 2000). The CRA movement is also credited with providing the market data that helps banks better evaluate their risks even for non-CRA projects. When the market for inner-city projects, both from the retailer and from the developer point of view is better understood, one could expect the same trend in inner-city shopping center projects. The next chapter looks at why breaking these barriers to retail development is an important economic development strategy for inner-city neighborhoods.
Chapter 3: Shopping Center Development as an Economic Development Strategy

The CDC (community development corporation) movement has been steadily rebuilding housing and some commercial real estate in inner-city areas since the 1970s. The current focus of many CDCs on commercial property is a natural extension of community development work began in the 1970s. LISC (Local Initiatives Support Corporation), a major provider of capital and technical assistance to CDCs nationally, started out in 1979 working exclusively in housing. In 1994, LISC’s new strategic plan called for the “build-out” of the CDC movement through a new focus on community development through community safety and commercial revitalization. One can especially see this trend in several of the once extremely distressed communities that were some of the earliest pioneers of the CDC movement, such as the South Bronx and New Community Corporation in Newark, New Jersey. CDCs in both of these areas were early adopters of commercial development as an economic development strategy (Norwack 1997) in the 1980s.

Much of the current mainstream planning and community development interest in bringing retail to the inner city started with Michael Porter’s often-cited article, “The Competitive Advantage of the Inner City,” published in the May 1995 issue of the Harvard Business Review. Porter theorized that inner cities had unexploited advantages, including their central locations, highly developed infrastructure, a cheap local labor force, and their underserved retail markets. By exploiting these market advantages, businesses, rather than the public sector, could lead inner-city revitalization, if the public sector could provide some strategic enticements and reduce the red tape and restrictions to which central-city businesses were subjected. Although Porter’s ideas were by no means new, his position as a well-known business strategy expert brought the national spotlight to inner-city neighborhoods as areas of rich possibility for the private sector.
Although Porter's arguments were controversial among many community development practitioners who took offense at what was seen as his dismissal of much of the community-led and public sector work going on in inner cities, the impact of Porter’s arguments, filtered through both the mainstream press and the academic economic development literature, have led to a greater focus on commercial revitalization as an economic development strategy, and in particular, retail development. Ironically, although Porter often calls for community-based organizations to get out of real estate and business development (assuming that private sector actors are better equipped for this type of work) many CDCs and other community groups have used his arguments to proactively lure in businesses and retail, using their relationships with local residents and planning agencies to develop the real estate needed, and in particular the shopping centers needed, to provide a home for new businesses.

Retail development as economic development
Retail development as an economic development strategy is still controversial in much of the economic development literature. Many analysts correctly point out that commercial development often does little to help the poorest residents, and can disadvantage longstanding local businesses in favor of national chains. Many worry that “commercial revitalization” is simply another word for gentrification, and that commercial redevelopment strategies ignore longstanding issues of racial and economic injustice in favor of profits for private developers. Other analysts take an even further step back and say that economic development at the community scale is a flawed concept in itself because the scope of a community is too small – labor markets are regional, and the most effective way to upgrade a neighborhood is by connecting residents to the larger regional labor market, providing residents the resources to upgrade their physical environments with their higher incomes (Wheaton 2005).

Retail development is not a complete economic development strategy, and is never the only answer to a poor community’s problems. However, retail revitalization, when used to
capture the existing demand and resources of a neighborhoods' residents, can be an effective means of connecting the local economy of an area to the regional economy by meeting resident needs for goods and services, providing jobs, and upgrading the community without gentrification. Shopping center development in particular creates development at a scale that makes improvement in an entire neighborhood possible.

Meeting resident needs for goods and services
Inner-city residents are often underserved as customers by the retail options in their neighborhoods. Inner-city neighborhoods typically exhibit a “sales leakage,” meaning that the goods and services sold in these areas are less than what one would expect to be spent in the area given its population and income (Weiler, et al. 2003). This indicates that there is money to be made by retailers in the inner city. There have been many studies done both nationally and in particular markets documenting the gap between the retail spending of inner-city residents and their local shopping options. Even though households in inner-city areas have much lower incomes than those of other areas, this is made up for by the high population densities found in the inner city, creating a higher “income density” (available retail spending per square mile). On average, inner cities actually have an income density six times that of other metropolitan areas (ICIC 2005). This sales leakage indicates that low-income families, who have high opportunity costs for time and travel, have to travel outside their neighborhood to find the things they buy, or face higher prices and lower quality when they buy goods within their neighborhoods due to a lack of competition, and lack access to the types of larger retailers that have allowed suburban families to benefit from lower prices for goods.

In particular, many families pay higher prices for lower-quality food. Not only a concern for individual families, this could also be seen as a public-sector efficiency issue – the inner city is home to a high proportion of subsidized and public housing, and therefore the inner city is home to a high proportion of residents who use food stamps and other public voucher programs for food and drug purchases. These residents gain less value in
convenience stores than they would at full-service drug and grocery stores (Pothukuchi 2005). Recently, with growing rates of obesity and diabetes, the lack of grocery stores within the inner city has been viewed as a public health issue as well. Many studies have demonstrated a link between a lack of large-scale food retailing and poor diet. One recent study showed that African-American households that had a grocery store within their census tract consumed 32% more fruits and vegetables than those that did not (Zenk 2005).

**Employment opportunities in retail**

Although it is conventional wisdom that there are “no jobs” in the inner city, it may be more correct to say that there are limited numbers of jobs that low-skilled, recently immigrated, or non-college educated adults can do. As industrial jobs have left the cities, there are fewer jobs in central cities open to those with limited education past high school, especially outside the clerical fields that are more attractive and open to women.

Exploration of the “spatial mismatch hypothesis” (the idea that the movement of firms to the suburbs during the past several decades exacerbates unemployment in the inner city) has generally shown that the overall ratios of jobs to residents in the inner city within a specified commuting distance are roughly equal to those of suburban residents (Holzer 1989). These jobs appear to be fairly similar to jobs in other parts of the metro area. However, few inner-city residents are accessing these jobs. An ICIC study showed that only 23% of inner-city jobs are held by inner-city residents (ICIC 2005). In addition, studies of commuting times of inner-city residents compared to other residents have shown that inner-city residents commute longer distances (Raphael 1997), indicating that workers in inner cities must commute further to find a job because they cannot find a job within the inner city.

The major employers in inner-city areas are often hospitals, higher education institutions, and public agencies. Although these types of organizations have job opportunities for
residents who may not have a great deal of formal education, many employment opportunities require levels of training that inner-city residents, who are more likely to be less educated, younger, and more recently arrived in the United States, do not have. In this environment, retail can be an important source of employment. Although retail jobs are often low-paid, they are often “starter” jobs that bring youth into the labor force, and connect them with other opportunities. Retail jobs are often fairly accessible jobs to young people, immigrants, and those with only a high school degree. In addition, the retail industry also provides management opportunity to workers with industry experience but without a college degree. Less than half of the highest managerial roles at retailers require a college degree (Donnellan 98). Supervisors of three retail salespeople with only a high school degree earn an average of $32,720 per year (BLS, 2006).

As it is underserved by retail, the inner city is also underserved by the retail jobs that could provide these important opportunities. Shopping center-related jobs represent 9.5% of US non-farm jobs, and have increased from 10.62 to 12.48 million jobs from 1992 to 2004 (ICSC 2006). However, there are only half as many retail jobs per resident in the inner city as there are in the rest of the metropolitan area. While there are 86 jobs at eating and drinking establishments per 1000 people outside the inner city, there are just 39 such jobs per 1000 residents in the inner city (ICIC 2005).

Although there is no guarantee that retail establishments will hire locally, many large retailers have recently attempted to do more of their hiring locally either as a public relations strategy or as a loss reduction strategy, following industry studies that show that stores with a larger share of employees from within the community have lower rates of shrinkage (ICSC 2002). In addition, the retailers at many shopping centers developed by CDCs either work with these organizations to recruit and train workers, or are required to report on established goals for local hiring as part of the terms of their lease. For example, Pathmark has a corporate policy goal of hiring 75% of workers from the local community in its urban locations (ICSC 2002), which was increased to 90% in the case of the Newark,
New Jersey store, developed in association with New Community Corporation, a local CDC (ICIC 1999).

**Shopping center development in particular improves the community without gentrification**

Although some community activists and economic analysts feel that retail revitalization is basically gentrification by another name, others say that retail development can actually manage the gentrification process in neighborhoods already threatened by rapid change. Retail developed to capture the demand for convenience goods from local residents can actually reserve a place for businesses serving low- and moderate-income residents early in the process of neighborhood change. This can be particularly true for development at the scale of a shopping center. Shopping center tenants, much more so than retailers in freestanding spaces that are near one another, tend to be fairly homogenous in terms of market. A retailer that is focused on a high-income demographic will not move to a center space next to an established tenant that focuses on a more down-market demographic (or vise-versa). When a center that caters to the existing demographic of a neighborhood is established, it makes a neighborhood a less likely target for the type of upscale housing or commercial gentrification that can actively push out residents (Brenna 1999).

Providing more services also allows neighborhoods to attract and keep more moderate- and middle-income residents, who, although considered “gentrifiers” by some, are often similar in ethnicity, tastes, and values to existing residents (Newman 2004). This type of upgrading by middle-income residents can stabilize a neighborhood and prevent large-scale abandonment or neighborhood turnover.

In addition, the types of larger regional or national retailers that anchor most centers often provide benefits to the community, such as agreeing to source labor or other inputs locally, or providing and/or managing open space and other infrastructure for the community (Weissbourn 2005). Major companies that have locations in inner-city areas now have a
stake in the community, and are more likely to align their corporate giving strategies with the needs of the community (Guy 2002).

**Conclusion**

Following the traditional adage that “retail follows rooftops,” now that many CDCs have succeeded in their goal of building quality housing, it is natural to continue upgrading their neighborhoods with quality retail services for residents. There are clearly economic benefits to be derived from retail development in the inner city, including remediation of blight, creating greater value for inner-city residents, and providing employment opportunities. Inner-city neighborhoods experiencing extreme blight and disinvestment can especially benefit from investment at the scale of a shopping center. The next chapter looks at shopping centers that currently exist in the inner city, and examines how these centers compare to those built in other areas.
Chapter 4: Profile of Inner-City Shopping Centers

Because inner-city markets are different than markets in other parts of the metropolitan area, and are physically different from other types of neighborhoods, we would expect shopping centers in inner-city neighborhoods to be systematically different than shopping centers in other parts of the city. At the same time, inner-city projects are often built by the same developers, financed by the same lenders (albeit often with subsidies), and cut from the same design cloth as “regular” shopping centers. So, are inner-city shopping centers much like suburban centers, or are they different?

The following chapter provides a profile of shopping centers in the inner city, and an examination of how shopping centers in the inner city compare to shopping centers built in other parts of the metropolitan area. In the data presented below, inner-city centers within the 100 largest metropolitan areas are compared with shopping centers in the same 100 metropolitan areas that are outside the inner city.1

Types of Shopping Centers in the Inner City

Within the 100 largest metropolitan statistical areas (MSAs) in the US, there are 14,355 shopping centers. Of these centers, 925 were identified as being in the inner city, using the methodology described in the introduction. While inner cities represent less than 2% of the land area of the MSAs that contain them, they contain approximately 11% of the MSA population, according to US Census data. Inner-city shopping centers represent 145 million square feet of retail space, or approximately 6% of the 2.5 billion square feet of shopping center space in the 100 biggest metro areas.

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1 Based on the author’s calculations. Methodology is presented in Chapter 1. The 100 largest metropolitan areas are contained in the 18 largest PMSAs.
Shopping centers in the inner city are strikingly similar to those within other parts of the metropolitan areas in most ways. Not surprisingly, due to a shortage of land availability, most inner-city shopping centers tends to be smaller than centers in other metropolitan locations, and are more likely to be smaller shopping centers that meet more locally oriented demand for convenience goods.

<table>
<thead>
<tr>
<th>Table 1: Distribution of Center Types and Sizes</th>
<th>Non-Inner-City Centers</th>
<th>Inner-City Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Total</td>
<td>Average GLA (SF)</td>
<td>% of Total</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>49%</td>
<td>51,329</td>
</tr>
<tr>
<td>Community</td>
<td>37%</td>
<td>162,714</td>
</tr>
<tr>
<td>Regional</td>
<td>9%</td>
<td>433,069</td>
</tr>
<tr>
<td>Super Regional</td>
<td>4%</td>
<td>1,124,498</td>
</tr>
<tr>
<td>Average Size</td>
<td>168,641</td>
<td>157,008</td>
</tr>
</tbody>
</table>

Centers in inner-city neighborhoods, not surprisingly, are less likely to be strip centers and much less likely to be enclosed malls, and are much more likely to have been adaptive re-use projects. Adaptive re-use projects involve redevelopment of a site from other uses, such as industrial or other commercial uses.

<table>
<thead>
<tr>
<th>Table 2: Distribution of Project Types</th>
<th>Non-Inner-City Centers</th>
<th>Inner-City Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strip Centers</td>
<td>88.1%</td>
<td>76.8%</td>
</tr>
<tr>
<td>Enclosed Malls</td>
<td>40.1%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Mixed-Use Projects</td>
<td>10.0%</td>
<td>16.6%</td>
</tr>
<tr>
<td>Adaptive Reuse Projects</td>
<td>1.8%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Physical Characteristics

Physically, inner-city centers are fairly similar to shopping centers in other parts of the metropolitan area, but there are some notable differences. While neighborhood centers in both types of communities are similar, community centers in inner-city areas tend to be much denser, and have a greater number of smaller stores, led by a much smaller anchor.
Surprisingly, parking ratios at inner-city centers are actually higher on average than those at smaller centers. This could possibly be due to the high number of very small stores, which would tend to have higher parking ratios than larger stores. This indicates that even though shopping centers in inner-city areas are in dense, urban neighborhoods with lower-than-average car ownership rates, that they are still considered car-dependent developments, and that greater land scarcity has not led developers or retailers to try to ration parking in an effort to decrease costs.

Even with higher parking ratios, development in inner-city areas is slightly denser than that in other parts of the MSA. The floor-area ratio (FAR) of inner-city developments is higher, even though only a handful of centers are more than one story high. This could indicate that inner-city shopping centers use their scarce land more efficiently, and that inner-city centers probably have less of the landscaping or public spaces found in many centers in other parts of the MSA.

### Table 3: Physical Attributes of Inner-City Centers vs. other Centers

<table>
<thead>
<tr>
<th></th>
<th>Total GLA (SF)</th>
<th>Number of Stores</th>
<th>Acres of Land</th>
<th>Anchor Size* (SF)</th>
<th>Parking Ratio (spaces/1000 sf)</th>
<th>Estimated FAR**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Neighborhood Centers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inner-City Centers</td>
<td>51,157</td>
<td>12</td>
<td>10.1</td>
<td>19,500</td>
<td>6.3</td>
<td>0.264343</td>
</tr>
<tr>
<td>Non-Inner-City Centers</td>
<td>51,329</td>
<td>12</td>
<td>10.5</td>
<td>21,442</td>
<td>5.7</td>
<td>0.230332</td>
</tr>
</tbody>
</table>

| **Community Centers**  |               |                  |               |                   |                               |                |
| Inner-City Centers     | 164,253       | 26               | 17.2          | 49,477            | 5.8                           | 0.351541       |
| Non-Inner-City Centers | 162,714       | 22               | 20.4          | 55,386            | 5.3                           | 0.265641       |

*Many centers have more than one anchor. Anchor size here is the average size of the largest anchor in the center.

**Assuming 85% efficiency of built space.

**Shopping Center Tenants**

The types of tenants in inner-city shopping centers, are, surprisingly, fairly similar to those in the average suburban shopping centers, but have some important differences. In general, services (other than hair and nail salons) are much more frequently found in non-inner-
city centers than they are found in the inner city. In particular, health care offices, doctors' offices, and optician's offices make up nearly 10% of tenant spaces in non-inner-city centers, while these types of uses make up less than 2% of spaces in inner-city centers. One type of service that is found in inner-city centers more frequently than outside it are finance companies, which include check-cashing and paycheck advance services, which are found almost exclusively in areas with high proportions of renters\(^2\). Although these types of uses make up only a small amount of total tenants in centers, because these types of services usually do not locate next to one another as many other types of retailers do, these numbers hide the fact that a high proportion of centers in the inner city – 32% – have at least one non-bank financial services company.

Inner cities, on the other hand, tend to have a larger share of ladies' clothing, accessory, and jewelry stores, as well as hair salons. This indicates more of a fashion profile among inner-city centers, as well as a focus on products and services oriented toward women. This could be a response to different demand from inner-city consumers. According to a 1997 inner-city shopper survey conducted by ICIC, inner-city shoppers were more much likely to indicate that they liked to shop for clothing. In particular, inner-city African American households report spending slightly more on apparel each year than the average US household (ICIC 1998).

One theory for this trend is that renters, who are found in larger proportions in the inner city, spend less on home improvement and furnishings than home owners, freeing more disposable income for spending in “soft goods” categories. This is backed up by the Bureau of Labor Statistics data on overall spending patterns for renters across all categories, including those in luxury apartments.

\(^2\) ACE/Cash America, the largest such business found in inner-city shopping centers, prefers to locate in trade areas with 70% renters.
Table 4: Shopping Center Non-Anchor Tenant Types

<table>
<thead>
<tr>
<th>Inner City</th>
<th>Other Metro Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td># of Stores</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1158</td>
</tr>
<tr>
<td>Hair Salon</td>
<td>1074</td>
</tr>
<tr>
<td>Ladies Apparel</td>
<td>849</td>
</tr>
<tr>
<td>Fast-food</td>
<td>718</td>
</tr>
<tr>
<td>Other Services</td>
<td>681</td>
</tr>
<tr>
<td>Shoes</td>
<td>625</td>
</tr>
<tr>
<td>Jewelers</td>
<td>473</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>339</td>
</tr>
<tr>
<td>Card/Gifts</td>
<td>305</td>
</tr>
<tr>
<td>Phone Store</td>
<td>293</td>
</tr>
<tr>
<td>Nail Salon</td>
<td>274</td>
</tr>
<tr>
<td>Accessory</td>
<td>259</td>
</tr>
<tr>
<td>Health and Beauty</td>
<td>246</td>
</tr>
<tr>
<td>Other Retailer</td>
<td>228</td>
</tr>
<tr>
<td>Men</td>
<td>196</td>
</tr>
<tr>
<td>Finance Company</td>
<td>192</td>
</tr>
<tr>
<td>Bank</td>
<td>192</td>
</tr>
</tbody>
</table>

Anchor Types

Overall, the anchoring tenants for shopping centers in the inner city have an even closer profile to that of shopping centers in other parts of the county. Because most projects require a particular type of anchoring strategy in order to be financed, it is not surprising that the types of anchors are similar.

However, there are some key differences. Specialty food markets and hair salons do anchor a small percentage of inner-city shopping centers, while these types of uses only rarely anchor non-inner-city centers. The average leasable area of hair salons anchoring centers is approximately 16,400 sf, much higher than the industry average hair salon tenant space, which is approximately 800 sf. Rather than representing smaller centers with small anchors, perhaps some of these hair salons have taken over the spaces of other, larger-footprint uses that have left the center.
Table 5: Shopping Center Anchor Types*

<table>
<thead>
<tr>
<th>Anchor Type</th>
<th>Percentage of Anchors</th>
<th>Anchor Type</th>
<th>Percentage of Anchors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner-City Centers</td>
<td></td>
<td>Other Metro Centers</td>
<td></td>
</tr>
<tr>
<td>Supermarket</td>
<td>19%</td>
<td>Supermarket</td>
<td>20%</td>
</tr>
<tr>
<td>Discount Store</td>
<td>14%</td>
<td>Discount Store</td>
<td>13%</td>
</tr>
<tr>
<td>Department Store</td>
<td>10%</td>
<td>Department Store</td>
<td>11%</td>
</tr>
<tr>
<td>Drug Store</td>
<td>8%</td>
<td>Drug Store</td>
<td>7%</td>
</tr>
<tr>
<td>Cinema</td>
<td>4%</td>
<td>Cinema</td>
<td>4%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>3%</td>
<td>Office Supply</td>
<td>3%</td>
</tr>
<tr>
<td>Office Supply</td>
<td>3%</td>
<td>Consumer Electronics</td>
<td>3%</td>
</tr>
<tr>
<td>Furniture</td>
<td>2%</td>
<td>Home Improvements</td>
<td>2%</td>
</tr>
<tr>
<td>Specialty Food Market</td>
<td>2%</td>
<td>Sporting Goods</td>
<td>2%</td>
</tr>
<tr>
<td>Hair Salon</td>
<td>2%</td>
<td>Furniture</td>
<td>2%</td>
</tr>
</tbody>
</table>

*In the data set used, most shopping centers have more than one anchor. Percentages represent total percentages of all retail spaces that are anchors, not percentages of centers whose primary anchor is of the type listed.
When looking at the most common anchors in shopping centers, we can see some smaller trends that are also important. Video rental stores are a much more important source of anchor tenants in inner-city centers than they are for centers in other parts of the metropolitan area. Interestingly, although Blockbuster Video has a much larger penetration outside the inner city, it only anchors 22 centers in the rest of the MSA. With more than 80% of Blockbuster stores in shopping centers, this represents a significant market found in the inner city.

Two of the top ten inner-city retailers are chain drug stores. The large numbers for Walgreens and Rite Aid of course are mainly indicative of the greater consolidation in the

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*Most centers report having more than one anchor.

---

drug store industry, compared to other types of retailers that tend to anchor shopping centers. However, drug stores do anchor a slightly higher proportion (8% vs. 7%) of inner-city than other metropolitan shopping centers, and drug stores in particular are an important player in inner-city shopping center development.

Drug stores have been large players in inner-city markets within the past ten years, as the four large drug store chains have gained market share from other types of retail through growth and are aggressively expanding their number of stores. The expansion has been fueled by aging demographics and rising health care prices, with more people living longer on a greater number of prescription drugs, and the growth of HMOs, which are attempting to limit hospital use, resulting in a higher proportion of all prescriptions being filled outside medical facilities (Berne 2001).

This desperation for new sites has led many drug store chains into the inner city. Also, drug stores are more likely to enter riskier locations than many other mass marketers because, compared to other mass-marketers, each individual store is a smaller investment compared with the portfolio as a whole, and requires fewer purchases per trip to make money. Even so, many times drug store sales are actually higher in inner-city areas, as drug stores become corner stores that supply many different daily needs in under-retailed areas. In Boston, according to ICIC, drug store sales per square foot for national chains are 44% higher in inner-city locations than they are for other metro locations. Michael Berne, a well-known retail consultant for downtown and inner-city revitalization projects, argued in a 2000 article that because chain drugstores are so desperate for new locations in inner-city neighborhoods, CDCs should not need to lure them through public subsidies, as they do grocery stores, but should attempt to play one off the other (Berne 2004).

Overall, centers in the inner-city are fairly similar to those in other parts of the MSA, although they are, as expected, smaller, denser, and house a slightly different profile of retailers. The next section examines trends in development of these types of centers over the past fifty years.
Chapter 5: Trends in Inner-City Shopping Center Development

As seen in previous chapters, there are many economic development arguments for bringing retail back into inner-city areas, and in particular, bringing shopping centers back into inner-city neighborhoods. Also, there are many shopping centers in the inner city that are very similar to those in other parts of the city that have been successful. However, these projects do face several barriers, including high site costs, crime, low spending power, and a lack of instruments to measure the market demand that does exist in these areas.

There has been a great deal of media attention surrounding several high-profile projects that have recently entered the inner-city market, such as the new development in Harlem, and Magic Johnson’s developments in inner-city Los Angeles. Are these projects merely the exceptions that prove the rule, or has there been a trend toward greater development of shopping centers in inner-city areas within the past ten years? To answer this question, the following chapter is an examination of trends in inner-city real estate development versus that occurring in other parts of the metropolitan area. I also briefly examine overall retail trends to determine whether these shopping center trends are indicative of trends in the overall retail market.

Trends in Shopping Center Development Over Time

To determine the trends in inner-city investment, I compared the number of inner-city shopping centers built each year to the number of centers built in the metro areas that contain these inner-city areas (excluding the inner city). Although the boundaries of some MSAs have expanded over time, geographic 2000 MSA boundaries were used as metropolitan area boundaries for all years. This data only includes centers that currently exist – it does not include centers that have been demolished or are defunct. However, this is probably a very small number of centers. One analyst estimated that in 2002, less than
0.5% of shopping center stock had been demolished or completely shuttered each year (Wheaton 2005).

In terms of number of projects built in inner-city neighborhoods, we can see from Figure 1 that generally, the trends have been similar. In the 1960s and 1970s, projects in inner-city areas made up about 10% of total center projects. A steep drop-off in shopping center development in the inner city that was not mirrored in the larger market occurred in 1969, when only 2 projects were completed in the inner city. This low point was probably due to uncertainty in the market due to racial unrest in the urban neighborhoods during this time.
The 1980s saw a boom of shopping center construction that was shared by inner-city neighborhoods. Although inner-city development begins to represent a lower percentage of total shopping center projects during this time, this is expected due to the decrease in inner-city population during the same time period. Between 1989 and 1993, there was a 70% decrease overall in shopping center construction, in response to the Savings and Loan crisis, which led to a severe lack of credit for real estate development (ISCS 2006). This trend appears to have hit inner-city and other metropolitan center development equally. Overall, these patterns tend to refute the commonly held assumption that all of the new development occurred in the suburbs – many shopping centers were built in the 1980s in inner-city neighborhoods, even though this was a time for major distress in many areas.

More Recent Trends
As is shown in Figure 2, new shopping center construction has trended down during the 1990s, due to a perceived overbuilding of space during the 1980s, a resurgence of consumer preferences for freestanding retail, and the rise of big-box retail. Although the inner-city population grew in the 1990s, the number of shopping center projects in the inner cities declined even more sharply than did inner-city projects, and changes in the number of projects completed has been even more erratic than that for projects developed in other parts of the metro area.

One notable exception to this downward trend occurred in the year 2000, which saw a boom of projects in the inner city, perhaps a delayed effect of the economic boom which led to economic improvements in the inner cities as well as the overall market. This “mini-boom” was not seen in the rest of the market. Currently, all types of shopping center development has declined greatly, and is at historically low levels. While suburban shopping center development has declined significantly, the number of centers developed in inner-city areas, is, unlike overall development, at an all-time low.

4 According to the ICIC boundary definitions of the inner city.
Trends in Square Footage

In terms of shopping center space, rather than just projects, we would expect that the patterns would be slightly more divergent, reflecting the fact that land area tends to be more constrained, and, as we have seen above, on average, inner-city shopping centers tend to be smaller than those in other parts of the metro area. Looking at development trends in terms of square footage (Figure 3), we see the expected huge increase in square footage of inner-city centers in the 1960s, reflecting the large centers built in inner-city areas during urban renewal. During the 1970s, shopping center space grew within the metro areas, but development remained erratic in the inner city.
We see in Figure 3 that the amount of new development in the inner city and the metro area starts to diverge not with the huge increase in investment in the 1980s, but instead with the sharper decline in the face of an overall decrease in shopping center activity in the 1990s. A sharp peak in new centers built in 1999, at the height of the economic boom, was not reflected in the inner city. This trend runs counter to population trends. While the 1980s saw a decrease in inner-city population, the 1990s actually saw an overall increase in inner-city population (ICIC 2001).
Expansions and Renovations

In the 1990s, twenty years after the first period of major construction in the shopping center industry in the 1970s, the trend in shopping center investment was not in new development, but instead renovation and remodeling of older centers. By 1992, the number of renovation projects outstripped new construction.

As we can see in Figure 4, when renovations and expansions of centers are added to construction for a measure of overall construction activity in shopping centers, the downturn in new construction in the metro areas is hidden by the massive amount of renovations and expansions. We see the same jump in inner-city renovations and expansions during urban renewal, then in the late 1970s, we see very few renovations or expansions of centers, indicating a period of disinvestment.
Intuitively, one might expect that because inner-city shopping centers would tend to be older, that by including renovations and expansions, inner-city areas would represent a greater proportion of total investment. However, from an urban economics perspective, we would expect less renovation in inner-city shopping centers, which are generally in lower-income areas. Maintenance adds proportionately more to the value of investment expenditure than to the value of operating profits, and therefore, maintenance adds to a property’s value only if a greater profit standard is on the renovation than on the initial investment (Blazenko and Pavlov 2004). Therefore, properties in poorer, less profit-generating areas are more likely to remain unrenovated even when overall economic conditions improve.
This is the pattern illustrated in Figure 5. Shopping center development in inner-city areas followed similar trends to development in other parts of the metro area from the 1970s through the early 1990s. However, in the mid-1990s, as expansions and renovations of centers occurred in the rest of the metropolitan areas, this same investment in renovation and expansion did not occur in the inner city. This period of renovation in the 1990s left inner-city neighborhoods out.

Interestingly, while the patterns of shopping center development versus renovation in suburban areas are completely distinct, with development decreasing while renovations
increase greatly (Figure 6), trends in inner-city shopping center renovation and expansion followed a similar pattern to overall inner-city development (see Figures 7 and 8). This is the most extreme difference in trends between the two markets.
Inner City Shopping Center
Renovations/Expansions

Percent of Metro Shopping Center SF Developed in
Inner City Areas

Figure 7

Figure 8
Regional Differences
One could come up with several different hypotheses about how the trends in inner-city shopping center development versus other metro development would be different in different parts of the country. The more active public-sector planning and CDC movement could have allowed more centers to have been built recently in the North East, or one could argue that the additional space in less-densely populated and generally newer Western cities would allow more development to happen. I found neither of these to be true.

However, there are, as expected, regional differences in the amount of shopping centers per capita, and the share of shopping center space represented by the inner-city. Inner-city development in the Southwestern United States is very small when compared to other metro development, and appears to be nearly flat, while in the Northern United States, inner-city and overall investment the most similar trends. Data for each region is provided in Appendix A.

Comparing Overall Trends in Retail and Local Services
The data above suggests that, in terms of shopping centers, there has been no major expansion in shopping center opportunities for businesses in the 1990s, and that the redevelopment of shopping centers is occurring outside of inner cities. This would indicate that there are few new retail businesses appearing in inner-city areas, while there is an expansion of retail and other businesses occurring outside the inner city. However, this focus on shopping centers begs the question: is the trend in shopping center space indicative of a negative trend in the overall market for retail and other local services in the inner city? Or has development become even more inclined toward freestanding retail in the inner city, compensating for the lack of shopping centers in these neighborhoods?

Shopping centers make up a sizeable proportion of retail space, but by no means do they represent all of the market. According to ISCS, in 2004, shopping centers represented 63% of all retail square footage, and according to data from the US Dept. of Commerce quoted
by ICSC (2005), shopping centers represent 75% of all non-automotive retail sales in the US. In addition, as we have seen, there has been a recent shift toward development of freestanding retail, decreasing the importance of shopping centers in the overall retail mix.

To determine how shopping center development patterns fit in with the larger inner-city retail environment, I examined data from ICIC on the types of businesses that tend to locate in shopping centers, including retail establishments and local services, such as hair salons, tax preparation services, and video rental stores that are not technically categorized as "retail." The ICSC calls these types of businesses "shopping-center inclined" businesses. The data spans from 1999 to 2003, and uses the cluster analysis approach developed by Michael Porter. Although only one brief snapshot in time (during a recession), this data gives us two indicators that help us place the earlier data in context.

First of all, it provides some order of magnitude in terms of what share of overall retail and services are represented by shopping centers in the inner city. There were approximately 64,705 retail or local services establishments in 2003, and 19,254 tenants in inner-city shopping centers. These numbers are not quite comparable, but we can perhaps estimate that about a third of retail services are in shopping centers in the inner city, while a higher percentage of shopping-center-inclined businesses are located in centers in the rest of the metropolitan region.

Also, this data allows us to place the shopping-center trends we have seen previously into the overall framework of larger business trends in the inner-city. As is shown in Table 7, during the period studied, the number of establishments grew by 4.4% and jobs grew 8.0% in the overall metropolitan area, while in the inner city, there was a contraction, with the number of jobs shrinking by 1.5% and the number of establishments shrinking by 3.8% (full data presented in Appendix B). These overall trends reinforce and heighten the disparities between shopping center investment in the inner cities and the metro areas, and

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5 Based on Cluster data from all retailing categories from the Harvard Business School Center for Strategy and Cluster Mapping Project, and ICIC inner-city boundaries.
support the finding that there has been no major rediscovery of inner-city retail in the 1990s.

Table 7: Overall Growth in Shopping-Center-Inclined Establishments (1998-2003)\(^6\)

<table>
<thead>
<tr>
<th></th>
<th>Inner Cities</th>
<th>MSAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998 Jobs</td>
<td>805,638</td>
<td>9,298,460</td>
</tr>
<tr>
<td>2003 Jobs</td>
<td>793,350</td>
<td>10,040,921</td>
</tr>
<tr>
<td>Job Growth</td>
<td>-1.5%</td>
<td>8.0%</td>
</tr>
<tr>
<td>1998 Establishments</td>
<td>67,262</td>
<td>675,844</td>
</tr>
<tr>
<td>2003 Establishments</td>
<td>64,705</td>
<td>705,822</td>
</tr>
<tr>
<td>Establishment Growth</td>
<td>-3.8%</td>
<td>4.4%</td>
</tr>
<tr>
<td>2003 Shopping Center Tenants</td>
<td>19,254</td>
<td>314,021</td>
</tr>
<tr>
<td>Estimated % Establishments in Shopping Centers</td>
<td>30%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Conclusions

Trends in inner-city shopping center development and development in other parts of the metro area are similar in many respects. However, there are some key differences. Shopping center development trends have diverged during the recent decline in development activity since the late 1980s. Inner-city development has fallen even further than has overall development. This refutes the widely held narrative of retail development in the inner cities that states that the 1980s was a time of massive disinvestment in the inner city, followed by a more recent “renaissance” in the 1990s and beyond. The data shows that shopping center development in the inner-city is at historically low levels. In addition, the inner-city has not enjoyed the overall industry trend in the past 10-15 years toward renovation of older existing centers. These conclusions are consistent across different regions of the country, and are consistent with data on shopping-center-inclined businesses in the inner city, which also show a recent decline.

Perhaps the recent mainstream media interest in inner-city retail redevelopment is not because these individual developments illustrate a major trend that is occurring, but

\(^6\) See Appendix B for full list of subclusters used to calculate shopping-center-inclined businesses.
instead is due to the fact this type of development is now so rare. However, there are still successful shopping center projects being built or renovated in the inner city. The next chapter looks at three projects that have defied these trends and have been either built or remodeled in the inner city in the past ten years.
Chapter 6: Case Studies of Inner-City Shopping Centers

The previous chapter examined trends in shopping center development happening in inner cities, and found that, contrary to much of the popular press surrounding the return of retail to the inner city, there is actually a slight decrease in the proportion of development in the inner city within the past ten years. But, what is the economic impact of the shopping center development that is happening in inner-city areas? In this chapter, I look at three case studies that illustrate some projects that have been built recently in the inner city, with the goal of presenting how successful projects came about, why they were attractive to potential tenants, and what their impact was on the neighborhood and as creators of jobs.

GulfGate Center, Houston

GulfGate Center, a 675,000 sf open-air, discount power center built on a 58-acre parcel, is by far the largest project studied, and is a redevelopment of an existing center. GulfGate is a redevelopment of the first regional shopping mall in Houston, Texas, built in 1956. The area was then a mix of housing and increasing industrial uses, fueled by the new interstate highways. The retro 60s sign, high over the intersection of Loop 610 and I-45 (known locally as the Gulf Freeway) was a local icon – and a sign of a neighborhood and a shopping center that had seen better days. By 1997, only three stores remained around the outside of the 750,000 sf mall, while most was shuttered.

After the opening of the Galleria Mall just a few exits down 610 in 1970, the center slowly lost occupancy until only three discount tenants remained in 1997 when it was bought by the current developer, a partnership between a private developer and the City of Houston, which financed part of the project through a tax increment financing district. The neighborhood, locally called the East End or sometimes “the GulfGate area” is currently made up of a majority of Hispanic immigrants, and abuts the Third Ward, one of two
remaining traditionally African-American communities in central Houston. The area is has a large number of single family homes as well as apartments.
Figure 9: GulfGate Center Map and Photographs
Grove Hall Mecca, Boston

Grove Hall Mecca, in Boston, Massachusetts opened in 2001, after more than 15 years of planning and over 200 community meetings. The center was co-developed by an active local CDC, Grove Hall Neighborhood Development Corporation (which still owns and operates the center), with the pro-bono consultation of a private developer, Samuels & Sons, and financial and other support from the city as part of both the City of Boston Federal Empowerment Zone and the City Main Streets programs. The center is a suburban-style neighborhood center, with two detached anchors (a large-format grocery store and a pharmacy) and several smaller retail spaces.

Grove Hall is a small “sub-neighborhood” that connects Boston’s two majority African-American neighborhoods of Roxbury and Dorchester, and is variously identified as being in either one. The center is located on Blue Hill Avenue, the formerly active but now struggling retail spine that connects the two. In the late 1960s, urban riots led to a mass exodus of local businesses from the area. In the 1970s, a further blow to the neighborhood was an unsuccessful public program to encourage minority home ownership, which, due to a variety of factors, led to foreclosures on more than one-quarter of the neighborhood’s homes.

Since the mid-1990s, the area has seen a great deal of revitalization in the form of a large addition of affordable rental and ownership housing developed by several active CDCs, and other smaller retail revitalization projects. Just behind the center is an affordable housing development with several units already constructed and more on the way. The “Mecca” in the name of the center refers to the leadership in this and other revitalization efforts provided by local members of the Nation of Islam, which has been an active partner in homeownership, crime reduction, and economic development projects in the neighborhood.
Figure 10: Grove Hall Mecca Map and Photographs
Midtown Marketplace, Baltimore

Midtown Marketplace is a strip-style neighborhood center in a predominantly African-American neighborhood in central Baltimore, Maryland, in the area of gridded streets just south of downtown, just two blocks from the heart of the old retail corridor of Charles Street. The center is actually not in what is generally called “Midtown” Baltimore, but in a neighborhood sometimes called “Station North” because of its proximity to Penn Station. Although the abandonment of property in the local area is not as extreme as that found in many parts of Baltimore, the site is located in a neighborhood that contains a great deal of abandoned row-housing and vacant storefronts. However, the corner on which the center sits is a busy corner with a great deal of retail, and an especially interesting agglomeration of automotive-related businesses.

All but one of the original shopping center tenants are still at the site, and the center has seen an upgrade in the addition of a freestanding laundromat built in the parking lot in 2001. The center has been successful for the developer, and for the current management company, which acquired the property in 2001.
Figure 11: Midtown Marketplace Map and Photographs
Lessons Learned from Three Inner-City Projects

As we have seen, inner-city shopping centers face a many barriers to development. When inner-city markets face so many barriers, what allowed these particular centers to be built, and to be successful? By interviewing developers, local business people, real estate professionals, and city officials, I tried to determine which factors made projects successful, and what their impact on the local economy has been.

Table 8: Case Summaries

<table>
<thead>
<tr>
<th></th>
<th>GulfGate Center</th>
<th>Grove Hall Mecca</th>
<th>Midtown Marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>Houston, Texas</td>
<td>Boston, Massachusetts</td>
<td>Baltimore, Maryland</td>
</tr>
<tr>
<td>Type of Center</td>
<td>Discount Power (Regional)</td>
<td>Community</td>
<td>Neighborhood</td>
</tr>
<tr>
<td>Size</td>
<td>675,000 sf</td>
<td>75,000 sf</td>
<td>38,900 sf</td>
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<tr>
<td>Development Costs</td>
<td>$50 million</td>
<td>$13.5 million</td>
<td>$6 million</td>
</tr>
<tr>
<td>Trade Area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>2.0 miles</td>
<td>1.0 mile</td>
<td>1.0 mile</td>
</tr>
<tr>
<td>Number of Households</td>
<td>43,432</td>
<td>30,103</td>
<td>20,725</td>
</tr>
<tr>
<td>Median Income</td>
<td>$13,545</td>
<td>$30,141</td>
<td>$24,344</td>
</tr>
<tr>
<td>Average Rent*</td>
<td>$25/sf</td>
<td>$26-28/sf</td>
<td>$14-15/sf</td>
</tr>
<tr>
<td>Premium on Avg. Area Rents**</td>
<td>40%</td>
<td>25-30%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Non-anchor rents, triple-net
**Based on perceptions of local real estate professionals

Barriers to Development

All three of these centers required some type of city involvement to occur. Grove Hall Mecca and GulfGate Center were both high-profile projects that had strong leadership from each of their respective city’s mayors for political reasons. Midtown Marketplace came about because of a private deal between the city and the developer.

Because of its prominent location on the Gulf Freeway connecting downtown Houston with Hobby Airport, NASA, and the beaches at Galveston, the City of Houston had long wanted to redevelop the GulfGate site – not because of any grassroots activism from
neighborhood residents or as part of an economic development strategy, but because of the aesthetic blight caused by such a large, visible parcel. Some local columnists have suggested that the redevelopment of the site by the famously laissez-faire city was, like the fledgling light rail system, hastened by the city’s Olympic bid. The Grove Hall Mecca project was due to long-time activism of neighborhood actors at both the Grove Hall NDC and the Mosque. The project was also supported by Mayor Menino, who had made revitalization of Blue Hill Avenue an issue in his campaign.

**Site conditions and infrastructure**

In dense, inner-city locations, site assembly and poor infrastructure are often major issues, especially in the more dense cities of the North East. The Midtown Marketplace and GulfGate sites were both owned by single owners, in markets where there were and still are a large number of large parcels to be developed. The Midtown site was bought by the developer from the City of Baltimore, when it was no longer needed as a greenspace parcel that was part of a former public housing project. The GulfGate parcel was an existing mall, still owned by family members of the original developer, who were not active in the real estate market and therefore eager to sell. GulfGate Partners, a joint venture between a private developer and the city, purchased the 51-acre, 750,000-sf mall for $8 million.

Reflecting the very different state of the real estate market in the older, denser city of Boston, site assembly for the Grove Hall Mecca Project was more complex. The site had been vacant since 1968, and was a former industrial site heavily contaminated by underground oil and gas tanks. The site was cleaned up by the city in 1998 to attract investment.

The GulfGate site also had a contamination problem, but this only came to light after the purchase of the property. Most of the mall had asbestos, which was found when part of the site was being renovated. The developer demolished most of the site, and started construction from scratch, as this would be cheaper than
attempting to contain the asbestos to remediate the site. This demolition added more than $1 million to the cost of construction in time delays and design rework. Such a find might have killed a smaller project, but the overall $50 budget could take the added cost and delay.

Local traffic infrastructure often has to be improved to accommodate the type of traffic that a major shopping center draws. Around the GulfGate site, the local highway infrastructure had to be improved substantially if the project would be able to handle the traffic expected. The city and the Texas DOT agreed to pay for $2 million in infrastructure improvements to nearby highway frontage roads. Grove Hall, while not requiring a major road expansion, required some traffic management, which was controversial. The main opposition to the shopping center surrounded the traffic improvement required, and the elimination of parking. In particular, a new no-left-turn sign onto Georgia Street from Blue Hill Avenue was quite controversial.

**Financing Gaps**

After the heavily discounted sale of the site to the private developer, the Midtown Marketplace project did not have any funding gap that needed public subsidy. The Grove Hall Mecca project, on the other hand, had a large funding gap and required federal funding. The project was financed by a mix of public subsidy and private CRA lending. Fleet Bank Community Banking Group invested $6 million in the development of the mall, and the project received a $3.2 million HUD Section 108 guaranteed loan backed up by City of Boston CDBG grant money. To bridge the remaining $3.6 million funding gap, the project received an Economic Development Initiative (EDI) grant. EDI grants are provided to cities specifically for projects financed through loans guaranteed through the Section 108 program.

To raise the debt needed to redevelop the GulfGate site, the City of Houston established a 30-year tax increment financing district (called a Tax Increment
Reinvestment Zone or TIRZ in Texas) around the shopping center, and established a GulfGate Redevelopment Authority. The redevelopment authority is a voluntary board, formed by the City Council, that has no active role in redevelopment, but which has the power to issue bonds, backed by the City, repayable with new property tax revenues from the site. Wells Fargo agreed to directly lend the Redevelopment Authority $3 million, but only if it was backed by a personal guarantee from Ed Wulfe. In addition, the Redevelopment Authority issued $5.2 million in municipal bonds, backed by a projection of $62 million in property tax revenue that will accrue to the district in the 30 years of the increment financing scheme.

The TIRZ is by far the dominant form of financing used for economic development real estate projects in Houston. Although the extensive use of this type of financing is often seen as an expression of a the lack of political will in the city for active public participation in real estate development projects, this project, with nearly $30 million of city funds at risk, was a major investment for the city, while providing a major subsidy for the developer. This project was unique in that the tax increment was not used to finance infrastructure for the project – this was paid for directly by the city and state, but was instead used to directly raise the capital needed for the city’s participation in the project.

**Market Demographics**

As has been shown in previous chapters, standard measures of market demand often under-estimate the market potential of inner-city sites for retail. Even with two strong anchors on board (a major grocery store and Lowe’s Home Improvement), the GulfGate project was originally not able to secure enough leasing commitments to make the large, regional project work because the area’s median income, as measured by StoreTrax, a standard market trade area assessment tool, was just over $13,000. (Houston’s median income at the time was $36,616.) Wulfe & Co., as a firm that not only did development, but was also a
well-known retail site selection consultant, had a feeling that the StoreTrax assessment of the area’s median income and population were much too low. The developer put together a coalition to engage Social Compact, a Washington D.C.-based nonprofit to use an innovative type of market analysis it calls a “drill-down” to measure the real spending power of the area. This approach uses nontraditional forms of data such as car registrations, utility bills, and immigration statistics to illustrate the demand in these communities that isn’t represented by traditional sources of data like census demographics or credit card sales.

Social Compact estimated that, in this heavily immigrant area, the actual median income was over $33,000. Armed with these new market studies, Wulfe was able to get Marshalls, Old Navy, and Ross Dress for Less to pre-lease the center – enough to make the project finance-able. Wulfe & Co. was able to make the case to Marshalls and Ross successfully because they had previously advised the retailers on site selection, placing them in middle-class markets in Houston, including a Wulfe project in the Bellaire neighborhood, only a few miles away.

Although Social Compact’s case was compelling (especially when supported financially by a high-profile private developer and noted site-selection expert), other, simpler arguments for inner-city retail development based on “income density” – the idea poor urban neighborhoods, because of their greater household density had a greater amount of income in a smaller space and therefore a richer trade area – often falls on deaf ears. Dunkin Donuts has been a large force in inner-city shopping centers, opening 47 stores in inner-city areas in the past ten years, two of which were in Midtown Marketplace and Grove Hall Mecca. According to Franchise Manager Jayne Fitzpatrick, Duncan Donuts recommends that its franchisees go into areas that have a median income of at least $38,000 within a 20-minute drive-time radius. When asked about the “income density” theory, she was familiar with the argument, but said that this would probably not be an argument that Dunkin Donuts would use to look at a site, nor did she feel
that any site selection firms or individual franchises would be swayed by this particular methodology.

However, there are other considerations rather than household income, the most important being employees within a 20-minutes drive time (preferably 10,000 in that radius), and site-specific considerations such as visibility, proximity to intersections, and especially sites on the same side of the street as most morning commuters. And, franchisees are welcome to go into neighborhoods that “they just have a feeling about.” Since so many Dunkin Donut sites have opened up in the inner-city, perhaps “just having a feeling” has been enough for local franchisees to trust these neighborhoods. The Dunkin Donuts franchise in Grove Hall is owned by Clayton Turnbull, a local entrepreneur who mainly agreed to go into the project as a show of solidarity with the project — and probably because he “just had a feeling” he could make money there.

**Crime**

In nearly all surveys of retailers and developers, crime and the perception of crime are two of the biggest deterrents preventing retailers from going into inner-city neighborhoods. Not surprisingly, retailers and representatives of the centers were uniformly unwilling to talk about specific rates of shoplifting or shrinkage (always calling shrinkage “about average”). However, at least the perception of crime is clearly a concern at both Midtown Marketplace and especially at Grove Hall Mecca. The Save-A-Lot grocery store, which anchors Midtown Marketplace, has a visible security staff within and outside the store, and police were at the store arresting a shoplifter on my first visit. The security staff at the center do provide a less intrusive security environment than several of the nearby retailers, who have to speak to their customers through small holes drilled in glass shields.

The Grove Hall neighborhood consistently has the highest violent crime rate in Boston. At Grove Hall Mecca, three security guards in orange vests patrol the
relatively small center, and there is extra security outside the Fleet Bank branch and outside the supermarket on weekends. Although no one has mentioned it directly, one could speculate that the design of the center, with a narrow entrance off of Blue Hill Avenue, is meant to give shoppers a greater feeling of security than they might have directly on the main thoroughfare.

Different than the other two centers, crime rates in the GulfGate neighborhood are actually lower than the Houston average. Either crime is not considered an issue at the GulfGate, or the security for the center is more subtle that at the other centers. This may be a result of the large size of the center, and the 24-hour grocery store. However, the entire center is brightly lit 24 hours a day. This is supposedly a marketing strategy, but perhaps might be a subtle crime deterrent technique.

**Anchoring Strategy**

According to Grove Hall NDC Executive Director Sister Virginia Muhammad, the original plan for GulfGate Center included a laundromat, a supermarket, a sit-down restaurant and a pharmacy. The two tenants that signed pre-leasing agreements were CVS Pharmacy, and a Dunkin Donuts franchisee. The Stop & Shop supermarket was a late addition to the Grove Hall project, surprising, since their store located at the South Bay Center, another inner-city center developed by the Samuels group, was their highest-grossing store (ICIC 2002). After the center was under construction, Mayor Menino personally intervened to bring in Stop & Shop, which was at the time considering several sites for a possible Boston location. In light of the discussion of rapid expansion in the drug store industry in Chapter 4, it is not surprising that CVS would be interested in the site.

It is also not surprising that the “dream anchor” courted by the CDC and the city for the site was a grocery store. Grocery stores typically are major draws for secondary tenants,
and provide an important service to the local community. The GulfGate and the Midtown Marketplace centers were made viable through the commitments of grocery store tenants – for Midtown Marketplace, it was the food wholesaler Save-A-Lot, and for the GulfGate Center it was H.E.B., a large regional chain with stores in South Texas and Mexico.

H.E.B., the first tenant signed into GulfGate Center, saw a market opportunity in the local neighborhood. While the “neighborhood marketing” concept in supermarket retailing has been recent to other parts of the country, the Texas supermarket market has always had less national chains that average and more local chains that cater to particular ethnic markets, according to Jorge Delagarza, Houston public relations representative for H.E.B. H.E.B., market leader in most of South Texas, was ready to attempt a more aggressive strategy in Houston, a market which had been more difficult for them to break into due to the supremacy of locally-owned chain Randall’s and FiestaMart, a niche store catering to minority communities, which locates more than a third of its shopping-center stores in the inner city.7 The controversial purchase of market-share leader Randall’s, a locally owned company, by Safeway in 2000, led to a decrease in market share that encouraged H.E.B. to make a more aggressive play for the Houston market, and led to their interest in the GulfGate site.

The GulfGate area did not lack a full-service grocery store. The Wayside FiestaMart, which mainly caters to a Hispanic clientele, is less than three miles away. In a heavily Hispanic area with 97% car ownership rate (Social Compact 2001), this was an attractive shopping option for most of the community. However, the store had been open since 1972, and no other competitor had entered the 16-square-mile neighborhood since. H.E.B. thought it could compete with a larger-“state-of-the-art” store that would have a more sophisticated, mainstream image than the discount FiestaMart, and jumped at the chance to get such a large space.

7 According to author’s calculations from provided data set.
While H.E.B. is clearly the main driver of traffic at GulfGate, in Midtown Marketplace the biggest traffic draw, oddly, is not the grocery store, but instead the Spin Cycle Laundromat and the Gentle Touch hand car wash across the street. While most tenants described their markets as mainly being made up of residents from the surrounding neighborhood, the laundromat manager described his trade area as regional, not just locals who live nearby. He said that most of his customers were residents of townhouses further away, and that most customers were driving from several miles away, because the laundromat was fairly new, and therefore spacious and in good repair when compared to options they may have closer to home. Reinforcing the manager’s perceptions, the laundromat also won a “Best of Baltimore” award from a local magazine. In fact, friends and acquaintances in Baltimore who knew little about the area and lived miles away immediately associated the area with the laundromat and the car wash across the street.

While the automotive uses often found in inner-city neighborhoods are often considered blight and a hindrance to commercial revitalization and retail development, the carwash across the street that is such a large draw for the center is part of a vibrant cluster of automotive-oriented businesses, which seem to have a mutually reinforcing link with the shopping center (which also contains an Advance Auto Parts). The local automotive cluster includes, on three streets within only a few yards of each other, a large hand car-wash, four auto parts stores (including the one at Midtown), two gas stations, and three auto body shops. Although automotive businesses are often seen as an undesirable land use, the automotive cluster in this area draws customers from through the city, and creates traffic that helps the shopping center, and provides a large number of jobs. When asked how this particular cluster started, the manager of Advance Auto Parts, Kevin Watson, pointed out a business that I hadn’t seen before, tucked behind the car wash – a taxi cab company whose dispatch center is one block away. The cab company had been in the area for a long time (some estimated since the early 1980s), which had led to the first auto body shop, the gas station, and, slowly over time, an agglomeration of auto-related businesses.
This cluster was already there when Midtown Marketplace opened in 1998, but after Midtown Marketplace opened, the WashWorks carwash, which employs more than 40 people, moved into the neighborhood in 2000, and is another business that is said to attract customers from across the city. The carwash in turn made the shopping center more valuable because of the traffic and wait times it generated, even considering the massive traffic congestion it causes, especially on weekends. Leasing agent Paula Polumbo claimed that the traffic and the wait-times generated specifically from the laundromat and to a lesser extent the car wash across the street was important in the decision of the center’s newest tenant, Dunkin Donuts. In effect, these two businesses are functioning as the center’s anchor, not the grocery store.

**Physical Design Strategies**

All three of these centers are strikingly similar to suburban shopping centers in overall design. Even though two of these centers are located in pedestrian-centric neighborhoods with low car ownership, they have similar parking ratios to suburban centers, mirroring the national data on inner-city centers noted in Chapter 4. Both of the larger centers (Grove Hall and GulfGate) are car-centric, open-air centers with freestanding shops built into large parking lots. Little of Grove Hall Mecca faces Blue Hill Avenue, or is even visible from the street. When customers turn in to the center, there is a large parking lot, and the three original tenants – Dunkin Donuts, CVS and Stop & Shop are located in freestanding spaces. These new developments illustrate the trend toward centers that mimic collections of freestanding retail that is occurring across all shopping center development. The freestanding space with a driver-through window was a major draw for the Duncan Donuts franchise to sign on to the project before development.

When the Grove Hall center was built, some on-street parking on Blue Hill Avenue had to be eliminated. To compensate for the lost parking, the parking lot of the center is technically open to all, not just customers of center tenants. However, the parking is not visible from the Blue Hill Avenue, and the enclosed nature of the center, off the street,
makes it a less convenient parking place for those patronizing the retailers on Blue Hill Avenue.

Although Midtown Marketplace and Grove Hall center are architecturally very standard, the architecture of GulfGate Center definitely looks toward the neighborhood’s Hispanic character – and has been slightly controversial. According to the promotional materials for prospective retailers in GulfGate Center, “the colorful urban architecture is a unique and inviting expression of the fabric and culture of its neighborhood.” Although some in the city have found aesthetic fault with the bright colors and imported palm trees, the Center is similar to many of the centers built in mainly Hispanic neighborhoods in California. H.E.B., as the earliest tenant, was the main driver of many of the Mexican-inspired architectural details, including a white “sky tent” canvas roof canopy atop their store.

**Job Impacts**

The job impacts of the Grove Hall Mecca mall are quoted to be 250 full-time jobs by several sources, including the City of Boston Main Streets program and several other media pieces. While this job count appears to be fairly accurate, the NDC admitted that probably this number includes many part-time jobs. The NDC has worked closely with local businesses to ensure that they hire locally. The Stop & Shop store has over 100 employees, with a goal of hiring 70% of their staff from the local neighborhood. The store focuses their local hiring strategy in the Dorchester area through a minority recruitment strategy, and through partnering with the NDC during job fairs. Stop & Shop has an unusually high proportion of Assistant Manager positions for a supermarket chain, and has a goal that half of these positions at all stores are filled by people of color. The Grove Hall store also advertises vacancies in the Bay State Banner, an African American newspaper, and hires 10 high-achieving local high-school students as interns each year, of which 90% work for the store in a team leader capacity upon graduation.
At Midtown Marketplace, all of the managers/owners of stores interviewed (those at all stores except Sav-A-Lot, China Wok, and Dunkin' Donuts) indicated that they lived in the local area, and all without exception said that all of their workers lived in the local area. In addition, these small businesses seemed to have a greater proportion of full-time workers than at the other centers. All 17 employees at Advance Auto Parts and 11 employees at Spin Cycle Laundromat are full-time, and are from the local community. At GulfGate, the proportion of jobs held by members of the local East End community has probably been smaller, although the total job impacts of the project have been much greater — the center has supposedly created 1500 jobs. None of the business owners or managers interviewed claimed to live in the neighborhood, and all said their workforce was culled from a large area.

This probably is due to a several different factors. H.E.B. and Washington Mutual were the only retailers that specifically made it part of their staffing mission to have a large representation from the local community. At Washington Mutual, all tellers are required to be fully bilingual to work at the GulfGate branch. The bank is still actively hiring, and is looking to increase its share of Spanish speakers. In addition, part of the requirements from the Johnson Development Corporation for the new Johnson Development Home Loan Center is that half of the employees of the home loan center must live in the local area, verifiable by zip code.

The high car ownership rate even among the poor in Texas makes labor, even for those in part-time service jobs, more mobile. Also, the higher-profile chains found at GulfGate when compared to Midtown Marketplace's smaller retailers generate more interest in employment from all potential employees — not just those in the local area, increasing competition. In addition, the undocumented status of many of the neighborhood's residents discourages them from seeking employment at high-profile employers like national chains.
Table 9: Job Impacts of Shopping Center Case Studies

<table>
<thead>
<tr>
<th>Center</th>
<th>Estimated Total Jobs (Full and Part Time)</th>
<th>Jobs per 1000 square feet</th>
<th>Impressions of Jobs held by local residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midtown Marketplace</td>
<td>93</td>
<td>2.4</td>
<td>Nearly All</td>
</tr>
<tr>
<td>GulfGate Center</td>
<td>1,500</td>
<td>2.2</td>
<td>Less than half</td>
</tr>
<tr>
<td>Grove Hall Mecca</td>
<td>250</td>
<td>3.3</td>
<td>75-80%</td>
</tr>
</tbody>
</table>

Other Community Impacts

The area around GulfGate is seeing a resurgence in retail development, mainly attributed directly to the traffic generated by GulfGate Center. Since Houston has no zoning, some lots that used to be single-family homes or obsolete industrial uses have been converted to free-standing fast food chains, including a McDonald’s and a Whataburger. In what is probably a more positive development, along Woodside Drive, a local central street far from the pull of the highway, a Chase bank and a Bank of America branch have opened. According to the East End Chamber of Commerce, GulfGate Center has resurrected the entire Interstate 45 South/Woodridge corridor.

The high costs of financial services for many low-income people, and especially immigrants, makes the addition of banks to the area a positive development for many residents. Inner cities, and inner-city shopping centers in particular, unfortunately represent rich market for check cashing services and financial services companies with predatory practices. Fully 32% of shopping centers in the inner city have at least one check-cashing, pawn or other non-bank financial services provider, while only 16% have a regular bank branch.

Washington Mutual’s branch in the GulfGate center has been a positive development for the company and for the neighborhood. The bank has had a difficult time breaking into the local Houston market, dominated by Chase and Wells Fargo. According to Missy Cousins, Houston-area public relations officer for Washington Mutual, the Washington Mutual branch processes more transactions per hour than any of the bank’s 93 Houston branches. Many customers at the GulfGate center are not account holders, but cash
paychecks and send money from the bank. The bank is marketing traditional checking accounts by providing free wire transfers to Mexico for account holders. The GulfGate branch is one of two Houston Washington Mutual branches that will host the Solid Start program, a partnership with Johnson Development Corporation. The program, available in English and Spanish, pairs prospective homeowners with a Washington Mutual home loan consultant who guides them through a series of courses and activities to prepare them for the purchase of a home in 12 to 18 months. This is the first center that the Johnson Development Corporation has built outside a majority African-American community. Without the attractive space provided by the Center, Washington Mutual would not have had a stake in this community, so that the geographic location of the center could be said to be expanding home ownership opportunities into the market, if the program is successful.

Of course, this program will only help local residents if homes stay affordable. However, there has been some indication that there is some interest, especially from Wulfe & Co., in gentrifying residential development in part of the community. Soon after the building of GulfGate, Wulfe & Co. organized a “Historic Preservation Tour” of the East End, attended by 60 real estate professionals, which showcased much of the pre-war housing stock in the moderate-income Lockwood and Eastwood communities. Although this trend is worrying, it is by no means a major threat. This historic district represents only a sliver of the neighborhood, which does not house the majority of very low-income residents, and there is great precedent in Houston, with a perception of limited market demand for luxury condominiums or apartments, for gentrification to be limited to areas with attractive pre-war housing stock.

However, this further interest in the community from Wulfe & Co., without resident representation from any CDC or local entity, is somewhat worrying. In addition to the construction of the center, Wulfe & Co., which has already been the beneficiary of a huge investment from the city, is taking what could be considered a worryingly strong role in the community through this project. The Chairman of the East End Chamber of
Commerce is now a Wulfe & Co. principal. The major interest in this area by one developer with a closer relationship with the city, and without a close relationship to residents, could be reason for concern.

Conclusion

Although previous chapters have shown that the development of new shopping centers in the inner city is at historic lows, these three centers, representing vastly different markets, tenants, and types of centers, illustrate that inner-city shopping centers can still be successful if they can overcome the initial hurdles to development. All of these centers are considered successful by their developers, managers, and tenants, each has significant job impacts on its local area, and each has created a vibrant node of development in a previously blighted area. In addition, each of these centers provides important daily goods and services to the community. Each contains the only large-format grocery store within a large area, and these centers also provide other services that are often requested by inner-city residents in the form of banks, laudromats, and drug stores.

These projects illustrate both the similarities found between inner-city and non-inner-city projects in Chapter 4, plus illustrate some differences that are more difficult to quantify through data alone. Each of these projects is notably similar in physical form and in initial anchoring strategy to suburban centers. However, there are significant differences in the particular mixtures of tenants represented. GulfGate is unusual in that it is anchored by a grocery store but is considered a “power center” of mainly apparel retailers – a rare mix of convenience and comparison shopping uses. Midtown Marketplace in particular shows an interesting synergy of automotive uses and retail that is seldom seen outside the inner city.

Even though the tenants in these centers have done well and all have 100% occupancy, each of these centers required some type of city involvement to occur, and the two larger projects took extraordinary measures from either private or public actors to get off the ground. This illustrates that there are still informational, logistical, and site selection
barriers that prevent these retail markets from being well-served. However, when these centers can get built, there are benefits for both retailers and neighborhoods.
Chapter 7: Conclusion

The current interest from CDCs and local governments in commercial revitalization is a natural extension of the community development work undertaken by CDCs and other organizations working to improve housing conditions in the inner cities since the 1970s. As these groups have succeeded in their goal of building quality housing, it is natural for them to continue upgrading their neighborhoods with quality retail services for residents. There are clearly economic benefits to be derived from retail development in the inner city, especially at the scale of a shopping center, including increased job opportunities, neighborhood stabilization, easier provision of necessities for residents, and encouragement of future investment. Also, retail districts create safe, comfortable places for residents, while eliminating remnants of blight.

To examine how and if inner-city communities have been able to take advantage of these benefits, this thesis has combined evaluation of a large data set representing all shopping centers in the inner city with three brief case studies to explore what the trends are for development of inner-city shopping centers, how these projects come about, and what their local community impacts are.

Surprisingly, I found that inner-city centers are fairly similar to those in other parts of the metropolitan area, although they are, as expected, smaller, denser, and house a slightly different profile of retailers. Trends in inner-city shopping center development, however, diverge from general shopping center development trends in interesting ways. During the 1980s, the most active period of shopping center development overall, development also increased greatly in the inner city. Even though this was considered a time of massive disinvestment, crime, and lack of interest in inner-city neighborhoods, a rising tide did appear to lift all boats. As the overall market for shopping-center development declined in the 1990s, inner-city development has declined even more sharply. And, while there is a major trend in the rest of the metropolitan area toward increasing renovation and expansion of older centers, shopping centers in the inner city are not experiencing this
surge of re-investment. Renovation and expansion square footage follows the same pattern as new development in inner-city neighborhoods, meaning that all types of shopping center investments in the inner city are currently at historic lows. This pattern fits in with data on overall retail and local service businesses within the last five years of the study period (1998-2000), which shows a decline in retail and local service businesses in the inner city, while the number of these establishments in the metropolitan area has increased.

In many ways, the three case studies are representative of the differences in the three markets of which they are a part. In Houston, the GulfGate project was not a community-based project, but instead a top-down city initiative, as is common in large Southwestern cities that do not have a large CDC movement. At both Midtown Marketplace and at GulfGate, site assembly was simple, as there were and still are large parcels of undeveloped land still in the inner-city areas of Baltimore and Houston. The Boston project was unique in its community involvement, and its complexity and restrictions due to the size of the site and its brownfield status. Also, shopping center development overall is a much smaller proportion of total retail, making these projects even more unusual. The Grove Hall center took more than 15 years to happen, but when it did, because of strong community involvement and political leadership from the city, retailers have been successful, and the job impacts on the neighborhood have been substantial.

Inner-city centers still face substantial barriers to development, including information gaps for retailers and developers in measuring the market, site assembly in denser, older inner cities, and crime (or the perception of crime). Site assembly is still a major issue that nearly always takes public-sector involvement. Crime is also a major constraint that is difficult to address because it requires an effort that goes beyond the business community.

From my research, case studies, and data analysis, I have developed the following recommendations for the different groups working to develop shopping centers in inner-city neighborhoods, including CDCs, retailers, developers, and public officials.
Recommendations for CDCs and other Community Organizations

**Non-traditional market studies can be effective with the proper partnerships**

Retailers do sometimes trust non-traditional types of market studies that use different types of data to measure market demand, such as that performed by Social Compact that led to the development of GulfGate Center in Houston. However, retailers can be skeptical of these types of studies. The alternative market study that led to a successful development in the GulfGate case came about because of a strong private-sector partner who had a financial stake in his belief in the results – this is probably more effective than data presented by nonprofit or public sector-actors who have a stake in getting a project done, but not necessarily a stake in the financial success of retailers. Also, while one interviewee dismissed the “income density” argument for increased retail opportunities in inner cities, the Social Compact approach, which sought to measure the higher-than-reported incomes of residents, was successful.

The following steps can help a CDC successfully argue for an accurate representation of its neighborhood’s spending power:

- For market studies, use an approach that focuses on providing an accurate measure of income and spending power, rather than just focusing on population density and sales gap analysis using existing market data.
- Get a strong private-sector supporter on board to help sell alternative market studies to other retailers and developers.

**Small centers do not necessarily have small impacts**

Because there are such constraints on land in many older, denser inner cities, small centers are often the only ones that can be built. However, many of these small centers can have significant impacts. They are more often home to smaller-scale retailers that often hire more full-time employees and cater directly to resident needs for goods and services. Smaller tenant spaces create appropriate homes for small, locally oriented businesses, and can still have significant job impacts.
Job impacts can be substantial, but require partnership with retailers

Inner-city retail and local services can provide substantial job opportunities that are uniquely available to those without a college degree, including supervisory roles that can lead to greater responsibility and managerial experience. However, most jobs in the inner city are not taken by inner-city residents. This is as true in retail as it is in other fields. Partnering with tenants is key if community members are to reap the potentially substantial job impacts of inner-city shopping centers, especially at large centers with high-profile retailers whose jobs will be attractive to those in other parts of the city as well. This was especially well-done at the Grove Hall Center with the involvement of the NDC, which partners with Stop and Shop and other retailers to ensure that local citizens, and especially minority residents, are able to access the jobs generated.

To ensure that local community residents are able to access jobs in inner-city shopping centers, CDCs and other community groups can:

- Offer assistance to retailers by acting as intermediaries in the job market, offering to hold job fairs, and by referring candidates.
- Partner actively with larger chains’ overall minority recruitment initiatives to create a strategy for training local and minority employees for supervisory or managerial roles. Such initiatives are usually at the regional or national level, rather than the store level, so they require a different level of partnership.
- In the development stages of a shopping center project, start job training projects focusing on preparation for retail employment. Work with retailers who have pre-leased to start identifying and training candidates for supervisory or managerial roles.
- Write local hiring guidelines or requirements into tenant leases.
• Contact the ICSC for their data on the impacts of hiring locally on shrinkage (ICSC 2002). Share this data with retailers so that they can see the benefit of hiring locally.

Crime is still an important barrier to development, and a sensitive subject
In my interviews, respondents were uniformly reluctant to speak openly about crime, and downplayed its effect even in centers with noticeably aggressive security environments, indicating that it is a sensitive topic and a major concern. In national surveys, fear of vandalism and shrinkage is often one of the most commonly-cited reasons that major retailers give for not moving into inner-city locations. Any CDC embarking on a commercial revitalization strategy must also have a crime reduction/community safety strategy.

Providing banking services is an important community service
Unfortunately, inner-city shopping centers are some of the favorite sites of non-bank financial services, many of which use predatory lending practices, and do not give consumers nearly as much value as they would get through a bank for services like cashing checks and transferring money. A full 32% of inner-city centers contain one of these types of businesses, while banks are under-represented at inner-city shopping centers. Bringing a bank into an area can create opportunities for residents by giving the bank a stake in the development of an area, leading, as it appears to have in the GulfGate case, to expansion of services directed toward low-income and immigrant households.

To encourage a bank to enter a center, CDCs and other community groups should:
• First, approach the bank or banks that financed the project. Sometimes a bank that finances a project will put a branch in the center as a show of solidarity with the project.
• Be wary of signing non-bank financial services tenants. Inner-city centers are very attractive locations for these types of businesses. Also, banks and other financial services rarely share a center, so be aware that once such a tenant goes into a center, it will be hard to get a mainstream bank branch.

Recommendations for For-profit Developers

You don’t need a grocery store
All three developers in the cases studied went to grocery stores first to find an anchor. Grocery stores are very desirable anchors – they serve an important community need, attract the interest of secondary tenants, and banks know enough about their business to feel comfortable financing projects anchored by them. However, potential developers also have a larger set of potential anchors to look at, either as primary or secondary anchors that can attract traffic and make the center a desirable location for secondary tenants.

To find an anchor tenant for a center, developers can:
• Approach the major drug store chains. With the current high level of competition in the industry, they are more desperate than grocery stores for new locations, and because their store formats are smaller, they are often more likely to invest in a riskier location.
• Consider nontraditional anchors, such as video rental stores, shoe stores, or laundromats. These types of anchoring strategies are riskier, but can work for smaller centers in inner-city areas.

Suburban formats appear to work well in inner-city neighborhoods
Inner-city centers are very similar to suburban centers in physical layout, and are following the current trend toward open-air formats. With the trend toward freestanding retail, many tenants prefer spaces that mimic freestanding sites. Formats that
include such “suburban” features such as tenant spaces with drive-through windows, freestanding retail within parking lots, and centers that are semi-enclosed and off the main street work well in inner-city locations. Suburban formats do work in inner-city locations – when one can find a parcel large enough.

Recommendations for Retailers

**Inner-city shopping centers exhibit different synergies**

Inner-city shopping centers appear to sometimes exhibit successful tenant mixes and anchoring strategies that are not common in other markets. Inner-city centers display synergies between retailers that are unique to the generally under-retailed inner-city environment. GulfGate is unusual in that it is anchored by a grocery store but is considered a “power center” of mainly apparel retailers – a rare mix of convenience and comparison shopping uses. Midtown Marketplace in particular shows an interesting synergy of automotive uses and retail that is seldom seen outside the inner city. While automotive uses are generally considered blight, this Baltimore intersection maintains a vibrant retail and street life that is enhanced by the automotive uses. The secondary tenants in the Midtown project named not the grocery store, but the laundromat and the car wash across the street as the main drivers of customer traffic.

In order to better understand the opportunities in the inner city, retailers should:

- Visit some inner-city centers or retail districts to see these types of synergies at work.
- Rather than use car counts exclusively, use people counts at intersections to measure the “walk-by” market, not just the “drive-by” market.
Current site selection methodologies are missing important markets.

It is fairly common knowledge among retailers and economic development practitioners that there are underserved markets in the inner city for many types of convenience goods. Within the past ten years there has been a great deal of work done by nonprofits and socially-focused site selection firms that have rigorously proven that there are underserved markets. However, retailers are still missing the message, and missing out on important market opportunities.

To better take advantage of underserved inner-city markets, retailers can:

- Research alternative site selection methodologies that better measure the income density, uncounted population, and unmeasured income of inner-city areas, and use them to find areas with opportunities for investment.
- Work with cities and CDCs to develop market studies in areas that may be of interest. Tell them what methodology you trust and would like them to use. Many cities will conduct these studies for retailers if there is adequate interest in the results.

Recommendations for Public Officials

Parking ratios can create another barrier to development

Many cities prefer to limit parking ratios, and especially feel that this is appropriate in low-car-ownership and traditionally pedestrian-friendly shopping districts, which are often found in inner-city locations. However, there is clearly a market preference for centers with standard or even higher-than-standard parking ratios, even in constrained inner-city locations, and even at centers that focus almost exclusively on local demand. Saddling inner-city areas with lower-than-average parking ratios creates another barrier to retail development.
Financing and policies to encourage renovation and expansion of existing shopping centers is a major opportunity in inner-city areas.

The major investment gap between inner-city and non-inner-city shopping centers is not in new development, which is declining everywhere, but instead in renovation and expansion of existing centers. While centers in the rest of the metropolitan area are benefiting from a new round of investment, the inner city is being left behind. Perhaps there is a need for explicit city policies and financing tools that help not only new development, but also encourage and finance renovation as well. There will always be a political pull toward new development— it is often more appealing to city officials and to community groups to be involved in high-profile new projects, rather than the upgrading of an existing project. However, in terms of serving underserved markets and becoming catalysts for new development, perhaps some of the nearly 1,000 inner-city shopping centers should be an explicit focus of urban commercial revitalization policy and strategy.

In order to help spur renovation and expansion of inner-city shopping centers, public officials can:

- Develop new ways of measuring project impact that show the potential of renovation to revitalize an area, and the impact of new services on residents in an underserved area. The typical measurements of project impact by tax base improvement and jobs impact will always favor new development.

- Create specific financing vehicles for redevelopment and expansion. Because these projects are often not eligible for the subsidies given new developments, they are less likely to happen.

Inner-city developments can have strong markets, but still need public-sector involvement.

Because of the many barriers to shopping center development in the inner city, public-sector involvement is still crucial in site assembly, brownfields remediation, financing, and sometimes in generating the market data required to convince retailers that their
investment will be rewarded, especially at times in which overall investment in shopping centers is also declining. Anecdotally, it was difficult to find an inner-city center that did not benefit from some type of public involvement. However, these projects, once they happen, have large community impacts, and, crucially, are economically sustainable because of fundamental market demand. A one-time investment in such a project can create a successful public-private partnership that gives the business community a greater stake in the success of low-income communities, and leverages private investment for the public good.

Conclusion

The data examined in this thesis show that it is a difficult market for new shopping center development in the inner city, due both to changes in the overall shopping center development environment, as well as many barriers that are specific to inner-city areas. However, although there are many barriers to development or renovation of shopping centers that can create a home for retail and local services in the inner city, there is still cause to be optimistic about the potential for these types of businesses to develop, whether they are housed by a center or by other types of real estate. The notion that there is an underserved market has been proven empirically through the success of many individual retailers in the inner city. Site selection methodologies are improving and innovating constantly as retailers gain more interest in gaining access to and experience with measuring urban markets specifically, and minority markets more generally.

The barriers to development that remain generally surround the logistics of site control, remediating a parcel, or market information inefficiencies, not weaknesses in the underlying market fundamentals for businesses. The individual projects studied, chosen at random, were all successful projects that illustrate that businesses can find success in the inner city, and that these types of projects can lead to powerful benefits for communities. If public-sector actors can take a leadership role and private-sector actors find the vision to take advantage of the opportunities that exist, these projects can lead to substantial neighborhood impacts. A new, successful shopping center in a formerly blighted area is a
strong signal to those inside and outside the community that an area is not a ghetto, but instead a neighborhood.
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ICSC. A Brief History of Shopping Centers. 2005.


List of Interviews

Brian Ausmus, owner, Quizno’s, GulfGate Center
Jeff Brenna, Assistant Manager, Ross, GulfGate Center
Missy Cousins, Houston-area Public Relations Officer, Washington Mutual
Jorge Delagarza, Public Relations Representative, H.E.B.
Janet Evans, Manager, Gentle Touch Hair Salon, Blue Hill Avenue
Emerson Foster, Director of Talent Acquisition, Stop and Shop
Sonny Flores, Board Member, East End Management District
Jayne Fitzpatrick, Manager of Franchising, Dunkin Donuts
Jenalia Moreno, Staff Writer, Houston Chronicle
Sister Virginia Muhammad, Executive Director, Grove Hall NDC
Jon Nguyen, owner, Spin Cycle Laundromat, Midtown Marketplace
Patricia Polumbo, Leasing Agent, Metropolitan Management Company
Cesar Rodriguez, owner, Doneraki Mexican restaurant, GulfGate Center.
Ciro Rodriguez, owner, Midtown Dry Cleaning
Theo Rogers, President, A & R Development Corporation
Paul Rose, Security Guard, Grove Hall Mecca
Bob Sellingshloh, principal, Wulfe & Company
Kevin Watson, Manager, Advance Auto Parts, Midtown Marketplace
Marcus Williams, Manager, MidTown Hoops, Midtown Marketplace
Bill Wheaton, Professor, MIT Center for Real Estate
Appendix A: Shopping Center Development by Region

**Inner City and Metro Trends in Shopping Center Development in the South East US**

- Other metro area development (1000s of sf)
- Inner-City Shopping Center Development (100s of sf)

**Inner City and Metro Trends in Shopping Center Development in the South West US**

- Inner City Shopping Center Development (in 100s of SF)
- Metro Area Shopping Center Development (in 1000s of SF)
Inner City and Metro Trends in Shopping Center Development in the North East US

Year

Inner City Shopping Center Development (in 100s of SF)
Metro Area Shopping Center Development (in 1000s of SF)

Inner City and Metro Trends in Shopping Center Development in the Northern US

Other metro area development (1000s of sf)
Inner-City Shopping Center Development (100s of sf)
## Appendix B: Retail/Local Services Clusters – Inner City versus MSA


<table>
<thead>
<tr>
<th>subcluster name</th>
<th>98 jobs</th>
<th>03 jobs</th>
<th>98-03 % employment change</th>
<th>98 estabs</th>
<th>03 estabs</th>
<th>98-03 % estab change</th>
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</thead>
<tbody>
<tr>
<td>Appliance Retailing</td>
<td>3,277</td>
<td>3,121</td>
<td>-4.7%</td>
<td>415</td>
<td>385</td>
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<td>Apparel Retailing</td>
<td>76,377</td>
<td>82,923</td>
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<td>7,598</td>
<td>6,546</td>
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<td>Automotive Parts Retailing</td>
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<td>33,017</td>
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<td>3,568</td>
<td>3,147</td>
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<td>Beer, Wine, and Liquor Retailing</td>
<td>11,086</td>
<td>11,521</td>
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<td>965</td>
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<td>Drug Stores</td>
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<td>2,604</td>
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<td>Electronic and Photographic Retailing</td>
<td>16,639</td>
<td>17,534</td>
<td>5.4%</td>
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<td>Furniture and Homefurnishings Retailing</td>
<td>37,301</td>
<td>35,635</td>
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<td>3,713</td>
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<td>General Merchandise Retailing</td>
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<td>3,057</td>
<td>3,340</td>
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<td>Gifts and Souvenirs Retailing</td>
<td>13,209</td>
<td>11,511</td>
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<td>Hair Care Services</td>
<td>19,565</td>
<td>21,025</td>
<td>7.5%</td>
<td>3,841</td>
<td>3,887</td>
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<td>Hardware Retailing</td>
<td>5,700</td>
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<td>Insurance Agents and Brokers</td>
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<td>Sporting and Hobby Retailing</td>
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<td>-8.5%</td>
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<td>1,020</td>
<td>-14.3%</td>
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<tr>
<td>Stationery and Office Supply Retailing</td>
<td>6,119</td>
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<td>-10.5%</td>
<td>390</td>
<td>423</td>
<td>8.4%</td>
</tr>
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<td>9,552</td>
<td>17,065</td>
<td>78.7%</td>
<td>538</td>
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<td>107.2%</td>
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<td>Tobacco Retailing</td>
<td>1,264</td>
<td>1,431</td>
<td>13.2%</td>
<td>270</td>
<td>277</td>
<td>2.7%</td>
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<tr>
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<td>6,749</td>
<td>6,977</td>
<td>3.4%</td>
<td>776</td>
<td>677</td>
<td>-12.7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>805,638</strong></td>
<td><strong>793,350</strong></td>
<td><strong>-1.5%</strong></td>
<td><strong>67,262</strong></td>
<td><strong>64,705</strong></td>
<td><strong>-3.8%</strong></td>
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<th>03 jobs</th>
<th>98-03 % change</th>
<th>98 estabs</th>
<th>03 estabs</th>
<th>98-03 % estab change</th>
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<td>ApparelRetailing</td>
<td>811748</td>
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<td>71854</td>
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<td>29308</td>
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<td>1595</td>
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<td>22776</td>
<td>21887</td>
<td>-3.9%</td>
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<td>19.7%</td>
<td>20875</td>
<td>23895</td>
<td>14.5%</td>
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<td>Furniture and HomefurnishingsRetailing</td>
<td>412753.5</td>
<td>466117</td>
<td>12.9%</td>
<td>45736</td>
<td>46784</td>
<td>2.3%</td>
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<td>158332.5</td>
<td>-0.8%</td>
<td>20875</td>
<td>19230</td>
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<td>26209</td>
<td>29573</td>
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<td>Hair CareServices</td>
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<td>18.4%</td>
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<td>57863</td>
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<td>6802</td>
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<td>InsuranceAgents and Brokers</td>
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<td>7416</td>
<td>6606</td>
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<td>OpticalGoodsRetailing</td>
<td>54543.5</td>
<td>57140.5</td>
<td>4.8%</td>
<td>9236</td>
<td>8384</td>
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<td>OtherPersonalServices</td>
<td>273773.5</td>
<td>364366.5</td>
<td>33.1%</td>
<td>32951</td>
<td>41382</td>
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<td>PersonalProductsRetailing</td>
<td>309367.5</td>
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<td>17.9%</td>
<td>37402</td>
<td>39025</td>
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<td>PhotographicandPhotofinishingServices</td>
<td>105444</td>
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<td>Radio and Television Repair</td>
<td>31196</td>
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<td>RetailFoodStores</td>
<td>1881186.5</td>
<td>1931046.5</td>
<td>2.7%</td>
<td>77504</td>
<td>84605</td>
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<td>Sewing, and NeedleworkRetailing</td>
<td>34678</td>
<td>33941</td>
<td>-2.1%</td>
<td>3395</td>
<td>3049</td>
<td>-10.2%</td>
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<tr>
<td>Sporting and HobbyRetailing</td>
<td>216934</td>
<td>232129.5</td>
<td>7.0%</td>
<td>19360</td>
<td>18271</td>
<td>-5.6%</td>
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<td>80513.5</td>
<td>82998</td>
<td>3.1%</td>
<td>4649</td>
<td>5230</td>
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<td>103639</td>
<td>144794</td>
<td>39.7%</td>
<td>6607</td>
<td>11814</td>
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<td>124395</td>
<td>16826</td>
<td>35.3%</td>
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<td>VideoRental</td>
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<td>9992</td>
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<td>675,844</td>
<td>705,822</td>
<td>4.4%</td>
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</tbody>
</table>
Appendix C: List of Retailers at Each Shopping Center

Midtown Marketplace
Save-A-Lot Grocery
Store*
Spin Cycle Laundromat
Advance Auto Parts
Dunkin Donuts
Midtown Hoops
Midtown Dry Cleaning
China Wok

GulfGate Center
HEB*
Lowe's *
Marshall's*
Old Navy*
Ross Dress For Less*
Starbucks
Washington Mutual
Quizno's
Doneraki Mexican
Restaurant
Marble Slab Creamery
T-Mobile
Skeeter's Mesquite Grill
Footlocker
GameStop

Grove Hall Mecca
Stop and Shop*
CVS*
Fleet Bank
Rainbow Clothing
Hollywood Video
Dunkin Donuts
Bank of America