

**URBAN MAIN STREET REDEVELOPMENT: A COMPARISON OF
THE DEVELOPER-DRIVEN
AND THE COMMUNITY-DRIVEN APPROACH**

by

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Submitted to the Department of Urban Studies and Planning and to the Department of
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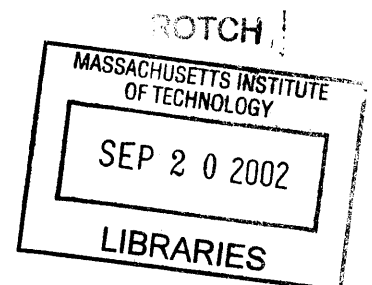
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ABSTRACT

The newly found interest of private developers and communities to bring back the urban Main Street has brought with it questions about what the Main Street should be. Private developers see the inner city as the next frontier for retail development. Communities are attempting to redevelop their districts both with and without private involvement. The goals of each approach are significantly different and therefore so are the processes.

This thesis investigates these two approaches through four case studies: two private developments, Mizner Park in Boca Raton, Florida and Harlem USA in New York City; and two community-driven developments, Washington Gateway in Boston, Massachusetts and Payne Avenue Main Streets in St. Paul, Minnesota. After outlining the characteristics of the two approaches, we review the differences in management structure, target market determination, process for attracting tenants, development process, and the market strategy. From these differences, we recommend solutions that could improve both approaches and propose methodologies that draw on both approaches with the intention of meeting both visions in the redevelopment of the Main Street.

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DEDICATION

“Cities that really work or that offer even partial rewards show some respect for the texture of the old as well as a passion for embracing the future. They protect vistas that offer you unexpected rewards, or give a sense of peace and continuity. They find ways to connect what they are becoming with what they once were.”

Joe H. Stroud

This thesis is dedicated to Joe Hinton Stroud, Alexandra’s father, who passed away during the final weeks of our last semester at MIT. He was the Editor for the Detroit Free Press for 30 years and was the Director for the Gerald R. Ford Institute for Public Policy and Service at Albion College in Albion, Michigan for the past four years. He was born in the tiny town of McGehee, Arkansas and grew up on a cotton farm, and in his 40 years as a journalist he contributed to the causes of public education, mental health, environmental issues and land use planning, women’s rights, race relations and the strength and potential of the City. After retiring he became a teacher and taught his students to become good journalists and to see the world through constructively critical but loving eyes. He gave Alexandra her love for the City and has been her biggest cheerleader throughout this educational experience.

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CHAPTER 1: INTRODUCTION

After years of inactivity, development is in full force on urban Main Streets. These once vibrant shopping districts had become outdated hubs of disinvestment as businesses moved out to new shopping destinations away from the city center and inner-city communities. Now, community groups comprised of local business owners and concerned citizens who have grown tired of the unchecked decline have organized to bring vitality back to those retail shopping districts. Armed with master plans, city support, and subsidies, these organizations are coordinating development at a community level. Simultaneously, as saturation creeps into the suburbs and shopping center prototypes become more mundane, single owner private developers have a renewed interest in developing urban Main Streets. The current relationship between developers and community organizations is often contentious as both sides work at what appear to be opposing goals. Main streets would benefit from a complementary relationship where the goals of both entities are met. To make Main Street development appeal to developers and to improve its chances for sustainable revitalization, the two approaches and their relationship to each other should be reviewed. Every development is distinct, and every district has particular characteristics that make it impossible to create uniform solutions. However, as the number of urban Main Street revitalization projects continues to increase, community organizations strengthen, and developers expand into urban markets, we believe it is useful to look at these approaches and determine their efficient practices to improve the process and possibly the outcome of both approaches.

PURPOSE OF THE THESIS

The purpose for this thesis is two-fold. First, the thesis will compare two approaches for urban Main Street revitalization using the case study approach, and will highlight the effective practices for each while considering which methodologies can and cannot be transferred or shared between approaches. Second, we will identify ways that the developer and community-driven processes can work in tandem to attract the interest of investors.

After presenting case studies of each approach, the comparative analysis will first compare the process of Main Street redevelopment coordinated and managed by a non-profit community organization with a Main Street redevelopment managed by a single for-profit private developer. We will consider the similarities and the differences in management structure, vision, development process, and market strategy and recommend ways to use those skills in a reciprocal relationship. Also, by comparing the two entities, we intend to show how the goals unique to each approach have affected the outcomes of each.

Next, by studying these two approaches, we intend to discuss and present the positive aspects present in each approach. We will first identify the objectives of the two entities and highlight how each group goes about reaching those objectives. We will consider internal and external factors in play to consider whether a best practices framework can be used to change or improve the process. For example, from the community organization's perspective, are there tools that a developer has used that can quickly promote growth in a district? Is there a certain tenant mix, rent structure, or marketing program that the community organization can emulate to attract new businesses with or without the developer? At the same time, can the developer benefit from understanding the incremental approach of slow, steady growth of the community organization as a way to protect the

project from obsolescence over time? Can both organizations benefit from incentives that draw the developer into the process earlier and keep the community organization involved longer? If there are methodologies common to the private developer and the community organization, can they work in tandem to achieve a more beneficial result? In many cases, the processes within the two approaches may be different. This can be a result of not only differing goals but also because of fundamentally different organizational structures. In these situations, rather than a merging of techniques, can the district benefit by recognizing the value in the alternative approach and creating a hybrid? Additionally, can one approach compensate for gaps in the other approach, providing checks and balances where they previously did not exist?

This thesis does not view the two approaches competitively, nor is there any intention to determine whether one overall approach is better than the other. The intention is to note the variation in overall purpose and directive in each approach and to examine how these variations can be used to the advantage of a district.

RESEARCH METHODOLOGY

The case study methodology has been used to gather information about how each approach works, using two case studies for each approach. We searched for projects with similar characteristics that focused on the redevelopment of an urban retail street, but given the wide range of Main Street development types, this was not feasible. We instead included case studies where the redevelopment was part of a revitalization process of a district that was formerly an active retail setting.

The private developer approach case study candidates, Mizner Park in Boca Raton, Florida and Harlem USA in New York, New York, were identified through an extensive

search of privately developed Main Street programs using the Urban Land Institute, International Council of Shopping Centers, public libraries, and the Internet as resources. There were more than thirty projects found that were termed "Main Street" developments and that had been completed by private developers, but few of these projects fit the above criteria. Some were in high-end "new urbanist" centers that were part of a planned community or served as a new suburban "downtown," some were large scale downtown redevelopments, and still others were enclosed malls in downtown areas. In order to find projects most comparable to community-driven development projects, we chose case studies that embraced the pedestrian-oriented street-retail concept, had previously been active retail centers, and were controlled by a primary private developer. In addition to using published data, we conducted interviews with developers, city officials, community organizations and various members of management to learn about the process and players involved. Site visits complemented our understanding of how the project was completed.

The districts selected for analyzing the community-driven approach were drawn from a larger pool used in a research project sponsored by the Fannie Mae Foundation on the adaptation of the Main Streets Model to urban Main Street programs. The research for this project was done concurrently and the case studies included seven districts in Boston, Massachusetts, St. Paul, Minnesota, and Oklahoma City, Oklahoma. The cases selected for this thesis were determined based on the level of success and the inclusion of development in the approach to revitalization of the district. We chose two districts: the Payne Avenue Main Streets Program in St. Paul, Minnesota; and the Washington Gateway Main Streets Program in Boston, Massachusetts. Both districts have transformed themselves through significant redevelopment.

The National Trust for Historic Preservation created the Main Street Model to provide community with a framework through which their mostly volunteer organizations can work towards improving a retail district. Originally designed for small towns whose Main Streets were neglected after malls and big box retailers became popular, the Model has been adapted in recent years to urban areas by communities looking for a way bring back inner city shopping districts. The Model requires that a district receive designation from a sponsoring agency. In the case of the two districts studied here, the designation is through the City of Boston's Main Streets Program for the Washington Gateway District and through the Local Initiative Support Corporation's (LISC) Twin Cities office for the Payne Avenue District in St. Paul. The National Trust for Historic Places provides the framework and technical assistance to each district. The sponsoring agency also provides technical assistance and some funding. The bulk of the funding is expected to come through fundraising activities within the community. This can be through member dues to an affiliated organization such as a business improvement district or a business association or through foundation grants. To be awarded this designation, each district was required to show both its need and capacity for change, that there was a strong base of local support and interest in rejuvenating the community and that they had a substantial pool of concerned volunteers to draw from. The Model provides an organizational framework that includes the creation of a board and four committees; Design, Marketing and Promotions, Economic Restructuring and Organization. The board and the committees are expected to be made up of a cross section of the community; property owners, business owners, residents and institutional partners. In both of these districts, this basic model has been applied. The four committees are present and a

board exists, however each district has modified the approach somewhat to meet their distinctive needs.

THESIS OUTLINE

Following the introduction, **Chapter 2** will describe the development of the vision and how this affects the management structure, the identification of the market and the attracting of tenants, the development process, and determining the marketing strategy for the two privately developed case studies; Harlem USA in Manhattan, New York and Mizner Park in Boca Raton, Florida. In a similar style, **Chapter 3** will describe the development of the vision and how this affects the management structure, the identification of the market and the attracting of tenants, the development process, and determining the marketing strategy for the two community-driven case studies; Payne Avenue in St. Paul, Minnesota, and Washington Gateway in Boston, Massachusetts, within the framework of the Main Streets model. **Chapter 4** compares the key distinctions between the privately and community developed approaches and examines the impact of those variations. **Chapter 5** will attempt to answer the questions raised in this introduction and will provide summary of the findings.

CHAPTER 2: PRIVATELY DEVELOPED APPROACH TO URBAN MAIN STREET REDEVELOPMENT

DESCRIPTION OF THE CASE STUDIES

We studied two case studies where private developers lead the revitalization project, Harlem USA in New York, and Mizner Park in Boca Raton, Florida. These two projects serve very different markets and offer very different shopping experiences, but both were developed by a private developer.

"It is evident to the most superficial observer that the centre of fashion, wealth, culture, and intelligence, must, in the near future, be found in the ancient and honorable village of Harlem." The Harlem Monthly Magazine, 1893 (Quoted from Harlem: The Making of a Ghetto, John Henrik Clarke, 1964 The Citadel Press, NY

Harlem USA is a 275,000 square foot street-oriented retail and entertainment complex on the southwest corner of 125th Street and Frederick Douglas Boulevard in New York. The retail tenants include a 2,700 seat Magic Johnson Theater, a two-level 35,000 square foot Old Navy, Modell's Sporting Goods, HMV Records, Chase Manhattan Bank, and New York Sports Club. Prior to its development, the revitalization of Harlem was plagued with plenty of false-starts and empty promises, a neighborhood with "too many projects on the drawing board and too few bricks laid."¹ Harlem started growing in the 1870's as new immigrants moved to better conditions from the Lower East Side. As the population grew during World War I, a building moratorium caused overcrowding, deteriorating living conditions, and eventually abandoned properties. Few private developments were undertaken after the 1930s² and the exodus from Harlem continued as people fled to the Bronx and surrounding suburbs for the next four decades.

After years of decay, several organizations began to work towards the revitalization of Harlem. One of the pivotal groups for the Harlem USA project was the Harlem

¹ Phillip Morrow, Harlem CDC

² A Community in Transition p7,18,24, Touring Historic Harlem p6,8)(When Harlem was Jewish p138-140

Commonwealth Council, who began to acquire strategic properties along 125th Street that either were abandoned or had owners who were anxious to sell. Their plan was to both stop



Figure 2.1 Harlem USA

the deterioration of the neighborhood and also to reserve the properties for future development. The real estate group that formed from these acquisitions was the Harlem was the Commonwealth Local Development Corporation (CLDC). Their overall vision was lead by Barbara Norris, the president of the CLDC, and was the genesis for Harlem USA. One of the key plans for 125th Street was to bring in retail services that were available elsewhere in Manhattan that were not available to the residents of Harlem. The organization had already turned away developers interested in opening "discount houses" because they wanted uses that would add value to the neighborhood and add convenience to the Harlem shopping experience. At the time, even a basic need like batteries could not be found without leaving the Harlem shopping district. In this particular case study, the CLDC sought to attract quality regional and national tenants and include minority-owned local businesses if possible, in order to meet the needs of the community. The CLDC organized a Request for Proposal, and Grid Properties won the bid. Drew Greenwald, the owner of Grid Properties, became involved in the redevelopment of Harlem in 1985 when he was consulting for the CLDC. He was searching for building types he could invest in for a long term investment, and the two began devising a strategy for Harlem USA. He also had an additional interest in the area, since his parents were born in Harlem. In 1994, the Harlem received its designation as an Empowerment Zone, a Clinton Administration initiative introduced to Congress in 1993 by New York Representative

Charles Rangel as a critical step in the revitalizing of inner city communities.³ The newly created Upper Manhattan Empowerment Zone could disburse up to \$250 million in low-interest loans to stimulate the economy of Harlem, and began to consult with corporate strategists to evaluate which industries had the greatest potential for growth in Harlem.⁴ They unveiled their strategy in February 1998, with plans to focus on tourism, entertainment,



Figure 2.2 Mizner Park

health and business services, and, most importantly, retail.

The other case study, Mizner Park, is a mixed-use development containing 44 retail tenants in 235,000 square feet including restaurants, apparel, and a movie theater, 272 residential units, and 103,000 square feet of office space. The complex is one of the first in the country to employ an open-air shopping experience, with retail tenants on the ground floor, offices and residences above, and a central park in the middle of the property. The property was constructed at the site of the former Boca Raton Mall, located in downtown Boca Raton. Architect Addison Mizner began to fulfill his dream of Boca Raton as a land for the rich and famous by founding the Boca Raton Club, which was purchased by Arthur Vining Davis of Arvida, a large Boca Raton development company. Arvida would continue this vision by building expensive subdivisions in Boca, prompting a Miami Herald reporter to call it "a rich man's playground." In the midst of this growth, the 420,000 square foot Boca Raton Mall opened in 1973. As Boca Raton's expansion continued, residents began to express concern about the continued westward development and its effect on the downtown. The construction of Interstate 95 and the opening of the 1.3 million square foot Town Center

³ Upper Manhattan Empowerment Zone pamphlet

⁴ Harlem's Economic Renaissance: Making the Vision a Reality, Press Release, February 19, 1998

Mall in 1979 marked the demise of the Boca Raton Mall and the surrounding downtown area. The area surrounding the Boca Raton Mall became blighted, as the mall struggled with a 50% vacancy rate. The mall would continue to be a non-productive real estate asset until it was demolished for the Mizner Park development in 1989.

The development of Mizner Park has its roots in the creation of the Boca Raton Community Redevelopment Agency (CRA) which in 1980 was formed to "return economic vitality to the city's 344-acre central core."⁵ The CRA created a plan that concentrated on increasing the number of office buildings and residential units, and improving infrastructure, landscaping, and historical sites. The first project, Sanborn Square, an old-fashioned village green, was planned to be the catalyst to fuel downtown's rebirth. Despite its success, the park did not improve downtown redevelopment as the community had hoped. In the early eighties, a developer proposed a complex including three office buildings, a hotel, and a garage on seven blocks in downtown, but his large scale plan met with much community opposition and never proceeded past the planning stages. During this period and up to 1988, only 72,000 square feet of new development was constructed.

In 1986, the CRA drew up a \$50 million program to update the downtown infrastructure and to obtain state approval for a downtown-wide "Development of Regional Impact" plan. Under the leadership of Jamie Snyder as chairman, the CRA and a group of planning and landscape architects a vision was created for Boca Raton called "A Renaissance in the Making," inspired by the layout of Rome. This included a plan for "Art Park" as a replacement for the Boca Raton Mall. Art Park would be a cultural center with theaters, concert halls, museums, shops, and residences. The project was estimated to cost as much as

⁵ ULI case study Mizner Park Volume 22 Number 8, April-June 1992, JoAnn Root, Marketing Director, Codina Management Company, Boca Raton magazine Mizner Park, Mar/Apr 1992, pp.77-86,124

\$100 million. Snyder consulted former Mayor Bill Konrad who cautioned "If the CRA proposes a \$60-70MM bond issue to purchase property downtown...it won't fly at the polls. You must bring in a commercial developer, have them make a commitment and then engage them in a partnership." The CRA chose Crocker & Company as a prospect to redevelop the mall because of their expertise in developing Crocker Plaza and Crocker Center in Florida.

THE VISION

In this section, we will examine how the developer's vision can be affected or even directed by the community's plan for the revitalization of a district. We will also review other factors that a developer considers before becoming involved in a project. Although a private developer is driving the process in both case studies, in these and in many other urban revitalization case studies private developers work closely with community groups and city officials to draw up plans for the development. Often it is part of a larger master plan or it is a specific parcel that has been targeted for redevelopment by the community, and it is useful for a relationship to exist between the two entities in order for the project to be completed successfully. For example, Tom Crocker, the president of Crocker & Company, had an interest in development but was a conventional developer with expertise in parking-oriented centers. His respect for Jamie Snyder and the Community Redevelopment Agency allowed a new type of development to occur. Originally, the developer looked to Crocker Center, a traditional strip mall, to plan the layout of Mizner Park. He was approached by the city, reviewed their plans, and agreed to use their plan of an open-air pedestrian "street," and later admitted that it was city architects who showed him what Mizner Park would look like.⁶ Crocker even agreed to the CRA's recommendation to name the center after architect Addison Mizner. When Crocker found that some mall merchants and residents opposed the

⁶ John Shuff, "Mizner Park the Flap, the Facts, the Future," Boca Raton Magazine, March/April 1992

project, he called for a city-wide referendum and, with the CRA, held roundtable discussions about the development. The project was eventually approved by voters by a margin of 7,000 to 4,212 and the project moved forward. Crocker's willingness to work with the community created a positive relationship and helped to facilitate the successful completion of the project. It is interesting to note that upon review, although Mizner Park integrates open space and residential components, it still has the shopping center trait of a hard "edge," from the street on the non-residential side. Although he used a community concept to design the center, Crocker's expertise in strip-style centers is still conveyed in the architecture of Mizner Park. It is unclear whether Mizner Park feels like a traditional shopping center because it was a new, undeveloped concept, or if it is an example of taking a proven concept and slightly modifying it to fit into a new setting. Had Crocker & Company been unable to strike a deal with the city, the development would have been designed as a strip center, which had the pension fund's support. This methodology is common with conventional developers, although now there seem to be more developers who recognize that there is a different design approach when building in an urban setting. Conventional developers also can be more creative in obtaining financing for those projects when it is necessary. For example, one of the Harlem CLDC's concerns was that a new center, if built traditionally, would create a wall on the street side. To help address these concerns and to build a complex that would fit in with the streetscape, Grid chose the plan designed by with Skidmore, Owings & Merrill, which intentionally opened out to the street.

A relationship with the community can help to attract the developer, but a developer must consider how the project fits into his own vision before committing to it. The first concern, and the most obvious, is whether the potential return he desires for the project

balances with the amount of risk involved. If the project meets or beats expectations, the developer will not only earn a profit and leave behind a physical reminder of his success, but also will be invited to participate in other similar projects as he builds a track record. He has the opportunity to create an entirely new concept, as Crocker did, and watch the transformation of a community as a result. One article commented that Crocker saw this as a way to "get out from under his father's name" by doing "something bold" like Mizner Park.⁷ The risk is that if the project is not successful the impact will be reversed, with an abandoned center serving as the developer's legacy.

A developer also considers how the project fits into his portfolio from a product type perspective and review whether or not he has the resources and expertise to complete it successfully. Crocker's first comment before committing to work on the Boca Raton Mall was that Art Park, the original concept for Mizner Park, "would be a neat place to take his children...after someone else built it."⁸ He also had the residential construction managed separately from the retail component, as many retail developers do. The Journal of Planning states that although "we think it's the developer that drives the process, it is really the bureaucrats and the bank"⁹ who determine what gets built, since developers depend on them for financing. Urban developers, especially those tackling new concepts in inner-city projects, must be especially creative in convincing a traditional lender to provide financing at an affordable rate. Banks like consistency and to minimal risk, and usually proscribe to the GMOTLLT selection process,¹⁰ which is an acronym for "Give Me One That Looks Like

⁷ John Shuff, "Mizner Park the Flap, the Facts, the Future," Boca Raton Magazine, March/April 1992

⁸ D. Curl and P. Johnson., Boca Raton: a pictorial history, 1996, P. 171

⁹ Friedman, Bernard J., "Center City Transformed: Planners as Developers." American Planning Association Journal, Autumn 1990 498

¹⁰ Ibid., p505

That." This theory suggests that if it has been completed somewhere before and been successful, then another similar project will also be successful.

Finally, the developer must see opportunity in the prospective site that makes it more attractive than some other prospective site. Developers have many sites to choose from for development. Even within the range of similar rates of return a decision process takes place regarding which site to pursue. Drew Greenwald had visited Harlem and noted that there was a difference between the reality and perception of Harlem, finding that the entire neighborhood was not deserving of its reputation. He believed that he could create an environment that people wanted to be in by bringing in quality retail tenants in a high quality, architecturally pleasing structure. There were already 500,000 people in Harlem who had to go elsewhere to shop. This strong consumer base laid the groundwork for an attractive retail development. Land assembly and a complicated construction process made entry into the market difficult, however there was no regional competition and rents were still low compared to other parts of the city. The negative reputation of Harlem and the first-time deployment of traditional big-box retail created a riskier environment than other potential investments, but profits could be higher if the project was successful. Mr. Greenwald also realized that all of Harlem's residents had to travel by train or car to see the latest movies, and he knew that the Harlem USA site was the only location in all of Manhattan that did not require parking for a movie theater due to pre-existing zoning regulations. Grid Properties did not use standard research to understand what potential there could be in Harlem. Standard research uses credit card data, which would not capture the bulk of sales from inner-city residents since many of them do not use credit cards. Grid used focus groups, and observed shopping patterns on the Upper West Side to understand where customers were

coming from. Fortunately, because there were already a large number of people living in Harlem, it was not necessary to consider housing or office as part of the project, so the focus was on attracting large retail uses, which were sorely lacking in the district.

Alternatively, whatever Crocker built at Mizner Park would be faced with the competitive threat of the Town Center Mall. Instead of creating a center that competed directly with the mall, they created a center that would complement the district and create a new unique draw in the community. Crocker agreed to add a cultural component to the plan, although it was not part of his financing, and a housing and office component was included to enhance the consumer base on a round-the-clock basis. Although the two case studies take advantage of different opportunities, both capitalize on filling a void in the market and bringing an additional amenity to the community.

MANAGEMENT STRUCTURE

This section outlines the organizational aspects of the privately developed project and considers the impact on the processes in a community-supported revitalization.

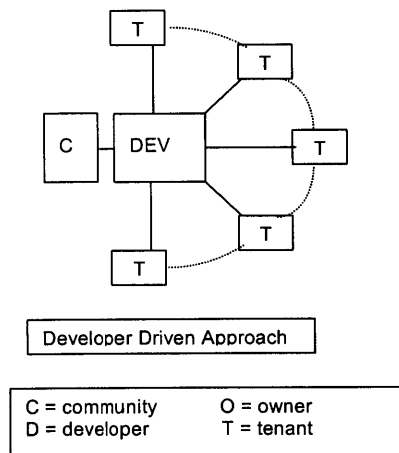


Figure 2.3 The Developer Driven Management Structure

The management structure of a Main Street development process is not very different from other more traditional developments, except that there is most likely a higher degree of community input. This is especially true if the project is part of a larger revitalization effort. As previously mentioned, urban developments often begin as community visions. Although the organizational structure mirrors the ownership structure with the developer as the central decision-maker (see Figure 2.3), the community groups supporting these visions have an integral role in the management structure. Whether a developer has a concept in mind for the development or is working directly with the community to execute a specific vision, in an urban project it is not uncommon for the developer to work closely with the community to create a plan that will functionally and visually address that vision. For example, in the redevelopment of downtown Albuquerque, the developer held a charrette, or planning session, to create the phased redevelopment plan. By including city officials, potential tenants, cultural members and business owners, there was an open forum to bring concerns from all parties to light. Similarly, Tom Crocker held a referendum for Mizner Park to gain public support. The developer may review the physical aspects of the project with the community in order to integrate the project with other improvements, as in Mizner Park, which included plans to re-orient the road structure to integrate the new center with Route 1. In Harlem USA, in addition to using the larger vision for Harlem, the developer conducted focus groups to identify specific community needs. In these situations, the planning arm executing the vision is extended to the community. During this process, community concerns are addressed in order to keep the project on track and to ensure that there are no deficiencies or unrealistic expectations about the project. This level of community involvement can be beneficial, but can also reduce the effectiveness of the development

process by creating community demands without regard for profitability, or setting unrealistic expectations about the development. This however can be tempered by the level of interest in and need for development. For example, Harlem USA was one of many projects that had been discussed and promised to the community, but no other developments had made it past the drawing board. The lack of services in Harlem, coupled with the inactivity in development, provided an open door for the first person willing to put a shovel in the ground. If the desire and need for commercial development is great, the community seems to play a smaller role in the coordinated effort of the management structure.

The design and construction phases can be altered by the community involvement as well, but the single-tier structure can help to maintain the efficiency of the process. As the central coordinator in the design and construction phases, the developer can track changes, progress, and costs. He can set a timetable for each phase, and although the project may be delayed by outside factors such as weather and contractor delays, the developer can within reason adjust the timeline to compensate for delays. Grid Properties, for example, was able to scale back some aspects of the design when bids from general contractors came in too high, while still maintaining the vision for the project. A coordinated project also draws larger construction firms, attracted by a big name, a big budget, and the possibility of gaining expertise in a certain type of project. These companies maintain large amounts of equipment and expertise, and have a strong negotiating power with suppliers. This situation can also occur with design and architectural firms who may want to establish themselves as the specialist in the field.

The developer can also benefit from a coordinated management structure to procure tenants by using the name of one tenant to attract others. This will be discussed further in the

next section, but not only will the developer have the benefit of multiple tenants to tout as part of the attraction for the center, there could also be a track record from other centers where developers can show the benefits where prospective tenants are in a center together. This type of consistency: tenant mix, design, and managerial structure, once successful, can be easily duplicated in another location once similar site characteristics are found.

IDENTIFYING THE MARKET AND ATTRACTING TENANTS

In this section, we will consider how a developer decides which tenants will be best suited for the development and why those tenants might be interested in becoming part of the development, and share some specific examples of obstacles that were encountered in procuring tenants for an urban Main Street development. Given the impact Grid believed a tenant mix could have on a center's success, they targeted a movie theater, Disney, the Gap, and Barnes & Noble as tenants after completing the market research. Grid believed these tenants not only had an opportunity to do well, but were exactly the type of tenants needed to get the project and Harlem much needed publicity. These national tenants were part of an original plan that included four local tenants, one of which is moving forward. Hue-Man, a local bookstore, was fortunate enough to receive a \$475,000 low-interest loan from the business arm of UMEZ. The remaining tenants, due to financial limitations, could not afford to locate within the Harlem USA property. This is not detrimental to the development or the neighborhood since, according to the developer, local uses are already located throughout the district, and will continue to locate themselves on side streets where rents are cheaper. This, he claims, allows the character to remain even if the primary development lacks smaller local tenants. Additionally, market demands may make it difficult to keep local businesses high on the priority list. In the first stages of planning, Grid searched for a supermarket in response

to a city Request for Proposal. At the time, there was no regional supermarket in the area. Local business owners joined forces against Grid to argue against a chain grocery store opening, and to appease them, Grid sought out a local grocer and even found a company to guarantee the lease. When this proposal was presented to the residents of the community, the response was that they did not want a local grocer, but in fact wanted to move ahead with Pathmark. Ultimately, due to timing, the Pathmark did not become one of the tenants and it recently opened on 125th Street in a freestanding building. However, as this situation indicates, there can be a discrepancy between what the community and what the business owners want.

Disney was the first regional tenant to sign on at Harlem USA, and as an incentive was afforded rents at slightly below market. Despite the developer's best efforts, a large commercial bookstore could not be obtained since the demographics did not meet the bookstore's ideal criteria. Although this may have served as a disadvantage from the developer's original vision, Hue-Man, the locally owned bookstore would not be part of the roster if the commercial bookstore had signed the lease. To the dismay of Mr. Greenwald, other prospective tenants were not ready to venture back into an inner-city neighborhood. For example, the president of Hilfiger, an apparel chain, stated that "There are a lot of markets you could point to, but in terms of real estate store strategy, it doesn't fit now. We're only looking at upscale flagship locations like Madison Avenue."¹¹ The tenants who did sign leases were not given concessions for entering the project, but have the added advantage of a single owner organization, which provides a safety net for them. Most national tenants entering into a lease in an unproven area often require co-tenancy clauses to ensure minimum vacancy in the center. If the landlord/developer does not maintain a certain occupancy, the

¹¹ Women's Wear Daily, June 6, 1996 p.2

tenant has the right to either terminate the lease or pay a reduced rent. This is often a way to reduce risk on the part of the tenant. Similarly, if the landlord/developer has leased to national tenants the likelihood of a storefront "going dark" is dramatically reduced because that tenant may be part of a subsidiary that could take the space in the event of an unprofitable store or concept. Additionally, as rents rise in Harlem and tenants turn over, the developer will benefit directly from the new tenants paying higher rents in the center.

Mizner Park's strategy for tenant mix was slightly different. The tenant mix focused on a blending national chains and higher-end local tenants, targeting local tenants first and moving to more regional tenants as the project became more successful.¹² Most of the tenants had locations elsewhere, and some were previous tenants from the Boca Raton Mall including a bookstore, a deli, two office tenants, and the movie theater. The project was planned with a combination of local and regional uses, with an attempt to maintain a ratio of a mix including 60% local tenants in order to provide a "unique shopping experience." Crocker focused on fashion stores and galleries for the local tenant base given the intense competition at Town Center Mall. Department stores like Saks Fifth Avenue and specialty apparel stores like The Limited were being drawn to the new mall, and Mizner Park did not have a track record for attracting those tenants. Options for the high-end specialty local retailers were limited in Boca Raton and Crocker saw an opportunity to use specialty shops instead of department stores to generate interest in the center. The inclusion of medical professionals was due to long-term leases that held over from the Boca Raton Mall, but these uses ended up offering important synergies with other tenant uses. The medical services offering, for example, is well paired with retail since instead of sitting in waiting rooms, customers can shop while they wait. Restaurant patrons will see a movie, and some tenants

who work in the center live in the new townhouses. The retail component for Phase 1 did not include an anchor department store, but focused on entertainment, high-end local retailers, and restaurants.

One striking similarity between both case studies, as well as other revitalization projects studied, is that a theater was brought in as the major vehicle for increasing pedestrian traffic and creating a draw. In Harlem, the theater served the dual purpose of filling a void in the market and, more importantly, bringing a key name to the project. In this case, it was Magic Johnson, if not the first, then certainly the most famous, African American developer to "put his money where his mouth is" and endeavor to open movie theaters in the most underserved U.S. cities including Los Angeles, Atlanta, Houston, and Washington, DC. Theaters have become increasingly popular as developers look to offer a choice that differs from the traditional mall and is more geared towards entertainment.¹³ Theaters also offer a way to share parking, with offices and shops taking parking spaces during the day and movie-goers taking the spaces at night, and make money by adding a theater where there is unmet demand. As the first tenant to commit to Harlem USA, Disney was noted in a number of newspapers and trade journals. One in particular said that "Harlem USA Sees Disney as a Magnet."¹⁴ If perception is, in fact, 90% of reality, procuring a tenant like Disney was pivotal in putting Harlem USA, and possibly Harlem, on the retail map. Mizner Park was conceived similarly, but for slightly different reasons. The original AMC movie theater did not renew its lease, however it was immediately replaced by Sunrise Theaters, a local theater that shows foreign, arts and independent films. It has carved a specific niche with very little competition in the market. The plan for a theater at Mizner Park was especially geared to

¹³ Rubin and Bragitikos, "Destination Development Arrives" Urban Land Institute, February 2001

¹⁴ Women's Wear Daily, June 6, 1996 p.2

maximizing pedestrian traffic and maintaining a more consistent traffic pattern throughout the day and evening. In both Harlem USA and Mizner Park, articles suggest that these headlines stimulated the communities. It may be a while from the project's inception to its completion, the privately developed project, when it finally hits, hits with force.

THE DEVELOPMENT PROCESS

As discussed previously, the single-tiered management structure can help to drive forward the tenant mix and create momentum for the development. In this section, we will describe the processes specific to the case studies for site control, financing, design, and maintenance, and further investigate how the single-tier structure can help facilitate an efficient, timely redevelopment project for each of these aspects. Two exceptions to an orderly process for private developers are site control and financing, and can have a major effect on timing. In the 1980s, the Economic Development Administration (EDA) began providing funds to various Harlem community groups to stimulate development, one of which was the previously mentioned Commonwealth Local Development Corporation (CLDC), when it began to purchase land and businesses throughout Harlem. When the Freedom National Bank went under, CLDC acquired pieces of the parcel from the bank. Harlem USA was ultimately built on these parcels. Commonwealth Local Development Corporation, Grid Properties, and Gotham Corporation (Harlem USA's construction company) set up a Limited Liability Company and created a ground lease for Harlem USA. Later on, Grid also purchased an adjoining parcel from the City. There was an additional building that CLDC was to acquire from the city on the northwest side of the block, but the City conveyed it to another party. Harlem USA attempted to purchase the building from the owner but they were unable to close the deal in time for construction. Because they could

not gain control of this building, the one-block plan for Harlem USA had to be modified. Prior to construction, Grid also had agreed to work around a bank that was going to be in the new center, building around the bank so that it could continue its operations during construction. The overall development of the project took just under ten years, approximately four years of that process was selling people on the unrealized potential in Harlem. There was about one year added to secure financing with UMEZ, and additional time spent working out land acquisition complications, however many of the credits and abatements would not exist if the project had not been backed by a national incentive for urban redevelopment.

In terms of financing for the project, of the total project costs of \$66 million for Harlem USA, approximately \$30 million came from conventional bank loans, and \$14 million was provided by two public groups, the Upper Manhattan Empowerment Zone (UMEZ) and the Empire State Development Corporation, which provided loans at more favorable interest rates. The remaining 1/3 was equity contributed by the developer's equity sources. Grid's financial plan was to achieve a 12.5% base return, and earn income from the management of the property. Before a conventional bank would provide a construction loan for the project, Grid was required to have 75% of the space committed. There was also a UMEZ stipulation requiring that 75% of all employees to be hired from within the Empowerment Zone. In addition to these sources, Grid's profit and loss statement was improved by a number of tax and expense incentives that could also be used to attract tenants including:

Employer Wage Tax Credit

Qualified employers may take advantage of annual tax credits of up to \$3,000 for each Empowerment Zone resident currently or newly employed.

Increased Section 179 Deduction

Allows certain taxpayers to deduct a specified amount of the cost of qualified property in the year it is placed in service. For qualified Empowerment Zone businesses, the maximum deduction is \$20,000 over and above the amount for non-Empowerment Zone businesses. This allows for a maximum savings of \$60,000 in property expenses the year put in service

Real Estate Taxes Exemption

The project is eligible for ICIP real property tax exemption benefits. Increased assessments are phased over 22 years, with the first 13 years 100% exempt for newly constructed projects.

Work Opportunity Tax Credit

Employers hiring job seekers who are moving from welfare to work may reduce their federal liability by as much as \$2,100¹⁵

At Mizner Park, Crocker & Company proves that site control is one of the important factors of development. Knowing that the CRA wanted to develop the mall site, Crocker & Company, in a partnership with Teachers Insurance & Annuity (TIAA), a pension fund, purchased the 30-acre site of the Boca Raton Mall in June 1988 for \$28.5 million.¹⁶ Crocker & Company then sold the mall to the CRA in a 99-year sale/leaseback transaction for \$44 million after a three year negotiation. In order to purchase the mall for this sum of money, the CRA would need a funding source. To facilitate the transaction, Crocker found a pool of tax-exempt funds based in Gulf Breeze, Florida that the City of Boca Raton could borrow in exchange for a bond issue. A bond summary is in the table below. The bonds would expire in 2018 and would be paid back through increased tax revenues from higher property values and rental income.¹⁷ Crocker leased back the space at \$35, which at the time was two times

Bond Summary

Amount of issue for Mizner Park:	
Purchase of the Boca Mall	44,109,761
Reserve fund to secure bond payment	12,330,000
Capitalized interest	<u>12,515,239</u>
Total Bond Issue for Mizner Park	\$ 68,955,000

¹⁵ Upper Manhattan Empowerment Zone Pamphlet

¹⁶ ULI case study Mizner Park Volume 22 Number 8, April-June 1992, Miami Herald: 7/1/89 p1B

higher than existing rental rates. This would help the CRA cover any shortfalls in the bond pay back for the first few years before property values increased, and once the bonds were paid off the CRA would continue to collect rent. Business owners in particular were in disagreement with the structure of the bond issue, since 100% of property taxes collected would be used to pay for Mizner Park or to further the goals of the Downtown Initiative, which was directed towards infrastructure and beautification and would not directly help the business owners. To complicate the situation, the original budget to fund the payback of the bonds included the Health Care Council and the Children's Services Council. These two tax districts were subsequently tax-exempted by the government, producing a greater shortfall in tax income than the CRA had originally planned. There was also a great deal of concern about the deal struck between Crocker and the CRA among residents, believing that the City had given away the farm, first by paying Crocker a \$10 million plus premium on the land, and then by allowing a flat rental stream for the first ten years. According to Jorge Camejo, the current executive director of the Community Redevelopment Agency, the agreement was structured to maximize the amount of income the city could realize from private enterprises and still stay within the current IRS tax laws. Since no more than 25% of the City's debt service could be paid from private sources of income, the amount of rental income was capped. There was also a controversy over the use of city bonds to pay for a private venture, especially one that was originally touted as a "cultural center." The CRA's defense was that Mizner Park, although it was a commercial district, was created for the public good. Crocker & Company's project cost summary is as follows:

¹⁷ Boca Raton News, Mar'92 p.93

<u>Crocker & Company Investment Project Costs</u>	
Land Purchase	\$28,500,000
Site Improvement Costs	6,490,051
Construction Costs	33,087,390
Soft Costs (incl \$6.7m for tenant buyouts)	<u>19,966,603</u>
Development Costs	<u>59,544,044</u>
Total Project Cost	\$88,044,044
Income from Land	<u>(44,109,761)</u>
Net Up Front Project Cost	\$ 43,934,283

Total construction costs for Mizner Park were just over \$59 million.¹⁸ Crocker & Company agreed to develop 1/3 of the site (about 12 acres) with commercial development, leaving the remainder of the property for cultural uses and open park space. The cultural uses for the development would be sold for \$1, but the organization would pay for the construction of the building. Before demolition, Crocker had to buy out 56 leases of existing mall tenants for approximately \$7 million. The Dive Bar was one tenant who refused to leave who had eight years remaining on his lease, even with an offer of \$250,000. The CRA filed a petition to condemn the bar through eminent domain "for the public purpose of elimination and prevention of the development of spread of blight in the Downtown Business District of Boca Raton." There were also petitions filed to take Denny's and the Boca Bank. The Dive Bar's attorney argued that Mizner Park did not fit the definition of public necessity and filed suit against Crocker and the CRA for damages, disruption of business, and breach of lease. Eventually all parties settled and the demolition moved forward, but the outcome may have been different if Crocker and the CRA were not working in tandem to move forward with the project since the process could have taken much longer without the threat of eminent domain. While the project was under construction, Crocker & Company helped tenants find interim

¹⁸ CNU X Florida Guidebook to New Urbanism in Florida

space, updated administrative documents like business cards and invoices, and moved them into the new space once construction was complete.

Although the private developer has to work around financing and land control, one aspect that does benefit from the single management structure is the expediency of the design process. As previously mentioned, Harlem USA was originally planned as an entire city block. Notwithstanding the one building owned and operated by someone else, the steel and glass structure is designed to make a statement on 125th Street. The storefronts face onto the street and, according to Drew Greenwald, the glass walls let people inside see out and people outside see in, making it connect with its surroundings and always letting people experience the activity of Harlem. Tenants were given freedom to use their prototype with few, if any limitations. Each store uses its own signage and has its own street entrances; and interior spaces do not require any specific finishes that would differ from the tenant's own prototype. This is provided as an incentive to attract tenants, and also to allow chain stores to be more integral to Harlem. Grid purposely created a use that would fall within the "as of right" zoning for the block, assuming that there would already be enough hurdles to cross in completing the project.

The design process in Mizner Park was also highly coordinated by the developer. The goal of the new downtown Boca Raton was to convey a "village within the city," with pink walls, palm trees and brick pavers. The key elements of the plan included a central park flanked by two public streets and pavers with vehicular and pedestrian access. Special attention was paid to parking, with an attempt to have shared parking between the day and evening uses of the center. Crocker also looked at other town-center concepts including Old Town Alexandria in Virginia, Worth Avenue in Palm Beach Florida, and South Street

Seaport in New York as templates. Consistent flag signage runs along the outside of the overhangs, and each corridor has repeating lanterns and signage that is uniform except for the printed business logo. Stores are free to use a prototype design for the interior, however views of the individual building facades are blocked by columns. Even the offices above have uniform pink shades, promoting a consistent quality throughout the center. The design fits in with Boca Raton's current scheme, but if market demands change, the entire center may need to be renovated. "Many people are turning away from over-structured, formulaic places that look alike to the diversity of traditional main streets. Big buildings, small buildings, a few ugly buildings, and some standout ones work together to make Main Street a real place where people can feel connected."¹⁹

An added simplification for private developers is that any accommodation for design that is outside of their scope is purely at their discretion. Unless the recommendations somehow benefit the financial position of the project, a developer will most likely not do them. This is an effective way for the developer to maintain his vision both physically and financially.

The single-tier structure of the private development approach also simplifies the maintenance of the property. Each tenant is responsible for its own security except in the common areas which include the downstairs lobby areas of the movie theater. The sidewalk is a gray area of responsibility between Grid, the City, and the tenants, but Grid is hiring a company to power wash them to make them more attractive. Grid Properties has recently moved into the building, where they can monitor the maintenance of the center, enforcing fire codes and health issues where necessary. Mizner Park includes common area

¹⁹ Urban Land Archives: 1998: July, Retrofitting Suburbia by Charles Lockwood

maintenance, advertising, and marketing fees as part of tenant fees and is managed by one organization, Codina Realty.

MARKETING STRATEGY

This section explains what marketing strategy approaches the two privately developed case studies employed. Harlem USA is not part of any 125th Street coalition, but it is involved in numerous community activities, including the Harlem School of the Arts and the Read-a-thon. There is no tenant collective in terms of the larger community relationship, as each tenant participates in its own activities. In order to entice investors and potential tenants, Grid put together a promotional package that includes information on Harlem's history, demographics, tenants, and floor plan. Grid also circulates a quarterly brochure, "125 Harlem USA" that includes a customer commentary, Harlem USA community-related activities, and recent events happening at the retail stores.

Mizner Park has a marketing director who is responsible for overall marketing of the complex as well as a public relations department. Although there is no formal tenant association, tenants within Mizner Park have relationships with each other, with some retailers offering discounts for subsequent purchases at a partnering store or restaurant. Each year with the Chamber of Commerce, the management company for Mizner Park sponsors "Meet Me in Downtown," a festival to promote the cultural aspects of the center. They also publish a brochure that includes information about the center's services, shops and residences.

OUTCOMES

This section provides updated information on the progress of the two case studies.

"After years of disappointments, development in Harlem is proceeding with breathtaking speed, generating many hundreds of jobs and changing people's lives in small ways as well as large ones. For example, Ms. Askins said, Harlem residents previously had to leave the neighborhood to find the weight-lifting equipment that Modell's carries or a gym like the branch of the New York Sports Club that recently opened at Harlem USA."²⁰

The New York Sports Club at Harlem USA is the most successful of the NYSC chain in New York City. This location offers new facilities that aren't too crowded and are convenient to the customer. According to Tyreice, the building manager, there was apprehension about the project and how the opening of Harlem USA would affect smaller businesses in its early stages, but he pointed out that many small businesses have sprung up since the opening of Harlem USA. According to Drew Greenwald, the success of Harlem would have happened with or without Harlem USA, but the process would have taken longer since Harlem USA was a symbol of Harlem's redevelopment. Additionally, he believes that even once the process started, it would have proceeded at a slower pace without Harlem USA. Because Harlem had to shed the stigma associated with it as a run-down neighborhood, Harlem USA did a lot to improve the perception because of the tenant mix, scale and high-profile nature of the project. The tenants must also comply with the same requirement that at least 75% of all employees had to reside within the Empowerment Zone, and as of this writing it is actually closer to 90%, although most of them are in entry-level positions.

²⁰ New York Times Archives, July 2, 2000, Terry Pristin

Mizner Park has made some changes in the Boca Raton economy. Housing prices have recently started to dramatically increase, especially over the past 1-2 years. The homes right next to Mizner Park that sold for \$100,000 a few years ago are now \$250,000.

"Mizner was intended to be the catalyst for downtown redevelopment. It's become everything we had hoped for and more."(Wanda Thayer, Chairwoman of the CRA)²¹

Vacancies at the Mizner Park shops are approximately 11%. According to JoAnn Root, the downtown value, which was \$16 million in 1990 has skyrocketed to approximately \$230 million today. When the center was first built, the residential apartments rented before construction was complete. The current vacancy rate is about 12%. The center has been honored by the Sierra Club as an "outstanding example of smart growth," for integrating residential, retail and office space into one development, and Boca Raton has been named one of Florida's five sustainable communities by their state officials. This designation, given in 1997, allows the city to receive a higher priority for state funding and reduces some of the bureaucratic approvals needed for development.²² In 1998 Mizner Park contributed \$657,000 to the city budget in fees and taxes and \$1.09 million in property taxes, and \$4.6 million in sales tax from purchases, and today the rental income and property tax revenues cover the city's bond payment. Finally, although it has taken the better part of twelve years, the cultural uses at the center are beginning to supercede the commercial uses and are becoming Mizner Park's claim to fame. The Boca Raton Museum of Art has opened, and an amphitheater is currently under construction, fulfilling the original promise of the development.

²¹ Boca Raton News, July 18, 1999, page 12A, Our Views

²² Hussey, Kristin "Boca Raton gets high marks for revitalization" Boca Raton News, 1-8-97, page 1

CHAPTER 3: COMMUNITY-DRIVEN APPROACH TO URBAN MAIN STREET REVITALIZATION

DESCRIPTION OF THE CASE STUDIES

The Payne Avenue Corridor includes 130 businesses between East 7th and Maryland on Payne Avenue in St. Paul, Minnesota. The seven block core area of the Main Street program includes about 55 businesses. Originally the home of the Whirlpool Company and the Stroh Brewery, the community of which the Payne Avenue Commercial district is part has long been a working class immigrant community. In the 1970s, the local Stroh Brewery closed and then the Whirlpool Factory closed. Many jobs were lost and businesses felt the pinch of the weakened market. Many residents moved out of the area and less desirable businesses moved in. The buildings and overall district were neglected from years of deferred maintenance, and the neighborhood was considered unsafe. There were incidences of vagrancy and trouble particularly surrounding a strip club central to the district with a memorable name, the Payne Reliever.

Over the past ten years, the demographics of the Payne Avenue Community have begun to change. While the demographics from the 1990 to 2000 census are not completely comparable due to changes in the questions asked in the census survey, the population has increased by 18.1% in comparison to an overall increase in St. Paul of 5.5%. This is an increase from 26,692 to 31,519 residents in the area. The categories in the census for ethnicity are not consistent from 1990 to 2000. There has been a decrease in the Caucasian population by 5,390. This can be partially attributed to the increase in ethnic categories in the 2000 census. It is clear however that the African American population has doubled and the “other” category has more than doubled from 664 to 1531, possibly because of the removal of the category for Hispanics. Anecdotal analysis and interviews indicate that both

the Hispanic and Hmong (Asian) populations are growing rapidly and both of these ethnic groups have a strong interest in entrepreneurial activities. The Director of the East Side Neighborhood Development Corporation (ESNDC) estimated the current ethnic mix in the district at 25% Hmong, 12% Latin, 2% Asian American, 12% Black and 50% white.

Throughout these changes, the business association has remained strong. Many of the core businesses stayed through the weakened economy. The Payne Avenue Business Association (PABA) has been in existence since 1920. Originally, they functioned predominately as a political advocate for the community. In addition, the East Side Neighborhood Development Corporation (ESNDC) began in 1978 to build housing. In the mid 1980s, ESNDC began focusing on commercial work. ESNDC had a commercial development staff person for eight or nine years prior to the Main Streets designation in October 1998, and had engaged in small façade improvement grants, micro-lending, micro-entrepreneur training, and business community building activities.

The interest in creating a Main Streets district came primarily from the business community in Payne Avenue. The changes in the demographics have been reflected in some new businesses, however the majority of the original businesses remain. At the point when the Main Streets application was initiated, there was an interest by the business community in looking at a more directed and comprehensive approach to revitalizing the business district. In conjunction with ESNDC, the Payne Avenue Business Association (PABA) supported the application for the Main Streets designation.

The Washington Gateway District in Boston, Massachusetts is a 1.4 mile long retail section of Washington Street that runs through the South End of Boston and touches the North end of Lower Roxbury. There are a number of major institutional players in the area



Figure 3.1 – Cathedral Public Housing

in addition to over 100 small businesses. The Cathedral Public Housing Development is at the east end of the street. The Cathedral of the Holy Cross Catholic Church for which it is named takes up a full city block just east of the housing. There is another affordable elderly housing development

(Franklin) to the west of Cathedral Housing. There is also the South End Health Center and the Mandela and Grant Manor subsidized housing residences. In addition to these players, the district has six strong neighborhood associations whose zones run perpendicular to Washington Street into the South End and are a very strong and upwardly mobile community. The Washington Gateway District was a victim of the era of urban renewal. Many of the vacant parcels of land were cleared during the sixties and early seventies, therefore much of the developable land along Washington Street was owned by the Boston Redevelopment Authority and the Boston Housing Authority.

In 1987 the elevated Orange Transit Line structure was dismantled and the street was suddenly a redevelopment opportunity. However, because the district has since been poorly served by public transportation due to the delayed action of developing a permanent solution to take the place of the Orange Line, badly needed improvements to the infrastructure (sidewalks, streets, streetlights) were deferred. This hindered or discouraged many past redevelopment efforts. A high level of crime and concerns for safety were also deterrents. The few city lots available for public parking were only temporary and street parking was in high demand because of the dense population of residents in the area competing with customers.

The population in the Washington Gateway district has not grown significantly over the past ten years. In 1990 there were 31,999 people and a 1998 estimate puts the population at 32,371. The trade area, according to the market study commissioned by the district, is made up of 27% in the income bracket above \$75,000 including single, well-educated people in their thirties with no children and empty nesters in their 50s; 16% of the trade area is Hispanic families; 39% are low to moderate income African Americans and 20% are Asian families.

The Washington Gateway district has several major amenities in its character and location. Seventy percent of the Washington Gateway district is within a National Historic District with landmark designation because not only is the area strategically located in the largest intact Victorian neighborhood in the United States but Washington Street was also the original gateway prior to the landfills that created the Back Bay area and South Boston. In addition, the Blackstone and Franklin Squares, located along Washington Street, were designed by Charles Bullfinch. Adjacent to the district is the Boston Medical Center, a thriving complex that includes the Boston University Medical School.

The force behind developing the Washington Gateway district came from the six very strong neighborhood associations in the adjacent residential communities who approached the mayor noting that because of the number of properties owned by the City, it would be difficult to redevelop the street without city involvement. In 1995, Mayor Thomas Menino appointed the Washington Street Task Force to begin the revitalization effort of this district. This task force was made up of neighborhood residents, community activists, business owners, and city officials. The Washington Gateway Main Streets Program was established as a vehicle for residents and businesses to implement the task force plan.

THE VISION

A component of the Main Streets Model is the development of a vision for the district. This includes, typically, a master plan for the district as well as a mission statement and a visioning statement developed through a series of town meetings. Payne Avenue went

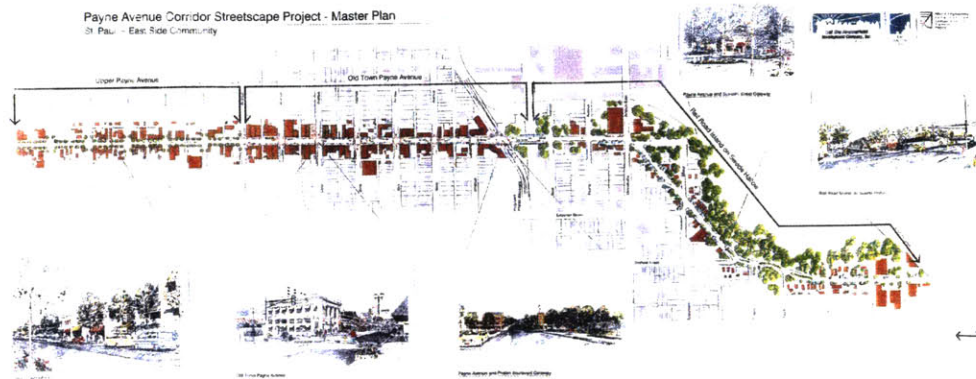


Figure 3.2 – Payne Avenue Master Plan

through an extensive master planning process. The master plan considers sidewalks, lighting and tree installations and designates the core areas of the district to be focused on initially and over time. It also designates open space and indicates where potential redevelopment could happen. The mission of ESNDP and the Main Streets program that was developed through this process was to:

“Bring new economic life to the declining Payne Avenue Commercial Corridor through a comprehensive approach including larger scale building improvements, crime reduction, marketing and promotions, business assistance and recruitment.”²³

²³ Payne Avenue Mission Statement provided by the ESNDP Program Manager

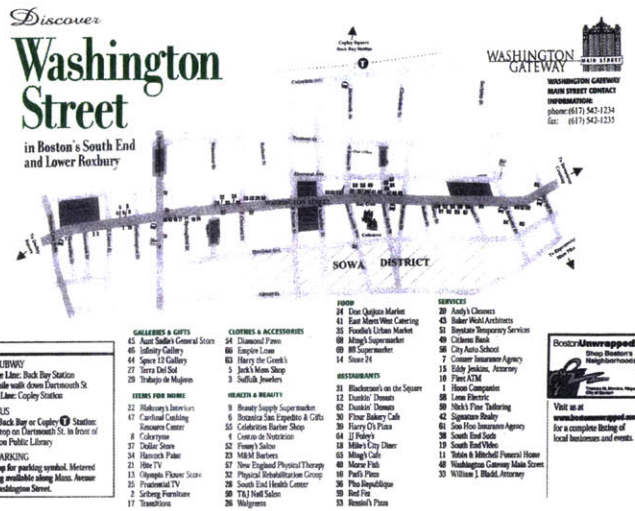


Figure 3.3– Washington Gateway District Map for redeveloping the district through potential sites for redevelopment, potential partners, leveraging of public funds available, and working with existing businesses and residents. An outgrowth of this process was the Main Streets designation, intended to be the vehicle for the commercial redevelopment process.

For both of these districts, several factors prompted the decision to use the Main Streets Model. First and probably most significant in the early stages, was the fact that attracting a private developer to the district was not an option. The crime, dilapidation and the mix of undesirable businesses in the commercial district did not make the district attractive to private investment. Had there been any private interest, the district may not have mobilized around the community-driven approach. Secondly, the strength of the existing business association made the district a good candidate for a community-driven approach. Third, the Main Streets Program, administered through either LISC or the Boston Main Streets program offered funding support to staff an office and a structure which guided the approach. And finally, by building on the strengths of the community; the historic buildings, the strength of the business association and the active community, the district

In the case of Washington Gateway district, the Washington Street Task Force, developed prior to the Main Streets designation, was the vehicle for the community-wide master planning process. The Strategic Plan, the product of the Task Force, outlined the strategies

could create a unique district that was primarily locally owned distinctive businesses. It was believed that using this approach would set the district apart from malls and distinguish it from other retail streets that allowed high profile national retailers to overtake the smaller local businesses. Each of these districts has worked to reshape the direction of its communities through redevelopment and renovation of the existing business district. The vision and goals of the community-driven approach will be shown to have a direct relationship to the organizational, programmatic and financial aspects of this approach which will then in Chapter Four allow us to distinguish the community-driven approach from the private developer's approach.

MANAGEMENT STRUCTURE

In each case, as required by the Main Streets program, the districts set up a board and four committees in order to implement the program. In the Payne Avenue district, the Main Streets Model was set up within the established structure of the East Side Neighborhood Development Corporation (ESNDC). The committees within the Main Streets structure report to the ESNDC Board, and to the PABA Board, and members of these Boards consider these organizations completely intertwined. Within ESNDC there are three full-time program staff and one part-time staff person who focus on the Main Streets program. There are 20 members of ESNDC's Board and 20 members of PABA's Board. There are four committees as outlined in the Main Streets model: Design, Crime and Safety, Promotion and the Commercial District Advisory Committee (their version of the Main Street Model's Economic Restructuring Committee). The Board of ESNDC is made up of 14 residents, three business owners (one of which is also a resident), and three institutional entities. The Board of PABA is made up of 16 business owners and four non-profit/ institutional partners.

The committees have a total membership of 39 people. Of this 39, half are also board members. The composition of the committee members is made up of 50% business owners, 5% property owners, 5% residents, 20% other non-profit organizations, and 20% government affiliates.

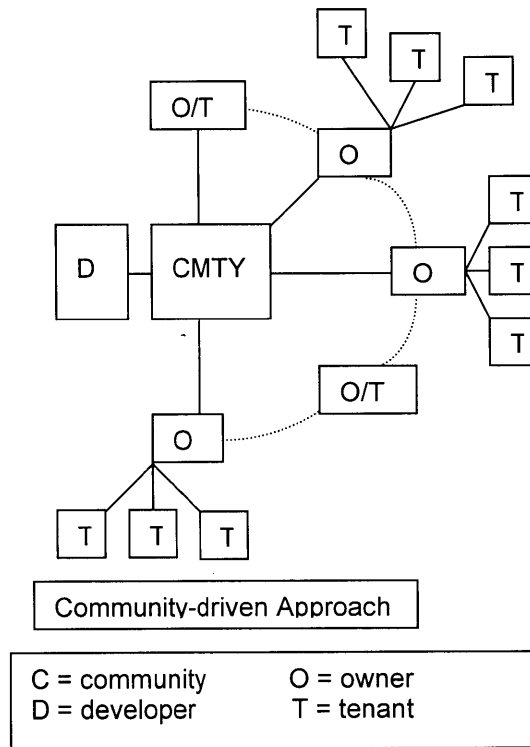


Figure 3.4 – Organizational Structure

The Washington Gateway Main Streets program is structured as a separate organization with its own board and four major committees; Promotions, Volunteers, Design, and Economic Restructuring. There are four subcommittees that are under the Design Committee: Art Projects, Traffic and Parking, Adhoc and Business Assistance (which also has an affiliation with the Economic Restructuring Committee). There are nine board members. The mix is seven residents and two businesses. There are 35-40 standing members on the committees. When there is an event, the numbers rise by 100-150 members.

The make up of the committees is approximately 85% residents, 10% business owners and 5% property owners. There is one paid full time person on the Main Street staff.

The Main Streets program relies almost totally on voluntary support and compliance with the vision as established. The East Side Neighborhood Development Corporation has more staff and is more staff driven in its implementation and in programming activities than the Washington Gateway Main Streets, however in both districts it is critical that the relationships within the organization are strong because there are no contracts between the entities (as seen in figure 3.4). The organization is only as strong as its member support.

It is also critical that there is strong support from the City. In Payne Avenue, the district has a strong relationship with the City (the mayor is a resident of the district and the director of ESNDP worked previously for a state congressman). In Washington Gateway, the chairman of the Main Streets Board works at the Boston Redevelopment Authority and is able to ensure that projects continue to comply with the district's design guidelines. Additionally, affiliations with other organizations have been critical in making progress in the district. Because compliance with the Main Streets program is voluntary, it is critical to create a shared vision and involve many people and get affiliated organizations behind their work, creating energy and capacity for revitalization. For example, the East Side Arts Council at Payne Avenue applied for a grant through the NEA to bring Latino artists to work on banners and art for the International Market. Also, the summer patrol with police generated more policing commitment and investment in policing for the corridor and this summer the police have agreed to pick up the full cost of providing the patrol. In exchange, the partners get more support and help in getting their work done and ESNDP also lends their expertise to other organizations such as assisting the Arts Council in finding new space.

The relationships with these affiliations have allowed the district to participate in related developments such as the Payne-Phalen Corridor Initiative that is set up around planning and implementation for the Phalen Street corridor project. This project originally was to build an elevated road over Payne Avenue at a critical intersection. Through ESNDC, PABA and the District 5 Council (the neighborhood council to the City), this street will now meet Payne Avenue at ground level and will provide a critical intersection and entry into the district. This effort will have a major impact on Payne Avenue and the neighborhood and has generated a lot of energy and momentum for the area.

The annual budget for 2001 for the East Side Neighborhood Development Corporation (ESNDC) was \$701,337. The Main Streets Program was established within ESNDC. ESNDC used the Main Streets program to expand its capacity and to direct the focus of commercial redevelopment. As stated previously, at Payne Avenue, the district has been supported by the Twin Cities Local Initiative Support Corporation (LISC), who offers technical assistance and some funding to run their office. In addition, LISC grants funds for specific projects.

	2001
Revenue	701,337
Corporate/ foundation grants	69,500
Government grants ²⁴	453,501
Developer fees	76,181
Miscellaneous and carryover from 2000	102,115
Expenses	
Total	703,197
Salaries, benefits and overhead:	311,740
Programs and grants paid	391,457

PABA, a strong supporter and component of the application for Main Streets designation, augments the funding of staff positions and for programs through their

²⁴ includes Star grants, Metropolitan Council, USDA, CDBG, NEA

membership dues and also through fundraising efforts. PABA, in addition to their collected dues, is owner of several pull tab gambling machines positioned within businesses in the district through which they raise revenue as a non-profit organization as allowed by Minnesota law.

As can be seen, half of the funds are used directly on development projects and half are used to cover overhead and staffing. Government grants and developer fees from ongoing projects have also played a large part in supporting the capital projects and the administering of the various programs.

The Star Grant Program is funded through a 1/2 % sales tax in St. Paul. The funds are used for city economic development projects. The program offers grants and low interest loans. CDBG funds are also used by the City to provide low interest and forgivable loans. Another source is the Metropolitan Council's Livable Communities Grants. These are regional grants promoting sustainability and Payne Avenue is within the regional borders. Payne Avenue has acquired a USDA grant which supports food related businesses in technical assistance and a NEA grant in coordination with the Payne Avenue Arts Council.

These funds have been used for the Façade Improvement Fund, the Building Improvement Fund as well as events and promotions for the district. The Façade Improvement Fund provides matching grants to businesses to renovate the exteriors of their buildings. The Building Improvement Fund focuses on larger scale projects that will have a greater impact. This has enabled the Main Streets program to offer assistance to businesses that are interested in renovating their interiors as well as the exteriors. Businesses that are successful in applying for the loans have access to minimum \$25,000 loans to match City grants for building renovations. Also, the Façade Improvement Fund provides forgivable

loans up to \$20,000. In addition to these funds, specific grants and loans are pursued for each individual project. These sources will be covered when speaking of the specific project further into the chapter.

The budget for the Washington Gateway district includes:

	2001
Revenue	72,833
Contributions, gifts and grants	58,386
Special events and activities	14,414
Investment income	33
 Expenses	
Total	76,362
Salaries, benefits and overhead:	70,238
Programs and grants paid	6124

In addition to these funds, Washington Gateway receives \$100,000 from the City of Boston for façade improvement grants. Of the operating budget listed above, 82% of the budget goes to staffing and overhead, 18% goes directly to programs and technical assistance. Additional funds are available to specific capital projects administered through the city. The Washington Gateway office also acts as a facilitator by directing businesses to particular funds and assistance available through various city programs including the Boston Local Development Corporation (BLDC) and the Main Streets Program. Washington Gateway has raised the majority of their funds through several major fundraisers each year and through the support of the private developers working in the district and through the neighborhood associations in the area.

There are no actual tax incentives provided by the city. The Main Streets Model assumes that within a reasonable period of time (3-8 years in some cases) the Main Streets

organization will be self sustaining so that the funding from the sponsoring organization will no longer be needed.

In many cases, the form of investment in the community by the City comes through infrastructure improvements or below market costs to purchase city owned property. At Payne Avenue, the city has provided limited streetscape improvements thus far. Street trees were put in place early in the development process but ESNDC has decided to wait for major improvements until the street is substantially redeveloped. The manager calls the streetscape improvements “the icing.” The City did provide and pave a city parking lot and is in the process of developing the Phalen-Payne Corridor. Payne Avenue has not used federal, state or city owned land for development at this point and has therefore not been involved in any request for proposal processes or been provided with government subsidies other than through the façade grant program.

A major investment by the City related to the physical appearance and impact of the Washington Gateway district involves the soon to be installed mass transit line on Washington Street. The Massachusetts Bay Transportation Authority (MBTA) is currently installing the Silver Line; a bus line that will go down Washington Street and connect directly with the City’s underground subway system. The Main Streets Design Committee attended extensive community meetings held by the MBTA on the new Silver Line installation and on the impact its construction will have on traffic and businesses. The Main Streets program has also worked with the MBTA to redesign the bus shelters and to design kiosks at each stop that will have locational maps and historical information about the district. This project also includes new brick lined sidewalks along Washington Street due to the historic designation of the area.

Also at Washington Gateway, the City and private owners have invested in some of their own properties. Grant Manor, which is 100% affordable, has been redeveloped through



Figure 3.5 – Rollins condo complex

tax credits and private investment. Franklin Elder Homeless Housing which contains 44 low income housing units, Cathedral Housing, which is a Boston Housing Authority property and Mandela Housing; low income home ownership

condominiums, have received a total of \$65 million in renovations over the past 4 to 5 years.

IDENTIFYING THE MARKET AND ATTRACTING TENANTS

Identifying the market and selecting the tenant mix requires some unique tactics in the community-driven approach. While the organization wishes to direct the tenant mix, it is also necessary for the mix to follow the demographics in the district due to the inherent goals of the organization. In other words, the Main Streets program must respond to the needs, interests and actions of the community. The community of residents, business owners and property owners started this process of redevelopment because they want to improve and strengthen the existing business district. The power to influence the way businesses operate and how new tenants are selected comes from the strong support of the district by its constituents and through its affiliations with City officials. A problem that arises is that because there is no legal leverage on disengaged property owners, some properties are underutilized. Finally, the spectrum of what they would consider an appropriate use for the retail district is defined by their business association and their marketing study. Typically, the desire is in drawing primarily local and regional businesses rather than major national retailers.

At Payne Avenue, based on their market study in 1999, ESNDC started to promote the area as an antiques district. They put together one event called The Antiques Stroll but found that they did not yet have a critical mass of antique stores. This event was not considered very successful. It was soon clear that due to demographic changes in the ethnic populations, this direction for the district's marketing focus would need to change. The business and entrepreneurial interest from the Hmong and Latino communities, now present in the district, had brought about several new groceries and businesses. The Payne Avenue district now has the largest population of Latinos on the East Side of St. Paul. They have, therefore, adjusted their direction and are now focusing on the diversity that has begun to show itself within the district. New initiatives include the Plaza Latino: a merchant mall with a restaurant (10' x 10' spaces for 10 merchants), the International Marketplace: an outdoor market at an open lot open through the summer that will display all things ethnic, from food to wares; a new tortilleria and several grocery stores to serve the differing sects of the Hmong and Latino populations.

Washington Gateway is made up of diverse income groups and ethnicities that they wish to serve. In addition, the Boston Medical Center is adjacent to the district and draws visitors and employees to the area; businesses in the area need business services and products that could be available on Washington Street; and citywide, the area hopes to attract shoppers and residents interested in arts related and "European-style shopping for everyday needs."²⁵

Because of the large number of existing businesses and the driving mission of the district to serve the existing community, a major component of the redevelopment process is to work with existing businesses to improve their marketability and competitiveness. In one particular case in the Washington Gateway district, the manager worked extensively with an

²⁵ Washington Gateway Market Analysis Summary prepared Spring 2002

existing business owner who had an annually renewable lease in a property owned by the Boston Housing Authority. The manager was able to help the owner negotiate a long term lease at a reasonable rent, develop a business plan, and acquire design assistance and funding assistance to renovate his façade and to expand his bodega to compete with the new Walgreen's across the street.

The Washington Gateway manager has been working with new businesses to make them approachable and accessible to different market segments that they may not be targeting. A new restaurant owner, for example, who is serving the higher income market of the South End has agreed to provide nutritional classes to the public housing residents across the street from her business. The Main Streets manager believes that this will help to alleviate any divisions or discomfort created between differing market segments. In another example, the adjacent seafood store, a local landmark, has served the low income community for many years. This was the first business in the district to remove his solid security grates from the front of the store to comply with the Main Streets design guidelines; and the owner claims that his business increased by 30% from that single change. As the market has changed in the area however, his low income clientele claim that his product has changed. While he used to sell whole fish, he is now selling filets on which he makes a greater profit margin. The lower income community prefers buying the whole fish because it is more economical. This example demonstrates how it is possible that even within a community process, the needs of the core constituency may not be met as individual businesses seek to become more profitable as the district improves. Payne Avenue may be more protected from this danger because of the strong business association and its endorsement and affiliation with the Main Streets organization.

The second component of managing the business mix comes in influencing property owners. At Payne Avenue, through zoning revisions, the City has been supportive in helping to adjust the business uses within the district. In one example, a local property owner wanted to put a pawn shop into one of his properties. ESNDC, in cooperation with the City of St. Paul, changed the use on the property to disallow pawn shops. The property owner, a PABA member, working with ESNDC, moved his furniture business from his larger property to the smaller rezoned space. He then renovated the larger space to create Plaza Latina, an ethnic merchant mall and restaurant on the first floor and an office space to be leased by ESNDC on the second floor. ESNDC agreed to move to the space upstairs to give the property owner some financial security. ESNDC will pay market rate rent. The relationships that ESNDC has fostered have allowed them a great deal more control than they would have otherwise. All constituents interviewed noted their respect for the director and the manager of the program and for the progress that has been made so far. This respect has translated into their having a very influential position directing the future of the district. In another effort to influence the business mix, one of the stipulations that ESNDC has imposed on all businesses that accept building or façade improvement grants is that ESNDC will have a say in the tenant selection over the next seven years. This allows them some additional and longer term control over the tenant mix.

A final component of determining the business mix is the expressed concern in controlling the growth of the district. In determining the types of retailers that are desirable, the community-driven approach in these two districts generally supports local and independent businesses over national and regional retailers. This decision is typically based on wanting to maintain a unique district and on concerns of rapid increases in property values

that will then increase rents for the local businesses which originally wanted to redevelop the district. By limiting the types of retailers, however, the community-driven approach limits the possibilities available to them for bringing activity to the district. By bringing in some major retailers, a district could draw customers to the district to support other businesses.

Currently the Payne Avenue district is conflicted regarding what types of retailers to allow into the district. Most business owners and involved stakeholders are interested in maintaining a predominately local or regional business mix. One discussion with the president of the ESNDC Board reflected his concern that they might be just redeveloping the district to make it attractive for Starbucks to come in. In another discussion, the owner of the local pharmacy stated that he is pleased with the rehabilitation of the district because he is getting close to retirement and hopes to sell his business. There is a local chain of pharmacies that he hopes to attract: Snyder's. He explained that the large national pharmacy chains do not buy existing businesses. They simply purchase land and develop a new convenience store/pharmacy. Walgreens was the example he gave. He was, however, conflicted about the entrance of other national chains into the area because their presence might make it easier for him to sell his business.

The Washington Gateway district hopes to manage the growth process brought on by creating a successful district so that the small existing businesses are not shut out of the district. By maintaining existing businesses and drawing new specialty businesses they hope to meet the needs of the existing low income clientele as well as the influx of new higher income residents. The district wants established businesses that will distinguish the district and draw people from outside of the area; but they are interested also in helping struggling fledgling businesses and long standing existing businesses to adapt to the new market.

A recent call by Starbucks showing interest in the area has generated major discussions about the future of the Payne Avenue district. In reality, ESNDC and PABA do not have the power to keep Starbucks out of the district. They can only deter property owners from selling or leasing to Starbucks or any other business. Disengaged property owners in the district are the weak link in controlling the mix of businesses.

The market study done for Washington Gateway recently indicates that in certain categories, the district could support a larger number of retailers. Some of these include apparel and accessories, computer accessories and office supplies, electronics, hardware, specialty foods, restaurants, health clubs, and video rental. This district is less concerned with the distinction between local and national businesses than Payne Avenue but they are still cautious. The manager stated that national chains would be considered on a case by case basis depending on what is available locally or regionally. The Washington Gateway district has a Walgreens and two Dunkin' Donuts stores within its district. Some of the district participants noted that it was more difficult to get the larger chains to comply with the design guidelines, but in the cases of both of these companies, concessions were made and the businesses were considered positive additions to the district. When Walgreens was to be located within a new project, the Washington Gateway Design Committee reviewed its plans and was able to get them to agree to keeping the storefront windows open above the 4 foot height rather than covering them with shelving.

THE DEVELOPMENT PROCESS

This section speaks to the process of redevelopment and how long it takes in a community-driven approach. It also explains how the community organization works to

direct the process, even when they do not have site control, through creating momentum, through their affiliations, and through their design guidelines.

Because the community-driven redevelopment process is dependent on properties coming available in order for action to be taken, change is gradual and is expected to take a substantial amount of time. Some active participants in both case studies estimated that it would be 7-10 years before the district would be substantially redeveloped.

"We need to be successful in bringing the goals we've set into reality, so people can see something happening. We've got some major redevelopment projects happening on Payne Avenue right now. We need to maintain momentum and continue our level of commitment." Business Owner at Payne Avenue

In working with the small business owner in the Main Street districts, it is important to create momentum that will reinforce the process and energize the volunteers. All of the larger development projects have been major creators of momentum, however, as with private development they can take years to be completed. Because of the volunteer nature of the community-driven approach, it is critical for the districts to show ongoing progress. Beautification projects such as planting flower beds and cleaning up graffiti and trash, fundraiser events and the smaller façade improvement projects fill in the shorter timeframes and help to keep the district interested in the process. Both districts use a competitive process to determine the awarding of the funds for façade improvements. Payne Avenue works to concentrate these projects to targeted areas of the district. Façade improvements are grouped so that several could be bid out at once to a single contractor. This has allowed Payne Avenue to attract better and more contractors, to create a more substantive impact and to help the district build momentum and increase interest in the process.

Both districts have found site control to be an important component of making progress within their districts. These two districts, Payne Avenue and Washington Gateway, have used different methods for establishing influence over redevelopable properties. Payne Avenue has been able, through the strong fundraising capacity of the Payne Avenue Business Association (PABA) and through public and foundation funds, to purchase certain properties and hold them until a desirable tenant and buyer have been found. They have worked with businesses that are interested in selling their properties to find buyers and tenants who will suit the business mix, and with developers to draw them into investing in the community before they typically would through subsidies and concessions.

Washington Gateway, on the other hand, has not directly developed any properties within its district. Because the Boston Redevelopment Authority and the Boston Housing Authority owned so many of the vacant parcels along Washington Street; in most cases, requests for proposals were issued to private developers and not-for-profits through the city. Through this process, Washington Gateway has been instrumental in dramatically changing the look of the district by reviewing these proposals and influencing the designs. In addition to these techniques, both districts have utilized a component of the Main Streets approach which provides matching grant funds and free design assistance to small property and business owners who wish to renovate their storefronts or replace their existing signage.

Specifically, at Payne Avenue, there have been several development projects that have had a significant impact on the district. The G.A. Johnson Building was purchased in March of 2000, and, as of late May 2002, had tenants selected and was under construction. Sources of funds for the renovations included the Metropolitan Council's Livable Communities Grant, a Minnesota Housing Finance Agency or MHFA Grant, a Star Grant



Figure 3.6 – GA Johnson Building

and Loan, Western Bank Loan, and a Local Initiative Support Corporation (LISC) recoverable predevelopment grant. The total project cost was \$1,004,500. ESND C first developed eight residential units on the upper floors which were leased to low income tenants. The revenues for

the first year of operation were negative due to the turnover of the apartments during renovation and the vacant commercial space while ESND C looked for a tenant.

Equity:

Met. Liv. Com Grant	\$300,000
MHFA Grant	200,000
Star Grant	100,000
LISC Lease up reserve ²⁶	12,500
CDBG Grant	42,000

Debt:

Star Loan ²⁷	200,000	5%, 40 years amort, balloon at 20 years ²⁸
Western Bank Loan ²⁹	150,000	9.5%, 25 years amort, balloon at 10 years

Total \$1,004,500

Not funded until commercial lease is executed:

Western Bank Loan	\$30,000	8.5%, 20 years amort, balloon at 10 years
HRA Rehab Loan	140,000	5% 40 years amort

They are currently redeveloping the ground floor for a single restaurant owner who will put casual dining in the corner and a fine-dining restaurant adjacent. The restaurant owner owns another successful high-end restaurant in Greater St. Paul. The process of maintaining the building through the holding period, and looking for a new tenant for the building, has become a community process as well. The closest property owner, a PABA member, is

²⁶ requires repayment

²⁷ a forgivable loan

²⁸ interest deferred for the first year, requested an extension

²⁹ interest and principal begin in third month

listed on the limited liability corporation for the property. This provides him with a vested interest in the process of development. This adjacent property owner frequented the potential tenant’s existing restaurant in Greater St. Paul to promote the Payne Avenue district to help attract him to the street.

Another tactic that Payne Avenue has pursued in redeveloping the district is to hire a financial manager. They hired Jim Johnson, previously a project manager for the development arm of a bank. He works the numbers and seeks out creative ways to finance the projects through city grants and low-interest loans. He noted that he finds the community-driven process simpler because his job is to determine the gap in financing. There are sources to cover it once he has determined what is needed.

In a second project, a dilapidated Beaux Arts building that once held the Old Swedish Bank, was also purchased on speculation. The property was acquired using the Metropolitan Council's Livable Communities Loan and has been vacant since the ESNDC purchased it in February 2000 while they have looked for tenants. The cost of redeveloping the project was \$918,378. The preliminary financing was as follows:

Equity:		
Equity	\$74,500	
Metropolitan Council	22,651	
Star Grant	132,278	
Grant – CDBG/ Star	81,102	
Below Mkt City Loan	200,000	(2% for 20 years)
Owners’ contribution ³⁰	375,000	
Debt:		
Bank Financing		
Star Loan	30,000	(6%, 15 years)
GAP	-2,847	
Total Sources of funds/ cost of project	\$918,378	

³⁰ A private developer financed this portion of the project through a conventional loan



Figure 3.7 – Swedish Bank Building

In order to fill the gap, Payne Avenue asked the City of St. Paul for a four year debt payment deferral. ESNDNC found a private investor for this building who was looking to invest in the area. He will purchase the building fully tenanted from ESNDNC and take over the financing.

The district had been approached by potential tenants including several start-up restaurants with little experience or capital; but had not found what was considered a suitable addition to the local mix. ESNDNC currently has a signed lease for the upper floor from a mortgage company and has recently signed a lease for the main floor with a St. Paul bakery that will close down their other location and turn the bank building location into a bakery, café and sandwich place.

Payne Avenue has also, as mentioned previously, worked with private developers by offering subsidies on their projects in order to get them to buy properties and develop in the district before they typically would be willing to invest in the community. Through marketing studies from their outside consultants and through the master planning process, ESNDNC was told that in order to have a significant impact on the neighborhood, it was necessary to eliminate the Payne Reliever, a local strip club. The Payne Reliever had become well known citywide and had come to represent, to St. Paul as a whole, the deterioration of the Payne Avenue Commercial District. ESNDNC saw the sale of an undesirable business as an opportunity to find a developer interested in putting Embers, a



Figure 3.8 – Embers Restaurant, former Payne Reliever

local chain restaurant and a bingo parlor in its place. The owner of the strip club had several offers to purchase the business including a resident who was interested in maintaining the strip club at the current location. ESND and PABA worked together to make the sale to a private

developer possible by providing subsidies that would help fill the financial gap in the purchase price and in the pro-forma for a period of time until the business could be profitable. It should be noted that while there was some hesitancy by members of the community about putting in the bingo hall, it was the only use found for such a large space that they believed would eventually be able to support itself. At present, only the restaurant portion of the development is open and ESND is subsidizing the rent until the bingo hall can be opened and revenues are positive.

At 933 Payne where there had been an existing automotive repair business in the property, a local grocery store owner purchased the property for \$265,000, a fairly high price. After paying for the property, she had no working capital left for redevelopment. ESND provided her with \$80,000 strictly for the exterior improvements, \$50,000 in forgivable loans and \$30,000 in Star Grant funding. She used the subsidy to redevelop the front into a grocery store and was looking at putting a car repair in the back portion. As a more desirable alternative, ESND found a tortilleria (through connections to Central Mercado, a major ethnic grocery in another area of St. Paul) and, through a translator, assisted in the negotiations between the two cultures (Hmong and Latino).

The Design Review Committee has, since the Main Street was designated, reviewed most of the major development projects along Washington Street. By reviewing proposed projects and recommending design and use changes and by using the relationships that have



Figure 3.9 – Blackstone Elementary on Washington Street side

been developed through affiliated organizations, Washington Gateway has worked aggressively and successfully to accelerate the public approval process and to get its recommendations adopted.

The district has seen a great deal of development and investment in the district in the past four years; and the

committee has had a significant role in working with developers, public or private, to direct the designs towards the districts vision. Another approach to developing property within the Washington Gateway District is occurring at present. Blackstone Elementary School sits on a property with its back to Washington Street and its façade on Shawmut Avenue, the next major parallel street. On the Washington Street side of the parcel are the parking lots and playgrounds for the school. Currently, the Main Streets program is working with a planner to develop a proposal for housing and retail with underground parking that will surround a new playground at its courtyard and will face Washington Street. This proposal is to be presented to the mayor for consideration because the land is owned by the city. If considered reasonable, the City will issue an RFP for a developer and the Washington Gateway district will have eliminated another gap in the continuity of the streetscape.

Some additional projects at Washington Street include working on a public art project for a gateway at the Berkeley Street end of Washington Street and the Traffic and Parking Subcommittee has been working with the community on the heated issue of parking in the area. A parking survey had been done through the Task Force and is being updated through the committee which is trying to reconcile the concerns of the residents and the businesses. This has been a complex and ongoing task. A major initial task for the Main Streets program is the development of design guidelines. As stated earlier, in most cases, these are voluntary guidelines so it is critical for the district to have the support of the majority of the business and property owners for them to be effective. Because both of these districts have



Figure 3.10 – Upgraded storefronts at Payne Avenue

included their constituents in creating the guidelines, they are typically supported by developers and business and property owners. The existence of the design guidelines provides the district with a concrete set of rules that they can show to the city and to prospective developers who wish to

operate in their district. In some cases, these guidelines allow a community to exert its influence and possibly delay or stop projects that don't meet with its approval. In the case of existing properties and existing or new businesses, it is often the tenant, rather than the building owner, who is interested in renovating the retail space and therefore they are the ones involved in the design or who take advantage of the Main Streets offer of free design assistance. They will provide the matching funds for any façade grants awarded. Similar to

the case of the private developer, the business owner is able to influence the process to suit his needs as long as he complies with the guidelines and the review process.

At Washington Gateway, façade improvements have been ongoing, but are starting more extensively now through storefront improvement matching grants of up to \$25,000. The district's design guidelines include developing a strong presence on Washington Street with ground floor commercial, providing prominent residential entrances, maintaining a commercial and residential mix, holding a 70 feet height limit on new development, and requiring lighting to illuminate the street.

An ongoing component of developing a Main Street for the community-driven approach, is the need for maintaining the district. The community organization, through volunteer clean-up days and city-funded programs, works to promote a cohesive district. For security, the community organization, through their fostered relationship with the local police department, usually has a beat cop designated for the area and develops programs to protect the district at large such as the Summer Beat Project at Payne Avenue.

MARKETING STRATEGY

Neither of these community-driven districts have successfully branded themselves at this point in the redevelopment process, however, this is a component in the Main Streets approach; and other districts have successfully defined themselves and capitalized on a single unique attribute to help in promoting the district. Another Main Streets district, on the Westside of St. Paul, has renamed its district, District del Sol, due to the large number of Hispanic businesses. This branding has been very successful and has identified the district regionally to people who previously did not realize there was a shopping district in this area.

It has been used in banners and brochures and because of it, the district is now identified in the convention center's tourism brochures and campaign for the City.

In both the Payne Avenue and Washington Gateway districts, collective marketing is a component of promoting the district as an entity. Both Payne Avenue and Washington Gateway have hired outside consultants to complete a market study of the district. At Payne Avenue recommendations were made for coordinated clean ups, timed lighting of the stores (until 10 pm 7 nights a week), billboard advertisements promoting the district to the larger St Paul community and improved signage within the district. Most of these elements have been implemented. It was also recommended that informational kiosks, benches and additional trash containers be installed throughout the district.

In the Washington Gateway district, the Main Street program plans several events annually that promote the district collectively. The Boston Unwrapped event at Christmas is a citywide promotion to bring people into the city. The district advertises as a unit and offers special sales and promotions to people who come to the district during the event. In addition, the manager will often coordinate grand openings for several complementary businesses so that they may draw off of each others' client base. The mayor comes to these events and postcards are sent out and distributed that show all of the businesses together. The manager is working to show that there is a critical mass of interesting businesses for each market segment. They consider this an important component due to the variety of markets that are being targeted.

OUTCOMES

Some anecdotal information from business owners in both districts did indicate that sales were up by 30% after the Main Streets program was implemented and after they had

invested in improving their own façades. Both districts claim that there are between twenty-five and thirty new businesses within the district and both claim that the vacancy rates in their districts are now below 5% (Payne Avenue states that its vacancy rate was closer to 15% initially). Both districts have had a great deal of impact on the physical appearance of their retail street. The Payne Avenue Design Committee has thus far provided financial assistance to over seventy façade and building improvement projects totaling \$2.5 million in investment in addition to the three major redevelopment projects they have initiated. And in the first year, the Main Streets program generated more than \$600,000 in public and private investment on Payne Avenue.

Due to the extensive development in Washington Gateway, there are now 1,571 housing units that are new or renovated, of which approximately 900 are affordable and 136,000 square feet of new or renovated retail space. Thirty new businesses, 856 parking spaces and the BRA parcels have 50% affordable housing mix on them at 80-120% of median income.

The most significant success factor in the Payne Avenue district appears to be the influence that ESNDP has been able to maintain with business owners who could choose to work independently; but have instead, chosen to work as a collective to select businesses and promote the redevelopment of the overall district. All business owners expressed respect and trust in the progress being made and attributed it to the manager and the director of the program. Also, at Washington Gateway, the dramatic increase in development on Washington Street indicates the effects the Main Streets program has had on pushing the City to initiate the development process, in attracting private investment to the district and in influencing the design process to compliment its vision. Another indicator for the

Washington Gateway district in particular, is the enormous pool of volunteers that it has available to it. According to the manager, the volunteers need to see progress in order to feel like they are making a difference or they won't continue to volunteer.

Both Payne Avenue and Washington Gateway are in the midst of the development process, so the measurements of success, to some extent, remain to be seen. In order to measure the success of the district, however, it is critical to consider what the goals of the district originally were. The community-driven approach was chosen by these districts because there was an existing business community that wanted to revitalize its own district. Its primary interest was in creating a district that would serve the needs of the surrounding community and be a vibrant retail center for the community. Because this was the goal, quantitative measures of success such as increased sales and higher rents in the district do not by themselves indicate whether the districts have achieved their goals.

CHAPTER 4: COMPARISON OF THE TWO APPROACHES

Now that we have investigated the management structure, tenant mix, the development process and the marketing strategy of both the development driven and the community-driven approaches, we can compare how the process is approached by each organizational structure. In both approaches, there are certain similarities in what is necessary to complete the development. For example, both approaches have concerns for serving a consumer who is not currently being served in the district, both require the involvement and support of city officials, and, specifically in these case studies, both approaches have to work to overcome the negative image associated with their districts. The overriding and somewhat obvious difference between the community-driven approach and the developer driven approach is the goal that is derived from the vision. The private developer is primarily interested in developing a financially successful project while the community organization is predominantly interested in serving the community that has established the redevelopment process. Both types of development address both components, however, the developer ultimately has to achieve his desired return on his investment; and the community organization has the clear mission of creating an environment that meets the demands of its constituents. Because of this distinction, many aspects of each approach differ and offer insight into the motives behind many of the actions that are taken.

MANAGEMENT STRUCTURE

In this section, we will explain how the basic organizational diagram for each approach reflects the structure required to meet each of the respective missions and how this structure affects the approach.

In coordinating the project, (see Figure 4.1 on the next page), one of the predominant differences in the two organizational approaches is that by having a single owner, the developer can ensure that the collective goals of the project are being met in a much more direct way. He can control the quality of the tenants, maintain the common areas, and can facilitate a branding for the center. He may also be required to maintain a level of occupancy due to clauses in the lease and may directly financially benefit from the complex if it is successful. This is one of his primary incentives to attract ting more retail to the district.

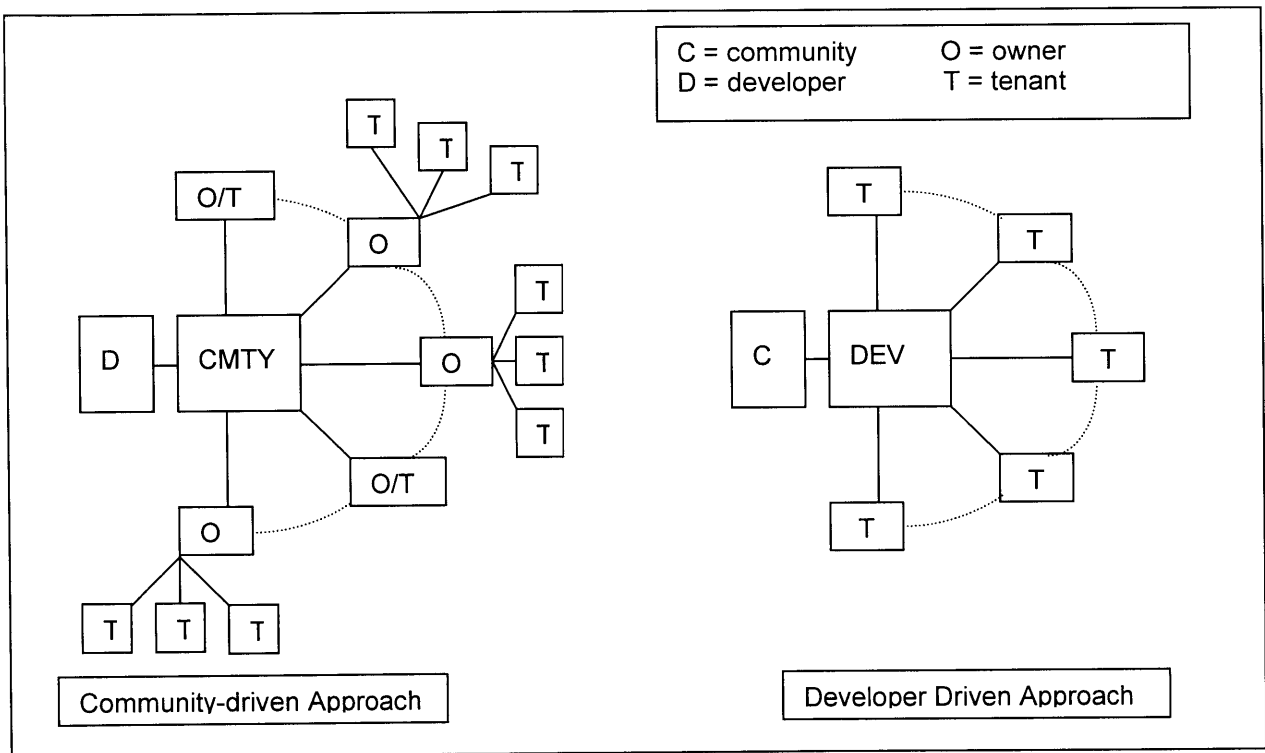


Figure 4.1

In the community-driven approach, the businesses can be owned by the property owners or can be tenants of the property owners, and the community organization is the coordinating arm. If the property owner and the business owner are not the same, there is a second tier of organization and communication (as shown in Figure 4.1). Because the community organization does not directly own the property, these lines of communication

are critical to a coordinated effort. Community-driven districts can also brand the district and market collectively. The difference, from the development approach, is that the community organization has no control over the lease structure. The motivation to keep the district occupied comes from the community, the businesses, property owners and residents who initiated the development process. Because, as stated previously, the primary goal of each approach is different, the other component, community involvement or development, becomes secondary. For example, in the community-driven approach, the district uses development as a catalyst for revitalizing the community. In contrast, the developer often uses the community organization to catalyze his development process. From the community-driven approach, Washington Gateway is a good example of a district that has managed its review process, while using the developers as a growth vehicle. From the private development approach, Harlem USA has used the community organizations to help assemble land and to provide financing that reduces the developer's exposure to risk.

Each approach exposes the different players in the district to risk differently. The developer will likely have investor equity involved in the project, so those investors and his tenants are the primary bearers of risk if the project fails. Having one developer managing and controlling a major part of the economy for a retail district also exposes the district to potentially dramatic disinvestment if the developer fails or does not maintain an interest in the property. If, however, the developer successfully manages the property, it can provide incentive for adjacent property owners to follow suit, creating a major impact in the district. Diverse ownership developments, such as those found in the community-driven approach, spread the risk of default across many owners and the district at large is more protected since the failure of a single establishment will not have the same type of negative impact as a large

development failure on the district as a whole. The caveat here is that the smaller business and property owners may not have the financial capacity to protect themselves in an economic downturn.

Unlike multi owner districts, a large-scale privately developed project will often create a number of new jobs for the district simultaneously, although most will be entry level unskilled labor. There is a risk of reduced community ownership through this structure, as well as a limited opportunity, since prospective local tenants who are interested in opening a new location may not be able to afford rents in the center without a subsidy. The community approach, because of its diverse ownership structure and lower cost structure, can offer more opportunities for local businesses to start and expand. One drawback is that decisions must reflect a consensus of the organization. When a consensus does not exist or is limited in its focus, then the community-driven approach is unlikely to be effective; thus it is critical that the community organization has a strong sense of unity and clear goals. Payne Avenue is a good example of a well-organized community organization representing many voices because the program was developed by the local business association. Washington Gateway, as in many other comparisons, is more of a hybrid, using private developers to redevelop large vacant parcels of land and also working with the existing business community to help it reinvest and benefit from the onslaught of development.

IDENTIFYING THE MARKET AND ATTRACTING TENANTS

An important distinction between the two approaches that relates to the differences in the basic vision is how each organization chooses the market which it will target and how they both select their tenants.

Since the developer has the option of investing or not investing in a particular district, the market a developer targets may or may not be synonymous with the existing community. One of the challenges with large developments is that existing tenant mixes need to change over time as market demands change, and it is not easy to make changes to the tenant base with leases in place. The developer also needs to consider the risk of "theme" centers with one type of tenant or one particular focus, since those are much more difficult to rehabilitate without a great deal of cost. One way some landlord/developers are able to use regional tenants and reduce the risk is to create minimum sales requirements which could allow for either a different subsidiary to operate in lieu of the existing tenant, or for the lease to be terminated and a new tenant brought in. In some cases, especially in cases where the existing population is not sufficient to support a development, the developer may include mixed uses in the development such as residential and office, to increase the draw or attractiveness of the district. As previously mentioned, Harlem USA not only had a large established residential base, but there were deficiencies in services being offered to that community. The Mizner Park strategy included a residential and office component to add to the base and bring a new clientele into Boca Raton. Alternatively, the community-driven approach, whose primary interest is serving the community in which the district sits, must follow the demographics of its district. These districts are less likely to establish a new market, at least initially. As in the example at Payne Avenue where the district's original market study showed a potential market in antique stores, ESNDC worked to promote this concept and then over the next several years found that two major ethnic communities, Hmong and Latino, were moving into the district and were interested in opening businesses to serve their constituencies. The community-driven approach must respond to these changes in direction. It is dependent on

existing small businesses and the existing community makeup and because of this, the program promotes and assists new residents who want to open their own businesses and helps existing businesses to become stabilized. Technical assistance that includes developing business plans and financing assistance are big components of the process. This is an element that does not exist at all in the private developers approach because they are focused on getting the development up and running in a short time frame and part of their vision is to create an entirely new shopping complex. Although the developer is not involved with the development of existing businesses in a community, he can work to include existing tenants in his new development, and in fact may have to if lease stipulations provide as such. For example, several of the original tenants from the old Boca Raton Mall who did not choose to be bought out rolled their existing leases over to the new development. Fortunately, those tenants fit into the overall plan of Mizner Park.

This points to a similarity between the two approaches, the importance of networks. The urban developer is more likely to have extensive contacts for finding tenants and is more seasoned in the development process while the community-driven organization builds and maintains strong relationships through its vast networks with affiliated organizations. Because the private developer works on a national level and on many retail projects, he has contacts with strong tenants who are interested in going into urban areas. The equivalent to this access is that the community organization has established strong networks and affiliations that can catalyze the development process. To some extent, more progressive community organizations will tap into the same consultants and expertise that is available to the private developer. For instance, the consultant hired to complete the market study done for the Payne Avenue district was the same consultant hired for Albuquerque, New Mexico's

downtown redevelopment, a project currently underway by a private developer. As stated previously, the community organization is made up of neighborhood residents, business owners, property owners and institutional and municipal partners. This structure allows the community-driven approach to access expertise and information very easily.

There is also a similarity between the two approaches in how tenant mix is considered as part of the vision, although they come out with opposite conclusions. Developers want projects that are unique, as communities do, however a developer wants uniqueness more as a function of competition and the ability to remain more attractive than other centers by offering convenience, variety, or a special shopping experience. Private developments must support specific rates of return, and the rental rates are established based on supporting their proforma. Because the private developer's goal is to find tenants who can economically afford to do business in his center and fit the vision of his center, he will only attract local or small scale tenants if they fit these criteria. This will likely preclude the small, local tenants from being able to operate in new centers. In Harlem USA, only one out of the original list of four local tenants was able to afford tenancy, and there was a subsidy involved.

Similarly, the community-driven organization has limited its spectrum of retail tenant options for several different reasons related to its mission. The local base that has established the redevelopment process in the community approach, has an interest in sustaining and reinforcing the strength of the existing businesses and the existing community. This priority has established, for many districts, a cautionary attitude toward major retailers and national chains. Both community-driven districts noted that they are interested more in attracting locally owned and independent businesses to the district. Those interviewed in Payne Avenue were very specific about their desire to maintain their unique character through

independent businesses and their hesitancy about major retailers because they take money out of the community rather than putting money back in. They believe that bringing in national retailers can also increase property values quickly which can increase rents, which in turn could shut out the very businesses who promoted the district redevelopment in the first place. The case of the recent contact by Starbucks and the reaction of many business owners and residents in the area indicated the conflicted reactions brought on by bringing in a chain, knowing that it would attract customers to businesses in the district. One by-product for the community-driven approach, whether it is intentional or unintentional, to restricting the tenant mix is that it eliminates one avenue for increasing the customer draw to the district, making the task that much harder. The Washington Gateway district is less definitive in its restrictions, however many of the same concerns were expressed. The program manager for Washington Gateway has a developer background and therefore appears to be somewhat more aware of the balance needed between drawing customers and maintaining a unique district. She noted that they would consider national retailers on a case by case basis.

THE DEVELOPMENT PROCESS

In looking at the development process, there are several major distinctions and some similarities that arise from the differing goals of the two approaches. This chapter will look at the timing of the developer entering the district including how sites are selected and what this means to the community and the community organization. We will then talk about how developers and community organizations both add to the demand in the district, what the differences are in the availability of financing, how the design process differs and how each approach goes about maintaining the Main Street.

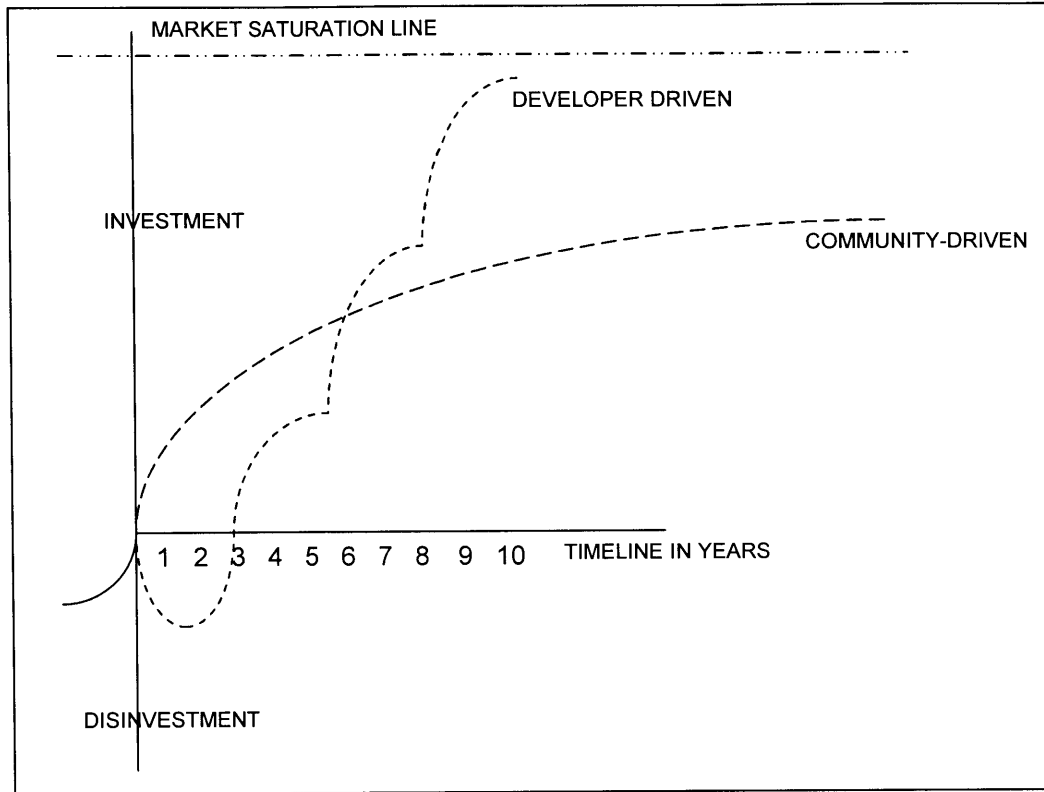


Figure 4.2 Spectrum of Development Attractiveness

The difference between the two approaches in terms of timing and how each district will see progress is reflected in figure 4.2 above. When a district seeks a purely developer driven approach, there is a large planning stage and there are often several projects with various developers that are promised as the silver bullet, that do not come to fruition before the successful redevelopment project gets underway. This can actually be detrimental to the district, causing more disinvestment and frustration. The community approach on the other hand, is incremental. While it takes time to see a substantial impact in the district because the district is not making major dramatic change, the smaller incremental progress reinforces the momentum and failures are less dramatic. However, when the private development project was complete, at least in the two case studies analyzed here, it had a greater impact and brought about more investment and new tenants overall, than did the community-driven

approach. In addition, on the other end of the spectrum, the private developer's focus on returns has the potential to surpass the purely community-driven approach in terms of financial success. The negative side to this potential is that the private development may at some point saturate the market as other developers capitalize on the potential within the district, and the early developments will need to reinvent themselves to remain competitive. The collective community approach on the other hand, is constantly reinventing itself, responding to demographics, and seeking new businesses to replace the ones that have closed and, therefore, arguably will never reach saturation.

This brings us to the timing of when each development approach enters a district. The presence of one approach over the other is based on whether it will be profitable for the private developer to enter the district. In situations where the customer base is not developed, the community organization may have to lay the groundwork prior to attracting major developer investment. The districts that have had the quickest and most dramatic changes in the shortest periods of time, Washington Gateway and Mizner Park, have also had major city infrastructure investment and the simplest process of gaining site control. When Washington Gateway was first established, developers were not yet expressing interest in the district. Washington Gateway through its marketing of the district, working with the City to make the vacant lots available and its urging of the MBTA to move forward with the new transit line, has attracted and worked with numerous developers, both for profit and not-for-profit, to redevelop the street, taking advantage of both public subsidies and private investment. In this case, once the private developer has been approved through the design review process, he is able to work independently of the community organization, using it to facilitate permitting. Officially in development from 1998, the majority of the development

projects on Washington Street is slated to be completed within the next two years (2004). In the Mizner Park development, since the parcel was an enclosed mall, gaining control over the land was a much less complicated process than most Main Street developments and the City already had plans in the works for the redevelopment of the old mall, which dramatically eased the permitting process. Crocker & Company took a great risk in purchasing the property before the City could commit funds to redevelopment, but had a backup plan to open a traditional strip center if the city did not come through. Additionally, the financing was streamlined because Crocker & Company had the support of a pension fund, which meant the project could move forward quickly and was completed three years after the land was acquired. At Payne Avenue, because there is no cost benefit to developers investing yet in the district, they have worked predominantly with the existing business district and are developing projects on their own using public subsidies and forgivable loans to improve the district. The timeline to be substantially redeveloped was estimated by constituents to be 8-10 years, however, the process is ongoing. ESNDC is currently developing properties at a loss because a private developer without subsidies and grants would not be able to afford to invest based on the current rents in the district. The biggest time investments for the developer of Harlem USA were convincing tenants that there was an opportunity in Harlem, and satisfying the stringent requirements of public funding. Although Harlem has an established infrastructure with good mass transportation, the lack of a strong existing retail base that had persisted for so many years was a considerable barrier to attracting prospective tenants. To complicate matters, the process of completing a development in New York is a process that typically takes a long time regardless of where in New York it is, according to Drew Greenwald of Grid Properties.

In addition to external factors that impact the timing of a project, there are also internal factors. The private developer's need to achieve a satisfactory return dictates how and when a site is selected for development. Because of the risk considerations, a private developer will only invest in a district if there is a risk/return trade-off. One of the reasons Grid was ready to take the plunge and develop the Harlem USA project was that, although it was a challenging project and in somewhat uncharted territory for a private developer, the possible payoff could be high, especially without the threat of competition on the near horizon. Also, in selecting districts, developers weigh their selections on the feasibility of redevelopment and compare the investment to other potential investments. The community organization, on the other hand, is by definition committed to the district it is in. It takes what it gets and while it evaluates the district for its potential, it does not have alternative sites to consider. The feasibility of redeveloping the district may affect its progress but not typically their decision to move forward. Along these same lines, often the community-driven approach must seize the opportunity to redevelop individual properties as they come available regardless of whether they are the most advantageous properties to impact the district. This distinction gives a private developer, the benefit of perspective and comparison but also limits his involvement to districts that meet his criteria.

Another component of the development process that varies between the two approaches is the ability and the need to create momentum within the development area. When a district that has long been neglected begins a redevelopment process, it becomes important for the district to change the perception and to draw people back to the district. As shown in both the case of Payne Avenue where the strip club was redeveloped into a family restaurant, and in Harlem where new stores are opening on parcels of formerly burned-out

buildings and empty tracts of land surrounding the Harlem USA development, both approaches require changing the perceptions of the district. Community-driven redevelopments are typically more gradual and require momentum to maintain interest from the volunteers and supporters of the district, however, the initial impact can happen much more quickly through smaller projects. In another example previously mentioned, Payne Avenue gave priority to business owners who wanted to renovate their facades and were within their targeted area. ESNDC coordinated many small façade improvement projects to be redeveloped at one time in order to show a dramatic change to the district. Unlike Payne Avenue, projects developed by a single developer have the benefit of critical mass, and in Harlem USA, that was combined with strong tenants and big names. Being able to tote tenants like Disney and Magic Johnson Theaters instantaneously puts the project on the map and serves as the spark for further development. According to Drew Greenwald of Grid Properties, eventually this would have happened; but with Harlem USA it seems to have happened much quicker. The Washington Gateway district is in this way similar to a private development. Because of the number of parcels available due to urban renewal and because of the cooperation of the city in issuing RFP's for developing those parcels, the district is now churning out a large number of residential and retail projects simultaneously. This is providing the district with the same momentum a private developer sustains; but this is unique among community-driven Main Street programs where the emphasis is on incremental development. This momentum allows the district to attract other investors and businesses to the district and in the case of the community-driven approach, mobilizes the volunteer community and the existing businesses to upgrade to remain competitive.

As previously mentioned, developers may add residential and office components to support their commercial district. In this way, they may expand the potential market and add people to the demand. In Mizner Park, for example, the residential addition was two-fold. First, it was anticipated that residences would improve the 18-hour viability, and hence the marketability of the site. Second, residential balconies and frequent street entrances soften an otherwise hard "edge" on the residential side, adding to the urban feel of the project. In the community-driven process, Washington Gateway, for example, supports the addition of a large number of residential units along Washington Street. Because of the extensive amount of vacant land available, they found that adding residential density would reinforce the retail district. At Payne Avenue, the Main Streets approach is an outgrowth of a community organization. ESNDC works with the existing community and while the Main Streets program is focusing purely on redeveloping its retail district, there are other components of the organization that focus on renovating and rebuilding housing and marketing the residential community. Housing is a very limited component of the retail district however. One building has 8 eight affordable units on the upper floors. Similarly, the density of residential in Harlem was considered sufficient to support the development without an additional housing component.

Our next comparison that relates specifically to the development process is the availability of financing. The community-driven process relies heavily on grants and on many property owners to make private investments in their properties. The presence of a strong business association, such as PABA at Payne Avenue, creates a fundraising arm that assists the district in staffing and in providing renovation grants. The community-driven approach also taps into city economic development funding, most of which is also available

to the private developer. Because these two community-driven districts were designated by the Main Streets organization, there is additional but limited funding to help pay for programs and overhead through the sponsoring organization (LISC in St Paul and the Boston Main Streets program in Boston). As seen in the two examples at Payne Avenue, the East Side Neighborhood Development Corporation pieced together a combination of grants and loans in order to purchase both the GA Johnson Building and the Old Swedish Bank Building. The private developer in both case studies also needed to obtain financing creatively. Equity investors do not want to wait eight years for a return, which can often be the number of years before a project pays off. Additionally, lenders still consider Main Streets development a new untested concept. In the redevelopment of downtown Albuquerque, the developer, Christopher Leinberger, has come up with the creative approach of separating the returns into tranches, much in the same way that mortgages are bundled by length of term. The tranches are separated depending on whether you want a short-term or long-term investment. Harlem and Mizner Park are not so elaborate, but use a balance of tax incentives and favorable loans to help achieve the numbers, and to balance the risk and return. Harlem USA equally balanced (in thirds) an equity investment with a conventional loan as well as a subsidized loan from the city. The distinction between private and community-driven approaches is the availability of equity to invest in a development project. Once a developer is attracted to an investment opportunity, as long as he can package the returns to meet the risk thresholds of the investors, he has access to money. Crocker (the developer at Mizner Park) found a strong partner, a pension fund, who was looking for a long term investment.

A fourth major aspect of the project development process that varies based on the goals of the approach is the design process. Because the private developer oversees redevelopment of the whole project at once and manages the design process; and because the community-driven approach is typically more gradual, the design component of both approaches can vary a great deal. Discussions for what makes a retail district successful physically include providing a pedestrian oriented environment with continuity in the storefronts and detail at eye level. The design guidelines developed for Main Streets projects promote a concept of diverse but rhythmic character and in fact in some cases specifically speak to avoiding the look of the mall.

“Avoid formulas that work at the mall. Malls are designed and built as single units where temperature, light, and pedestrian activity can be controlled. Certain pedestrian and design amenities, such as unified facades and broadcast music, are possible in the mall. In the downtown, though, many of these elements appear unnatural and gimmicky, detracting from the district’s own special design qualities.”³¹

In terms of design, the first major distinction is how the different priorities for each approach can result in very differently designed projects. The community-driven approach involves the ongoing restoration of an existing district, which can create a more diverse district, but because of the ongoing nature of the process, also potentially can create less visually cohesive districts. Alternatively, a private developer will consider how the project will fit into the existing neighborhood and weighs this against his first priority of profitability. Because he is building his project all at one time, he has the opportunity to, and primary goal of, building a product that, after paying for the development costs of land and construction, will bring in rental income and a resale value that meet a specified return. His interest is then in a process that is more simplified and where there are fewer unknowns,

³¹ Capitol Hill Main Street Design Guidelines, Oklahoma City, Oklahoma

which may mean the decision to build new, especially in a market which has older buildings that may have been neglected for some time. This observation reflects the two case studies which involved large new construction projects; however, when a private developer chooses to rehabilitate existing buildings, he may face some of the same issues as the community-driven organization. The design he chooses must also consider the tenants he intends to attract to the space. This may be a combination of planning space for specific uses or creating a more generic layout that can be offered to a range of potential tenants. In Harlem USA, for example, Grid planned the upper space specifically for a movie theater, but planned the ground level spaces so that they would meet the criteria for most medium size retailers. This is often important if the developer plans to attract national tenants, who may be willing to make concessions on hiring practices and are willing to consider coming into an untested market; but may be less likely to pay premium rents for or be interested in spaces that require a lot of modification from their prototype. This can translate into the private developer creating a consistent, but homogenous or even oversimplified project.

For the first private development players who enter urban markets, the risk of developing a project that looks like every other retail center is low, as they experiment with new concepts of what works best in the urban Main Streets setting. However, as the concept develops and becomes more main stream, the likelihood that the conventional developer will “jump on the bandwagon” highlights the potential dangers of the creation of many copycat or formula centers, which have the potential to become as dated as the mall is today.

In contrast, the district designed incrementally maintains the variety of existing buildings and has a diverse and potentially more interesting character that cannot be replicated. It is often a decision for the community organization that reflects that the gradual

approach to redevelopment is reliant on the business community to make improvements in its own businesses and to invest financially in the district. The community-driven approach provides existing businesses with a less expensive way to update their spaces so that they can remain in business throughout the process.

“... (T)he diversity of the street with varying architecture and storefront displays is more interesting than the predictable environment of the mall.”³²

The varying priorities sometimes translate into building new or renovating the existing buildings. As previously discussed, while a developer may recognize the value added by renovating an existing building that adds character to his project, he must consider the financial impact in his choice, and the expedience of constructing a new space as compared to making modifications to an existing shell. The Harlem USA project is striking as a new building in the very historic surroundings of the old Harlem brownstones. The contrast of the old to the new is what makes it uniquely interesting, and ironically, the remaining existing building on the block that the developers were unable to obtain is what provides the contrast. The Main Streets Approach to redevelopment, created by the National Trust for Historic Places, reinforces the concept of preserving the buildings in a district because it gives the district a unique character. The community-driven approach promotes this concept by providing low interest loans, façade improvement grants and free design assistance to existing businesses. In the private development approach, because the process is done all at once or in several major phases, the lack of diversity of the materials and buildings also has the potential to create a homogenized environment.

An ongoing component of developing a Main Street for either the private or community-driven approach, is the need for maintaining the district. The distinction between

³² Urban Land, June 2002, Gibbs Planning Group

the two approaches reflects the organizational structure of the two approaches. The private developer can clearly designate the responsibilities of the tenant and the owner and can enforce a consistent appearance through lease terms. The community organization, through volunteer clean up days and city funded programs, promotes the same effect but can only enforce it through strong community support rather than through legal contracts. For security, the private developer typically requires that each store be responsible for its own program, but will supply security in the common areas. The community organization, through its fostered relationship with the local police department, usually has a beat cop designated for the area and develops programs to protect the district at large such as the Summer Beat project at Payne Avenue.

MARKETING STRATEGY

Another component of the analysis is to look at how the differing goals determine how each district is marketed. None of these four districts had a major focus on marketing to consumers, so this is a component that is less clear and comparable from these case studies. From the private development point of view, much of the marketing may be done specifically by the national tenants relying on their national advertising campaigns. Marketing of the center is easier from the private developer's point of view because the opening creates an immediate impact on the district. Through a single major grand event, he can draw on the customer base and attract publicity for the project from the first day of opening. The community process, because it is gradual, works to upgrade the district and slowly change the perceptions of the district before promoting itself to the larger region. As one manager stated, "we need something to promote."

Branding of the district is similar in both the private and community-driven cases. The concept of a Main Street promotes the idea of a walkable shopping district. Mizner Park, developed ten years ago, took advantage of this concept early and promoted the benefit of stopping for a bite to eat and seeing a movie without walking too far or worrying about driving to the next destination. The community-driven district uses a similar technique by naming the Main Streets district and by creating a logo and letterhead and an office that is affiliated with the collective commercial district.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

There are two reasons for developing this thesis. First, by comparing the two approaches, as we have done in Chapter Four, we shed light on how these two approaches operate and ultimately how they currently interact. Second, based on the comparison of the two approaches, we will make recommendations on how the best practices of each process can be applied to both approaches and how they may assist policy makers and municipal officials in determining incentives for investment in the urban Main Street. It should be noted that because these conclusions are based on a limited number of case studies, the recommendations will not apply to all private and community-driven Main Street developments.

SUMMARIZING THE COMPARISONS

In summarizing the comparison of the two approaches, several similarities and differences were found. First of all, while both organizations wanted to develop a successful district, we found that the overriding goal of the redevelopment process was different. The goal of the private developer is to achieve a satisfactory return for the project and the community organization, in contrast, is striving to achieve the combined goals of a group of property owners, business owners and residents. As a result, many aspects of the process are organized and executed in different ways.

First, there is a fundamental difference in the organizational structure. The community-driven organization has an additional tier of communication and must serve as the coordinator between many property owners and businesses, where the privately developed project is coordinated by the developer. Although the structure is dramatically different between the two approaches, both can and do manage collectively. The developer

already has an established collective organization through his ownership structure and the administering of leases. Tenants are attracted to a project because they see the opportunity to make a profit, and the developer can provide them with reduced risk and also enforce his needs through the collective leases. Alternatively, community organizations are much more dependent on having a cohesive and active community in order to influence the tenant mix successfully, but can use subsidies to attract businesses and property owners, who share risk individually.

Because of the differing missions of the two approaches, the process of identifying the market and attracting tenants is unique to each approach. The private developer looks for tenants who can afford rents that will meet his return, and who will fit his vision of the development, and this may preclude local and smaller businesses from being part of the development. The community organization will only consider large retailers if they will serve the needs of the community, and may shy away from national retailers for fear that the growth that a major retailer will bring to the district will make the district too expensive for the local businesses that started the process and eliminate the likelihood of creating a unique shopping district.

In terms of the development process, there are several similarities as well as differences between the two approaches. The timing of the two approaches is related to the scale of the development process and the ability to gain site control. The private development process relies on larger scale projects and typically takes longer to become a reality; but once it is completed the project can ignite a major growth spurt for the district. The community organized approach is typically incremental and while it gets started sooner, the district may never see an impact equivalent to the larger private development project.

Along these same lines, the community organization needs to work continually to maintain momentum within the district in order to keep the process going, while the developer driven approach relies on the major impact of its development project to create the splash of publicity that will draw people to the district and promote more progress in the district.

In addition, in terms of the development process, both approaches must be creative about financing urban projects because they are subject to the concerns of conventional lenders and investors. The difference is that the private developer has more access to equity sources through his contacts, and the community organization has more access to forgivable and low-interest loans, and some grant funding through private foundations and government programs.

Another difference in the two approaches in terms of the development process is how the development is designed. The community-driven process includes many existing buildings and new construction is limited to vacant land. In contrast, the developer driven process, for the case studies reviewed, included constructing new buildings to create larger more flexible and leasable spaces. In terms of maintaining the district, the approaches are similar; however, the private developer can enforce the common area maintenance through clauses in the leases with his tenants, while again, the community organization relies on the cohesiveness of the district and the support for the overall vision of a clean district.

Finally, the scopes of the particular marketing strategies for the districts studied are somewhat limited; however, from what was available for each district, it appears that the approaches are similar. Both approaches market the district or the project as a collective through either the developer or the community organization and then the individual tenants also market themselves. In terms of branding the district, the Main Streets concept is an

understood description of an urban, pedestrian-oriented, retail-shopping destination, in both the community-driven and the private developer arenas. Developers and community organizations alike are building on the fact that shoppers have grown weary of the mall concept.³³ In fact, the term “Avenues” has recently been service marked by the Irvine Development Company.

RECOMMENDATIONS

This section focuses on the second goal of the thesis, which offers recommendations on how the best practices of each process can be applied to both approaches and how they may assist policy makers and municipal officials in determining incentives for investment in the urban Main Street.

INCENTIVES TO DRAW DEVELOPERS INTO THE PROCESS EARLIER

Providing subsidies to stimulate new property investment and attract business growth has proven effective in community-driven Main Streets and should be expanded to attract developers to partner with communities on a larger scale. Community organizations currently provide subsidies to various owners and businesses that help execute the community vision of retaining local businesses as well as drawing in new. The Payne Avenue community organization, for example, was able to maintain its vision by subsidizing the purchase of the former strip club and helping to bring in a tenant that met the needs of the community. If this same type of subsidy could be made available on a broader scale to developers seeking new opportunities, they may have an increased interest in working in underserved communities before the property values support their returns and in attracting and maintaining local tenants. The impact of a private development in an underutilized and

³³ Urban Land, October 1996, *California Marries Old Urbanism to new Retailing*, Barry Elbasani and A. Jerry Keyser

struggling district is difficult to match in the community-driven approach. The New Markets Tax Credit, as one potential tool, was introduced into the market on December 21, 2000 as part of the Community Renewal Tax Relief Act of 2000³⁴. This legislation will promote \$15 billion in investment of private capital through qualified Community Development Entities (which include community development corporations and other community financial organizations with a track record of working within a community). The investment must be placed within 5 years and must be used to provide financial and technical assistance including loans, equity investments or capital to qualified businesses in targeted low-income communities. Similarly, this incentive also makes it possible for the private developer to attract local and disadvantaged businesses, providing an opportunity to create a broader mix of national and local tenants within one project. This same legislation stipulates that the funds can be used to support local businesses.

BLENDING NEW WITH THE OLD AND LOCAL WITH NATIONAL

Main Streets should blend the new with the old and the local with the national retailer. This recommendation reflects both the visual diversity and the tenant diversity. It is clear from both approaches that there is value at times in choosing one type of construction over the other that is not particularly related to whether the district is being developed by the community or a private developer but rather on attracting particular tenants. By recognizing that there is value in both preserving some of the diversity and history in the existing buildings and also in building new versatile spaces that are attractive to particular tenants; a district can hedge against the dangers of a monotonous or replicated district that could be found anywhere, and in this way is able to continually reinvent itself. For example, at Washington Gateway Main Street, the district has worked with private developers and with

³⁴ Working document from the CDFI Fund of the Treasury Department website: www.cdfi.org

existing businesses to maintain existing buildings and create new ones and has held onto its history throughout.

COMMUNITY ORGANIZATION AS COORDINATOR

There are tools that a developer can use that quickly promotes growth in a district and, conversely, and there are important reasons for the community’s incremental approach to development. By recognizing the importance of both approaches, it becomes clear that a

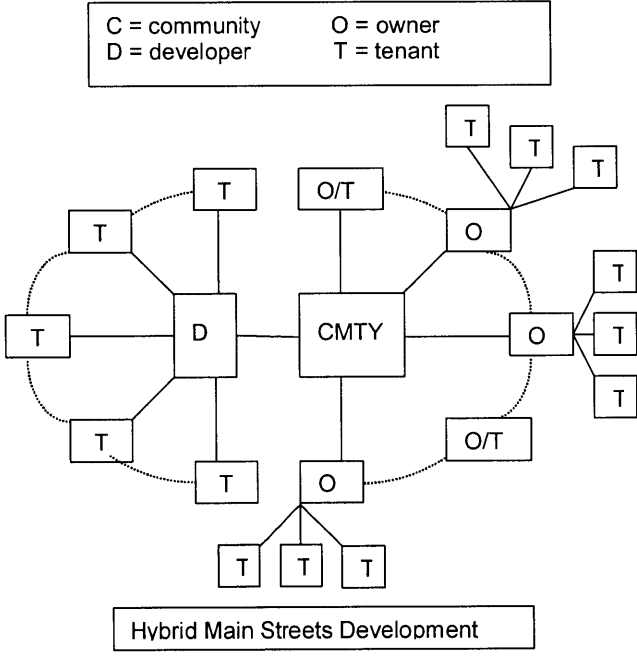


Figure 5.1

mixture of both provides a more sustainable retail district over time. By establishing the community organization as the coordinating arm of the overall district and integrating developers into the process (Figure 5.1), the developer can continue to attract high profile tenants, and the community organization can manage the growth of the district. With this structure, the community organization can ensure that local and existing businesses are able to keep up with rising property values and growing markets by providing subsidies where necessary. They can also have access to a tenant base and contractors from the developer’s

contacts who will still be attracted by a coordinated project. The district can create a product that is unique, and the community organization can reinforce community ownership. By blending the two approaches, the life cycle of the project will smooth out and lengthen, balancing small-scale and large-scale growth. Also, the district can create a blend of building types that will allow the district to grow and change with the trends in retailing, creating an environment that supports both local and national businesses in both old and new structures.

This combination of approaches could also expand the options for financing. By having the community organization manage a series of developers, financing becomes more accessible for the project. The community organization has access to forgivable and low interest loans that can assist in financing projects that might not otherwise be feasible, making it possible for the private developer to enter the district earlier in the process of the redevelopment of the district. The private developer on the other hand, has access to equity investors and with the assistance and support of the local organization and the affiliations this relationship brings with it may be able to entice investors to the projects at an earlier phase of progress.

A NETWORK OF MAIN STREETS

Finally, for districts that are too small to attract private developers and create a hybrid product, a network of well-managed Main Streets districts could be organized and branded as one collective group set up through an organization, possibly the National Main Streets Center. The organization could create a database that provides demographic data, the specific mission of the district, and design guidelines, which would allow them to market their district selectively to prospective tenants. The districts would be able to brand themselves as part of the program and prospective tenants could see a track record of other

successful districts. This would provide a national network through which retailers could find potential sites and this collective force would now be large enough to seek out potential tenants who are interested in urban development. They could use their networking ability to match up national tenants looking to enter urban markets with districts that are looking for a specific market need, and create a network of retailers that are sensitive to urban development communities. This organization could serve the same purpose as the private developer's networks with regional and national retailers to which community developers may not currently have access.

We have now compared how the process is approached by each organizational structure by noting that the primary and overriding difference between the community-driven approach and the developer driven approach is the goal which in turn affects many components of the process. Understanding these motives should help both types of organizations operate better, and offer alternatives to the traditional courses of action.

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Im Johnson, Financial Manager, East Side Neighborhood Development Corporation
Murph Dawkins, Resident, East Side Neighborhood Development Corporation Board, District 5 Planning Council
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Mark Cowalczuk, Business Owner: jewelry store on Arcade Avenue, Payne Avenue Business Association President
Rich Malloy, Planner/ Economic Development Manager for the city of St. Paul, previous Financial Manager, East Side Neighborhood Development Corporation
Sarah Fehr, Eat Side Arts Council President
Jim Kielkoph, East Side Neighborhood Development Corporation Board President

Marilyn Trevino, resident

Rob Merrill, Summer Patrol Program, St Paul Police Department, previously District Commander of the East Side

Mike Lafave, Twin Cities Local Initiative Support Corporation

Pete Admundson, Property and Business Owner, Borgstrom's Pharmacy, Payne Avenue Business Association

Senior Commander Tim Leslie, District Police Department

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Randi Lathrop, Washington Gateway Main Streets Board President, previous president of the Blackstone Neighborhood Association, currently works at the Boston Redevelopment Authority

Karen and David Parker, Property Owners and developers, Boston Restoration Incorporated, Code Ten and South End Video

Monsignor Murphy, Holy Cross Cathedral; institutional partner and developer of Rollins Place

Tristan Blake, South End Health Center

Herb Fremin, Architect, Washington Gateway Board member and Design Committee president

Mark Esposito, Project Place Development Director

Laura Brennan, Business Owner; Café Umbra Restaurant

Freddie Blanco, Business Owner; Don Quixote Market

Ellen Witt, Washington Gateway Main Streets Board member

Vin Norton, Senior Project Director, E. A. Fish Associates, LLC, developer of the Wilkes Passage Condominiums