RENAISSANCE NEWARK:
ANALYSIS OF A NEW STRATEGY FOR URBAN REDEVELOPMENT
IN NEWARK, NEW JERSEY

by
DEBRA KIM FLIPPEN
A.B., Mount Holyoke College
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signature of author

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Certified by
Suzann R. Thomas-Buckle
Thesis Supervisor

Accepted by
Langley Keyes
Chairman, Department Committee
ABSTRACT

Renaissance Newark, Inc. represents a collaboration between private sector business leaders and government officials to plan and facilitate redevelopment in the downtown. For two years the Mayor, business executives, and representatives from federal and state government agencies met to discuss objectives and to formulate a plan for revitalization of the central business district. The resulting program will address the physical, economic, and social problems in the downtown, and eventually, through a filtering down process, in the rest of the city. Critical to this approach to economic development is the receipt of federal government funding to upgrade the Penn (train) station area, and for infrastructure improvements in the industrial corridor and the periphery of the business district. The funding, viewed by some business leaders as a contingent to activity and by others as a catalyst, has been committed as part of the Federal Railroad Administration's Northeast Corridor Improvement Project. With this condition met, it is expected that the rehabilitation and new construction will begin shortly.

The proposal, with its emphasis on the downtown exclusively, raises questions about its impact on the city as a whole. Newark has numerous and complicated problems, the existence of which is apparent only beyond the boundaries of the CBD. The tax base is shrinking; the quality of municipal services has declined sharply during the last ten years. Crime is rampant: in 1980, Newark ranked second in homicides among U.S. cities. Considering these liabilities, one must ask how the city assigns priorities. Moreover, should the city construct a program to address those problems, how suitable is it that that program concentrate on only a few city blocks downtown?

This paper is written because its topic is a contemporary one, with far-reaching implications for cities and city-dwellers. One can already observe downtown development in Boston, Detroit, Atlanta, touted as the sure way to overall city revitalization. And for the limited area of the CBD, it is. But its other consequence has been to create two communities: one wealthy and white, the other poor and black; one indigenous, the other on a 40-hour-a-week lease. The division and inevitable friction between the "two cities" is insufferable. Residents feel betrayed, neglected and hostile toward business and government officials. Every community contemplating such a program should visit one of those cities: talk with the displaced; notice the rolls of the unemployed; inventory the number and type of jobs created; examine the financial statements. Then decide who gains. The intent of this paper is to ask Newark to take that kind of tour, to think again about how city officials will commit public resources and to estimate the real costs of their participation in Renaissance Newark. As this thesis strives to point out, the outcomes may not emerge precisely as imagined, and benefits may not accrue exactly as predicted. The payout stream may be just a bit shorter, and the beneficiaries might be limited to the elite who inhabit the downtown.

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"Two are better than one, for they have good reward for their labor".

Ecclesiastes 4:9
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CENTRAL BUSINESS DISTRICT - NEWARK, NEW JERSEY

This map represents approximately one square mile within Newark and demarcates the location of existing and proposed office buildings.
It has been said that "wherever America's cities are going, Newark (New Jersey) will get there first". Whether meant as a positive or negative indicator, the meaning is the same: Newark is a bellwether among American urban centers. In urban renewal (or its failure), in riots, or in "white flight", Newark has led American cities. But in the 1980's, it is possible that Newark will lead in a different direction: economic development in the Central Business District (CBD) as a means of urban revitalization. For in this city, business leaders and government officials have put their heads together to create Renaissance Newark, a coordinated effort to revitalize the Newark CBD. The program's objective is to stimulate downtown development, and as a consequence, to restore regional confidence in Newark, and to rejuvenate a tarnished public image.

In the fall of 1980, Ronald W. Reagan was elected President of the United States on a campaign that stressed "getting government out of our lives" and relying more on ourselves and the private sector. The conservative administration wants to deregulate, decontrol, and end the subsidization of the lives of the American people. Personal initiative will replace federal government intervention as the means to reform and improve our lives. Renaissance Newark appears to have a similar theme. Existing businesses will corral their resources, and together with assistance from all levels of government, will utilize them to promote new business, the expansion of existing firms and the generation of jobs to enhance the local economy.

Renaissance Newark represents a collaboration between private sector business leaders and government officials to plan and facilitate
redevelopment in the downtown. For two years, the Mayor, business executives, and representatives from federal and state government agencies met to discuss objectives and to formulate a plan for revitalization of the central business district. The resulting program will address the physical, economic, and social problems in the downtown, and eventually, through a filtering down process, in the rest of the city. Critical to this approach to economic development is the receipt of federal government funding to upgrade the Penn (train) Station area, and for infrastructure improvements in the industrial corridor and the periphery of the business district. The funding, viewed by some business leaders as a contingent to activity and by others as a catalyst, has been committed as part of the Northeast Corridor Improvement Project. It is therefore expected that rehabilitation and new construction will begin shortly.

Although there are not yet any products of Renaissance Newark, individual firms recently have been active in development. New construction has emerged in the downtown for the first time in a decade. Firms situated in the city's highly accessible industrial meadowlands are expanding and consolidating operations from other parts of the metropolitan area to Newark. There are new jobs: from the notably stable service sector, and more and more from manufacturing and light industry. City officials believe there is reason to be optimistic about the revitalization of Newark, for in this city even a modest gain -- say, one hundred new jobs -- is a significant one.

The proposal, with its emphasis on the downtown exclusively, raises questions about its impact on the city as a whole. Newark has
numerous and complicated problems, the existence of which is apparent only beyond the boundaries of the CBD. The tax base is shrinking; the quality of municipal services has declined sharply during the last ten years. Crime is rampant: in 1980, Newark ranked second in homocides among U.S. cities. Considering these liabilities, one must ask how the city assigns priorities. Moreover, should the city construct a program to address those problems, how suitable is it that that program concentrate on only a few city blocks downtown?

Any program directed at Newark, and especially one endorsed by municipal administrators and business leaders, must as a matter of course concern itself with the larger picture. That is to say, regardless of how the program's architects intend to delimit the target of Renaissance Newark's efforts, the ramifications of the program will be felt throughout the city. The question is whether those ramifications will be directed and deliberate, or haphazard and serendipitous.

This paper is meant to be a first step toward answering the questions surrounding downtown redevelopment and its ramifications. There are assumptions underlying the objectives of Renaissance Newark that can reveal the creators' perceptions of Newark, their priorities, and perhaps still undisclosed agendas. These assumptions, when contrasted with descriptive data about Newark's condition, expose the cleft: the cleft that can precede a separation into two cities.

The paper is written because its topic is a contemporary one, with far-reaching implications for cities and city-swellers. One can already observe downtown development in Boston, Detroit, Atlanta, touted as the sure way to overall city revitalization. And for the
limited area of the CBD, it is. But its other consequence has been to create two communities: one wealthy and white, the other poor and black; one indigenous, the other on a 40-hour-a-week lease. The division and inevitable friction between the two "cities" is insufferable. Residents feel betrayed, neglected, and hostile toward business and local officials. Every community contemplating such a program should visit one of those cities: talk with the displaced; notice the roles of the unemployed; inventory the number and type of jobs created; examine the financial statements. Then decide who gains. The intent of this paper is to ask Newark to take that kind of tour, to think again about how city officials will commit public resources and to estimate the real costs of their participation in Renaissance Newark.

As this thesis strives to point out, the outcomes may not accrue exactly as predicted. The payout stream may be just a bit shorter, and the beneficiaries might be limited to the elite who inhabit the downtown.

The thesis is a pre-program evaluation of Renaissance Newark. The evaluation can be characterized as exploratory, since it focuses less on the concrete processes and timetables than on concepts and objectives. It is concerned with the creators' outlook, but not their aspirations, and speculates about broad implications, not specific outcomes. The setting, moreover, is as critical an issue in this evaluation as is the Renaissance proposal itself. In the context of the evaluation, the "setting" means the entire city of Newark, not merely the area dealt with in the Renaissance plan. One of the critical questions the evaluation asks is what will be the significance of Renaissance Newark's efforts given the potentialities and limitations present in the setting.
From the outset, the thesis asserts that some disparity exists between what Newark needs and the point of view maintained by the Renaissance Newark participants. The illumination of this gulf, its location and dimensions, is merely a preliminary to the more significant discussion of the implications of cleft for the Renaissance program, for Newark, and perhaps for other cities too.

The process was to organize the data and then try to glean from it what assumptions are being made about Newark. The success of the proposal is obviously contingent upon the accuracy of these assumptions. To determine their fit vis-à-vis Newark, the assumptions were analyzed in comparison with data about existing conditions in the city. The intent is to determine in what instances the proposal represents an accurate picture of Newark, to measure the validity of its implied vision of the city, and to speculate on its implications.

Due to the status of Renaissance Newark at this time, it is not possible to analyze products of the program. One can only consider inputs: the actors, their resources, the espoused goals, and the expressed process. The type of inputs can change; in the course of the program all inputs may be altered. Hence, no definitive statement about the worth of Renaissance Newark is possible. To the degree possible, the thesis will attempt to answer the question of Renaissance Newark's potential value in addressing the needs of the resident population.

The investigation of Renaissance Newark begins with the proposal and the newspaper account heralding its formulation. To answer the questions by those reports, the author relied heavily on documentation
and personal interviews. The documentation consists primarily of all public documents describing Renaissance Newark; historical accounts of urban renewal programs and private sector activities vis-à-vis Newark. The Master Plans, written in 1947, 1964, and 1978, were also reviewed. Representatives from both public and private sectors were interviewed. Those interviewed included principals of Renaissance Newark, the Newark Economic Development Corporation (NEDC), the Mayor's Policy and Development Office (MPDO), as well as spokespersons from the Mayor's office. Among others consulted were an historian and professor of New Jersey and Newark history, and the Director of the New Jersey division of the Newark Public Library (who manages the most complete collection on Newark in the state).

The interviews came to play a role of pre-eminent importance in the collection and analysis of data. Because so little has yet been written about the actual efforts of Renaissance, the focus turns to perceptions and individual interpretations. Hence, the interview became an opportunity to discern the attitude and intentions of those who will be directly involved in the execution of the Renaissance plans.

The data is limited to the extent that officials were accessible, and willing to speak candidly with me. There were on several occasions conflicting opinions with regard to the role or impact of Renaissance, the appropriate role of the private sector, and the capacity of the public sector to enact any of the goals promoted by Renaissance. Although these varying opinions do exist, there appears to be a general consensus on the view inherently represented in the Renaissance Newark proposal. Therefore, the assumptions outlined in Section III do not
emphasize difference, rather the consistency in viewpoint among public and private sector participants.

The thesis does not intend to address Newark's very long and sordid history with urban renewal. The study is not meant to be a retrospective. Furthermore, there are no true antecedents to development in the CBD. Development activity in the CBD has been sporadic at best: prior to the Public Service Electric and Gas Company construction in 1980, there had been no new construction since 1969. The study seeks neither to vindicate nor to denounce the efforts of the business community in particular or local decisionmakers as a whole. Rather, the thesis zeroes in on the dilemma of the dual image of Newark: its two populations, the commuting wealthy and the indigenous poor. It would be far too easy for an analyst to adopt a position based on a personal set of beliefs about the process of urban revitalization, and then to judge Renaissance Newark accordingly. However, that route provides no learning, but rather serves to reinforce an already comfortable attitude.

An evaluation of a program for the revitalization of the Newark CBD becomes a study of power and influence. It is a brief look at the prostitution of a city by the business community upon which it has become too dependent. It is the story of people and needs and resources. And sadly, it is the story of too many cities, in 1981, in America.
Why does Newark need redevelopment anyway? The purpose of this chapter is to explain the circumstances that created a demand for a renewal-type program in the city. The major issues associated with the Renaissance proposal -- namely, its incongruity with actual conditions in Newark -- cannot be appreciated until there is first some knowledge of the context in which Renaissance will unfold.

Summarized below is a description of the prevailing situation in Newark with regard to the local economy, the life of the people, and the nature of the relationship between municipal government and the commercial business community. The chapter highlights those aspects of the city that will be of importance further in the discussion of the Renaissance proposal. Among the characteristics described are types of industries and jobs they generate, where Newarkers work and how much they earn, the quality of housing and education, the property tax rate, and the conventional partnership between the local government and the downtown business community.

This chapter, and the one that follows, describe the setting and actors who will participate and be affected by Renaissance Newark. An understanding of who and what Newark is is a prerequisite to consideration of the implications of the program.

HISTORY OF THE LOCAL ECONOMY

Newark was established in 1666, and almost since then has been the dominant urban center in the state of New Jersey. The city developed with a broad, strong industrial base comprised of small manufacturing firms, primarily in electrical machinery, chemicals, apparel, and fabricated metal products. Newark's access to fine, pure water made
it a natural and highly successful location for beer manufacturing. Several of the most elegant and resplendent homes to have been erected in the city are the product of the Ballantine and Kruger family's wealth. The Prudential Insurance Company of America, the largest insurance company in the country and a major international financial institution, was founded in Newark in 1875. More than 100 years later, the firm's corporate headquarters remains in Newark.

Although the number of manufacturing firms and jobs has declined steadily since the 1950's, this trend has been somewhat offset by the stability of the city's financial and insurance (companies) base, and by expansions in the public sector. While the number of manufacturing jobs declined to 45,000 in 1977, down from 96,500 in 1952, the number of service sector jobs increased during the same period from 74,000 to 90,700.\(^1\) Total jobs in Newark remained steady at 230,000 until the past decade, when the total number of jobs dropped to 180,000 (1977).\(^2\) City administrators explain the decline as an acceleration in the "downward population trend",\(^3\) meaning that in the last fifteen years outmigration has exceeded in-migration.

While stability and/or growth are exhibited in all divisions of the economic base, the city's tax policies undercut any significant gains. During the seven year period from 1971 to 1978, the number of taxable properties declined by more than 11% while the property tax rate increased by 16%.\(^4\) In 1980, the property tax rate was $10.61 per $100.00 assessed value, reportedly one of the highest rates in the United States. However, less than 40% of the city's property is taxable.\(^5\) Since 1968, a consistent pattern of fire, demolition, abandonment,
and tax foreclosure has reduced taxable property (residential, commercial, industrial) from 48,487 line items to 38,939. At the same time, the number of exempt properties has grown from 2,731 units to 8,387. The tax burden is shifting onto homeowners who in response complain that the quality of municipal services, especially police and schools is poor. As the Mayor's Task Force on Payments in Lieu of Taxes concluded, "while Newark real property taxpayers account for only 44.8% of the value of real property in the city, they carry the full burden for the cost of municipal services."7

The principal categories of exempt properties are:

- Government Buildings (federal, state, county) 25.1%
- Port Authority of N.Y. and N.J. (port, airport) 44.0%
- Newark Housing Authority (public housing and urban renewal lands) 11.0%
- Charitable Organizations (churches, hospitals) 8.2%

In The State of the City, a supplement to the 1978 Master Plan, the economic base of the city is described as blue collar, industrial and white collar, services in insurance, finance, and government.

A third sector, trade, includes wholesale and retail, but does not contribute as much to the economic base as either the industrial or service sector. As a source of jobs, the service sector (including government) accounts for 50.2% of all Newark jobs, the industrial sector 35.6%, and trade, 14.2%.9

There are three major components of the industrial sector: manufacturing, transportation, and construction. The most prominent is manufacturing, situated heavily in the "Ironbound" section of the city. The manufacturing firms are small -- 85% have less than 100 employees -- yet they account for 45,000 jobs. Principal types of
manufacturing plants are the same as they were a century ago: electrical machinery, chemicals, apparel, and fabricated metal products.

Because of the variety of skills required, the transportation sector typically employs a wide cross-section of the labor force. The 14,600 transport-related jobs exist in trucking, port-related, and airline associated operations at Newark International Airport.

Construction is a seasonal and economically cyclical industry in Newark, as in the rest of the nation. Still, it contributes 3,600 jobs to the local economy and it is anticipated that proposed new construction will create even more.

The service sector has been the most stable aspect of the Newark economy. Some analysts believe that because the financial, insurance, and utilities companies function independently of the local economic environment, these firms are not vulnerable to local trends. Moreover, the growth in government until quite recently has offset the decline in "personal and related services" (defined as domestic and household workers, and support services for the financial institutions). In fact, government is the largest employer in this sector, supplying 32,000 jobs divided among federal, state, and local (county and city) jurisdictions. In recent years, a municipal budget deficit has forced a downturn in government employment due to cutbacks in funding, and subsequent layoffs of personnel.

The 22,000 jobs supplied by the financial, insurance, and real estate firms are derived primarily from the stability of the large firms headquartered in the city: Mutual Benefit Life Insurance, the Prudential, Blue Cross - Blue Shield, the Midlantic National Bank,
and the First National State Bank. Communications and public utilities, including Public Service Electric and Gas, Western Electric Company, and New Jersey Bell Telephone account for 9,000 jobs. Personal and related services contribute 27,000 jobs.

Altogether, the service sector accounts for $175 million in municipal valuation.

The trade sector has been heavily influenced by demographic changes in the area. The retail core in the downtown has been adversely affected by suburban shopping centers, reduced city population, and unrest (real and imagined) that discourages non-residents from coming into Newark to shop. Nonetheless, this sector accounts for 28,600 jobs. Analysts in city hall believe that although the sector "should not be viewed as a primary basis for revitalization effort", the trade sector will respond to "positive reversals in other sectors."

SOCIAL AND DEMOGRAPHIC ASPECTS

The city has historically been ethnically diverse. Turn of the century maps clearly delineate the ethnic neighborhoods: Italians and Polish to the north, Portuguese and Spanish to the East, "Negroes" in the center, and Jews in the south and western sections. Today however, the outmigration of whites, and the heavy influx of Blacks and Hispanics has led to a population mix of 65 - 70% non-white. The propensity to exit is highest among "young middle class families of all ethnic groups." These families are defined as parents aged 22 to 44, and children under the are of 15. Of those who remain, nearly 80% could be classified low income, and 30% citywide live below the poverty line.
But to say that a given sector provides X number of jobs is to tell only half the story, for of all the jobs in Newark, only 27.6% are held by city residents. And of the 135,000 working residents of Newark, only 40% work within the city. Clearly, the working population of Newark is only minimally serviced by the local private sector. The outstanding reason for the low number of locally employed residents is the fact that the high number of white collar jobs (75% in the CBD) do not match resident skills. The larger proportion of residents are undereducated, unskilled, and thus better suited to labor-intensive factory work. Currently, only about one-third of the population over age 25 has a high school diploma; the median number of years of completed schooling of persons age 25 or older is ten. To compound the situation, the recent in-migration includes a disproportionate amount of persons with limited formal education and/or non-English speaking backgrounds. Many residents who do attain a high school diploma or college degree leave the city.

The consequences of limited education and the mismatch of skills to local jobs is of course, unemployment. Citywide, the unemployment rate in 1977 was 14.9%. The distribution of resident employees by occupational category reinforces the impact of these factors. Among all Newark residents, nearly 60% are employed either as operatives, clerical, or service workers. At the other end of the spectrum, less than 10% are professionals, while less than 5% are managers. The distributions are comparable within specific ethnic groups, with the exception of Hispanics and whites who are more often employed as craftsmen than as service workers.
As one might expect given the low level of education and employment skills, most Newarkers fall into the low income categories. The 1970 census documented the median income for all families in the city as $6,191. 23.5% of families earn less than $7,000; 56.6% earn between $7,000 and $9,000, while only 19.8% earn more than $10,000. In a survey by ward 24, the highest income levels were found in the North Ward, where 32.5% of families earn more than $10,000 and only 14.5% earn less than $7,000. In sharp contrast is the Central Ward, where in 1970, no family earned $10,000 or more and where 78.4% of families earned less than $7,000. Since 1970, many residents have lost jobs due to the exodus of firms from the city or the reduction in staff among firms who have remained. Local government succumbed to a deficit in 1975 which necessitated significant reductions among police and educational personnel. It is anticipated that the cutback in Comprehensive Education and Training Act (CETA) funds will cause the loss of several hundred jobs in Newark alone and 5,000 in the entire State. 25

The problems of the city lock it into a reinforcing circle of dispair: residents are ill-educated because schools are poor; schools are so poor because funding is not available. Municipal funds are short because the tax base is shrinking. The tax base shrinks due to exiting firms, abandoned housing, and heavily tax-abated new construction. New firms receive tax abatements because it is believed to be the only way to make Newark attractive within the metropolitan region. Newark is not competitive because its tax rates are too high, its population is underskilled, and its reputation is that of being decadent and dangerous.
PUBLIC - PRIVATE DEVELOPMENT

These problems help to explain the minimal economic development activity of the last decade. Until the new PSE&G headquarters was erected in 1980, no new construction had occurred in the downtown since the Gateway complex, which broke ground in 1969. Opened in 1972, the Gateway is a cluster of hotel, office building, and several restaurants connected to the Penn Station by an overhead tunnel. It was financed by the Prudential, and reached 95% occupancy in 1980.

For many developers, Newark appeared neither attractive nor likely for any sizable investment. The practice of developers buying up and building large tracts of land downtown, was a thing of the past. Since 1975, the city has been the major landholder and the current process is for the city to buy the land, declare it "blighted" and thus eligible for tax abatement, and then to sell it at less than market rates to a developer. At the same time, the developer has secured cheap, leveraged financing through the Newark Economic Development Corporation, the city's agent for marketing and orchestrating development projects.

The consensus among economic development officials -- who can be found in a variety of governmental and quasi-public agencies such as NEDC, MPDO, the Mayor's Development Team, the Housing Authority, and the Housing and Redevelopment Corporation -- is that no development will occur unless it is abated and leveraged by city funds. Hence, financing practices imply that need is not a prerequisite and that every developer is automatically eligible. For example, when PSE&G decided to build a new headquarters facility around the
corner from its old ones, the site was declared blighted and eligible for abatement under the Fox-Lance tax law. According to this law, the developer pays either 15% of gross revenues or 2% of total project costs annually in lieu of property taxes. The law designates the 2% option be used only when assessment of gross revenues would be extraordinarily difficult. But in Newark, this alternative is extended to all developers. In the case of PSE&G, the firm pays only a few hundred thousand dollars a year, instead of the approximately $6 million it would be liable for if it had been assessed without abatement (This assumes an assessed value of $60 million and the 1980 tax rate of $10.61 per $100.00 in assessed value).

The city, through Urban Development Action Grants (UDAG) administered by NEDC, will provide subordinated mortgages at low interest rates. In 1979, NEDC distributed $11,545 million to the following:

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>MORTGAGE (000)</th>
<th>TERMS</th>
<th>PROJECT COST (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Washington Plaza</td>
<td>$10,000</td>
<td>4%, 30 yrs.</td>
<td>$30,000</td>
</tr>
<tr>
<td>Balco (Ironbound River Plaza)</td>
<td>1,000</td>
<td>3%, 15 yrs.</td>
<td>5,800</td>
</tr>
<tr>
<td>Alling Street Associates</td>
<td>439</td>
<td>3%, 20 yrs.</td>
<td>2,249</td>
</tr>
<tr>
<td>Felice-Murphy</td>
<td>107</td>
<td>3%, 15 yrs.</td>
<td>610</td>
</tr>
</tbody>
</table>

NEDC estimates that the additional annual revenues to the city will exceed $1.5 million and that more than 1,100 new and permanent jobs will be created. These grants, says the NEDC, "fulfill a desperately needed financial catalyst creating a healthy economic development environment". What the spokesman neglects to point out is what kind of jobs will be created. And, will these structures contain firms new to the area, or are they simply a way for existing firms in Newark to upgrade their facilities? One Washington Plaza, for example, is expected to begin construction in June, 1981.
eighteen floors have been leased to the Bell Telephone Company, which will simply move its existing Newark staff from one side of Broad Street to the other. No new jobs there. The other floors have not been leased, but it is rumored that the lobby will be leased by the First National State Bank as a branch. Again, the job generation process is not indicated. As for revenues, the NEDC states that the developers will pay 50% of net profits in lieu of taxes. Traditionally, the developer of a project earns about 6% on any project, and many seek only to recapture their investment. Perhaps in Newark, after the building reaches full occupancy, the situation will be different.

Although for the city the cost of selling Newark can be steep, public financial assistance seems to be the only way to attract firms, and to retain existing ones. As NEDC marketing director James Patterson observed, "Newark must provide incentives just to be competitive". Without the persuasive impact of a gross reduction in taxes, the city, with its high taxes and negative image, is decidedly unattractive. There is no such thing as a competitive edge in Newark; corporations want estate-like settings for their plants, parks and other esthetic amenities to accompany requisite transportation access, infrastructure, and a skilled labor force. While Newark can provide the latter, it loses on the "image" issue. The city, so the argument goes, has no choice, but to provide drastic tax incentives.

From a public sector point of view, economic development in Newark has come to mean public sector accommodation to private sector wants. The 1978 Master Plan devotes fully half its text to a strategy for economic development. According to the Plan, coordinated economic
development between public and private sectors, which focuses on the established commercial and industrial sectors, is Newark's only route to economic survival. Hence, the underlying theme of the recommendations outlined in the Master Plan are ways in which the city will accommodate the needs of the private sector. For example, the city is willing to use its resources to acquire and write-down land, grant generous abatements, modify the zoning code, and employ its financial resources to leverage development activities. The city rationalizes its behavior by linking economic development inextricably with local goals. "The overriding thrust of the city's development effort", reads the document, "is directed toward reducing unemployment, increasing personal income, and generally improving the quality of life of its residents, while maintaining and improving the local tax base".34

The private sector has lately made its own initiative in economic development. Individual firms have constructed new facilities for themselves or financed new structures for other tenants. A handful of major downtown firms has begun to investigate the possibility of collectively rehabilitating and re-populating several structures in the Newark CBD.35 By far, however, the most heralded, if not most ambitious plan is Renaissance Newark.

This chapter has summarized the economic, social, and political situation in Newark. The city sustains a strong record as a manufacturing center for the northeastern New Jersey region. More recently, however, the service sector has shifted to the lead role in the local economy. The banks, insurance companies, legal, and brokerage firms continue to grow within the central business district. Economic devel-
opment, in any part of the city, is a relatively current trend. The downtown has become the focus of increased business interest for two primary reasons: 1) the rapid rise in office rents and energy costs has made the area increasingly attractive to business; 2) a private sector initiative to preserve the CBD has sparked the interest and involvement of a majority of current downtown tenants.

The following chapter recounts the emergence of Renaissance Newark, beginning with the informal meetings initiated during the first term of Mayor Gibson in 1971. It reviews the actors and inputs that precipitated the proposal for a renaissance program.
Renaissance Newark is an idea that took several years to conceptualize. It may take two or three years more to be implemented. It may be a few years more before its impact is totally felt. Renaissance began in the minds of some business executives situated in the commercial downtown district. They observed the steady deterioration of the area; they watched their security budgets climb to new heights. They were alarmed by the swift decline of the area's appeal as a place in which to locate a business or to work in.

A renaissance-type program was also an idea among development officers in the city government. Always in search of ways to stabilize or increase the tax base, these officials keyed in on potential opportunities in the downtown. External circumstances had begun to come together in a manner that made the city more attractive (e.g. lower rents for office space, rising costs of energy and transportation) and coupled with existing tax incentives, the city could build a strong case for itself.

The two critical years of planning for Renaissance are detailed below. The process leading to the proposal is only the beginning, though. Since Renaissance was announced, but before it achieved any of its goals, the proposal has been the topic of much debate and speculation. The predominant opinions, as well as some frequently heard predictions, conclude the chapter.

When taken with the preceding chapter, this chapter creates a setting in which Renaissance Newark will take place. These two chapters introduce the actors, the resources, and begin to direct the reader toward the thought processes which are the real issue of the research.
PUBLIC/PRIVATE RELATIONSHIP BEFORE RENAISSANCE

In the announcement of the Renaissance Newark plan, Director John Maddocks explained that the main thrust of Renaissance Newark, Inc. "will be to coordinate the federal activities with those of state and local agencies and the private sector". At the time of the inception of Renaissance, the city was petitioning for federal and state funds for improvements to the Penn Station and the Erie-Lackawanna train stations, both heavily utilized by commuters to the city. According to Chamber of Commerce sources, the deterioration of Penn Station -- where Amtrak, Conrail, commuter bus and rail lines, and the PATH subway converge -- epitomizes the deteriorating conditions within the downtown. The facility is encumbered by non-working escalators, a schedule board which works only part-time, and repeated instances of mugging and robbery. The train station has also become a winter haven for derelicts, drunks, and drug addicts. It fosters a "sense of danger and unease" among the thousands of workers who use the station each day. Hence, the first priority among Renaissance Newark planners (specifically, the Mayor's office and the Greater Newark Chamber of Commerce) was to insure that funds would be made available for the station area improvement.

In 1979, the Federal Railroad Administration, a division of the U.S. Department of Transportation, committed $20.3 million for the "building and access upgrading". New Jersey Congressman James Florio announced in March 1981 that those funds would indeed be forthcoming. The rehabilitation may take up to three years. It is expected to include repair of the escalators and schedule board, cleaning and painting of interiors and improved lighting inside and out.
Concurrent with the application for DOT funds, city officials met with the Council for Northeast Economic Action (CNEA) and the Coalition of Northeastern Governors Policy Research Center (CONEG) to request that they study the station area. The purpose of the study was to analyze and promote the "linkage between the overall project and commercial development in the vicinity of the individual stations along the Northeast Corridor". The study concluded that infrastructure improvement along the corridor could have a "direct and measurable impact on downtown revitalization".

A number of business leaders situated in the downtown embraced the study and used it to bring together major corporate heads, city administrators, the Governor's office, and representatives of the Northeast Corridor Improvement Project, FRA, CONEG/CNEA, the Housing and Rehabilitation Authority (NHRA), and the state Departments of Environmental Protection (NJDEP) and Transportation (NJDOT). Several meetings were held in Newark during the summer of 1980. The meetings served to 1) provide a focus for public-private planning; 2) point out the critical role for station rehabilitation in the city's downtown revitalization; 3) lead to a partnership between public and private sectors and the NJDOT's Office of Joint Economic Development and Urban Initiatives. This Office would be the primary source of state funding for infrastructure improvements. In 1980, the office allocated several million dollars for upgrading the Erie-Lackawanna station in the north end of the business district (the Newark stop for commuters from the city's western suburbs). The rehabilitation program for the station began in January 1981 and includes interior painting and replacement of brick facades and lighting fixtures.
In 1979 and 1980, with a growing interest in commercial development, several studies were executed to determine the needs and resources of the downtown district. Both public and private sectors had either commissioned, or performed themselves, studies assessing the potential of the area. The NRHA study of the Passaic River waterfront just east of the CBD concluded that the vacant land might support one or two retail areas (one to be a building-to-market conversion like Fanueil Hall in Boston), renovated housing, and an "urban park system". The Urban Development Plan, written by the Mayor's Policy and Development Office (MPDO), detailed neighborhood by neighborhood development objectives. For the CBD, the Mayor's office wants to promote more parking space and improved commuter facilities, and the development of more greenspace to accompany the increase in new and rehabilitated office space. At the same time, the Economic development task force of the Greater Newark Chamber of Commerce (GNCC) had completed its own study. In the spring of 1980, these studies were compiled and examined by the downtown business community. Some of their conclusions about downtown development were:

a) the underdeveloped land in and near the CBD has an intrinsic appeal if certain conditions can be met;

b) modernized, safe Penn Station is critical to the success of the redevelopment plans for the area;

c) there is now a very, very high level of interest in spurring redevelopment at all levels of government and in Newark's aggressive private business community;

d) continued piecemeal development of the CBD will not make the most effective use of federal and state urban development and transportation assistance programs;

e) federal assistance programs can be used to establish a local development entity to supervise development in the station area.
This last conclusion became the starting point toward the conceptualization of Renaissance Newark. As had been the practice since the beginning of the Gibson tenure, the Mayor met frequently with top management of the largest Newark firms and executives of the GNCC to discuss future plans for Newark. Described as informal gatherings during which each participant became familiar "with each others aspirations" for Newark, the meetings were in fact a prime opportunity for strategic planning and action. Representatives from the public and private sectors negotiated the city's future at these sessions. Business executives from the financial institutions made their intentions and desires known, while the Mayor listened to determine to what degree the city could be accommodating.

At one meeting between Mayor Gibson and then president of the GNCC, David Rinsky, the two came up with a plan to establish a special district for concentrated development in the downtown. They constituted an ad hoc committee to outline a corporation that would oversee downtown development.

The ad hoc committee consisted of a major decision-maker from the GNCC, NEDC, NRHA, and NJDOT. The organization they shaped became known as Renaissance Newark, Inc.

The Renaissance Newark Organization

Renaissance Newark operated out of offices leased by Public Service Electric and Gas Company (PSE&G). The director is a loaned executive from PSE&G who spent 19 years in economic development at the utility. The eight member Board of Directors includes the chief executive officer of five major corporations: the First National Bank of New Jersey, Mutual Benefit Life Insurance Company, The Prudential Insurance Company
of America, PSE&G, and the United States Savings Bank. The other members are the Mayor, the State Commissioner of Transportation, and the current president of the GNCC. Funding for first year operations, $260,000 so far, was contributed by the 14 largest Newark firms. The focus of Renaissance, according to Director Maddocks, is limited to the downtown because that "is where the potential exists". Maddocks views Renaissance as a "catalyst, at least for revitalization in the downtown". He assured the author that the "big firms downtown" are working to create job opportunities and an improved tax basis for the city. Maddocks summarized the objectives as threefold:

1. a role for the private sector in revitalizing Newark.
2. to protect and enhance the investments of the large firms downtown.
3. to enhance the quality of life for people in Newark.

Perhaps not surprisingly, there are at least as many opinions about Renaissance Newark as there are participating firms and government agencies. In fact, even though both public and private sectors are represented on the Board of Directors, there is disagreement over the role and function of the Renaissance Newark.

Participating business firms anticipate the role of Renaissance to be that of planner and coordinator. Renaissance Newark will draw together the firm with the financer, with the public sector provider of funding and infrastructure. Theoretically, at least, the public and private sector actors will combine their resources to effect local development. The activities of individual firms will be coordinated with the transportation improvements already taking place. Each piece of development will complement the others, so that the result is coordinated area-wide
development throughout the downtown.

A secondary consequence of successful downtown development will be the realization of benefits beyond the central business district. Renaissance director Maddocks explains that business community participants feel confident that Renaissance projects will help expand the tax base and increase the number of jobs in the city. It is not yet known to what degree the tax base or revenues will be increased, nor what type of jobs will become available. The general opinion among business leaders, according to James Patterson at NEDC, is that new, first-class commercial office space, at a leasing price of $15 - $22 per square foot, will appeal to the New York City firms who now pay two to three times that rate for office space. Moreover, new facilities in the city, it is believed, will appeal to suburban firms whose costs are rising with increased cost of fuel and the need for automobile transportation to their locations. The Board of Directors of Renaissance Newark has said that the corporation will approach financial, legal, and brokerage institutions similar to those already present in downtown Newark. No doubt, occupancy by these types will represent and increase in white collar job opportunities.

Within the business community, there is apparent high regard for Renaissance efforts. Corporations heads, as well as the chairman of the GNCC, speak optimistically about the changes that may be wrought. The GNCC, as the organized body representing the business community, is well aware of the needs and opportunities present in the business district. They also know well the requirements for maintaining a business community and for attracting new members to it. Nearly all these concerns have
have been incorporated into the Renaissance proposal. For example, they have asserted that transportation improvements are the most critical element of any Renaissance Newark accomplishments. In fact, the transportation upgrading can be considered the kingpin and foundation from which all development will grow. Beyond that, these firms want access to any financial assistance offered by the government at every level. Therefore, the city's ability to win grants, to assign abatement rights, and to grant tax incentives are another crucial factor to the realization of Renaissance goals. It becomes apparent as one reviews the proposal that the business community knew exactly what they want, and who will play which role in order to attain it.

Government officials like Ronald Jean at MPDO view Renaissance Newark activities as an extension of "private sector leadership" traditional to the city. He notes that there is a "greater need now more than ever to let the private sector take more of a leadership position". In an interview he explained that city government is limited in its financial and physical capacity to effect change in the downtown. As Jean sees, it, priorities and accomplishments are determined by those who hold the "purse strings". While the Mayor or planning department may set goals, they can only do as much as the purse -- or purse string holder -- will allow. He cited as an example the shifting priorities within the department of Housing and Urban Development (HUD). If HUD decides that a greater proportion of its funds should be used to finance new construction for the elderly, the cities must oblige, even if a given city's priority is moderate rehabilitation. It is the same situation in Newark, according to Jean. The large corporations hold the strings. Economic development
may not be the chief priority around city hall; it may be housing or quality education. But those with significant financial resources want to promote economic development. And that, says Jean, is the way downtown development became the pre-eminent concern of the Newark revitalization agenda.

The Newark Economic Development Corporation (NEDC) is a non-profit, quasi-governmental organization established by public and private sector officials to be the city's agent for economic development. Among the services the organization provides are technical assistance, guide through the bureaucratic system, site and facility location advice, and financial assistance. NEDC negotiates on behalf of firms for tax abatement privileges and manages UDAG received by the city. The staff of NEDC perceives itself as a group of businessmen. Having been for the last seven years the premier economic development agency, NEDC interpreted the Renaissance proposal differently from its architects.

NEDC staff regard Renaissance as a complementary activity to their own operation. They expect the two organizations will work well together, but in no way will Renaissance supercede NEDC's efforts. Marketing Director James Patterson emphasized the differences between the two: Renaissance Newark has targeted commercial development while NEDC focuses on both industrial and commercial areas. Renaissance is a "small body with a small audience", but NEDC operates on a comprehensive, city-wide basis. Renaissance represents not much more than a marketing effort by highly influential, high visibility local firms. The groundwork and the detail work, Patterson assures us, will remain the territory of the NEDC.
All indications so far suggest that Renaissance Newark will be welcomed by the officials of Newark. Administrators throughout city hall readily acknowledge their inability to produce the economic impacts necessary to sustain the downtown district. They appear to have already accepted a back seat role to the leadership of the private sector. While the business community develops strategy and implements plans, local government will await their cue and then will do what is asked. In the meantime, local officials continue to struggle with increasing budget deficit, the need for a long-overdue reassessment of real property and the diminishing quality of municipal services delivery.

Yet, even while the public sector endorses the Renaissance plan, officials are not yet able to articulate what they expect the Renaissance will deliver. All tend to agree that the ties between economic development in the CBD and general upgrading are very close. But there is less of a consensus on the precise nature and timing of those benefits.

Apparently, there are a number of views on the function of Renaissance Newark. In the opinion of the Chamber of Commerce, which reflects the feelings in general of the businesses in the downtown, Renaissance Newark can help generate jobs and expand the tax base. Public officials, like the director of the Mayor's Policy and Development Office, endorse private sector initiative as the viable alternative when public resources are severely limited. From public and private sectors, support has been expressed for the Renaissance concept and program.

It seems that endorsements are forthcoming because the person offering his/her support maintains a positive vision with regard to what Renaissance Newark will accomplish. That official or business person "sees" the success of Renaissance not only in the business district, but
throughout the city as well. Although Renaissance is indeed narrowly focussed on the central business district, the participating officials who were interviewed conveyed the assurance that the entire city would benefit.

PREDICTIONS ABOUT RENAISSANCE NEWARK

There are several prominent predictions about Renaissance Newark, including (but not limited to):

1. the filter down effect
2. the expanded city coffers effect
3. the confidence factor

The filter down effect is a popular response among private business persons and development officials in the quasi-public agencies such as NEDC and Renaissance itself. These people represent vested interests located in the CBD, and so are concerned primarily, if not exclusively, with the preservation of that area. They have not prepared a direct attack on the problems that prevail in the rest of the city. Hence, when questioned about what Renaissance will accomplish for Newark outside the CBD, they respond with notions of a long-term impact, whereby success in the downtown will encourage other business activity, create demand and increase job opportunities. Eventually, the bounty of the downtown district will expand beyond the boundaries of the commercial center.

The effect is based on the economic assumption that when the business sector thrives, when productivity and profits are high, the propensity for business to grow and involve a larger community in its prosperity increases. In the case of Newark, success in the downtown will mean firms committing to remain in the city, some expansion, and the ability to
attract new firms to the area. This activity will lead to more jobs (presumably for local residents), more revenues to the city, and hence more monies circulating through the local economy. The commercial success and the availability of consumer monies will in turn attract retail organizations and service sector operations. Furthermore, with more opportunities to be found in the city, more people will want to work, shop, and live in Newark. Hence, the return of the middle class. Each aspect will reinforce the others. The important point to realize is that economic development in one select area must come first. With all energies and resources channeled here, making the CBD goals primary, they will be realized. By recognizing that business district goals come first, and are the most significant, the first step toward total city revitalization will occur.

The "expanded city coffers" reasoning is most popular among public officials, especially when asked how Renaissance achievements will benefit the indigenous poor. This rationale begins with the caveat: "economic development is not our first priority. Housing, or safe streets or (you fill in the blank) is. But..." Following the "but" is an explanation of the city's financial crisis. The city has only one source of revenues, taxation, and relies heavily on various forms of outside urban aid. The size of the dependency on outside assistance is tremendous, and currently in jeopardy due to the goals of the conservative administration ensconced in Washington. Without these sources the city will be unable to provide even the essential services. Maintaining these sources, therefore, is the uppermost goal. And any actions that would increase city revenues is desirable. With more monies available, as Renaissance
promises to generate, the city can direct the funds where they are most needed and utilize them to remedy the problems plaguing the city. The emphasis, therefore, should not be on how or from whom the city obtains its funds, but on how those funds are put to use. According to this rationalization, the sizeable gains associated with Renaissance Newark's success will create meaningful increases in the city's supply of funds, and then, in their ability to serve the residents of Newark.

Related to both the filter down theory and the expanded city coffers theory is the notion that what the city really needs, and what Renaissance will provide, is confidence in the city. When current residents and, more important, non-resident businesses and individuals see the restoration of Newark, they will begin to believe in the city. With confidence will come other businesses, different residents, more positive attention, and eventually a boost to the economy. If commercial space developers can achieve success and relative security downtown, then perhaps residential builders will as well. If firms can be convinced to settle in the city, then individuals may be persuaded to work and live there, too. The critical movement is to change the image and the impressions evoked by the city. When observers can be assured of the viability and vitality of Newark, their behavior toward the city will change, and the city ultimately will benefit. The purpose, therefore, of Renaissance is to market the city, to sell its good points and alter its image to one of attractiveness. Renaissance will be charged with not only generating interest, but also with creating physical evidence that the city is "new and improved". When a perspective tenant has been convinced of these things, he will be more likely to settle in the city. From that point on, either a filtering down or an
increase in city revenues will translate into the opportunity to better provide services for the residents of Newark.

The objective of Renaissance Newark is to promote and achieve new and/or rehabilitated commercial development within the business district. Government officials, corporate leaders, heads of quasi-governmental agencies all seem to agree that Renaissance can bring about change in Newark -- if it can first cause change within the CBD. And apparently, there is confidence that Renaissance will work in the business district. As for its accomplishments outside that area, there is still room for speculation and doubt.

The public sector seemingly has put its trust in the Mayor, who is the only public sector representative on the Renaissance Board of Directors, and in the integrity of those who would manage and finance Renaissance Newark's operations. Needless to say, it takes a good deal of faith to believe that a program not yet proven in its targeted area will produce reforms throughout the city. But perhaps faith is the key element in the public sector's involvement in Renaissance Newark. For the public sector has little to offer, less to gain (in the short run at least), but much to lose if the program fails. Because for all that the city may be in the daytime, it is much less -- and much worse -- at night. When the tall buildings close and the commuters flee, Newark has only itself: rampant crime, gross poverty, and all the hopelessness connoted by the word "slums". Since Newark in and of itself possesses so little and almost none of the resources necessary to rehabilitate itself, any project promising relief can look good. It is evident in those who migrate from the city, in the despair of those who remain, and even, some say, in the Mayor's
attitude, that there is no hope for Newark.

So why does the private sector feel differently? What does that sector know, either about itself or about Newark, that would cause it to invest sufficient resources to revitalize any part of the city? When Renaissance Newark was proposed, and as its planning capacity has unfolded, certain critical assumptions about Newark and the revitalization program have emerged. The assumptions reveal a) what may be true if Renaissance Newark is to succeed; and/or b) what must be true if Renaissance is to benefit the rest of the city. These assumptions help to define Renaissance by defining the setting, actors, and inputs that Renaissance Newark will utilize. For example, the predictions about Renaissance's impact find their basis in this set of assumptions. The predictions are part what will happen, and part what the prognosticator wants to happen. But both parts are predicated upon what one believes to be true about Newark.

If downtown development can be thought of as a building, then these assumptions are its four walls. With one or two in place, the potential for a building becomes apparent. If all four walls are present, there is certainty that the structure will come into being. But, if there are no walls, no assumptions, or if they are so flawed with inaccuracies as to be unbelievable, then there can be no building.

And so its is with Newark. When the Mayor and his staff and the business people met to formulate the Renaissance plan, they brought with them specific beliefs. Then they structured Renaissance Newark around and in accordance with those beliefs. What the Renaissance Newark participants apparently believe about the city is revealed in the assumptions stated below. Although there may be a number of working assumptions, the
four selected seem to recur in written documents, in official statements, newspaper accounts and person interviews. As chapter 4 illustrates, regardless of whether the speaker was a government official in city hall, or a business executive in a Broad Street office, the outlook was the same. Thus in order for Renaissance Newark to achieve its objectives, first in the CBD and eventually throughout Newark, these assumptions must prove to be true. As I perceive them, the assumptions state that:

1. An increase in job opportunities in the city via Renaissance efforts will mean an increase in jobs for Newark residents.

2. Benefits of downtown redevelopment will filter down and out to the rest of the city.

3. Financial assistance is forthcoming from all levels of government.

4. Tax abatement is necessary to make Newark "regionally competitive".

For the author, there is a sense that behind these assumptions there is another, ultimate idea about Newark. It has to do with the intangible aspects of redevelopment: the attitudinal or philosophical changes that are also needed to revitalize the city. It may be a simple notion about "image" or "confidence" or the feeling elicited when the name "Newark" is spoken.

In the section to follow, these assumptions are examined. Their source(s) is explained, and their mutual and individual characteristics are defined. Their accuracy and the significance of their inaccuracy is discussed in the latter half of the chapter. So far, the paper has attempted to portray the setting in which the events of Renaissance will unfold. For the rest of the paper, the narrative will explore motivations and purposes and will speculate on outcomes.
"Execs and officials launch big effort to revive Newark"
"Chamber aims to revitalize Newark"
"Newark envisions Penn Station as hub for commercial complex"

These are the banner headlines that herald the coming of the Newark Renaissance. The city for decades has suffered a comprehensive decline: in housing; in employment opportunities and income; in municipal revenues and delivery of public services. Here at last is a change, in the form of Renaissance Newark. Staff and supporters of the non-profit organization maintain lofty expectations for the program's accomplishments.

Part of their optimism can be explained by their view of the city itself. The public officials and business leaders who crafted the Renaissance proposal seem to have based their intervention on a vision of what the city's positive attributes are, where they can be found, and how they can be exploited for the benefit of the city. These officials also have opinions -- backed, if not by fact, then certainly by enthusiasm -- about how much they can accomplish.

This section is an examination of several of the prime assumptions held by the creators of Renaissance Newark. From their own statements and official accounts, the author infers what views of Newark and its problems most likely lay behind the planning of Renaissance Newark. These assumptions are contrasted to evidence about existing conditions. The purpose of the comparison is to enable the author to evaluate the accuracy of the assumptions and further, to speculate on possible implications for Renaissance and the city of Newark. The discussion of those implications is the topic of the final chapter of this paper.
ASSUMPTION #1: An increase in job opportunities in the city via Renaissance efforts will mean an increase in jobs for Newark residents.

In his inaugural address, former chairman of the Greater Newark Chamber of Commerce Robert Eberle asserted that "the single key to meeting the interrelationship among Newark's major problems is economic. It alone can produce new jobs required to reduce unemployment, elevate income standards, sustain housing and educational improvement and raise the tax base sufficiently".¹ Eight years later, on a similar occasion, Richard Schoon, current president of the GNCC, reiterated a similar theme. "The fundamental problem in American cities", he declared, "is the declining job base. It created a whole series of other problems -- lack of interest in the community for the jobless, too much leisure, crime -- it gives people a sense of insecurity. The retention and creation of jobs is the top priority for revitalization efforts in Newark".²

Statements like evince the commitment on the part of the business community to turn Newark around. Leaders in both private and public sectors recognize the need to provide jobs as a critical element of revitalizing the city. In fact, one of the three major goals of the city's economic development strategy is the creation of "improved resident economic opportunities" (meaning the opportunity to own as well as work in a firm).³ Among the specific objectives which feed into these goals are to increase the total jobs for the resident labor force; and to increase resident job skills/income generation capability. Here, then, is a convergence of public and private interests. Agreement on the importance of job creation can be a first step toward a major cooperative effort between the two sectors.

The Renaissance Board of Directors focuses on the downtown district
for development. The rehabilitation and construction of office space, the renovation of transportation networks, and improvements of infrastructure are all targeted goals. These changes ideally will attract investors and employers who will settle in and then create jobs. What might these job opportunities be? First, there is the possibility of expansion of existing firms in the area. The CBD in Newark is primarily a financial district: insurance and banking institutions, legal and brokerage firms and a few retail establishments. The type of jobs found here tend to be professional, technical and office operatives. Any expansion of these firms would probably mean more of the same type jobs. Second, the downtown activity may attract new firms (that is, new to the area). According to one redevelopment specialist, the targeted firms are "back office operations from Wall Street" (the financial district of New York City), brokerage houses, banking, etc. and perhaps a branch office of the firm. Here again, are firms who employ chiefly highly-skilled technical people in support staff roles, and professional-managerial types in executive roles. And any jobs generated through the introduction of these firms to the area would be similar positions.

The first Renaissance Newark project, One Washington Plaza, will eventually house about 1500 employees. The Bell Telephone Company, which has leased 70% of the office space, will place some 1300 of its administrative, engineering, and clerical staff there. It is expected that other tenants will "ultimately generate" 665 permanent new jobs, including more than 300 for low and moderate income persons. Although presently there are no commitments for the rest of the building, the Mutual Benefit Life Insurance Company (which holds the primary mortgage) is confident that total occupancy will be reached within six years.
These are the opportunities being created in downtown Newark: jobs utilizing sophisticated office equipment, jobs requiring specialized training in business or management, or in subjects such as accounting, economics and finance. To a lesser degree there will be jobs in construction and in the support services. Newark residents should be encouraged by the presence of new job openings, especially those that are within easy access of their homes. Newark residents, if they are prepared with the necessary skills and competencies, can benefit from the downtown Renaissance almost as much as the firms themselves.

Comment on Assumption #1

To say that the resident labor force in Newark can support a white collar demand is to misstate the facts and to ignore the obvious. Moreover, to imply that an increase in job opportunities for the city will mean an increase in jobs for residents is to be unaware of the employment history of Newark residents in that city.

Yet these are the views implicit in the Renaissance proposal and in statements made by public and private sector officials in relation to the proposal. As explained in the previous section, these officials proclaim their personal and/or their firms' commitment to Newark and belief that the city's rebirth is "just around the corner". These officials, who would never say they believe only in their particular block, or in just the CBD, nonetheless concentrate their efforts exclusively in the business district downtown.

Therein lies the problem, for the majority of Newark residents do not work in the city. Among those who do, a large proportion are employed in manufacturing and industrial firms. In 1977, there were 138,292 Newark residents employed in Newark in civilian (non-government)
positions. Fifty per cent of those workers held blue collar jobs; only one-third held white collar positions. Newarkers found jobs in four major industries: manufacturing; services; finance, insurance, and real estate; and retail trade. The distribution of jobs to those categories in 1979 was:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number Employed</th>
<th>Per cent Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>41,742</td>
<td>31.2%</td>
</tr>
<tr>
<td>Services</td>
<td>26,343</td>
<td>19.7%</td>
</tr>
<tr>
<td>Finance, Real Estate, Insur.</td>
<td>16,582</td>
<td>12.4%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>15,929</td>
<td>11.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100,596</strong></td>
<td><strong>75.0%</strong></td>
</tr>
</tbody>
</table>

The remaining 25% of jobs were scattered in wholesale trade, communications and utilities, construction, mining, agricultural and other industries. Although there were no corresponding figures citing in which firms city residents work, major employers in the downtown (e.g. PSE&G, Bell Telephone, the Prudential) have estimated that more than 90% of their employees are non-residents.

This estimate is supported further by statistics on where local residents work. Less than half work within the city. Some 23% work in other parts of Essex County or in adjacent Union County. Roughly 5% work in Manhattan, while the rest are scattered throughout the other four boroughs of New York City and nearby counties in New Jersey.

A significant number of residents are neither working nor prepared to work. Of the total population over age 25, only a third have high school diplomas. Less than 5% are college graduates. Non-completion of high school is a serious problem; the deteriorating quality of schools is a contributing factor. Of the population between the ages of 16 and 21,
53% are not enrolled in school; slightly less than half have completed high school, while the rest, about 10,170, are drop-outs. Consequently, the unemployment rate for these two sub-groups is phenomenal. 36.3% of the high school graduates and 61.8% of the drop-outs are unemployed or not in the labor force.\(^7\)

City-wide, the unemployment rate is estimated to be 11.7%, though because of counting errors the figure fluctuates between 10% and 20%. Between 1970 and 1977, the number of businesses declined from 7575 to 5733, a drop of 24%. During the same period, the unemployment rate rose from 6.5% to 15.9%. The total number of jobs lost in that period was 46,145, or one-fourth the number present in 1970.

State officials predict that most job opportunities will exist in non-manufacturing industries which account for 7 out of 10 non-agricultural jobs in the area. Opportunities are expected to include professional and non-professional positions. Specific positions predicted to be in high demand include computer programmer, clerical, auto mechanic, and machinist. Other opportunities, say state labor officials, are dependent upon the realization of redevelopment plans in the downtown and elsewhere, especially the industrial meadowlands and at Newark International Airport.

In view of the statistics summarized above, it is clear that most residents are not working in the city. Many more are not working at all. The drop out rate is high. Those who do graduate from high school are ill-equipped to succeed in college.\(^8\) Even those who attend vocational programs are being taught useless skills on equipment that rapidly becomes obsolete in the office environment. It is apparent that Newark workers are not prepared to assume white collar positions. In addition, there is still a question as to exactly how many jobs will become available,
regardless of cause. There is no indication that local residents have filled white collar positions in the past, nor that they will be more likely to do so in the future.

ASSUMPTION #2: Benefits of downtown redevelopment will filter down and out to the rest of the city.

For more than 30 years, Newark has been involved in urban renewal programs. The city has traditionally emphasized neighborhood revitalization, e.g. the provision of quality housing, modern schools and open spaces. Only in the last five or six years has urban renewal turned to downtown redevelopment. A number of factors have recently come together to make downtown revitalization an important opportunity for the city. Large firms such as Mutual Benefit and the Prudential Life insurance companies have invested in real property downtown. Other major employers like Public Service Electric and Gas and the Bell Telephone Company have built headquarters in Newark. Smaller firms too have made a commitment to remain. In the face of rising rental and transportation costs, the attractions of Newark increase noticeably.

Renaissance Newark, thus, is nearly an inevitable occurrence. In just a couple of years, a strong interest in the downtown has manifest itself, coupled with the necessary financial support from public and private sectors. After some preliminary studies and planning for the organization's structure and purpose, the objectives of Renaissance Newark, Inc. were
identified as follows:

* Additional parking facilities for commuters and office space occupants;

* Construction of new office space in conjunction with transportation, retail and commercial development in the area;

* Planning and development of open space and parks along the riverfront;

* Consideration of housing development along with upgrading of Rte. 21 and creation of a logical, integrated parking plan.

These objectives can easily be seen as beneficial to both commuters and local residents. Infact, the open space and housing development goals may provide benefits for local residents directly. They are not jobs, of course, but residents nevertheless are in need of parks and housing.

Unfortunately, once Renaissance priorities were established and action initiated, only the needs directly related to the CBD were acted on. For example, the One Washington Plaza, new office building, is the first step in the Renaissance program. This structure, situated in the north end of the business district, is partially finance by a $10 million UDAG-backed mortgage, and was granted tax abatement. In addition, the contiguous area will receive increased infrastructure improvements and police protection (requested by the GNCC). One tenant will lease 70% of the office space. But no new jobs will be created because that tenant is simply moving across the street. And with tax abatement granted, the city will have to wait at least 15 years to obtain full taxation on the property. This more or less, is the Renaissance Newark model: construction of new office space complemented by government financing and infrastructure improvements leads to the retention and creation of jobs. One project is not necessarily connected to another except that all occur within
the central business district.

There is no indication how or when the housing and open space objectives will be addressed. But clearly, top priority is placed in the construction of office space in the downtown. The Renaissance program seems to be based on demand, hence the commercial development activity -- an outgrowth of the demand for "first class" office space in that labor area. If this relationship persists, housing will have to wait until there is a similar demand for it. (This may already be a notion in the back of someone's mind. Janice Newman, in the Mayor's Office, for instance, believes the interest and opportunities in Newark will attract potential residents.)

Demand may be the catalyst in the Renaissance program, but there are two other entities concerned with development in the city, and each has its own approach. The city is a recipient of Community Development Block Grant funds. According to the fifth funding year report (1980), 20% of the funds went to the provision of social services, e.g. health centers, day care, etc. More than 40% was spent on urban renewal activities: clearance, close-out, and completion. Although the CD agenda is primarily concerned with housing and community services, it does address economic development. While housing and public services are directed toward all the city's districts, economic development objectives focus exclusively on the downtown. Among the objectives are the stabilization of the existing economic base and expansion and improvement of those public services that affect Newark firms. About 15% of the CD budget is allocated for these purposes.

The CD agenda effectively complements the recently written Master
Plan. The plan provides an overview of needs and opportunities throughout the city, but its emphasis is plainly on economic development. More than half the text is devoted to economic development goals and strategies. The rest of the plan seems a prologue. Even though the plan does not provide a step-by-step guide to revitalization, it does diagnose the city's problems and most urgent needs. It further commits the city to action that supports the Newark business community -- securing financing, infrastructure upgrading, provision of increased public services where and when requested -- without stating what the city will gain from the firm in return.

Both the Master Plan and the CDBG program fit well with the intentions of Renaissance Newark and they share a commitment to the city and specific goals for the CBD. The apparent link between the two is an assumption that actions need not be directed at all parts of the city in order for all sections to benefit. Since no existing document provides instructions for directly addressing specific community needs, nor suggests a way for the "two Newarks", the one within the CBD and the one without, to be integrated, one can only conclude that benefits to the city will be eventual and indirect.

Comments on Assumption #2

There is a tendency among Newark development officials to assume that the benefits of Renaissance Newark -- that is to say, the benefits of downtown redevelopment -- will filter down to Newark residents. There are no plans directed expressly at other neighborhoods in the city, or at the needs of the indigenous population. One can infer from a variety of sources such as the Renaissance proposal, the Master Plan and the Community Development Block Grant report, that the first (sole?) priority in the
redevelopment plan is the downtown district. That development success in the downtown is the "key" to the total revitalization of Newark has been expressed by the Mayor, his staff, Mr. Buck of NRHA, Mr. Faiella of NEDC, Mr. Schoon of the GNCC, and a number of other corporate and governmental officials. Few will argue that economic development, capital investment etc. are not important for the survival of an urban center. The issue is whether the economic development in the CBD should hold such singular importance in a city consumed by broader problems.

The idea of a benefit "trickling down" from an intervention implies a long term payout. First, there must be a project, or ideally a series of projects, that can generate the benefits (jobs, revenues, improved image, etc.). The impact of the project manifests itself slowly. The firm pays property taxes, but a sizeable amount must be collected before the city can alter its expenditure policy. One firm can with time generate a few jobs, but benefits cannot be said to have trickled down until a number of job opportunities have reached the local population. In other words, one firm comes to the area, must be successful enough to both generate jobs and revenues and attract other firms who will duplicate the first firm's efforts. Only after these firms have permeated the local economy will their influence be felt. But if we were to imagine a scenario, based on activities that have occurred in Newark, the result might resemble this:

Three firms move to Newark and are quartered in a newly constructed office building. The firms, all of which have moved from New York City, bring nearly their entire staffs, thus creating less than a dozen job openings. The building was constructed with long-term financing via UDAG, and received a 15 year tax abatement. The city also provided a parking garage and additional police protection during rush hours. In little
more than five years, the building reaches 100% occupancy. The flow of
benefits begins slowly: one Newark resident is hired by a firm. Most
of the unfilled positions require college degrees, or persons with special
training on word processors or computers. The benefit of the new building
as a source of property taxes is cancelled out by the increased demand
for municipal services. At the end of 15 years, the city can collect the
full liability from the building; there is no guarantee, however, that
the building will be economically viable then. The term of the UDAG mortgage
is 30 years, but this stream of amortization is insufficient to support
further investment.

As a symbolic endorsement of the city, a second office tower is erected.
A Newark firm moves in, but the company simply wanted to upgrade its
facilities in Newark. After moving to the new quarters, the firm abandons
the current site, which is placed on the city's real property rolls.

This scenario has only been played out in pieces so far, but it is a
composite of authentic actions and outcomes. Some UDAG funds were applied
to the PSE&G building, and provide the second mortgage for One Washington
Plaza and the Ironbound River Plaza. The city parking authority financed
the construction of the Military Park parking lot and the Erie-Lackawanna
station lot. The length of time until total occupancy is reached can range
from eight years, as with Gateway I, down to less than one month, which
was the case with the PSE&G headquarters. With a few more details, this
model might serve as a sort of prediction of the likely impacts of Renais-
sance Newark on the city. At this time, however, there are no prediction
models save the predictions of those participating in the program itself.
Benefits may indeed filter down; there is simply no empirical evidence
that such an occurrence is likely in Newark.

Benefits may filter down from one section of a city to another, but why should they have to? And for how long must the city wait to realize those benefits? The director of MPDO has already acknowledged that Newark cannot wait for the long run remedy. All of Newark needs help now. Isn't it possible to formulate a comprehensive, albeit staggered, redevelopment program for the city?

For example, one explanation of the Renaissance given by a Prudential executive, is that it will leverage one project from another. The train station renovation leads to the Prudential's Gateway III. The Gateway encourages the Kresge building renovation. The Kresge building stimulates activities along Broad Street, etc. The problem is that with this format, the renewal projects are confined to the area of the business district. Any impacts outside that area should probably be labelled spillover effects, and will depend more on the change in overall image of the downtown than any directly-linked antecedent.

An alternative to the project-by-project model is a city wide one. This plan might mean investing in cottage industries in the East ward. Skill training centers could be opened in the Central and East wards which would feed employees into the East ward factories and the central business district offices. Let neighborhood self-help groups renovate housing in the North ward and Weequahic ward, where much of the remaining stock is still viable. Draw attention to each ward's "potential" for job creation, housing, social services or job training and a labor force. In this way, the downtown becomes "one of" the successful districts, instead of the only one. The process may be gradual, and the benefits achieved over the long run, but every neighborhood has the opportunity to participate, and
all residents can be actors instead of passive recipients.

ASSUMPTION #3: Financial aid is forthcoming from all levels of government.

In almost every recorded discussion of downtown development, the importance of financial aid from all levels of government was stressed. Milton Buck, executive director of the Newark Housing and Rehabilitation Authority, stated that certain "key pieces" must fall into place before there can be any commercial development. Among these items are:

1. Congressional approval of funding for a $21.1 million restoration of Penn Station as part of the federal Northeast Corridor Improvement Project;

2. Agreement by the Federal Railroad Administration to share the costs of a major parking garage in the tract serving both Penn Station and the projected commercial development;

3. A decision by the State Department of Transportation on a plan to widen and improve Rte. 21 which separates Penn Station from the development site;

So far, the only funds delivered yet are for the Penn Station project.

But Buck is neither the first nor the only official to underscore the pivotal role of transportation aid. The GNCC has described the condition of Penn Station as symbolic of the decline of the downtown area. The Renaissance Newark announcement states that "creative financing, using private and public sources, would be devised, and the entire project would be coordinated with transportation planning and improvements". Various business leaders, including GNCC presidents, and heads of Mutual Benefit and PSE&G have reiterated the opinion that without transportation aid, downtown development won't happen.
Transportation aid, however, is not the only type of support solicited. The city has become a heavy user of UDAG funds, tax abatement, and state bond financing. The city has won 11 UDAG grants within the last ten years, and has used them to leverage office buildings in the downtown, factories in the industrial meadowlands, and an occasional hotel/restaurant complex. The Ideal Toy manufacturing company, the Alling Streets associates building, and One Washington Plaza have all benefitted from UDAG funding. The PSE&G building, the Blue Cross/Blue Shield headquarters, and the first Gateway complexes were awarded tax abatement. State bond financing has supported renovations in municipal facilities and the conversion of a former office building into housing for the elderly. In fact, every commercial property constructed in the last 10 years has been the recipient of tax abatement; half also were financed in part by UDAG monies.

Sometimes, non-financial aid is what is sought. What this means is that Renaissance Newark seeks an endorsement, or a "promise to use" from the government, instead of, or along with financial assistance. For instance, Renaissance Newark plans to participate in the planning and development of parks and open spaces. They base their participation on "growing Federal and state interest in riverfront development". This interest, say Renaissance officials, could be translated into development funds. Once again, private sector participation must be precipitated by public sector interest and financing.

A second example of pursuit of non-financial aid can be found in the proposal for rehabilitation of the Kresge building in the center of the downtown district. A "key element", according to sponsors of the project, is a commitment by the state to lease the rehabbed floors
for its 2,000 employees in Newark. It happens that the state is indeed searching for new first class space for its Newark employees, and has said that it will not renew the lease at its current location in the city. But no final commitment has been made. Local officials and business leaders subsequently have applied pressure at the governor's office for the rehabbed building.

In effect, the Renaissance creators regard government aid as an immutable given; it will always be there. When business leaders and development officials met, studied and planned the redevelopment of downtown, they moved on the assumption that Federal aid would be available. Nearly every major corporate and GNCC official has emphasized the need for transportation improvement funds for Penn Station. The One Washington Plaza developers sought a UDAG funded second mortgage. The Prudential made it clear that its development of Gateway III complex would hinge on the city's ability to secure public funds for a parking garage. A proposed rehabilitation will go into action only if the state agrees to house all its Newark employees (some 2,500) in the building. These are just a few examples of the way the business community has come to rely on government aid.

There are few complaints about the way Newark has put government aid to use. The city's application of UDAG funds continues to be fruitful, and transportation aid has been delivered exactly where needed. Renaissance Newark officials are apparently aware of the city's solid track record with government aid and hope to deploy it with comparable results.
Comments on Assumption #3

Government aid is not forthcoming. That is the gist of messages emanating from the White House and Reagan administration emissaries. Since the conservative administration has come into office, it has slashed and targeted for cutback a number of traditional aid programs relied upon heavily by cities.

It appears that the Reagan administration is not sympathetic to the plight of the nation's older Northeastern urban areas. The popular reasoning in Washington is that these areas have become obsolete: they are too expensive to live or work in; their resources have been almost totally drained; they have become repositories for the poor, the elderly, and the criminal element. An urban report conducted at the end of the Carter administration concluded that cities evolve in cycles, and that the northeastern cities were caught in a downward arc.

Unfortunately, the premise of much of Renaissance efforts is that funds will be available to supplement or entice private investment. Many of the studies and planning for downtown redevelopment in Newark were made during the administration of Jimmy Carter. Since then, however, Mr. Carter was replaced by Ronald Reagan and a wave of conservative legislators in Congress. The new administration immediately de-emphasized federal aid for a variety of programs, and has advocated local support and private sector initiative. Already in the first three months of this administration, programs cut or targeted for dissolution include UDAG, EDA, and CETA. In some instances, the funds will be replaced with block grant funding administered at the state level; in other cases, the funds will simply cease to exist. Redevelopment
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officials as a result, will be forced to rethink their plans in order to cope with changing priorities on a national level. With such apparent reliance on external sources of aid, an important question to ask is what happens if the aid does not materialize? Some firms already have devised a response. On one hand are firms who, with a "business as usual" attitude, have proceeded with their plans for rehabilitation and expansion. On the other hand are firms whose behavior suggests they are unaware of the rapid decline of public resources. An example of the former is Touche Ross, Inc. The Prudential is an example of the latter.

As recently as April 1981, the Prudential verified that the success of its project (Gateway III) was contingent upon the city's acquisition of funds (UDAG of other) or erect an adjacent parking garage. It is difficult to say whether the Prudential's action represents ignorance of the current situation, or is a ploy to pressure city hall with its demands.

The latter alternative becomes more plausible when one considers these circumstances:

1. Prudential employees, approximately 3,000, will be the primary tenants of Gateway III.

2. They will move from their present Newark address, a Prudential-owned building declared by the firm to be "functionally obsolete".

3. This building will be demolished as soon as the new quarters are ready.

4. If the city cannot finance the parking garage, the Prudential will not build Gateway III. Instead, since the firm will still need office space, the Prudential will probably take advantage of its suburban properties west of Newark.
Thus, the city is placed in a position in which its ability to generate funds, not that of the private sector actors, becomes the critical factor in firm (and hence, job) preservation. It seems ironic that the least resourceful actor in this redevelopment scheme is made to bear so much of the burden.

Another way of assessing the non-funding situation is to ask just how necessary outside governmental aid is to redevelopment efforts. Certainly there are some firms that have moved into, or remained in Newark under the power of their own resources.

The Gateway I office tower, for example, has been the site of renovations and office expansion. At least three large firms have undertaken sizeable renovations in order to increase both their office space and the number of employees in the city.

Touche Ross, Inc. the accounting firm, has its New Jersey headquarters in Newark. The firm, which has been in Newark since the 1930's, decided to consolidate its New Jersey staff into Newark. When the expansion is completed, Touche Ross will occupy 50,000 square feet, nearly twice its original space; and will contain more than 300 employees. The partner-in-charge at the firm's Newark office cites several advantages of the move. First, the company can derive biggest savings from increased efficiency. Since staffs of the different services are located in one place, they can coordinate their activities without duplication of effort. Secondly, the consolidation is more convenient for clients, who can now obtain all their Touche Ross services in one stop. Finally, the Gateway is situated in the center of a major transportation system. Touche Rose, in this location, competes successfully with the amenities of nearby New York City. Touche Ross executive, W. Donald Georgan, describes the firm's commitment this way:
"We believe there's a benefit for our clients, our employees, and the city itself. Consolidation of our New Jersey operations in Newark represents not only a move toward improved service on behalf of our clients but a commitment to the renewed economic leadership and vitality evidenced in this city". ³

WNET/Thirteen, the public broadcast station in the area, needed to expand its facilities in order to realize the station's production goals for programming in the state. The station invested $750,000 to expand their facilities at the Gateway to twice their current size. The new facilities will house modern, sophisticated studios and equipment. In addition, there will be more space for non-broadcast activities, such as meetings, call-ins, volunteer and educational projects. This expansion will be financed as are all WNET projects, through a capital fund-raising drive aimed at New Jersey corporations, foundations, and individuals.

The Kraft and Hughes law firm provides still another example. This firm will shortly complete its third internal move since coming into the Gateway in 1971. At that time the firm had only two lawyers, but now has 25. The 1980 renovations will consolidate the offices into 1 1/2 floors instead of the scattered situation on three floors. It will encompass 20,000 square feet. Although the firm has been wooed by developers in suburban areas, it has remained in Newark because of its particularly convenient location. Further, the convenience of mass transportation is an asset to the firm in helping to attract employees and in serving clients. Finally, the firm notes that the existence of two major law schools in close proximity to the office are added attractions; they provide access
to law libraries and are a convenient source of potential staff.

All three firms acted with their own resources, and without government financial assistance. They have discovered through experience that Newark and the Gateway are highly convenient, and highly accessible locations. The cost of doing business in Newark is less than in a comparable situation in lower Manhattan. Each firm has a history of working in Newark, and it might be said that roots have taken hold.

There are reasons to stay in Newark and ways to remain that are not dependent upon government aid. President Reagan has proposed the delivery of block grants to states for them to distribute, and will reduce or eliminate traditional sources of assistance. Therefore, firms will have to develop and employ their own resources. This situation need not foretell the demise of business activity in Newark. The numerous large corporations in Newark, especially the insurance companies, regularly invest large sums in real estate. An informal redevelopment team, consisting of three banks and two insurance companies in the city, has begun to study and select possible sites for rehabilitation. The group has set aside $30 million and is anxious to invest and restore a building downtown -- on its own, and with no apparent investment by the city.

ASSUMPTION #4: Tax abatement is necessary to make Newark "regionally competitive".

James Patterson of the NEDC strongly believes in the use of tax abatement as an incentive to businesses. He feels that tax abatement is a necessary and appropriate incentive and one of the "equalizers" that will help the
city appear more competitive within the region. He argues that abatement in no way gives the city an edge; it merely keeps Newark in the running.

John Maddocks, director of Renaissance Newark, feels the same way. He can enumerate a long list of the city's advantages, including the complex transportation network, the industrial labor force, the availability of land, and regionally competitive rents. In spite of these, he believes that tax abatement must lead the list of Newark's business incentives. He explains that more often than not a potential tenant ignores these assets but retains a negative image of the city.

The City Council of Newark is another endorser of tax abatement as a development incentive. In the 20 years since the Fox-Lance Act has been law, the City Council has consented to all but a couple of the petitions. Even PSE&G was granted an abatement, despite the fact that there was no evidence that the utility was in financial trouble, or that it intended to leave the city. According to some critics, the primary reason PSE&G received the abatement was that the firm had demanded one. In other words, the company represents such a formidable influence on the local economy (or on local officials) that its wishes can be granted regardless of their impact on the local situation.

By granting tax abatement, the city made possible the construction of the Blue Cross/Blue Shield building, the Gateway complex, and the expansion of the Robert Treat hotel. The insurer could have invested in facilities in other parts of the state, but was apparently persuaded by the opportunity for tax abatement (which can only be granted on land legally declared blighted.

There may have been other reasons for the firms' location decision in this instance, but to experienced development advisers like Patterson
and Maddocks, none were more critical to Newark than tax abatement.

Comments on Assumption #4

The business community and some government officials appear to believe that tax abatement is a necessary incentive for development, or redevelopment efforts in the city. Briefly, they argue that Newark needs the incentive just to be able to compete with surrounding communities. They further contend that tax abatement in no way provides the city with an advantage. It merely balances some of the disadvantages connected with Newark.

The Renaissance Newark projects currently in preparation or under construction have each requested tax abatement. One Washington Plaza will house the Bell Telephone employees already in Newark. It is not yet known what will happen to the building used by that firm now. The Gateway III building will contain 3,000 Prudential employees, shifted from the company's Gibraltar building farther downtown. The Gibraltar building subsequently will be demolished. Finally, the rehabilitation of the Kresge building is contingent upon the State's commitment to consolidate its 2,500 Newark employees there. The old offices will simply be abandoned.

Several recent studies shed some light on the related issues of property taxation, tax abatement, and urban development. These studies are summarized below, with attention drawn to those findings of particular attention to the city of Newark.

Impacts of property taxation

In a paper on property taxation and urban land use, the author explains the taxation dilemma thusly:

The central cities do not possess the fiscal resources commensurate with their economic responsibilities. There is a ubiquitous impression that the big cities possess wealth -- looking beyond the CBD. Beyond the office building and department stores are extensive grey areas where the combination of low-value residential property and
extremely high population density cancels any fiscal benefits of non-residential property. 1

It is not difficult to recognize this situation in Newark. As has already been noted, a Mayor's Task Force concluded that the real property taxpayers, who account for only 44.8% of the real assessed value of the city, pay 100% of the taxes, hence carrying the full burden for municipal services. Taxpaying residents are quite aware of this problem; some have moved elsewhere, while those who remain complain about the dwindling quality of service delivery.

The author further notes several associations between the tax rates and other factors. First, he says, there appears to be an inverse relationship between the volume of commercial/industrial property and the height of the tax rate. Secondly, he has observed a positive association between population density and the local property tax rate, i.e. tax rates are high in densely populated communities. These characteristics, too, can be found in Newark. They contribute to a situation of rising tax rates and diminishing revenues. The author concludes that the primary consequence of the "confiscatory" tax rates is to inhibit development.

The New Jersey Tax abatement law

State legislators evidently were aware of the negative effect of too high property tax rates, for they enacted a law designed to directly combat the problem. The Fox-Lance Act of 1961 permits tax abatement to industrial and commercial development in legally defined "blighted" areas for a period of up to 15 years. The developer enters into a financial agreement with the municipality and agrees to an in lieu payment based upon either 15% of gross rentals or 2% of project costs.

However, the law is interpreted slightly differently in Newark.
First of all, the NRHA will declare any area "blighted" if the developer decides to seek abatement. Secondly, all tax abatement in Newark is granted for the maximum period, 15 years. Thirdly, perhaps most significantly, all development projects given tax abatement are charged only 2% of "hard" costs as an annual in lieu payment. According to the law, the 2% option was to be reserved for only those projects where rental costs could not be ascertained.

There have been criticisms that tax abatement is indiscriminately applied, without regard to the financial circumstances of the firm or the project. Originally, the largest projects came under the 15% rule, which was designed to provide payment growth. However, in the last seven years, only one developer has used that formula, and all others have utilized the 2% level. Thus the city's policy implicitly assumes that each project requires the same incentive, a "fixed" incentive, described by one critic as a process of

"granting abatement to some firms which could have paid full taxes; granting full abatement to firms that could have paid more than 2% or 15% but less than full taxes; and losing firms to other municipalities because the best the city could offer was property tax abatement 'equal' to 2% or 15%."

Costs and benefits to the city

The effects of tax abatement are unevenly distributed, and could potentially leave the city in a financial predicament. Specifically in Newark, more than 2/3 of all the city's abatement revenues are derived from only 3 properties, while the remaining 1/3 is produced by some 27 operating properties. Obviously, most development is on a small scale. Furthermore, should the tenants decide to move, or simply become delinquent
in payments, the city's revenues would suffer critically.

A cost-benefit analysis of tax abatement, conducted for NEDC, outlined direct and indirect impacts of abatement. As costs to the city were the cost of supplying municipal; the delayed growth in the city's tax base; the cost in terms of tax equity. Designated as benefits were the in lieu payments; payroll taxes; state business taxes later returned to the municipalities; increased employment; increased economic activity; multiplier and spillover economic effects. Generally, the study concluded that abatement payments alone are not sufficient to cover the cost of municipal services. Only when each firm's in lieu payment is combined with its payroll tax liability, does the firm's payment to city equal its cost.

The city will lose some 20 to 40% of full taxation over the 15 year abatement period. It is estimated that in 1977 Newark lost $7.9 million in property tax revenues from the 30 tax abated projects. This figure represents 13% of the city's 1977 property levy. Secondly, the Fox-Lance payments are frozen over the 15 year period, while there are simultaneous change in the cost of municipal services, local needs, and other sources of revenues. Finally, no development has "lived" beyond 15 years, and some development officials are fearful that when the advantages of abatement (as well as depreciation and interest schedules) fades, the companies may move away or abandon entire buildings.

A decision on the utility of tax abatement is subject to conclusions about other preliminary factors. Clearly, there are benefits to the developer: reduction of tax liability and a fixed liability for a period of 15 years. But should every developer be entitled to abatement? The city is deprived of revenues during construction and during the abatement period. The muni-
cipalities have no enforcement authority to bring to bear against delinquent tenants. The multiple small projects often create fewer than 20 jobs.

In summary, the impact of the three Renaissance Newark projects will be to:

1. upgrade facilities;
2. bring employees to safer facilities, more convenient to transportation routes;
3. precipitate the abandonment of at least three downtown office buildings.

For the most part, the move from one building to another cancels any increased revenues to the city. There is no indication that jobs will have been created for Newarkers. And there is still room for debate as to whether or not any impacts will be felt beyond the CBD.
The Newark Renaissance is about to commence. The preliminaries have been accomplished: a planning organization of public and private sector actors has been established, the construction projects have been planned, and the necessary financing is in place. The groundbreaking on the first project is imminent. Participants will continue to pursue government funds and the commitment of resident firms to remain in the city, while observers will begin their watch, waiting for promised benefits and unanticipated results.

The ostensible purpose of this paper has been to describe the origin and prospects of the organization known as RENAISSANCE NEWARK, INC., but the primary concern of this research effort was to examine the broader issues associated with an innovative approach to urban renewal. This paper was written to explore the implications of the type of redevelopment program embodied by Renaissance Newark. The basis of Renaissance is the belief that economic development in the central business district is the first and most critical step toward overall city revitalization. This premise is fortified by a number of assumptions whose accuracy vis-à-vis Newark is vital to the success of the Renaissance methodology.

The task of the paper thus far has been to assess where those assumptions "fit" with an empirical picture of the city. The paper has revealed a sizeable divergence between the assumptions held by the creators of Renaissance. To wit: when Renaissance asserts that the new office space will generate jobs for Newarkers, it was proven that Newarkers, due to their limited skills and education, do not work in white collar firms. Less than half of all working Newarkers are employed in the city; those who do in most cases work in the factories of the Ironbound or the
industrial meadowlands. Renaissance assumes that benefits will filter down and out to the rest of the city. Unfortunately, the trickle down theory implies a long term payout, and the long term is a luxury the city does not possess. In addition, the revitalization in the downtown will need to be massive in order to generate enough jobs, revenues and goodwill necessary to reverberate throughout the rest of the city. Renaissance officials assumed that government aid is forthcoming, but President Ronald Reagan refuted that assumption as soon as he took office. The conserve administration he heads is apparently little concerned with the problems and traditional forms of assistance that the older cities have come to rely on for their existence. Already targeted for reduction or elimination are the budgets for UDAG, EDA, mass transportation, CETA, and various forms of social welfare. Finally, the creators of Renaissance are convinced that tax abatement is necessary to make the city competitive on a regional basis. While it is true that Newark does not offer the settings and amenities important to developers today, it is not evident that the city has employed tax abatement in a cost-effective manner.

Clearly, each assumption is flawed. The existence of the flaws suggests that the creators of Renaissance based their proposal not so much on the current situation in Newark as on their perception of a Newark that exists only within the CBD. The proposal, with its faulty premises, contributes to the separation of the city into two entities. Given this divergence between assumptions and the reality in Newark, what does the future hold -- for the Renaissance program, for Newark, and for cities in general?
At this point in time, it is not possible to respond with the definitive answer. The Renaissance has not yet happened; unforeseen events may alter both process and outcomes. What can be discussed are the implications of an intervention like Renaissance Newark. The introduction to this paper describes it as a plea to Newark public officials to consider how they will commit public resources and to estimate the real costs of their participation in Renaissance Newark. Hopefully, the evidence presented above has generated some curiosity on the part of public officials about their behavior and the true meaning of their involvement in Renaissance Newark. This chapter, by imagining the possibilities as Renaissance unfolds, offers a final appeal to the officials who are responsible for the well-being of Newark and its people.

**IMPLICATIONS FOR RENAISSANCE NEWARK**

The evidence presented earlier suggests that Renaissance will indeed succeed, at least in its own narrowly defined goals. The business community which participated in structuring the organization was primarily concerned with the deteriorating conditions where their businesses are located. They created a program that would capitalize on federal improvement funds and their own investments to upgrade the area and to make it a more desirable (i.e., safe and profitable) place in which to do business. It looks as though those goals will indeed be met. The train station areas improvement projects have already begun at the Erie-Lackawanna station. Several firms have invested in the rehabilitation of their own buildings or in properties strategically located in the downtown. The businesses have secured UDAG mortgages and the support
of the public sector (for example, with promises of increased police protection around office buildings). Already in the redevelopment pipeline are the construction of two new office buildings and the rehabilitation of three more. The downtown will have a new facade of glass and chrome. Renaissance will take much of the credit -- deservedly or not -- because of the overlapping relationship between its Board of Directors (five of whom are CEO's of the largest Newark firms), the individual investment activities of local firms, and the projects instituted by the Chamber of Commerce. All these entities will participate in some way in an economic revitalization of downtown Newark. The reinforcement each body receives from the constant contact with the others will insure the cooperation and success of Renaissance Newark, Inc.

On the other hand, Renaissance will probably disappoint those who read the proposal as the beginning of an overall, citywide redevelopment plan, for the program will far short of that objective. First of all, those who crafted the organization, and who wield the most influence over its activities, are the business community. Their interests in a renaissance have already been explained. Their concern with Newark is a parochial one, limited to the area defined as the CBD. Secondly, the way in which the projects will evolve suggests that redevelopment will be oriented to the needs of the firm - not the city. Even within the CBD, the projects are strategically situated close to commuter access routes. The preliminary to each project was the acquisition of transportation improvement funds. The projects reflect the concerns of the employer, namely, the security of his building, the safety of his employees, and an orientation toward maximum convenience for non-residents whether
employee or customer.

Should the commuter orientation be permitted to assume the predominant position as a location decision rule, the outcome is potentially disastrous not only for the city, but for the downtown as well. For what the Renaissance activities will therefore produce is not district-wide development within the CBD, but two "pockets" of development at either end. If Renaissance plans proceed as they currently exist, the CBD will not survive as a solid, multi-square block area. Instead, it will emerge as two nodes situated around the transit centers that connect non-residents with the city.

At the core of the redevelopment plan are improvements to the train station areas. At one end of the CBD, therefore, will be

*Erie-Lackawanna train station improvement
*Rte. 280, a six-lane highway that runs east-west through Newark and the western suburbs
*James Street Commons, a cluster of rehabilitated brownstones located three blocks from the train and one block from the new office buildings; the relatively low-priced units have been targeted for a middle income "professional" Newark employee and family. The project is heavily endorsed by the Chamber of Commerce.
*One Washington Plaza, the 18 story office building scheduled to open in 1983 and 70% leased up to date.

At the southern end of the CBD, the Renaissance plan proposes

*Penn Station area improvements
*Rte. 21 improvements, a north-south highway passing through the city
*Riverfront park and open space two blocks from the train station
*the new PSE&G headquarters which opened with full occupancy in 1980
*the proposed Gateway III, to be situated near Gateway I & II, and connected to the train station by means of another overhead tunnel; to be built and chiefly occupied by the Prudential, but with subsequent demolition of an existing office building closer to the center of the CBD
In between these two areas there is almost no development activity save the demolition of randomly located buildings and the proposed desertion of others (e.g. the Bell Telephone offices when those employees move into One Washington Plaza, the Public Service building, when that staff moved around the corner, and the state building when those employees move up to the rehabilitated Kresge building on Broad Street). The execution of these plans portend the fracture of the central business district and the swift decline of those firms not situated at either train station.

The retail firms and ancillary services who built their businesses around the city's large firms will be particularly hard hit. These businesses include the remaining two department stores, the luncheonettes, dry cleaners and shoe repair shops, the bakeries and card shops. These are the businesses who have come to rely on the patronage of the employees of the insurance companies, banks and utilities to survive. And so it would be to these proprietors that the city addresses its counter proposal.

City officials should alert these business persons to the inherent danger in the implementation of the existing Renaissance plan. Public officials who are troubled by the possibility of disjointed development might incite the concern of the small business owners and then encourage them to apply some pressure on the major firms who direct Renaissance activities. It appears that either some small business persons were not consulted, or that very few of them have considered the impact of Renaissance Newark on their particular livelihood. City officials must therefore, exercise some foresight and accountability in order to preempt plans that would successfully fracture the business district.

In addition, public officials should strive to balance development
in the central business district. Officials can emphasize development properties in diverse parts of the district instead of merely the two extremes. They can encourage and technically aid the rehabilitation of the Kresge building (located almost dead center in the CBD) and the renovation of the state building nearby. The officials can ally themselves with businesses representing minority interests in an attempt to redirect the development pattern. In general, the public sector must recognize its responsibility and capability to intervene in order to rescue the central business district from the apparent bisection which can surely lead only to long-term failure of Renaissance efforts.

**IMPLICATIONS FOR NEWARK**

Renaissance's whole thrust is the central business district. Even when it ventures beyond those few blocks, it manages to overlook the rest of the city and moves to the markets beyond. It seems, therefore, that Renaissance's efforts will contribute to and perpetuate the "two cities" phenomenon in Newark. For as far as business leaders are concerned, there is only one "viable" Newark worthy of time and investment, and that, of course, is the central business district. The consequence of a continued division within the city may be to nullify the gains made by Renaissance. Dr. George Sternlieb of the Rutgers University Center for Urban Policy Research has described what he calls the "twin cities" development as a core group possessing "a critical mass; it can generate business, restaurants, and so on". But, the high income core, which will be credited with increasing the city's "allure" — is surrounded by what he views as "what increasingly is a very disturbing wasteland".
He concludes that what eventually evolves is

"success breeding success -- but it has increasingly little to do with the remnants of the older industrial city around it. And the incongruity leads to increasing friction between the city of glamour -- the people with money who are living the good life-- and the losers who are left behind. They live cheek-by-jowl, but there's incredible discontinuity".1

It is not necessary to imagine the "discontinuity" present in the city of Newark. The irony is that a redevelopment plan, one that allegedly will benefit the entire city (eventually), serves to divide the people further. The business community is apparently unwilling, and the resident community unable, to come together on the needs and possible remedies for the city. The public officials, who might be looked upon as an impetus that can bring these factions together, has defined its roled as passive and other-directed. For as long as the prevailing attitude around city hall is that "the purse string holder sets the agenda", the needs of the indigenous population will not be addressed.

However, there are opportunities to "bridge" the cleft between the twin cities with elements in existence right now. The specific areas where it might be possible to draw the two factions closer together include the schools, the use of tax abatement and the increasing involvement of other neighborhoods.

Already in place in the city are school advisory boards composed of educators and business persons from the larger firms downtown, a Task Force on Education sponsored by the Chamber of Commerce, and staffed by business executives, and numerous subject-oriented advisory teams created by the Board of Education. Currently, these bodies meet on a regular basis, talk about problems, but rarely produce solutions.
The members of these teams, especially from the private sector, should be assigned real tasks and then given the authority to fully represent their firm's and to commit resources toward bettering the educational environment in the city. Moreover, each firm should prepare itself to "adopt" a school, and to provide that school with managerial expertise, materials, financial aid and "hands-on" experience -- in other words, all the factors that may help a student retain an interest in school and a desire to succeed. Those committees that accomplish little and/or duplicate the efforts of other committees should be abolished. Finally, no firm should be allowed to believe that a biennial contribution to the Parents'Teachers Association represents support and interest in the public school system. The firms need to begin to look at Newark as a pipeline for future employees, and to act accordingly, i.e. by providing training, internships and scholarship aid. Once the firms have made a real investment in education, they will see a change: in the dropout rate, in higher numbers searching for jobs, and better qualified applicants. Then, Renaissance will truly be able to say that the new office space it generates will benefit Newark residents.

Public officials need to reconsider the usage of tax abatement. Several studies summarized in Chapter 4 demonstrate that the city's blanket application of the incentive has cost Newark thousands of dollars in deserved revenues. A first step in a better direction would be for public officials to evaluate the use of tax abatement in similar communities like Seacaucus, Perth Amboy or Jersey City. Find out when these cities employ abatement, under what conditions, and with what guarantees from the benefitting firms. City officials need to know how they can leverage development activity and revenue-generation through the use of tax
abatement, and how to reject an application for abatement without losing an interested firm. Cities across the state have found success with the incentive, yet have not compromised the city's value. In a word, city development officials must become more risk-oriented and less passive in their negotiations with the business community. The city maintains some valid and highly attractive characteristics, and development officials must learn to rely more heavily on them (e.g., transportation access, cheaper rents than New York City, availability of land) than on the prohibitively costly tax abatement program.

The expansion of Renaissance to include other Newark neighborhoods demands that first the existence of these neighborhoods be recognized by public and private development officials, and then the potential of these areas be highlighted. In several wards the housing stock is still viable and the blocks are visually attractive. Instead of housing investment contiguous to the CBD, business leaders should be encouraged to invest in housing (when they express their intention to do so) in the North ward or Weequahic. Moreover, the CBD is not the only location of businesses. The same kinds of investment opportunities made available to big businesses downtown should be made accessible by public officials to the smaller firms scattered throughout the rest of the city. These firms are as much in need of technical assistance and financial aid as are the more prominent, and are probably less able to secure the necessary funding. It should be the responsibility of the public sector to see that funds and other forms of local assistance are distributed on a more equitable basis. Neighborhood organizations and community leaders can be introduced into this process as the ones to make decisions about neighborhood
goals and needs. Nonetheless, it should remain the responsibility of city officials to insure the distribution of necessary services in all parts of the city.

IMPLICATIONS FOR CITIES

Public/private cooperative effort has become a popular, if not inevitable, formula for urban revitalization. Traditionally, public/private joint venture has meant that the public sector provides infrastructure, investment capital and tax incentives, and in return, the private sector agrees to build a plant and hire local workers. But in Newark, there was joint venture with a slight twist: the city held up its end of the deal, but the private sector is under no obligation to make good on its promises. Almost unbelievably, the city is without provisions to enforce an agreement with members of the private sector.

For example, there is no provision in the tax abatement law that would grant the city the authority to collect revenues owed on abated properties. The state law omitted an enforcement clause. In addition, the law specifies that a certain number of local residents must be hired with each tax abated project. But inspectors from MPDO have found firms not in compliance, and shrugging off the matter with a plea that "we searched, but could not find anyone qualified".

As the pool of public resources declines, the city will grow increasingly more dependent upon the private sector. Many more activities will become "joint ventures" for the simple reason that the public sector will not have the necessary resources to provide for itself. The issue is whether the city will have to compromise its integrity or
its charge to uphold the public trust in order to access the financial backing it needs from the private sector.

In order to avoid a situation like the one in which Newark has lost itself, cities will have to decide in what ways they can cooperatively participate with the business community in redevelopment efforts. From the beginning, public officials will need to define their role and their expectations. They will also need to enact measures that provide them with the ability to enforce the agreement, and to act with strength if the private sector fails to perform responsibly.

Renaissance Newark, in isolation in the center of despair and deterioration known as Newark, can only succeed for as long as it maintains the boundary between downtown and the rest of the city. The line is thinly drawn and subject to the appeasement of local residents and the ongoing passivity of local officials. Without doubt, a renaissance is a timely and needed event. What those involved must determine is whether they can allow it to continue as it has been designed, devoid of interaction with the rest of the city. Can "two cities" exist amiably within the geographic boundaries of one? Does Newark dare take the opportunity to find out?
FOOTNOTES

Chapter 1

1. First made by Donald Malafronte, former press secretary and Community Development Director, but often quoted by Mayor Kenneth Gibson during his first term.

2. "Florio Announces Station Funding", The Star Ledger, March 18, 1981, or "Rail Station upgrade spurs downtown Newark projects", The Star Ledger, June 1, 1980.

3. See, for example, "Gibson wants banks to 'do more' on jobs", The Star Ledger, November 13, 1979

4. Annual Report of the City of Newark, 1969 - 1979, the City of Newark, Office of the Mayor.


Chapter 2


2. Ibid.

3. Ibid.


5. Annual Municipal Budget, City of Newark.


10. Ibid.

11. Ibid.
FOOTNOTES

Chapter 2, continued

11. Ibid.
12. Ibid.
13. Ibid.
14. Ibid.
15. Ibid.
16. Ibid.
17. State of the City, Section 3.
20. Ibid.
22. State of the City, Section 2, demography.
23. Ibid.
24. Ibid.
27. Interview: James Patterson, Newark Economic Development Corporation, February 24, 1981.
FOOTNOTES

Chapter 2, continued

30. Ibid.
33. Interview: James Patterson.
34. The Master Plan, 1978, from the Mayor's Acceptance Letter.
35. The Star Ledger, October 26, 1980.

Chapter 3

1. "Background on Renaissance Newark, Inc.", the Greater Newark Chamber of Commerce, 1980.
2. Ibid.
3. The Star Ledger, March 26, 1981.
4. Background on Renaissance, op.cit.
5. Ibid.
6. Ibid.
10. Background, op.cit.
11. Ibid.
13. Ibid.
FOOTNOTES

Chapter 3, continued

14. Ibid.
17. Ibid.
18. Ibid.
20. Ibid.
22. Ibid.
23. The Star Ledger, October 26, 1981.

Chapter 4

5. The Star Ledger, March 18, 1981.
FOOTNOTES

Chapter 4, continued

Assumption 2

2. Interview with Ronald Jean, March 2, 1981.

Assumption 3


Assumption 4


Chapter 5

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------ "Background on Renaissance Newark, Inc.". October 1980.


