

Inner City Commercial Revitalization: A Literature Review

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Executive Summary

After decades of decline, cities are rebounding, and one key to bringing urban areas back to life is revitalizing commercial districts. There are different approaches to doing that, a lot of challenges, and not a lot of “how-to” books. This report draws on the existing literature on the revitalization of inner-city commercial districts to examine alternative approaches — including the popular Main Street strategy — and identify best practices.

Because there is limited literature that focuses exclusively on inner-city commercial districts, the report draws selectively from a more extensive base of research that encompasses inner-city neighborhood revitalization, neighborhood economic development, and downtown development. This is the second of four reports in a study, funded by the Fannie Mae Foundation, on the use of the Main Street approach to revitalize inner-city business districts.

Causes of Inner-City Business District Decline

Several forces are commonly cited as contributing to the decline of American inner-city business districts: demographic shifts that left poor people behind in cities while many people moved to the suburbs; federal policies that favored suburban over central-city investment; state and local zoning and tax policies that contributed to business flight to the suburbs; and mortgage policies that were explicitly biased toward suburban properties.

Revitalization Opportunities and Obstacles

Successful revitalization approaches need to capitalize on the opportunities presented in inner-city neighborhoods while addressing long-standing obstacles to their rebirth.

Despite the long period of population loss and disinvestment, urban neighborhoods have assets and positive trends that can fuel revitalization. Many of the positives simply went unrecognized for years. Michael Porter’s often-cited 1995 article, “The Competitive Advantage of the Inner City,” identified four key competitive advantages in inner cities: 1) strategic location near the city center, transportation, and entertainment and tourist centers; 2) local market demand reflected in high density that compensates for lower incomes, and specialized urban ethnic market niches; 3) integration with regional clusters (defined as collections of related companies) that create business opportunities; and 4) a moderate-wage workforce.

Several other studies have documented the large inner-city market and found it underserved. A study for the U.S. Department of Housing and Urban Development identified 48 inner cities where local purchasing power exceeded retail sales by several hundred million dollars.. With higher population density in the urban areas, the income and retail demand per square mile were found to be greater for inner-city neighborhoods than in other areas. Urban neighborhoods also have concentrated market segments: black, Hispanic, and youth markets, as well as ethnic markets supported by concentrations of immigrant populations.

The existing building stock is another potential asset in urban commercial districts because buildings with historic value can attract residents and investors interested in architectural and historic preservation. On the other hand, although inner-city neighborhoods generally have a supply of vacant and underutilized land and buildings, the relative cost of locating there can be an obstacle. The reviews on this point are mixed.

Several decades of community development work in cities, supported by government and foundation funding, has led to capacity advantages for revitalization work in urban neighborhoods. Federal policies and subsidies provide considerable incentives for urban reinvestment, including the Community Reinvestment Act, Community Development Block Grants, the Low-Income Housing Tax Credit, and strategies that support reuse of contaminated brownfield sites.

Despite urban neighborhoods' assets, many obstacles continue to impede redevelopment of commercial districts. Research identifies six major obstacles: 1) decaying physical conditions; 2) poor customer and investor perceptions of neighborhoods; 3) difficulties in coordinating the actions of property owners, businesses, and local government; 4) a business environment that is more costly and complex than in suburban locations; 5) the limited capacity and quality of businesses serving urban commercial districts; and 6) limited access to capital.

Revitalization Strategies

To leverage assets and overcome obstacles, a variety of revitalization strategies have been used to revitalize urban commercial districts. Much of the literature on those strategies has been framed within two policy debates: the merits of place-based versus people-based approaches, and the question of neighborhood versus regional development approaches.

Followers of the people-based approach argue that improving inner-city residents' well-being is a prerequisite to successful community revitalization and is the ultimate policy goal. Place-based adherents consider improving neighborhood conditions is a sound goal even if not all poverty is eliminated. Several researchers show the pitfalls of following one approach or the other and advocate strategies that address both people and place. Commercial district revitalization strategies implicitly accept the place-based approach, but can contribute to improving residents' opportunities.

The second strategy debate focuses on the significance of the neighborhood as a geographic unit for economic development initiatives — a key theme in the debate being the regional nature of economies. Some scholars either argue that neighborhoods are not an important focus for economic development, or that opportunities in neighborhoods must be directly tied to the regional economy. Others contend that a healthy neighborhood economy benefits residents and helps connect them to regional economic opportunities.

This report defines six types of commercial district revitalization strategies:

1. Comprehensive community initiatives (CCIs) attempt to simultaneously address multiple obstacles to revitalization. An early example is the Model Cities program of the 1960s, the

impact of which is not clear because little evaluation was done. A wave of foundation-funded CCIs in the early 1990s have had mixed reviews, but their lessons included the importance of building consensus on the problem and solutions, having strong leadership and management, and ensuring resident involvement.

The federal Empowerment Zone/Enterprise Community program, enacted in 1993, was based on the CCI model. The most comprehensive study of the program found an emphasis on business development, and positive outcomes in terms of growth in resident employment and business ownership. Success factors cited in the study included: a clear strategic vision that was shared among stakeholders; the need for strong leadership and strong staff capacity; and the critical role played by technical assistance in business development efforts. It also found that collaborations among government, businesses, and community-based organizations, were very valuable and brought “different perspectives, networks, and resources to bear” on solving problems.

2. Enterprise zones use tax incentives and regulatory relief to attract investment to blighted urban districts. The concept was imported from Great Britain and has been used primarily by states. Studies of state programs have shown some success in job growth and investment, but that targeted development incentives alone are insufficient to revitalize a district. Research also identified a stable economic base and plenty of available commercial and industrial land as important for success.
3. Housing-based strategies focus on rebuilding a neighborhood’s residential base as a foundation for commercial district revitalization. Much inner-city housing development is sponsored by community development corporations (CDCs), but they typically have limited capacities. Researchers point to public–private partnerships, homeownership programs, and a combination of large-scale and small housing development projects as successful approaches.
4. Commercial real estate–based strategies use physical development through either catalytic or incremental projects to reposition urban business districts to compete with the suburbs as both shopping and employment centers. Supermarkets and chain stores can anchor a district, but the literature suggests that strategies must also address how to fit locally owned businesses into the mix. Difficulties inherent in urban neighborhood commercial development include lack of commitment on the part of local institutions, the complexity of site assembly and financing for larger projects, and regulatory barriers. Lessons from the literature suggest that no single type of development, defined by either use or scale, is essential for neighborhood commercial district revitalization. Other lessons are that revitalization impacts result from a combination of physical improvement, and that partnerships and complementary investments are key — among nonprofit organizations, private businesses and developers, faith-based organizations, and government.
5. Business development and attraction strategies provide financial and technical assistance to nurture the startup and growth of small locally owned businesses to help stabilize the district and provide jobs for residents. Many early community development corporations focused on business development, and there is a recent trend toward creation of neighborhood-based business development networks among CDCs and other nonprofit organizations.

6. District management strategies try to match some of the advantages of shopping malls by coordinating such things as hours, appearance, and marketing among business and property owners. There are three broad district management approaches: 1) business improvement districts (BIDs), 2) centralized retail management, and 3) the Main Street program.

BIDs are a legal mechanism through which private businesses and property owners tax themselves to fund services, projects, and activities to improve a defined business district. One study found more than 400 BIDs in the United States, and identified the most common activities as consumer marketing, maintenance (e.g., cleaning, graffiti and snow removal), policy advocacy, and capital improvements.

BIDs have no defined strategy for achieving revitalization, but do have some key advantages. BIDs have a stable funding base and the mandatory financial participation of property owners in the district. Also, their connection to local governments may help to mobilize government support and investment in related projects. Two disadvantages of BIDs are the long time needed to organize one and the absence of any mechanism for participation by other stakeholders, most notably, residents.

Centralized retail management is a strategy involving formal contractual arrangements among property owners to jointly fund and undertake activities. It reportedly is difficult to implement, rarely used, and has been called a “failure” by a leading downtown consultant.

The Main Street program is the most widely used approach to business district management. Developed by the National Trust for Historic Preservation based on work in towns and small cities, the approach is still evolving as a strategy for revitalization of inner-city commercial districts. The Main Street model is based on a four key points: 1) organization (often cited as the most important), 2) design, 3) promotion, and 4) economic restructuring.

Main Street theory does not address several typical urban problems, such as crime and homelessness, and may have to be adapted to get around urban environmental factors, such as cynicism based on past failures and competition from other city commercial districts. The National Main Street Center tested the Main Street approach in urban areas during the 1980s. A study of that effort found that urban neighborhood districts required more time, outreach and communication to implement the Main Street approach than did downtown business districts, but that the Main Street incremental approach and retail focus was a better fit for neighborhoods. Lessons drawn from the demonstration program suggest that urban Main Street programs could be implemented by either a separate or existing organization, but its mission and capacity were critical considerations. Promotional activities early on were identified as an important way to get the ball rolling. Small design improvements were also key. Economic restructuring was the most difficult activity to implement.

Several factors make the Main Street framework well suited to leveraging inner-city opportunities and advantages. Its emphasis on physical improvements, promotional activities, and economic restructuring are good fits for urban districts, although some areas may require larger-scale physical interventions than called for by Main Street’s incremental approach.

On the other hand, the Main Street framework is not oriented to capitalize on some inner-city opportunities. The economic focus is primarily on the local retail level, with no attention to connecting the district with the regional economy, nor is there any emphasis on expanding access to capital. Also, it does not address public safety, workforce development, or weak social norms and networks.

The Main Street program takes a broader approach to business district revitalization than do most alternative models. It is not comprehensive within the community development context, however, because it does not address many of the social, housing, and employment issues facing low-income communities. The Main Street model's incremental approach varies from other strategies and, because it requires fewer resources and less capacity to get started, it can generate short-term results. The focus on using volunteers also sets the Main Street framework apart from other strategies. Although the volunteer approach is compatible with grassroots community development efforts, it can pose a greater obstacle in urban neighborhoods than in other Main Street settings. Among other factors, funders may be skeptical of the capacity of a volunteer-based organization to get results.

Best Practices

The literature suggests best practices for inner-city commercial district revitalization across four broad components of practice: 1) institutional capacity, 2) planning and process, 3) strategies, and 4) tools and techniques.

Institutional Capacity

Among the most common issues addressed in the neighborhood revitalization literature are the role of institutional capacity and the relative importance of the public, private, and nonprofit sectors. An entire book is devoted to critiquing Porter's emphasis on private business development. Some analysts argue that public sector must take the lead, while others emphasize the importance of community-based initiatives. One study categorizes organizational players by their product — housing, policing, education, etc. — and their level, which defines their distance from the resident action, from volunteer engagement to national-level support. The conceptual framework suggests the reality and necessity of involving institutions across different levels and sectors.

Other literature reinforces the need for collaboration among stakeholders, the commitment and involvement of local institutions, and leveraging of resources from external organizations. Also identified as important was effective city leadership and partnerships between community organizations and the city government. Networks of communication, resources, and support can extend the capacity of locally led renewal efforts, and national intermediaries can support such networks. Weak capacity among local organizations attempting to implement revitalizations was cited as being a limiting factor.

The Main Street approach's heavy reliance on volunteers is a concern for urban implementation, but the literature suggests that Main Street partner with community-based, government, and

private-sector organizations. Analysts caution that building effective partnerships will take time and trust to develop, and must be based on a shared vision and goals.

Planning and Process

Lessons from the literature emphasize the importance of broad stakeholder participation, creating a shared vision, building consensus on goals and plans, and conducting ongoing outreach and communication. The Main Street model supports this emphasis, although urban programs may need to conduct more outreach than is needed in other areas.

Strategies

Although many authors have opinions about what constitutes an effective inner-city economic development strategy, little empirical research has tested the effectiveness of specific strategies. The case study literature that is available deals with several key areas: integrating people- and place-based strategies; the type and character of commercial development projects, including the relative role of independent versus chain stores; inner-city business development opportunities; and addressing gentrification.

Although commercial district revitalization is inherently a place-based strategy, some projects have incorporated people-based efforts, largely around linking local residents to jobs. The nature of the jobs in commercial district — mostly retail and personal service positions — tends to limit opportunities for resident advancement. This limitation could be addressed by using entry-level positions as a youth development program, and by connecting local jobs to better-paying ones in the regional economy.

Commercial development strategies are driven by two key issues regarding character: one concerns redevelopment versus building reuse, and the other is whether to focus on attracting national chain stores versus supporting local independent businesses. The two issues are interrelated because national retailers often require new development to support their large formats. The Main Street framework emphasizes historic preservation, but some analysts argue that inner-city building stock is typically too deteriorated to be reused or that building sites must be reconfigured to attract retailers.

Regarding store types, the need to compete with shopping malls suggests a preference for attracting chain stores, but failing to support local businesses can eradicate an urban neighborhood's unique character. Communities must reach their own resolutions about the right approach, but best practice is likely to require a combination of redevelopment and building reuse while attracting chain stores and supporting local independent businesses. Existing practice suggests that redevelopment can complement the existing district character. Practice also identifies several ways that chain store development can be linked to supporting a base of locally owned businesses through: integration of stores so independent retailers benefit from customer traffic generated by anchor stores; technical assistance to help local retailers adjust to and take advantage of the benefits of having chain stores nearby; and maintaining a strong base of local businesses to retain the neighborhood's character.

The literature identifies two important best practices for formulating and implementing business development strategies. The first is that business attraction and development opportunities must be linked to real market opportunities. An important concept in defining these opportunities is the distinction between convenience and comparison goods. All business districts can support convenience destinations that customers choose based on proximity and convenience. For comparison goods, shoppers seek an agglomeration of stores with similar or related products. Successful strategies can be based on expanding the existing concentration of comparison goods stores or attracting multiple new stores in the same category.

The second best practice for developing business opportunity strategies is the need to link small businesses to training, technical assistance, and financing. Local Main Street programs and other community-based organizations generally don't have this capacity, but there are three models for developing networks to provide such support. They include referral networks, trade associations, and independent buying agents to serve locally owned businesses.

Tools and Techniques

Practice-oriented studies identify effective tools, techniques, and strategies for commercial district revitalization. Best practices can be categorized as relating to physical improvement and commercial development; business development; marketing and promotion; and districtwide coordination and management.

Most commercial revitalization strategies emphasize physical improvements to eliminate blight and improve the area's image so the area can attract shoppers and businesses. Studies suggest three key elements of successful strategies: 1) outreach and education to increase understanding of the impact of good design and physical improvement; 2) technical assistance to help businesses and property owners prepare a good design and manage the permitting process; and 3) financial assistance through grants, low-interest loans, or both to encourage property and business owners to make improvements.

Business development efforts encompass retaining and expanding existing businesses as well as attracting new ones. Several studies point to the importance of providing technical assistance to existing businesses, including basic business planning, help in securing loans, assistance in obtaining government licenses and permits, advice on merchandising and marketing, and referrals to specialized professionals and service providers.

Strategies to attract new businesses should focus on meeting unmet convenience shopping needs or creating synergies with existing retail niches. Getting an anchor store is a priority for districts with no or very few anchor destinations. Although there is no consensus about what constitute best practice for recruiting new businesses, suggestions include holding business recruitment fairs, matching prospective businesses to property owners with vacant space, and helping businesses to secure city permits.

Marketing and promotion activities are central to improving a commercial district's image, and can be implemented quickly to provide some short-term impact. Best practice literature focuses on the importance of four aspects: conducting market analysis to inform marketing activities,

creating an overall district image, using community events for promotion, and organizing retail promotions among merchants.

Several practices are particularly important to effective districtwide coordination of revitalization activities. There must be a broadly shared vision for the revitalization and broad buy-in to plan, based on active participation of key stakeholders. Ongoing research and communication are needed to keep stakeholders informed of progress, attract new support, and remind people of the plans and priorities. Special efforts are needed to cultivate the support of property owners, small merchants, low-income residents, and linguistic minorities. Finally, several activities provide special opportunities to coordinate work across stakeholder groups districtwide: formulation of design guidelines, preparation of an improvement plan for public infrastructure and spaces, and organizing special events that are linked to promotions.

Conclusions

This literature review suggests that commercial district revitalization is an important component in place-based community development, but requires integration with other strategies to overcome the long-standing demographic and economic forces that lead to inner-city disinvestment and to generate overall neighborhood revitalization. Commercial revitalization initiatives should be combined with housing improvement and development projects; sustained crime reduction efforts; improved health, education, and family support services; and education and workforce development programs that link residents to job and career opportunities throughout the regional economy as part of a comprehensive effort to create neighborhoodwide revitalization that substantially benefits existing low- and moderate- income residents.

The Main Street strategy promises to be an effective approach to revitalizing inner-city commercial districts if it is adapted to fit inner-city conditions. It provides a clearer framework for action and a more comprehensive approach than other commercial district improvement strategies. Its framework and range of activities leverage several advantages found in inner-city neighborhoods while addressing many of their obstacles to revitalization. The Main Street program, however, faces challenges to providing an effective framework and strategy for revitalizing inner-city business districts.

First, it needs to incorporate key inner-city concerns, such as public safety and the management of gentrification, into its strategic framework. Second, Main Street programs will require greater resources and capacity to address the challenges of inner-city neighborhoods, compared with their historic use in towns and small cities. This is likely to require a broader coalition and base of support, greater staff capacity, and more partnerships with other organizations. Third, greater attention to and subsidies for real estate development activities will be needed to address redevelopment of severely blighted properties and to attract key anchor businesses.

More targeted empirical research is needed to better identify best practices for inner-city commercial district revitalization.

Introduction

After decades of decline, cities are rebounding, and one key to bringing urban areas back to life is revitalizing old commercial districts. There are different approaches to doing it, a lot of challenges, and not a lot of “how-to” books. This report provides a few how-to suggestions by summarizing the existing scholarly and practitioner literature on the revitalization of inner-city commercial districts.

Its purpose is twofold. First, by reviewing the major factors that shape the environment for improving inner-city business districts and the experience with other revitalization approaches, it considers how the popular Main Street approach¹ — mostly used in towns and small cities — relates to and differs from other strategies. Second, it discusses the existing literature on best practices to help inform future research. It is the second of four reports in a study, funded by the Fannie Mae Foundation, on the use of the Main Street approach to revitalize inner-city business districts. Because there is limited literature that focuses exclusively on inner-city commercial districts, this report draws selectively from a more extensive base of research that encompasses inner-city neighborhood revitalization, neighborhood economic development, and downtown development.

The report is organized in four sections. First, the causes for inner commercial district decline are summarized. Second, research on the major obstacles and opportunities that affect commercial revitalization are discussed. In the third section, the major strategies and approaches to neighborhood revitalization are reviewed and the Main Street approach is related to these past

¹ The Main Street approach was developed by the National Trust for Historic Preservation. Local organizations sponsor their own Main Street programs following a four-point revitalization model that includes organizational development, design, promotion and economic restructuring. The National Trust’s National Main Street Center provides technical assistance, general information, and networking opportunities. More information is available at www.MainStreet.org. AUTHOR: CHANGE THIS TEXT YOU WISH, BUT WE NEED SOME DEFINITION UP FRONT – WE SHOULD NOT ASSUME THAT EVERY READER IS FAMILIAR WITH THE CONCEPT.

and current approaches. The final section summarizes current understanding on best practices in urban neighborhood business district revitalization across four dimensions: institutional capacity, the planning and implementation process, strategies, and tools and techniques. A concluding section provides an overall assessment of what the literature suggests about the potential and unique contribution of the Main Street approach.

Causes of Inner-City Business District Decline

Several forces frequently are cited as contributing to the decline of American inner-city business districts in the post-war era. Major demographic shifts in American cities that led to both a declining central-city population and a concentration of the poor in urban neighborhoods are key factors cited by many authors (Bright 2000; Grogan and Proscio 2000). These trends are evidenced by data showing the growing economic gap between city and suburb. The ratio of city to suburban median family income dropped from 89 percent in 1960 to 74 percent in 2000, while central-city poverty rates were more than double suburban rates in 2000.² The large urban immigration of rural and southern African Americans, the movement of middle- and working-class populations to the suburbs, and the closed immigration policies of the 1960s that kept new immigrants from coming to the urban centers to replace the upwardly mobile (Ferguson 1999) were the demographic forces underlying these changes.

However, economic trends and public policies also contributed to inner-city decline. Grogan and Proscio point to dispersion incentives under federal policies that subsidized highway and suburban housing construction, along with redlining practices that favored suburban over central-city investment. Bright also attributes these changes to federal highway, banking, and housing policies, and cites the role of state and local policies, including zoning and tax policies

that contributed to business flight to the suburbs, property abandonment, and housing segregation by income.³ Mortgage policies under the Federal Housing Administration, in conjunction with the withdrawal of credit and insurance by private banks and insurers, contributed to suburban flight, racial segregation, and inner-city disinvestment (Squires 1992; Zielenbach 2000). Implementation of federal urban renewal programs also contributed to both population decline and demographic change in urban neighborhoods (Ferguson 1999; Halpern 1996; Rucker 2001). Other authors have emphasized the role of local community institutions in accelerating or slowing suburban out-migration. In *Urban Exodus*, Gamm (1999) details how the differences in the social basis and organization of Jewish and Catholic religious institutions led to different patterns of suburban out-migration in Boston's neighborhoods.

These demographic and income changes affected the viability of business districts that were tied to surrounding residential neighborhoods. Many merchants followed their customer bases to the suburbs (Halpern 1996; Mulkeen 1997). Changes in the economic landscape with the emergence of suburbs as employment and retail centers fueled inner-city business district decline. William Julius Wilson (1996) emphasizes how the departure of urban manufacturing employment concentrated unemployment and poverty in inner-city neighborhoods. Dickens (1999) disputes the spatial mismatch theory⁴ of urban poverty, arguing instead that the weak social networks that connect residents to job opportunities are a more significant cause of inner-city unemployment.

²Data for 2000 is from U.S. Bureau of the Census 2000. Other data is from Altshuler et al. 1999, Tables 3-2 and 3-3 on pp. 42–43.

³ Altsculer et al. (1999) provide a good overview of government policies that contributed to these changes.

⁴ The “spatial mismatch” concept was first suggested by researcher John Kain in 1968 to describe the disconnect between the location of workers and the location of jobs, as employment centers moved to the suburbs, leaving inner-city workers behind. There is a considerable body of research on the concept.

The emergence of shopping centers, first on large tracts of suburban land and then in downtown festival marketplaces and malls, created strong competition and further eroded the market for neighborhood businesses. Larger retailers, such as department and grocery stores that anchored some neighborhood business districts, relocated to suburban centers. Other districts dominated by smaller “mom and pop” retail lost these businesses as well, when they closed in the face of new competition or followed their customers to the suburbs (Mulkeen 1997; Rucker 2001; Zielenbach 2000). Changes in transportation technology and the rise of the automobile as the primary mode of transportation also contributed to rapid suburban growth while weakening neighborhood commercial districts tied to public transportation lines (Rucker 2001; Zielenbach 2000). The civil unrest, arson, and growing crime that typically accompanied rapid demographic change, disinvestment, and growing poverty also accelerated population and business loss (Bright 2000; Rucker 2001). In one Boston neighborhood, widespread arson and looting that accompanied a 1978 blizzard led to the closing of two dozen businesses (Mulkeen 1997).

Revitalization Opportunities and Obstacles

Successful revitalization approaches need to capitalize on the opportunities presented in inner-city neighborhoods while addressing long-standing obstacles to their rebirth. This section summarizes research on both the special opportunities present in these neighborhoods and the barriers to becoming healthy centers of community commerce. Because an important consideration in assessing the Main Street approach’s potential contribution to neighborhood revitalization is how well it addresses these opportunities and obstacles, this discussion provides an important context for that analysis.

Opportunities

Despite the long period of population loss and disinvestment, urban neighborhoods have assets and positive trends that can fuel revitalization efforts. Michael Porter has applied the lens of competitive advantages to inner cities and emphasized the importance of crafting development strategies and fostering private businesses that build on these advantages (Porter 1995, 1997).

Porter identifies four key competitive advantages present in inner cities (1995):

1. Strategic location close to the city center, key transportation infrastructure, and entertainment and tourist centers
2. Local market demand reflected in high density that compensates for lower incomes, and specialized urban ethnic market niches
3. Integration with regional clusters,⁵ which creates an opportunity for inner-city businesses to provide goods and services for these engines of regional economic growth
4. Human resources that include a supply of moderate-wage hard-working and dedicated employees and an entrepreneurial spirit in inner-city communities

Several studies have documented the large inner-city consumer market and its potential to expand retail business. A 1999 U.S. Department of Housing and Urban Development (HUD) study estimated retail purchasing power within inner neighborhoods of 539 central cities at \$331 billion, or one-third of the total central-city purchasing power. The report identified 48 inner cities where local purchasing power exceeded retail sales, creating a total sales gap of \$8.7 billion. Large gaps, ranging from \$379 to \$658 million, were found in the Watts section of Los Angeles; Washington, D.C.; Detroit; and Newark, N.J. With higher population density, the income and retail demand per square mile are greater for inner-city neighborhoods than for other areas. Consumer expenditures in low-income central-city areas are \$33,500 per residential square mile, versus \$25,900 in other parts of central cities, and exceeds by several times spending in other parts of the metropolitan areas (HUD 1999).

⁵ Porter (1995) defines regional clusters as “unique-to-a-region collections of related companies that are competitive nationally and globally.”

Inner-city communities have the added advantage of concentrated market segments and unique preferences that can support new or existing business. These segments include large black, Hispanic, and youth markets, and specialized ethnic markets supported by immigrant populations. The Initiative for a Competitive Inner City (ICIC), in its 1999 survey of 1,159 households in 417 inner-city ZIP code areas, found several spending characteristics that make inner cities strong markets for several retail niches. Inner-city households spend more on apparel and groceries than the average U.S. household, and inner-city Latinos spend more on major products than other inner-city residents. Black and Hispanic inner-city shoppers show a stronger interest in both shopping and the latest fashion trends (ICIC and PriceWaterhouseCoopers [PWC] 2000). Both the HUD and ICIC studies cite several retail chains that have successfully expanded their inner-city stores, in many cases realizing very large sales per square foot at these locations (HUD 1999; ICIC and PWC 2000). Scholars of immigrant entrepreneurship cite specialized ethnic markets as a resource that supports small business ownership, helping immigrants overcome employment barriers (Bates 1997b); Waldinger, Aldrich, and Ward 1990). However, Bates (1997b) argues that successful Asian entrepreneurs do not limit their businesses to serving co-ethnic markets.

In addition to generating market demand, expanded immigration to central-city neighborhoods stimulates business activity and investment. Grogan and Proscio (2000) cite expanded immigration as a key positive trend supporting the rebirth of low-income city neighborhoods. Other studies have pointed to how ethnic enclaves and ethnic entrepreneurs can fuel economic growth (Portes and Stepick 1994; Waldinger, Aldrich, and Ward 1990). Ethnic businesses also can help to create a unique identity and destination that draws people from

outside the neighborhood to shop and help ethnic entrepreneurs expand beyond their limited co-ethnic market, which is critical to their growth potential (Waldinger, Aldrich, and Ward 1990).

The existing building stock, especially historic buildings, can help stimulate new investment and business activity. Historic buildings can attract residents and investors interested in architectural and historic preservation while contributing to a unique character and attractiveness of neighborhood commercial districts. Historic buildings were a key asset in attracting new residents and investment to neighborhoods in New Orleans and Pittsburgh (Moe and Wilkie 1997). Beyond historic buildings, the heritage and cultural activities that are unique to a neighborhood also can attract visitors, businesses, and investment to an area⁶ (Dane 1988, 1997).

However, given the relative cost of locating in the inner city, there are mixed views on whether its building stock truly provides an advantage. Although inner-city neighborhoods have a supply of vacant and underutilized real estate with lower land costs and building rental rates than downtown and suburban areas, the condition of this real estate and the high costs associated with its reuse can be a significant obstacle to new investment (Ferguson, Miller, and Liston 1996;Porter 1997). In contrast, Main Street program sponsors have found it less expensive and more feasible to rehabilitate existing building stock than to build new (Rucker 2001).

After several decades of community development work, supported by government, foundations, and the corporate community, many neighborhoods have increased their local capacity to undertake development projects and other revitalization activities (Grogan and Proscio 2000; Wright 1999). The growth of community development corporations (CDCs) is one manifestation of this local capacity. The number of CDCs grew from 200 in 1970 to more than

2,500 in 1999, and they were responsible for over one-third of the new affordable housing stock constructed through 1996 (Wright 1999). Moreover, CDCs are expanding their activities beyond affordable housing development into many additional areas, including two areas directly related to commercial district improvement: commercial real estate development and business development (Stoutland 1999; Walker and Weinheimer 1998). Capacity also is found in resident organizations, other nonprofit organizations, religious congregations, and in the existing business community. In many cities, neighborhood-based organizations receive critical financial and organizational support from private foundations, government, and the business community (Keyes et al. 1996; Walker and Weinheimer 1998).

Although there is a legacy of federal policies that contributed to suburban growth and urban disinvestment, several federal policies now are helping to stimulate urban reinvestment by reducing barriers and expanding incentives for such investment. They include the Community Reinvestment Act (CRA), the Low-Income Housing Tax Credit, Community Development Block Grants, and expanded incentives and regulatory flexibility for reuse of contaminated brownfield sites (Orlebeke 1997; Wright 2001). These policies helped to change the perceptions and incentives for private investment in inner-city neighborhoods, and facilitated greater collaboration among public agencies, community organizations, and the private sector to rebuild neighborhoods. For example, CRA requirements prompted recognition that a banking market exists in urban neighborhoods, overcoming bank resistance to lending in these areas (Orlebeke 1997). Alex Schwartz (1998), in a study of CRA agreements in four cities, documented how working relationships shifted from advocacy to regular communication and problem solving as both parties — lenders and CBOs — worked to implement CRA agreements.

⁶ Several neighborhood Main Street programs have utilized cultural and historic assets as part of their revitalization. Examples include San Antonio and Pittsburgh, described in Dane (1997), and Albuquerque, described in Dane

Although high crime rates and the perception of crime have been problems in many inner-city communities, this condition was reversed during the 1990s. Reduced crime rates are a positive trend that removes an important obstacle to attracting new residential and commercial investment while also improving the perception and image of inner-city neighborhoods. Grogan and Proscio (2000) cite reduced crime as one of four key factors that contributed to the rebirth of urban neighborhoods.

Obstacles

Although urban neighborhoods are benefiting from several positive trends and have important assets, many obstacles to developing vital commercial districts remain. They include: 1) decaying physical conditions; 2) poor customer and investor perceptions; 3) difficulties in coordinating the actions of property owners, businesses, and local government; 4) a costly and complex business environment; 5) the often low capacity and marginal quality of businesses serving these districts; and 6) limited access to capital.

Several physical factors deter economic activity in inner-city business districts. First, existing buildings and land sites often are in poor condition and are not well-suited to business needs. Land sites often are too small to accommodate the larger store formats increasingly used by chain retailers (Ferguson, Miller, and Liston 1996). Even if there is sufficient vacant land to support a new supermarket, retail center, office building, or mixed-use project, land may be in fragmented ownership, which requires assembling many sites and navigating a difficult public disposition process.⁷ Land sites often require costly clean-up and building demolition to be usable — costs that are not often faced in undeveloped suburban sites (Ferguson, Miller, and

(1988).

⁷For example, New Community Corporation had to assemble 62 individual lots to develop a supermarket in Newark, N.J. (Food Marketing Institute 1993). Note: Fannie Mae Foundation style requires page numbers only for direct quotes.

Liston 1996; Porter 1995; Suchman 1994). Existing buildings may be too small for many business uses and often are in poor condition. Substantial investment is needed to make the buildings suitable to attract new businesses. Market rents in inner-city neighborhoods, however, frequently are too low to provide a return on the necessary investment. Consequently, many buildings remain vacant, underutilized, or dedicated to uses that require minimal investment, such as warehousing.

Public infrastructure also may be poorly maintained, especially if property owners and local governments are fiscally strapped. Vacant sites; underutilized buildings; and buildings, streets, sidewalks, and other public spaces in poor condition create an unattractive area for shopping, community activities, conducting business, and investment. Moreover, some research indicates that the sense of disorder fostered by poor physical conditions attracts criminal activity (Moore 1999; Grogan and Proscio 2000).

Finally, some studies cite the lack of parking in urban neighborhoods as an obstacle to new investment and shopping as people become increasingly dependent on cars (Dane 1988; Suchman 1994). Limited parking also may discourage businesses from locating in neighborhood commercial districts if they believe that a large supply of parking is critical to their business.

In addition to the physical conditions described above, the persistent belief that limited markets and high crime exist in the inner city is a significant obstacle to new commercial activity (Ferguson, Miller, and Liston 1996; Porter 1997). Although some perceptions are rooted in real conditions, others inaccurately reflect the improved conditions in many city neighborhoods over the past decade. False perceptions prevent businesses from recognizing and acting upon the market and business opportunities that do exist.

Another important obstacle to improving commercial districts is the difficulty of coordinating the actions of the many property owners, merchants, government agencies, and nonprofit organizations whose collective actions shape a district's economic, social, and physical environment. For example, if a district wants to expand customer shopping by increasing its weekend or night hours, it must convince many merchants to do so. To keep the area clean, it must get merchants, property owners, and the city sanitation department to work together as well as make residents more attuned to cleanliness. Furthermore, uncertainty about how others will act can inhibit behavior changes or new investment by businesses and property owners (Mulkeen 1997). A property owner may not see any benefits in increased rents or occupancy from new investments if other property owners do not improve their premises as well (Mulkeen 1997).

The difficulty of coordinating action in urban business districts is contrasted with the management of shopping malls, where common ownership and lease provisions ensure common store hours, a well-maintained environment, and collective contribution to funding advertising, events, and promotions (Houston 1997; Mitchell 2001; Waxman 1998). The need for coordinated actions among community stakeholders to make a commercial district competitive with suburban shopping centers is a major premise of the Main Street approach (Rucker 2001).

Inner-city locations also may have higher costs and more heavily regulated business environments than suburban locations (Porter 1995). Higher operating costs can arise from higher city tax, utility, and insurance rates; the need for more private security; and other factors. Development and construction costs usually are higher for inner-city sites due to extensive development regulations, the time and expense of securing support from community groups, higher construction costs attributable to unionization, the logistics of building in a busy and dense urban environment, and site assembly and clean-up costs.

The capacity and management skills of small businesses that dominate neighborhood business districts affect their stability and customer appeal. Poorly managed businesses are more likely to fail, contributing to vacancies and high turnover. Levels of financial and human capital are key predictors of small business success (Bates 1997b), but immigrants and low-income entrepreneurs are disadvantaged in the levels of equity, education, and business experience that they bring to their businesses, and thus experience higher failure rates (Bates 1997b). Moreover, small minority entrepreneurs often lack the knowledge, relationships, and access to suppliers needed to offer the right merchandise mix to serve their customers, display goods in an appealing way, and successfully advertise their businesses (Rauch 1996). In addition, they are unable to take advantage of the bulk inventories and purchasing power available to large retailers, which in turn makes their prices less competitive (DiPasquale and Wheaton 1996; Porter 1995). Without sound merchandising, inner-city businesses are likely to lose mobile customers to shopping malls, larger retailers in surrounding suburbs, and downtown districts. Furthermore, because small business owners often work long hours, they typically have limited time to participate in civic improvement and revitalization efforts (Mulkeen 1997).

Also, the limited mix of businesses in inner-city districts impairs their ability to draw a substantial local customer base. In the wake of business closures and disinvestment from the 1960s through the 1980s, inner-city districts now in many cases are small niche and convenience retailers that draw a limited clientele. Without strong anchors, destination retailers, or an agglomeration of businesses, districts do not generate sufficient traffic to bring in new and stronger merchants that are needed to attract more customers and regenerate economic vitality.

Finally, limited personal assets and barriers to accessing capital among small and minority entrepreneurs impede the success of firms in inner-city business districts (Gittell and

Thompson 1999; Halpern 1996). Bates (1997b) analysis of the explanatory factors for the success of minority-owned firms concludes that substantial owner investment and educational levels are the strongest predictors of business success. Low- and moderate-income inner-city entrepreneurs have fewer personal assets to invest in their business and fewer networks capable of providing financial support, and thus are more likely to fail without alternative sources of equity capital (Gittell and Thompson 1999). Bates (1997b) also concludes that there is substantial evidence that financial barriers, including both limited personal wealth and access to credit, limit black-owned business formation, growth, and survival.

Revitalization Strategies

Much of the literature on the revitalization of low-income neighborhoods has been framed within two policy debates. One debate contrasts the benefits of place-based versus people-based approaches to community development.⁸ A second debate concerns the viability of neighborhood versus regional economic development strategies.⁹

In the people versus place debate, critics of place-based development argue that strategies should focus on improving the well-being of individuals and expanding their access to economic opportunity and residential choice. Nicholas Lemman (1994) strongly argued this case in a classic article in the *New York Times Magazine*, in which he contended that inner-city community development had failed. Lemann argued that inner cities have always attracted poor

⁸ Two good summaries of people- versus placed-based strategies can be found in Zielenbach (2000, pp. 23–30) and Sawicki and Moody (1999, pp. 76–80).

⁹ See Waxman (1998, pp. 17–19) for a summary of this debate.

residents who find opportunity to improve their livelihood and then move to better neighborhoods.¹⁰

Critics of place-based strategies argue that focusing on improving neighborhoods ignores this cycle and is likely to fail because people with the means to leave poor neighborhoods will do so, re-creating the conditions that place-based efforts seek to address. Other supporters of the people-based approach consider improving people's lives as the ultimate policy goal and fear that place-based strategies may displace and not benefit poor residents (Bright 2000). Proponents of place-based strategies argue that improving living conditions in poor neighborhoods is a sound goal that improves the quality of life for residents even if individual poverty is not eliminated (Grogan and Proscio 2000), and that a healthy neighborhood environment creates the conditions for individuals to successfully pursue broader economic activities (Waxman 2000).

Dickens (1999) disputes the people versus place debate altogether, arguing that social norms and networks are the major obstacles to opportunity for inner-city residents. Without appropriate social norms and social networks that provide information on job opportunities, residents will be unable to secure jobs wherever their location. Thus, Dickens argues, a combination of people- and place-based efforts are needed to change the quantity and quality of social interactions and repair inner-city norms and networks. Sawicki and Moody (1999) also propose an alternative to a pure people versus place model, arguing for a people-based business strategy that focuses on developing successful urban and suburban minority-owned businesses, which are more likely to hire low-income minorities wherever they live.

The second debate concerns the neighborhood as a viable geographic unit for economic development initiatives. Proponents of the regional economic development argue that because

¹⁰ Some argue that this role of the inner city as the entry point in a process of upward mobility was interrupted with

economies operate on a regional scale, the locus for strengthening urban economic performance and access to economic opportunity is at the regional, not neighborhood, level. Because neighborhood economic activity is necessarily limited and economic growth is increasingly dispersed within metropolitan regions, improving the livelihood for low-income urban residents necessitates expanding access to jobs throughout the region. (DiPasquale and Wheaton 1996, Tietz 1989) Furthermore, economic development traditionally emphasized the base sectors of the economy that compete in national and international markets and generate the jobs and income that support local retail and service industries (Wiewel et. al 1989).¹¹ Since neighborhoods are not usually centers for base industries and provide a limited area to grow them, they are not considered an important focus for economic development.¹² Advocates for neighborhood-based economic development, on the other hand, argue that a healthy neighborhood economy provides goods and services to improve residents' quality of life, business ownership opportunities that increase local wealth and accessible entry-level jobs (Waxman 1998). Moreover, regional economic development does not automatically trickle down to inner-city neighborhoods and their residents. After decades of disinvestment and poverty, these neighborhoods are unattractive to firms and their residents lack the education, norms and connections needed to access jobs in the regional economy. Neighborhood-based services and development efforts are needed to overcome investment and employment obstacles and ensure that urban neighborhoods gain the benefits of regional economic growth (Dickens 1999, Halpern 1996).

the immigration freezes of the 1960s and 1970s, leaving neighborhoods without any replenishment as the upwardly mobile moved on, contributing to the neighborhood's decline (Ferguson 1999).

¹¹ This is a fundamental concept in regional economics (see Bendavid-Val 1994) but is also echoed in the professional economic development literature, for example Kane and Schwartz-Lloyd 1996.

¹² Metropolitan advocates make a related argument that inner city disinvestment and concentrated urban poverty is caused by regional development patterns and that changes in regional governance and land-use policies are needed to address the problems of central cities. (Altshuler 1999, Bright 2000)

An improved understanding of the relationship between neighborhood and regional economies should inform revitalization strategies and help to bridge the neighborhood-regional dichotomy. Wiewel, Brown and Morris (1989) identified four mechanisms that link neighborhoods to regional economic development (market mechanisms, capitalist development, industrial change, and political processes) but concluded that more research is needed to understand the ways in which these mechanisms work and interact. Tietz (1989) highlights three neighborhood roles in the regional economy: providing goods and services for export, producing goods and services for neighborhood residents, and supplying labor. He considers the last function most important and the key determinant of neighborhood income, but also recognizes that other factors, such as neighborhood assets and political mobilization, shape a neighborhood's economic outcomes. Porter connects inner-city to regional economic development through his notion of linkages to regional clusters. Neighborhoods can benefit from key regional industries by housing firms within these clusters, including supplier or support firms (Porter 1997).

Strategies to revitalize commercial districts implicitly accept the place-based approach that views a healthy commercial district as an important to improving the environment and quality of life for inner-city neighborhoods. Commercial district revitalization, however, does not directly address the problems of inner-city poverty or economic self-sufficiency. However, it can contribute to these goals by creating a stronger and more positive environment for residents, promoting more social interaction, and helping to change resident self-perceptions and norms. Moreover, a vital commercial district generates new employment and business ownership opportunities, albeit at a smaller scale than the regional economy. These neighborhood-based opportunities can

provide a bridge to expanded job opportunities outside the neighborhood and to small business ownership that provide alternatives to limited job opportunities in the labor market.

Over the past 50 years, numerous policies, programs, and initiatives have been directed at improving the well-being of inner-city neighborhoods. Although there are many ways to classify these efforts, this report summarizes six primary intervention strategies aimed at revitalizing low-income urban neighborhoods and their commercial districts:

1. **Comprehensive community initiatives (CCIs)** attempt to simultaneously address multiple obstacles to revitalization. Examples of this approach include the Model Cities program of the 1960s, several foundation initiatives in the early 1990s, and the federal Empowerment Zone program.
2. **Enterprise zones** use tax incentives and regulatory relief to attract new businesses and investment to a defined area with a goal to increase the employment of local residents.
3. **Housing-based strategies** focus on rebuilding the residential base of a neighborhood as a precondition for commercial district revitalization. Two key approaches are upgrading of housing for the existing population and income groups, and attracting new higher income groups to stimulate revitalization.
4. **Commercial real estate–based strategies** emphasize physical improvements and real estate projects as a means to attract businesses, create new consumer destinations, and remove vacant and blighted properties that contribute to crime and a poor image. Commercial development can include “catalytic” projects, which are large-scale or prominent projects that can improve perceptions, leading to a sustained cycle of new private investment.
5. **Business development and attraction strategies** focus on business investment and activity as the key engine for district revitalization. A wide variety of approaches exist that include business attraction, financing and technical assistance to strengthen existing businesses, and microenterprise development.
6. **District management strategies** seek to achieve greater coordination among business and property owners to help districts match the shared hours, appearance, promotions, and other advantages enjoyed by shopping malls. A goal of these efforts is to improve a district’s appeal and competitive position versus suburban shopping centers. Business improvement districts and the Main Street model are the major approaches based on this strategy.

Comprehensive Approaches

One of the earliest comprehensive neighborhood revitalization approaches was the federal Model Cities program introduced by the Johnson administration. Originally proposed as a demonstration program to develop lessons to improve the program before its nationwide implementation, Congress increased its size to include sites in 150 cities. Conflicts between city governments and neighborhood organizations, insufficient funding, and the program's elimination by the Nixon administration all limited its effectiveness (Kaplan 1995; Wright 2001). Unfortunately, little evaluation work was conducted, so the program's impact is not well documented (Wright 2001).

A second wave of comprehensive community development efforts occurred in the early 1990s through the efforts of several national foundations. These efforts were aimed at addressing the multifaceted problems faced in poor inner-city neighborhoods by connecting improved individual and family support services with housing and economic development initiatives. CCIs also emphasized broad-based community planning and participation, local capacity building, and creating strong collaboration among residents, multiple community-based organizations, and city governments (Wright 2001). Wright summarizes several CCIs, the issues associated with their evaluation, and evaluation results in his recent book on the Neighborhood Preservation Initiative sponsored by the Pew Foundation. Several studies found that CCI implementation often followed traditional categorical programs and structures without achieving the desired integrated solutions and service delivery. **Studies of CCIs cite various success factors, including: the need for balanced development of both programmatic and organizational capacity; the importance of strong leaders effective managers, and active resident leadership; and the need to build consensus on both the nature of the problem and the proposed solutions (Wright 2001).** The federal Empowerment Zone/Enterprise Community (EZ/EC) program enacted by Congress in

1993 was based on a comprehensive revitalization model, although it used the enterprise zone approach discussed below. Federal designation was based on review of a strategic plan developed with widespread community participation that identified a “Strategic Vision for Change,” addressed four national goals, and leveraged significant public and private resources to support implementation.

A growing literature on this program includes two studies of initial implementation (Nelson A. Rockefeller Institute of Government 1996, 1997), a five-year interim outcome evaluation (Hebert et al. 2001), and several individual city case studies (Keating and Krumholz 1999). Key themes in this literature include significant community participation in strategic planning and community representation on governance bodies (Hebert et al. 2001; Nelson A. Rockefeller Institute of Government 1996), declining resident participation during the implementation phase (Hebert et al. 2001), widespread implementation problems in establishing new governance structures and sustaining strategy implementation with turnover in political and staff leadership (Hebert et al. 2001; Nelson A. Rockefeller Institute of Government 1996), and the challenges in creating partnerships between government and community-based organizations (CBOs) and building CBO capacity to implement their expanded role in many EZ/EC plans (Hebert et al. 2001).

The most comprehensive evaluation to date was completed by Hebert et al. (2001), which included an in-depth analysis of six urban EZs¹³ and local analysis of program outcomes based on local goals and strategies for the six EZs and 12 ECs. Despite the variation in local strategies, the study found an almost ubiquitous emphasis on business development to expand jobs opportunities for zone residents and workforce development activities to prepare residents for

jobs and link them to employers. Expanding access to capital, and commercial development projects, were the most common types of activities used to achieve business development goals, while workforce development focused on education and training services often linked to other social services. The study found that total employment grew in five of the six Ezs, and that job growth was higher during 1995 to 2000 than for the prior five-year period. Moreover, the employment growth rate in four of the six EZs exceeded that of comparison areas during 1995 to 2000, while those four EZs also saw a greater acceleration of job growth from 1990 to 1995 and 1995 to 2000 than the comparison areas. Resident and minority-business ownership increased markedly during the five years, and those businesses were found to be statistically more likely to hire EZ residents than nonresident- or nonminority-owned firms.

The study authors identify several success factors and lessons learned, including: the importance of a clear strategic vision for change that is effectively communicated to and shared among key stakeholders and implementers; the need for strong leadership by political leaders, EZ/EC staff, and community stakeholders; the importance of strong staff capacity; the critical role played by technical assistance in business development efforts; and the finding that collaborations between government, businesses, and CBOs, although difficult, were very valuable in bringing “different perspectives, networks, and resources to bear on solving the problems being addressed”(Hebert et al. 2001, 9–23).

Enterprise Zones

This revitalization approach was launched in Britain under Prime Minister Margaret Thatcher. The British program focused on removing regulatory hurdles and providing tax relief

¹³ The study includes an analysis of Dun and Bradstreet data on business formation and employment growth for EZs and comparison areas, and two rounds of 300 business surveys at the baseline (1997) and the five-year outcome

and incentives to encourage new private investment and business activity in the most blighted and heavily vacant urban districts. When imported into the United States, the concept changed to emphasize revitalization and job creation in poor urban neighborhoods, often based on local initiative rather than only on attracting outside investment (**Butler 1990**). The Reagan administration proposed a federal enterprise zone program that was never enacted into law. Although the Clinton administration succeeded in enacting the EZ/EC program, it focused on community empowerment and comprehensive strategies, along with investment and employment tax incentives. In its most recent incarnation, a new round of Empowerment Zones and Renewal Communities designated in 2002 takes the program full circle, providing communities only tax and investment incentives.

While awaiting a federal program, many states (38 as of 1996) implemented their own enterprise zone programs. Wilder and Rubin (1996) surveyed studies of state enterprise zone programs to evaluate their impact on investment and employment. They reported that most studies found increased job growth and investment following zone designation and that new start-ups and existing business expansions, rather than relocations into the zone, accounted for the vast majority of this growth. Results, however, were often mixed, with some zones and some urban areas in state programs having either little to no activity or a net loss in jobs. The authors concluded that targeting development incentives alone is insufficient to revitalize areas designated as enterprise zones, and that the most effective state programs limit zones to a small number, select zones through a competitive process, and offer a wide variety of incentives. They also found that zones with a stable economic base and a significant amount of available commercial and industrial land are more likely to be successful. Finally, they argue for more

dates (2000).

clearly defined job goals, stronger education and training linkages to match residents' skills to the needs of zone businesses, and greater use of strategic planning.

Housing-Based Strategies

Most inner-city revitalization efforts have focused on housing, reflecting the need to rebuild the housing stock and residential base of neighborhoods that lost population and suffered widespread housing abandonment and deterioration. The greater availability of federal and private-sector funding for residential development and greater local government and community-based capacity in housing also have fostered a strong emphasis on housing-based revitalization strategies. Housing development in low-income neighborhoods also is supported by a strong network of national intermediaries, including the Neighborhood Reinvestment Corporation, Local Initiatives Support Corporation, and the Enterprise Foundation, as well as by state housing finance agencies (Wright 1999). Although housing strategies are not aimed directly at commercial district revitalization, they provide a critical foundation for such efforts by expanding the customer base for commercial districts (Grogan and Proscio 2000) and by addressing major sources of blight that repel consumers and discourage new business investment.

Several authors divide housing revitalization strategies into two categories: upgrading that seeks to improve housing conditions for existing residents, and gentrification, which seeks to attract new higher-income residents (Downs 1981; Zielenbach 2000). Because a primary goal of neighborhood revitalization is to improve conditions for existing residents (Bright 2000; Grogan and Proscio 2000), upgrading for existing residents is an important part of most housing strategies. However, when the goals of revitalization include repopulating neighborhoods and reducing concentrated poverty, then some amount of gentrification, i.e., attracting higher income

residents, is necessary. The risk of gentrification strategies is that existing low- and moderate-income residents will be displaced as rents and property values increase with greater demand for inner-city housing stock. Moe and Wilkie (1997) emphasize the importance of attracting middle-class residents to preserve and revitalize inner-city neighborhoods, and criticize policies that avoid serving the urban middle class due to displacement fears but that ignore how neighborhood instability and disinvestment generates displacement of low-income residents.

Several authors point to the critical role that CDCs play in preserving and expanding inner-city housing. CDCs are credited with producing several hundred thousand housing units (Grogan and Proscio 2000), estimated to total 30 percent of the new annual affordable housing production (Wright 2001), and investing in projects and neighborhoods that private developers do not serve (Stoutland 1999; Wright 2001). However, other observers point out that most CDCs are small and fragile organizations with limited impact (Halpern 1996). Stoutland (1999) reports that 70 percent of all CDCs provide 25 or fewer units per year.

Large-scale housing development through major redevelopment projects is credited with rebuilding entire neighborhoods in New York, most notably the south Bronx (Grogan and Proscio 2000; Orlebeke 1997). The components of New York's successful housing strategy included the availability of large tracts of city-owned land; a major investment of city funds; leveraging private-sector leadership and funding; relying on a mix of development organizations including CDCs, private developers, and other nonprofits; and leveraging of significant federal funds (Grogan and Proscio 2000; Orlebeke 1997). The scale of New York's effort is impressive — almost \$1.4 billion in city and private funds was invested in the South Bronx alone to create 10,000 new homes and apartments.

Recognizing that many cities lack the resources for new housing development at such a large scale, Kromer (2000) provides an alternative strategy based on his experience as director of housing in Philadelphia. He argues that cities can no longer afford to rebuild entire neighborhoods as practiced under urban renewal programs, but instead must build partnerships between city government, neighborhood organizations, and the private sector that invest funds based on a neighborhood strategic plan. The strategic plan entails a series of projects and programs to solve a neighborhood's housing abandonment and disinvestment problems. It is likely to include programs to stimulate homeownership demand to preserve the existing stock and help existing homeowners repair their properties, strategic investments in housing rehabilitation, selective demolition and new housing development, and the provision of supportive housing in neighborhoods to reduce homelessness.

One of Philadelphia's successes was stimulating neighborhood homeownership by funding prehomeownership counseling and training services and providing a \$1,000 subsidy to reduce settlement costs for home buyers, both delivered through local nonprofit organizations. The program generated 10,000 home purchases by city residents in neighborhoods of their choice. The result was increased racial mobility into more mixed neighborhoods and new investment in older houses in traditional working-class neighborhoods that had experienced middle-class out-migration in the 1950s and 1960s (Kromer 2000).

Experience in other neighborhoods suggests that a strategic investment in a large catalytic housing development, in combination with programs that support smaller-scale housing improvement, can stimulate renewal. Revitalization of Chicago's South Shore neighborhood during the 1980s was stimulated by the large 446-unit Parkways rehabilitation project encompassing 20 buildings, combined with efforts to upgrade small apartment buildings,

increase homeownership, and develop new low-income housing through the efforts of South Shore Bank (Fernandes 1997; Taub 1988). Similarly, the redevelopment of Sears' vacant former headquarters complex into the mixed-use Homan Square development anchored by 600 new housing units was a major catalyst for new investment and revitalization in Chicago's Lawndale neighborhood (Zielenbach 2000). The project's impact was reinforced by smaller-scale rehabilitation projects and by provision of health, youth, and education services by the Lawndale Christian Development Corporation (Giloith 1999)

Commercial Real Estate–Based Strategies

Downtown commercial development has been a major local revitalization strategy in many cities. These efforts focus on repositioning central business districts to compete effectively with the growing suburbs as both retail shopping centers and service-sector employment (Teaford 1990; Levine 1987). Tourism and entertainment-oriented development are also a growing focus of downtown development efforts. Downtown redevelopment efforts originally were encouraged and supported with federal urban renewal dollars, and later with large federal Urban Development Action Grants, but the practice was increasingly refined and expanded upon through the experiences of cities working closely in partnerships with private developers (Frieden 1990). These efforts have included improving the infrastructure to support new large-scale private development; assembling land for large-scale projects; conducting planning and design work to create a vision; building momentum and defining the quality of projects; and providing extensive financial support through tax incentives, direct project financing, and land write-downs. Although some observers view downtown development as one of the key positive trends in urban development (Grogan and Proscio 2000; Kaplan 1995), others have criticized it for failing to provide good-quality jobs for urban residents and providing few benefits to the

surrounding low-income neighborhoods (Halpern 1996; Khan 2001; Krumholz 1996; Suchman 1994).

Neighborhood commercial development — with a different character and a far smaller scale than downtown development efforts — has focused primarily on addressing the widespread disinvestment experienced by neighborhood shopping districts from the 1960s through the 1980s. Retail development projects have been a major focus of these efforts through both rehabilitation of existing buildings and new construction. A second element in neighborhood commercial development has been the redevelopment of major abandoned and blighted properties, which as symbols of neighborhood decline, prevent new investment and can attract criminal activity. Given the weak market conditions and smaller scale of neighborhood retail projects, CDCs and other nonprofit organizations have been early developers of them. However, there has been growing private-sector interest in inner-city retail development (Grogan and Proscio 2000; Hernandez 2001; HUD 1999; ICIC and PWC 2000), and several researchers emphasize that sustained revitalization requires renewed investment by private businesses and developers (Halpern 1996; Hernandez 2001; Porter 1997)

Several commercial development efforts have focused on supermarket development, given the importance of providing this basic retail service in low-income communities. Supermarkets also serve as anchor tenants to attract a core of shoppers and other retail development (Ferguson, Miller, and Liston 1996; Grogan and Proscio 2000; Halpern 1996; Waxman 1998) and provide a large number of jobs, many of which can be targeted to local residents. The Food Marketing Institute (1993) summarized Supermarket General's partnership

with Newark's New Community Corporation (NCC) to develop a new Pathmark supermarket.¹⁴ NCC served as the project's owner and developer — assembling land, gaining community and government support, attracting needed subsidies and financing, and screening local residents for employment. Pathmark designed and operated the supermarket, adapted its merchandising to local preferences, and made a commitment to hire local residents. **Store sales exceeded projections after it opened in July 1990,** and more than half of its employee hires were from Newark.

Hernandez (2001) studied a new Stop and Shop supermarket in Boston's Hyde/Jackson Square neighborhood that was a joint project of a private developer and a CDC. He found that the project attracted new shoppers in the area, raised rents and property values, doubled the neighborhood job base, and contributed to increased business sales. An important element of the project was the redevelopment of a contaminated former manufacturing plant that had become a center of blight and crime. The developer financed a \$500,000 neighborhood fund to support community programs and assist owners of small convenience stores who feared that the supermarket would negatively impact their businesses. The CDC also provided technical assistance to help the small stores adapt to the supermarket. Hernandez found mixed outcomes among the small convenience stores, with half experiencing lower sales after the supermarket opened. However, one large independent grocery store achieved sales growth by repositioning itself to cater to Hispanic residents. The CDC partner played a critical role by facilitating community input into the project, securing development subsidies, and establishing a neighborhood job referral network for the supermarket. Neighborhood residents secured 60 percent of the supermarket's 200 jobs (Hernandez 2001).

¹⁴ This project followed an earlier partnership between Pathmark and the Bedford Stuyvesant Restoration Corporation in Brooklyn, discussed by Grogan and Proscio (2000) and referenced in the Food Marketing Institute

Supermarkets are not the only uses that support new commercial development. Several authors have discussed successful retail development built around other national retail chains, including drug stores such as Rite Aid and Walgreens and apparel stores such as Payless and Footlocker Ferguson, Miller, and Liston 1996; Grogan and Proscio 2000; Wright 1999). Mulkeen (1997) documented how nonprofit organizations, as both developers and tenants, contributed to revitalization of the Codman Square neighborhood, while commercial development projects with a mix of retailers supported the rebirth of Boston's Egleston Square commercial district (Grogan and Proscio 2000; Hernandez 2001). In both Codman Square and Egleston Square, the impact of commercial development was due not only to the attraction of new retailers. Redevelopment and reuse of severely blighted properties that affected the neighborhood's image and public safety were cited as important generators of revitalization (Hernandez 2001; Mt.Auburn Associates 2002; Mulkeen 1997).

A recent study of four Boston neighborhoods (Mt. Auburn Associates 2002) found that CDC-sponsored commercial real estate projects were one of several factors that contributed to business district turnarounds, along with increased population, reduced crime, and other nonprofit and city revitalization projects. In each neighborhood, these projects were broadly perceived by local businesses as both improving the district and their own businesses, removing significant blight and enhancing the district's image, and complementing, rather than competing with, the existing retail base. However, the several statistical trends in these four neighborhoods were similar to those in a control group of 10 neighborhoods without CDC-sponsored commercial development projects.

Other studies point to the difficulties and mixed success of neighborhood commercial development. Taub (1988) discusses the limited success of South Shore bank's efforts to

report.

revitalize the 71st Street corridor during the 1970s and 1980s. Zielenbach (2000) summarizes failed attempts to redevelop Chicago's Englewood commercial district after the departure of major retail anchors in the mid-1970s. Although a number of political factors and bad timing prevented planned redevelopment projects from being implemented, Zielenbach concludes that the lack of commitment and involvement by a range of institutions in the neighborhood was a critical cause of Englewood's failed attempts at revitalization. Giloth's (1999) history of revitalization efforts in Chicago's North Lawndale emphasizes that a diverse mix of smaller-scale faith-based and private-sector development projects, in conjunction with community-building efforts, proved more successful than comprehensive large scale redevelopment plans.

The EZ/EC interim outcome report (Hebert et al. 2001) indicates that site assembly, local regulations, and the complexity of assembling, financing, and managing construction slowed the completion of planned development projects in most communities, leaving most projects uncompleted at the five-year evaluation date. Two interesting initiatives cited in the report include Atlanta's effort to use grants and loans to attract private developers to redevelop abandoned commercial strips and shopping centers along four commercial corridors, and Boston's targeting of funds to complete four building reuse projects in the Dudley Square commercial district. This latter effort included work to generate a sufficient scale of new investment to change the investment climate and fill a large inventory of vacant upper-story office space, and creating a shared debt service reserve that allowed projects to proceed into development without all being preleased.

Several conclusions emerge from this largely case study-based literature on commercial development. Although traditional economic development and downtown development efforts focus on large-scale catalytic projects, no one type of development project, defined by either use

or scale, is essential for neighborhood commercial district revitalization. Success stories include both larger catalytic projects and sets of smaller incremental projects. Similarly, a range of retail, service, and nonprofit uses provided the economic basis for new development. Second, revitalization impacts are due to a combination of physical improvements that eliminate blight and change the commercial district image and the attraction of new businesses and economic uses. This finding reinforces the Main Street approach's dual emphasis on design improvements and economic restructuring. Finally, commercial development has relied on partnerships and complementary investments among the nonprofit sector, private businesses, private developers, faith-based organizations, and government.

Business Development and Attraction Strategies

Because neighborhood commercial districts often are dominated by small independent businesses (Symons, LoBue, and Wood 1998; Taub 1998), many neighborhood economic development efforts focus on supporting the start-up and growth of small locally owned businesses. They face strong competition and considerable obstacles to success, and lack the financial, management, and marketing sophistication of larger businesses (Bendicks and Egan, 1991; Gittell and Thompson 1999; Mulkeen 1997; Rauch 1996;). By increasing small businesses' capacity and reducing obstacles to their success, small business development can strengthen commercial districts by reducing the failure and turnover of businesses, on the one hand, and attracting a larger and more stable customer base, on the other. A second argument for small business development is that research indicates that residents and minority-owned businesses are more likely to hire inner-city residents than other firms (Gittell and Thompson 1999; Hebert et al. 2001; Sawicki and Moody 1999). Small business development strategies usually entail providing management and technical assistance services to small businesses and

expanding access to capital through either direct lending programs or loan packaging assistance. Other efforts have sought to attract new businesses to neighborhoods and to link small businesses to larger business opportunities outside the neighborhoods. Finally, there has been a large growth in microdevelopment efforts that help women, low-income persons, and others start their own businesses.

Business development has a long history in inner-city neighborhood revitalization — many of the early CDCs concentrated on economic development (Stoutland 1999). Early CDCs' business development efforts included the direct creation, ownership, and management of business enterprises and business financing, but later generations of CDCs have moved away from direct business creation to providing capital and technical assistance (Stoutland 1999). A 1992 survey of CDCs identified 130 involved in business development, with business technical assistance the most common activity (Wong 2001). More recently, there has been a trend toward the creation of neighborhood-based business development networks among CDCs and other nonprofit organizations. Several of these networks focus on job creation for low-income neighborhood residents through supporting the retention and growth of local firms, often manufacturers (Rist and Sahay 1996). Other networks assist neighborhood service and retail firms to strengthen commercial districts and meet resident needs rather than helping manufacturers to retain and expand local jobs .

In New York City, a network of Business Outreach Centers (BOCs) has been formed among different community organizations in eight low-income neighborhoods.¹⁵ BOCs operate as brokers, connecting local entrepreneurs to a diverse range of professional, technical assistance, and financial services. Each BOC identifies and formalizes relationships with a network of service providers, reaches out to local businesses, makes referrals to appropriate

service providers, and then monitors the quality of services (Harrison and Weiss 1998; Wong 2001). A case study reported that the eight BOCs served 1,053 clients in 1994, made 1,400 referrals, helped create 162 new businesses, and assisted in the creation or retention of 257 jobs (Harrison and Weiss 1998). Half of the respondents to a survey indicated that their management skills improved due to BOC services.

Ten Boston CDCs cooperate through the Community Business Network (CBN) to provide outreach, one-on-one technical assistance services, training, and assistance in securing loans to neighborhood businesses. A 1999 evaluation found that CBN had helped 20 to 30 entrepreneurs start their business; generated sales, productivity, or job growth in more than half of the existing businesses served; and led to the creation of 250 to 300 jobs, largely for minorities and neighborhood residents (Seidman 1999). More than half of the CBN-assisted businesses surveyed in the study also reported making an investment that contributed to a neighborhood's physical revitalization, such as improving their building or reusing a vacant building or site. Although most CBN members did not focus exclusively on neighborhood commercial districts, some members did concentrate on these districts and worked to link their efforts with neighborhood Main Street programs.

Empowerment Zone and Enterprise Community strategies also widely used business development and finance programs in their revitalization strategies. Sixteen of the 18 sites in the interim outcomes study (Hebert et al. 2001) had programs to expand access to capital for neighborhood businesses, most often by creating a U.S. Small Business Administration Business information, technical assistance and financing center (also known as one-stop capital shops) to provide a range of education and technical assistance services and by providing credit to small businesses. Several communities had difficulty generating sufficient demand for their loan funds,

¹⁵ Seven centers are in New York City neighborhoods, and one is in Bridgeport Conn.

primarily due to the inability of potential borrowers to qualify for loans. Other sites overcame this problem with active marketing efforts and the provision of a full range of technical services to businesses. EZ/EC communities were also most successful in leveraging private sector capital through business loan funds.

District Management Strategies

The final strategy seeks to address the overall management of a business district to improve its ability to compete with shopping malls in attracting shoppers, businesses, and investment.

District management strategies work to coordinate the actions of the many parties whose actions shape the overall quality of the business district environment and experience. Three broad district management approaches¹⁶ have been used predominantly in downtown districts: business improvement districts (BIDs), centralized retail management, and the Main Street program.

Business Improvement Districts. BIDs are a legal mechanism through which private businesses and property owners tax themselves to fund services, projects, and activities to improve a defined business district. BIDs are authorized by a state law that sets out the specific process and requirements for creating a BID along with their funding mechanisms and powers. Typically, creation of BIDs are initiated by private parties and then require the approval of at least a majority of local property owners and by the local government. Once a BID is established, the local government collects an additional fee, tax, or assessment on behalf of the BID to provide its core funding. The BID's specific activities are defined locally, usually as the result of a planning process involving downtown property owners, businesses, and institutions, and negotiations with local governments (Houston 1997; Mitchell 2001).

¹⁶ Business associations, such as chambers of commerce and boards of trade, arguably constitute another district management approach, but they are limited to one stakeholder group and usually pursue a limited set of activities around marketing and promotion (Waxman 1998).

Mitchell (2001) identified more than 400 BIDs in the United States, encompassing 43 states and almost all of the largest cities. Based a survey of 264 BIDs, Mitchell found that consumer marketing was the most common activity, followed by maintenance (cleaning, graffiti, and snow removal, etc.), policy advocacy and capital improvement projects. BID services varied by city size — BIDs in larger cities provided the broadest range of services and were more likely to be involved in public safety ,while small-city BIDs focused primarily on consumer marketing and maintenance efforts.

Houston (1997) provides a more detailed discussion of how BIDs are organized, funded, and structured, and the type of activities they pursue, including case studies and examples from numerous BIDs. Ryan’s (2000) analysis of the Center City BID in Philadelphia emphasizes the BID’s orientation toward attracting suburban shoppers by creating a safer and more easily navigated environment, conducting direct marketing, and making physical improvements. Ryan observed that the BID has taken on a role in planning and large-scale physical improvement projects — activities that once were the exclusive responsibility of city government.

Although BIDs offer advantages over other forms of business district management, they provide no defined strategy for achieving revitalization. Key advantages of BIDs include their stable funding base and the mandatory financial participation of all property owners. The predictable funding base allows BIDs to have more staff and take on more activities than typical Main Street program districts. The BID structure may also foster greater private-sector involvement and “ownership” of BID efforts because property owners and businesses directly fund their work. However, this financial advantage may be less applicable in low- and moderate-income neighborhoods where businesses and property owners may have fewer resources and be more resistant to taxing themselves, compared with relatively affluent business areas. Another

advantage of BIDs is that they are formed in conjunction with, and have strong connections to, local government, which helps mobilize government support and investment in BID projects (Ryan 2000).

Two disadvantages of BIDs are the long time needed to organize one¹⁷ and the absence of mechanisms for participation by other stakeholders, most notably residents. Although this may not be a major issue in downtowns largely populated with businesses, it is a problem for neighborhood districts. Finally, BIDs offer only an organizational form for revitalization, with no explicit theory about how to achieve it. Although this allows each BID to assess its own needs and formulate a unique agenda, it provides a limited guide to practice.

Centralized Retail Management. Centralized Retail Management (CRM) is a second approach to district management, but its use has been limited. CRM involves formal contractual arrangements among property owners to jointly fund and undertake activities through a central retail management organization, implement common property covenants (governing such things as the cleanliness and quality of storefronts and signs), and coordinate retail leasing. The scope of CRM, which attempts to achieve common store practices and coordinated retail mixes, most closely approximates the nature of a retail mall (Stokvis and Cloar 1991; Waxman 1998).

In practice, CRM has been extremely difficult to implement. A review of CRM use in four communities (Stokvis and Cloar 1991) revealed a number of pitfalls, including property owners' resistance to sharing information and coordinating action in leasing, resistance to covenants that encumber properties and tenants, and difficulty gaining broad participation and balanced representation among stakeholders, especially retailers. Waxman (1998) reports that CRM has been used rarely, and quotes a leading downtown consultant who states that CRM is "by and large an ignominious failure" (p. 58).

The Main Street Program. The Main Street program — the most widely used approach to business district management¹⁸ — was developed by the National Trust for Historic Preservation in the late 1970s based on its work in three midwestern towns. It has been used primarily in towns and small cities. The Main Street strategy uses a four-point approach to business district revitalization. The first point — organization — is often cited as the most important (Dane 1988). It emphasizes building a broad-based volunteer organization to undertake revitalization based on consensus and cooperation among the many stakeholders in the business district. The other three points address programmatic aspects of district management: 1) design, which focuses on improving the district’s physical environment (storefronts and signs, buildings [renovation and development], public infrastructure, and maintenance); 2) promotion, which is used to market the district and improve its image to customers, new businesses, investors, and visitors; and 3) economic restructuring, which seeks to enhance the district economy by helping existing business expand and attracting new ones (Dane 1997).

With this broad framework, the Main Street program presents itself as a comprehensive strategic framework that can be tailored to unique local conditions and needs. In *Main Street Success Stories*, Dane (1997) describes a very diverse set communities that have implemented Main Street programs, ranging from small rural towns to suburban communities to mid-sized cities to urban neighborhoods in Pittsburgh and San Antonio. The Main Street framework can extend more broadly than district management approaches, such as those employed by BID’s, to encompass other commercial revitalization strategies, including housing development, commercial development, and business development.

¹⁷The average period nationally in 1.5 years while in New York it is 30 months (Waxman)

¹⁸ The National Main Street Center Web site (www.MainStreet.org) states that the Main Street approach has been used in more than 1,600 communities.

Rucker (2001) compared the Main Street theory with conventional economic and community development theories, and considered how well the Main Street theory fits the issues faced in urban areas. She concluded that the Main Street approach fails to address several important urban problems, including crime, homelessness, the language and cultural barriers faced by minority groups, and gentrification. Moreover, Rucker noted, traditional Main Street goals focus on historic preservation, maintaining community character, and improving local quality of life, but do not address job creation and social equity that are important in urban low-income communities. Finally, she identified urban environmental factors that may pose obstacles to using the Main Street approach in urban areas, or require them to use alternate approaches, compared with non-urban areas. The factors include greater cynicism based on past failures, more competition for resources among many local organizations, market competition from other city commercial districts, and an emphasis on larger-scale catalyst projects.

During the 1980s, the National Main Street Center undertook a demonstration program to test the Main Street approach in seven urban downtown and neighborhood commercial districts. A report by Dane (1988) provides a detailed description of how each district implemented the Main Street program and highlights differences between downtown (central business district, or CBD) and neighborhood business district (NBD) programs. Overall, NBDs began with less pre-existing capacity and faced greater implementation obstacles than CBD programs. With a more complex mix of local stakeholder organizations and the need to include residents, neighborhood Main Street programs took longer to organize and faced more competition for support and funding. They also needed to spend more time conducting outreach and communication to build support and to overcome concerns that the program would lead to gentrification. Although CBD programs had pre-existing promotional efforts to build on, NBDs had to start from scratch in

creating a base on promotion efforts. Neighborhood districts also had more difficulty defining a unique image and a marketing message for their district, and found it harder to attract media attention.

On the other hand, NBDs were very comfortable with the Main Street incremental improvement approach, while CBDs were more interested in identifying one big project to revitalize downtown. Neighborhood districts had two assets to support their promotion and economic restructuring efforts: a stronger retail economy and adjacent market to draw on. Economic restructuring in neighborhood districts had to address concerns over business displacement, which was accomplished by explaining to merchants and residents the causes of businesses closures (that often did result from the revitalization work) to allay fears, and by helping existing businesses buy their buildings.

Dane drew a number of lessons from the Urban Demonstration Program. She found that Main Street programs can be implemented by either a new standalone organization or an existing one. The mission and capacity of the candidate organizations, and how the political environment affected their ability to be viewed as a neutral organization, were the most critical considerations in whether a new or existing organization would work best.

Promotional activities were important early in the process, with special events providing a way to involve residents and draw people to the district for a positive experience that would counter an image of decline. Successful design efforts typically began with small projects, such as sign or façade upgrades, but then progressed to building rehabilitations and improving public spaces. Finally, Dane found that economic restructuring was the hardest activity to implement because of the difficulty of recruiting volunteers with appropriate skills, and the need to

complete data collection and analysis before defining activities. Consequently, most programs did not begin implementing an economic restructuring agenda until their third year.

Assessing the Main Street Model

This section concludes with an assessment of the applicability of the Main Street Program to inner-city commercial revitalization. The first part of the discussion considers how well the program theory and methods address the revitalization obstacles and opportunities discussed in the prior section. Second, the key differences between the Main Street approach and other strategies are discussed.

The Main Street framework is well suited to leveraging several inner-city opportunities and advantages. First, its focus on promotion and economic restructuring can leverage the large inner-city consumer market. These activities also can be adapted to leverage immigrant entrepreneurship, ethnic markets, and the multicultural character of many urban neighborhoods. Second, the Main Street design, physical improvement, and historic preservation activities utilize the existing building stock and focus attention on improving public spaces and infrastructure. Finally, by including and working with existing community-based organizations, Main Street programs can focus the growing local capacity in inner-city neighborhoods toward creating and implementing a shared vision for the commercial district.

On the other hand, the Main Street approach is not oriented to capitalize on other inner-city opportunities. It is not concerned with education and workforce development efforts that tap into neighborhood human resources to attract firms and link residents to regional job opportunities. Similarly, its economic focus is primarily on the local retail market rather than on connecting the urban neighborhoods and businesses to the regional economy and growth-

oriented industry clusters.¹⁹ Thus, its activities are unlikely to capitalize on the logistical advantages of inner-city locations cited by Porter (1997). Finally, because Main Street programs concentrate on soft activities and retailing, they are not well positioned to directly leverage federal programs and other funding sources that are geared to housing, real estate development, and credit availability.

The Main Street framework is well aligned to address most of the revitalization obstacles identified by researchers. Its design component addresses decaying physical conditions in urban neighborhood, although inner-city districts are likely to require larger-scale interventions than those addressed by the traditional Main Street incremental approach.²⁰ Furthermore, the Main Street strategy's strong bias toward historic preservation may overlook or de-emphasize the need for new construction and redevelopment projects. Promotion and marketing activities, along with physical improvements, are oriented toward overcoming poor customer and investor perceptions. Economic restructuring committees provide services that improve the capacity and quality of local businesses and help them overcome regulatory barriers. Finally, Main Street programs are explicitly oriented toward coordinating the actions of property owners, businesses, and local governments to create a more competitive and attractive commercial district.

There are, however, several important revitalization obstacles that are not directly addressed in the Main Street model. First, neither the Main Street framework nor its practice addresses public safety as an obstacle to a vital business district — a major omission for inner-city neighborhoods with real and perceived crime problems. Second, the Main Street approach does not focus on the problem of weak social norms, role models, and social networks that some

¹⁹ One exception to this observation is the traditional Main Street focus on attracting tourists, which may be relevant to some urban neighborhoods. For example, tourism has been an important part of the Harlem Empowerment Zone strategy.

²⁰ This observation was also made by Rucker (2001).

observers believe contribute to economic isolation and poverty in inner-city neighborhoods. Finally, although Main Street activities do tackle inner-city disinvestment in some ways,²¹ the framework does not emphasize expanding capital availability for businesses, residents, and property owners.

The Main Street model differs from other strategies in its comprehensive focus on the issues confronting commercial districts, emphasis on cumulative incremental change, and heavy reliance on volunteer efforts and local private funding. It also offers practitioners a well-developed professional network and information base, through the National Main Street Center, to support their work. Commercial development and district management strategies concentrate on commercial districts — the former focuses on building the real estate to support economic activities, while other district management approaches emphasize the coordination mechanisms over their content. The Main Street strategy takes a broader view of what is needed for a healthy business district, and emphasizes the importance of attracting the shoppers along with businesses and investment. This is especially important for retail-based districts, which need to attract customers to be viable. Although the Main Street approach is not comprehensive in the community development context because it does not address many of the social, housing, and employment issues facing low-income communities, it is based on a more complete theory of business district revitalization than other strategies.

Main Street's focus on small-scale incremental change also differentiates it from most other strategies, especially comprehensive community development initiatives, enterprise zones, and commercial development strategies, all of which emphasize large-scale activities, projects, and impacts. The incremental approach requires fewer resources and less capacity to get started,

²¹ For example, activities may include providing incentives and design guidelines for new building investment, and

can implement activities and create change relatively quickly, and promises to engage more participation through generating short-term results. On the other hand, incremental change may seem trivial to neighborhoods that have suffered widespread disinvestment, blight, and poverty. Moreover, a focus on smaller-scale incremental improvements may divert efforts and attention from larger-scale efforts, such as redevelopment of severely blighted properties, that several studies cited as central to revitalization.

A third unique aspect of the Main Street model is its emphasis on having volunteers do much of the program development and implementation work. Although many community development efforts, especially the comprehensive community initiatives, emphasize extensive volunteer, especially resident, participation in planning and governance, they typically look to professional staff and community-based organizations to implement programs. Although the Main Street focus on volunteer participation is compatible with other grassroots community development organizations, it may create some tensions with community-based organizations that emphasize professional management.²² The limited staff and heavy reliance on volunteers also may pose a greater obstacle in urban neighborhoods than in other Main Street program settings. Urban programs may require more staff capacity to address the greater revitalization challenges in inner-city neighborhoods as well as constraints to recruiting and sustaining volunteer involvement (Rucker 2001). Also, funders may be skeptical that organizations with limited staff will have sufficient capacity and impact.²³ Consequently, urban Main Street programs may require either a larger staff, stronger partnerships with other organizations, or adoption by larger organizations to overcome these challenges. An important part of Main Street

marketing the area. Some Main Street economic restructuring efforts, e.g. South Side Pittsburgh, help small businesses secure financing.

²² Rucker (2001) observed a tension between accountability to volunteer committees versus professional staff supervisors among Main Street programs operated by CDCs.

volunteerism is its focus on gaining private-sector participation and funding support, which increases business commitment to Main Street activities and can bridge the strong CBO orientation toward residents. Moreover, the Main Street program's attention to creating a sound market basis for a business district benefits and speaks to the private-sector concerns.

Best Practices

This final section summarizes the literature on best practices across four broad components of practice:

1. **Institutional capacity** — the organizational capacity, support, and relationships critical to revitalization efforts
2. **Planning and process** — the formulation of revitalization plans and the processes to maintain momentum, support, and ongoing participation in plan implementation and updating
3. **Strategies** — leveraging of inner-city advantages, broad choices in how to implement strategies, and the integration or sequencing of different revitalization approaches
4. **Tools and Techniques** — lessons and best practices for applying specific tools and techniques, such as façade improvement programs, business technical assistance, and market analysis to inner-city commercial revitalization

Institutional Capacity

²³ This sentiment was expressed by a funding agency at a meeting related to the Boston Main Street program.

One of the most common issues addressed in the neighborhood revitalization literature is the role of institutional capacity in revitalization and the relative importance of the public, private, and nonprofit sectors. Porter's 1995 article, which criticized past efforts for relying too heavily on public sector and nonprofit efforts to provide income support and social services and ignoring the role of business-led economic development, has sparked much debate.

An entire book (Boston and Ross 1999) was devoted to responses to Porter. Some analysts (Fainstein and Gray 1999) emphasized the importance of public sector — especially city government — leadership and investment in inner-city economic development. Others (Butler 1999; Sawicki and Moody 1999) supported Porter's contention that business investment and development is the engine for revitalization, and still others (Thomas 1999) emphasized the importance of community-based initiatives.

Ferguson and Stoutland (1999) [does this refer to the entire book, as opposed to either of their individual chapters? Refers to individual article] provide a comprehensive conceptualization of community development institutions that defines them by their *product* — i.e., do they provide housing, policing, education, etc.; their *form* — for-profit, nonprofit, or governmental organizations; and their *level* — which defines the distance from direct resident action. “Level zero” organizations directly engage residents and households in volunteer activities and social networks. “Level one” entities directly service neighborhood residents through paid staff, rather than volunteers across all sectors — e.g., local stores and bank branches; nonprofit community development corporations and service agencies; and neighborhood public schools, libraries, and police stations. “Level two” refers to city- and metropolitan-level support institutions for level zero and level one organizations, and “level three” refers to national level support institutions. This framework elucidates the large set of

institutions within and outside the neighborhood that contribute to community development and revitalization. It emphasizes that investment in level one organizations must be balanced with “healthy interdependence among different levels and sectors of the community development system and the synergies possible between public, private, and non-profit sectors” (p. 53)

Beyond Ferguson and Stoutland’s conceptual case for engaging institutions across different levels and sectors, empirical studies of neighborhood revitalization emphasize the importance of both collaboration among level one organizations and the leveraging of participation and resources from external organizations to successfully achieve revitalization. In his recent study of the successful Pew Neighborhood Preservation Initiative,²⁴ Wright (2001) argues that collaboration and joint projects among existing organizations, supported by financial and technical support from foundations and intermediaries, is a more viable means to implement revitalization strategies than creating a new broad-based entity:

What emerges from NPI [Neighborhood Preservation Initiative] is a promising organizational model for neighborhood development that stresses shared capacity: enabling a constellation of partner organizations linked on strategic joint projects, strengthened in turn by technical and financial support from foundation and intermediary partners, to act collectively on neighborhood goals. As a model, the shared capacity approach proved to be effective and durable and appears to offer solid promise as a replicable approach in other neighborhoods. (p. 167)

Mulkeen’s (1997) study of revitalization in Boston’s Codman Square business district also identified shared capacity and coordinated action by established local nonprofit organizations as central to formulating and implementing a successful revitalization plan. Zielenbach (2002) also concluded that the commitment and involvement of local institutions — including hospitals, banks, businesses, churches, and others — explained why one neighborhood (North Lawndale)

experienced revitalization, while another one (Elmwood), with disinterested local institutions, declined.

Other authors cite the importance of city leadership and effective partnerships between community organizations and city government in revitalization. Keating and Krumholz (1999) argue that CDCs alone lack the capacity to rebuild distressed neighborhoods, and point to the role that progressive local governments played in Chicago and Boston. Hebert et al. (2001) found that political continuity and leadership were important to sustaining a local vision for change in the federal EZ/EC program. Peterman (2000), drawing on his experience with directing the University of Illinois' Voorhees Center for Neighborhood and Community Improvement, concludes that strong and direct ties between community leaders and public officials are critical to successful community development, but that these relationships must be neither too friendly nor too confrontational, but rather should constitute an atmosphere of "creative tension."²⁵

The importance of networks of communication, resources, and support to extend capacity of locally led renewal efforts is another common thread in the revitalization literature. Networks of banks; intermediaries; and city, state, and federal agencies play a vital role in facilitating community-based affordable housing development (Keyes et al. 1996). Networks are also important in linking residents and businesses to regional economic opportunities beyond the neighborhood, as argued by Gittell and Thompson (1999) in their analysis of inner-city business development:

²⁴ The Neighborhood Preservation Initiative was a Pew Foundation–sponsored comprehensive community development initiative aimed at preserving the health of working-class urban neighborhoods in nine cities by supporting projects and activities implemented through community-based organizations.

²⁵ Peterman cites four success factors: 1) ongoing human, technical, and financial resources; 2) grassroots community organization; 3) the community leadership's external relationships with public officials; legal, technical, and financial experts; and coalitions; and 4) a relationship of creative tension between community leaders and government officials.

There is considerable interest in a new vision of metropolitan areas criss-crossed by dense networks of business and social relations. Rather than emphasizing networks internal to communities, this view maintains that economic well-being of places depends on the extent to which their businesses and workers are connected to economic activity in the region and beyond. (p. 493–4)

National intermediary organizations play an important role in these networks both by establishing city-level resource and support networks and by connecting neighborhood organizations to national sources of funding, technical assistance, training, and information. Key national intermediary organizations include the Local Initiatives Support Coalition (LISC), the Enterprise Foundation, the **Neighborhood Reinvestment Corporation**, [ok to use NRC instead of NeighborWorks and NHS], and the Community Partners Program (Wright 1999). The Main Street program network includes the National Trust for Historic Preservation for information, training, and technical assistance; Community Partners (sponsored by the National Trust), which provides technical assistance, funding, and a network of local entities to support historic preservation projects; state and city-level Main Street programs, which provide funding in addition to other assistance; and LISC, which helps fund and support CDC-based Main Street programs.

Although the extensive literature on building effective networks and collaborations is beyond the scope of this report, several themes are worth highlighting. First, several authors emphasize the importance of shared vision, trust, reciprocity, and strong relationships among parties (Hebert et al. 2001; Keyes et al. 1996; Wallis **Wallis not in refs, please provide** ; **Wright 2001**). Second, value conflicts among organizations need to be acknowledged and addressed (Thacher 1999; **Wallis** need ref/year; Wright 2001). Thacher's study of community policing identifies three approaches to overcoming value conflicts: 1) reframing by using the

organization's existing values to institutionalize new values and approaches; 2) creating a unit within the organization that fosters new values; and 3) working around value conflicts to forge agreements on the particulars of achieving practical goals.

Third, several authors emphasize the importance of combining complementary capacities within networks (Powell and Smith 1994) and focusing on projects and activities in which there is mutual interest and that add value to each organization's work (Hebert et al. 2001; Keyes et al. 1996; Wright 2001). An important collaboration issue for Main Street programs is domain conflict that can occur when multiple organizations have overlapping missions and service areas (Rucker 2001; Thacher 1999). Successfully managing domain conflicts requires practitioners to justify their activities, negotiate with each other, and reach agreement on their respective roles and domains (Thacher 1999).

A final and fundamental best practice addresses the need for strong capacity in entities that implement revitalization strategies. Several authors cite weak capacity among CDCs and other local organizations as limiting revitalization efforts (Halpern 1996; Kromer 2000). Wright (2001) attributes the capacity of the organizations that implemented Neighborhood Preservation Initiatives as critical to the program's success and emphasizes the importance of building revitalization efforts around organizations with existing capacity. Hebert et al. (2001) found that staff leadership and capacity were central to creating a broadly shared vision for revitalization, maintaining continuity and focus on the vision, and building effective partnerships with EZ/EC communities.

Main Street organizations face several challenges to developing capacity in urban settings. Because they rely heavily on volunteers, Main Street programs must be able to recruit a strong base of volunteers that includes recognized community leaders and persons with expertise

related to organizational development, design, marketing and promotion, and economic restructuring (Dane 1988). This can be particularly difficult in low- and moderate-income neighborhoods where many organizations recruit volunteers, residents and merchants have limited available time and civic experience, and expertise in specific areas may be absent. (Dane 1988; Rucker 2001; Seidman 2001). Recruiting and retaining staff with appropriate skills also is a critical issue for Main Street organizations because they often rely on a single manager who needs skills in outreach and relationship-building, communication, and program management, and staff turnover can stall progress (Seidman 2001). Implementing a Main Street program through a CDC mitigates these capacity challenges but can weaken the program's involvement of and connection to a broad base of community volunteers (Rucker 2001).

Several implications for inner-city Main Street programs emerge from this discussion of institutional capacity. First, Main Street programs need to partner with other community-based, government, and private-sector organizations to implement a comprehensive district revitalization effort. The range of obstacles facing inner-city districts, and the small size and limited capacity of Main Street programs, necessitate such partnerships. Moreover, these partnerships need to transcend participation in Main Street boards and committees to encompass implementing specific projects and activities. Rucker identifies several potential synergies between Main Street programs and CDCs, including a Main Street initiative providing a means for CDCs to expand their activities into commercial district revitalization and CDCs helping Main Street programs gain access to the CDC constituencies and real estate development capacities.

Second, such partnerships require time and trust to develop, and benefit from establishing a shared vision and goals for overall district revitalization. Third, although the strong national

intermediary network for the Main Street program enhances its effectiveness, the network's focus could be expanded to play a larger role in leveraging program funding and generating local foundation and corporate support.

Finally, urban Main Street programs need to invest considerable resources in volunteer and board recruitment and development, especially if they want to gain active participation among merchants, property owners, and the full ethnic and class diversity of their neighborhoods (Seidman 2001).

Planning and Process

Research on comprehensive community development initiatives, the federal EZ/EC initiative, and the Main Street program points to the importance of broad stakeholder participation, creating a shared vision, and building consensus on goals and plans. Also critical is the need for ongoing outreach and communication in formulating effective revitalization plans and maintaining momentum, support, and ongoing participation in plan implementation.

Community leaders from 50 organizations in Philadelphia's Frankford neighborhood worked with community residents to create consensus on how to revitalize their neighborhood. The result was the Frankford Plan, which the city planning commission adopted as the city's official plan for the neighborhood. The planning process set the stage for greatly expanded resident participation, changed relationships among organizations, and aided in the leveraging of outside resources, including the Neighborhood Preservation Initiative grant and designation by LISC as one of its neighborhood Main Street demonstration sites. Hebert et al. (2001) concluded that "communities with a clear strategic vision of change, and one that could be effectively communicated to the affected stakeholders were more likely to be successful at mobilizing

support and in achieving progress in their zone activities” (p. 9-2) Is this the correct page number? Yes The authors emphasized that a vision must go beyond broad themes to indicate how it will be translated into specific programs and activities. Furthermore, this study found that consensus among implementing authorities was another contributing factor in local program success.

National Main Street program theory and reports also emphasize the importance of involving a broad set of stakeholders, active community participation, and a facilitator and consensus-based approach to formulating plans (Dane 1997; Rucker 2001). In her review of the National Main Street Center’s Urban Demonstration Program, Dane (1988) observed that urban neighborhood programs needed to conduct more outreach and organizing than downtown programs, both to gain the support and involvement of a large set of community-based organizations and to overcome resident skepticism and concerns about gentrification impacts. Seidman’s (2001) study of the Boston Main Street program identified outreach, organizing, and consensus building among stakeholders as important to local program effectiveness, but found that local districts used different approaches to gain consensus. One district relied on board participation and close working relationships with local resident and merchant associations to secure a shared vision, while an especially active and energetic manager secured the involvement and buy-in of diverse stakeholders in a second Main Street neighborhood. A third program completed detailed economic and market analysis to define an economic vision for its commercial district and then conducted outreach to neighborhood associations and merchants to gain buy-in and implementation support. However, Seidman emphasized that broad-based participation and support required identifying and implementing a set of activities with appeal to a broad group of stakeholders, especially merchants and residents.

Strategies

Strategies. Many authors have opinions about what constitutes an effective inner-city economic development strategy, but little empirical research has tested the impact and effectiveness of specific strategies on commercial district revitalization. There is, however, some literature that directly addresses or provides case study evidence on what constitutes best practice in implementing specific strategies. This section summarizes the emerging literature on several key strategic issues for inner-city business district revitalization: opportunities to integrate people- and place-based approaches; the type and character of commercial development projects, including the relative role of independent versus chain stores; inner-city business development opportunities; and addressing commercial gentrification.

Combining People- and Place-Based Strategies. Although commercial district revitalization is a place-based approach, opportunities exist to integrate people-based practices into such efforts, largely around linking jobs to local residents. Supermarket projects in Newark, N.J., and Boston (Food Marketing Institute 1993; Hernandez 2001) demonstrate that employer commitment to local hiring, combined with a community-based organization providing outreach, screening, and placement services, can result in local residents securing a large share of jobs. Job placement services could be offered to employers throughout a commercial district to target neighborhood jobs to local residents. Moreover, the relationships developed between CBOs and employers around employment services could strengthen businesses involvement and support for other commercial district revitalization efforts.

However, the quality of jobs in commercial districts, which are primarily in retail and personal services industries, limit their potential to improve resident earnings.²⁶ This limitation could be addressed in two ways. First, lower-paying entry-level jobs can be used as part of a youth development and employment program that introduces neighborhood youth to work, develops job readiness and social skills, and links them to broader career opportunities through additional services. Second, commercial district jobs could be linked to better-paying jobs outside the neighborhood through career ladder programs. Commercial district jobs can develop customer service, communication, financial, or computer skills that could be combined with additional training and job placement services to link residents to good-quality jobs in the regional economy. Community-based organizations could use their networks to leverage residents' work experience and references gained in entry-level jobs in the business district and help them overcome job readiness and social network barriers to employment.

Character of Commercial Development. Two key issues drive strategies for inner-city commercial development. The first concerns choices about redevelopment versus building reuse, and the second addresses whether to focus on attracting national chain retailers versus independent local and minority-owned retailers to development projects. These two issues are interrelated because national retailers often seek large store formats and colocation with other chains, which require larger-scale redevelopment.

National Main Street Center literature focuses on the importance of retaining the existing historic building stock, and cites historic preservation as strong attraction for both residents and businesses (Dane 1997; Moe and Wilkie 1997). Other authors cite the typically poor quality of

²⁶ A *New York Times* article about the relocation of Black Entertainment Television from the Harlem EZ, stated that most new jobs in Harlem have been low-paying. "BET Ends Talks on New Studio and Says It is Leaving Harlem,"

existing buildings and the need to assemble and reconfigure sites to attract retailers (Ferguson, Miller, and Liston 1996; Porter 1997).

There is also evidence on both sides of the chain store/independent store issue. Competition with shopping malls, the preferences of inner-city shoppers, and the growing interest of national retailers in tapping inner-city markets all support attracting chain stores. On the other hand, the stronger neighborhood employment record of local and minority-owned firms, their capacity to support local wealth accumulation, and concerns about the gentrification and displacement impacts from increased rents that may accompany an influx of national retailers all support focusing on local independent stores.

Although the resolution of these issues depends on community goals and the character and assets of each neighborhood business district, best practice is likely to require combining redevelopment and building reuse while attracting chain stores and supporting local independent businesses. Waxman's (1998) study on applying the economic theories of retail to inner-city business districts discusses the importance of anchor destinations to create successful retail districts. Attracting supermarkets and large chain stores is one important way to anchor neighborhood business districts.²⁷ Although all efforts should be made to attract anchor stores to the existing building stock, and inner-city neighborhoods need to preserve their major historic buildings and pedestrian-oriented character, redevelopment projects should be undertaken when they are necessary to attract anchor stores and to eliminate seriously deteriorated and blighted properties. To enhance the image and unique quality of the commercial district, redevelopment

Terry Pristin New York Times, March 14, 2002—**check date; also try to provide the author's name**

²⁷ They are not the only options, however. Waxman's (1998) study of Upham's Corner identified a community health center, theater, and locally owned supermarket as the district anchors.

projects should complement the existing district character through the continuation of street walls, building size and choice of materials.

Existing practice also suggests that new larger-scale and chain-store development can be linked to supporting a base of independent locally owned businesses. First, the development design should integrate anchor chain stores with independent retailers so that independent retailers gain the benefit of customer traffic generated by the anchor stores (Hernandez 2001). This requires project planning, design, and leasing that do not segregate chain stores and independent retailers in different portions of a business district, but rather places them in adjacent locations.

Second, commercial district revitalization efforts should include business development and technical assistance services that help independent retailers adjust to and gain the benefits of new chain stores locating in their neighborhood. Although this should be an ongoing activity, direct funding for such activities can be built into large development projects, as was done in a Boston Stop N Shop development. (Hernandez 2001).

Finally, a strong presence of local stores should be maintained to help create a unique character and retail focus that helps differentiate inner-city districts from shopping centers dominated by chain stores (Waxman 1998),

Business Development Opportunities. The literature suggests two important best practices for formulating and implementing inner-city business development strategies.

First, business attraction and development opportunities need to be linked to real market opportunities. Waxman (1998) identifies two important concepts in defining these opportunities. One concept is the distinction between convenience and comparison goods. All business districts

can support convenience shopping destinations that customers choose based on proximity and convenience. Commercial districts can expand their convenience shopping market by filling gaps in their existing offerings — for example, by adding a video store or laundry where one does not exist. Consumers seek an agglomeration of stores with similar or related products when shopping for comparison goods because they save them time by comparing products and prices in several nearby stores (DiPasquale and Wheaton 1996). This finding suggests that inner-city districts can also build a comparison shopping destination where multiple stores offer similar products. Successful strategies are likely to be based on either expanding existing concentrations of comparison goods stores or attracting multiple new stores in the same category. Waxman's second concept is market segmentation: shopping patterns and preferences vary across demographics group, as defined by age, ethnicity, income, or race. Business can expand their markets by tailoring their products and services to underserved demographic groups.

The second best practice for developing business opportunities concerns the need to link small businesses to networks for training, technical assistance, and financing. Although there is considerable need for technical assistance to improve the skills and capacities of small businesses, local Main Street organizations and CDCs are unlikely to have the expertise and capacity to address the full range of needs, particularly the specialized needs of all retail and service businesses. Thus, commercial district programs need to go beyond generalized business assistance to develop networks that can connect businesses to more specialized services, and help create citywide associations or services to support the needs of specialized business categories.

Three models of such activities exist. One is New York's Business Outreach Centers, which develop and support a large referral network for neighborhood businesses. A second option is the trade association, which supports the specialized information and service needs of

particular industries. [any reason not to advocate this for any type of approach? No the three approaches are not mutually exclusive—you could add a footnote with this point] Business development strategies might look at ways to foster local business participation in existing trade associations and to create regional, state, or city associations that address the needs of businesses that are most critical to neighborhood business districts. Third, Rauch (1996) advocates supporting independent buying agents to help independent African-American apparel and accessory stores search for and obtain the most appropriate products for their customers. This type of approach could be extended to other types of inner-city businesses for which finding and buying the appropriate merchandise is critical to business success.

Although gentrification is not a primary focus of this paper, the literature on urban Main Street programs emphasizes the importance of addressing gentrification issues (Dane 1988; Rucker 2001). Experience from the Main Street Urban Demonstration Program suggests that commercial gentrification can be addressed by monitoring and informing the community of the specific reasons for business and property turnover to dispel false rumors and perceptions, and by assisting business owners in acquiring their rented properties (Dane 1988). However, these approaches are likely to be insufficient when gentrification pressures are particularly strong or fast-paced.

Successful efforts to prevent widespread gentrification and displacement within the commercial district need to be based on the community's vision for the type of businesses and activities that it seeks to attract and on pursuing a range of activities to advance this vision (Thrash 2001). Depending on local goals, conditions, and resources, these activities may include providing business development and technical assistance service to improve the performance of existing businesses, providing technical and financial assistance to help local firms acquire their

property, establishing nonprofit and/or land trust ownership of real estate dedicated to preserving certain businesses and uses, and developing projects that combine locally owned and chain stores.

Tools and Techniques

This section highlights effective tools, techniques, and activities used to implement inner-city commercial district revitalization based on practice-oriented studies. It draws primarily on publications from the National Main Street Center, Seidman's (2001) study of the Boston Main Street Program, Waxman's (1998) analysis of inner-city retailing, and a summary of the Urban Land Institute's work in inner-city neighborhoods (Suchman 1994). The discussion is organized around four areas: physical improvement and commercial development, business development, marketing and promotion, and districtwide coordination and management.

Physical Improvement and Commercial Development. Most commercial revitalization efforts emphasize physical improvements to the existing building stock as a tool to change an area's image, eliminate blight and attract more shoppers and businesses. Main Street program literature (Dane 1988; Smith, Joncas, and Parrish 1991) and other studies (Community Services Collaborative 1994; Seidman 2001) emphasize the importance of three elements in successful building improvement efforts:

1. outreach and education to increase understanding of the impact of good design and physical improvements on the commercial district and business performance
2. technical assistance to help businesses and property owners prepare a good design and manage the contracting and permitting process
3. financial incentives through grants, low-interest loans, or both to encourage property and business owners to make improvements

A best practice concern is what properties to target for building improvements and commercial development projects. Seidman (2001) emphasizes targeting the district's largest and most prominent buildings to generate a significant visual impact, and points to the Hyde Park (Boston) [correct? yes] Main Street program's success in convincing owners of five large buildings to complete major façade and store improvements. Main Street literature emphasizes the importance of restoring historic building façades (Smith, Joncas, and Parrish 1991) and implementing building improvements incrementally, beginning with smaller-scale façade projects and then expanding to larger-scale projects once property owners recognize the value of building improvements.

On the other hand, research on inner-city commercial development emphasizes the importance of both targeting severely blighted properties for reuse and redevelopment to reduce crime and negative perceptions (Hernandez 2001) and developing catalytic projects to generate substantial spin-off investment. (Fernandes 1997; Taub 1988). Best practice entails a combination of both approaches so that momentum and change are generated by smaller-scale projects while work on long-term catalytic projects proceeds.

Design guidelines are another element of best practice because they help to preserve important elements of a district's character, foster better-quality improvements, and codify a design vision for the district (Dane 1988; Smith, Joncas, and Parrish 1991). However, design guidelines should be based on community as well as professional input, and ultimately should reflect the neighborhood's character and desired image. For example, the Hyde/Jackson Square Main Street program developed design guidelines that emphasized the district's Hispanic

character (Seidman 2001). Revitalization efforts also need to be coordinated with city planning officials to streamline the development approvals and permitting process to make it less cumbersome to implement building improvement and development projects (Suchman 1994).

Many authors cite the need for subsidies and investment incentives to complete commercial development projects in weak inner-city real estate markets where development costs greatly exceed a project's completed value (Fernandes 1997; Hernandez 2001; Suchman 1994; Wright 1999). Large subsidies are especially important for the initial projects that help rebuild a local real estate market (Suchman 1994), but some level of continued subsidy may be needed given the greater obstacles and higher development costs in urban areas. Many researchers advocate for the federal government to continue and expand programs that provide direct subsidies and incentives for private-sector support, including Community Development Block Grants, CRA, and the Low-Income Housing Tax Credit [CRA is not a subsidy yes I agree with the edit] (Bright 2000; Grogan and Proscio 2000; Wright 1999). Some authors argue for the equivalent of a low-income housing tax credit to attract private investment to inner-city commercial projects (Bright 2000; Wright 1999).

Physical improvement efforts should transcend the building stock and address the district's overall appearance, public spaces, and infrastructure. BID experience highlights the value of maintaining a clean district through graffiti removal, sidewalk cleaning, and other services (Houston 1997; Mitchell 2001; Ryan 2000) as well as providing maps and signs to direct and orient visitors (Ryan 2000).

Experience with the Neighborhood Preservation Initiative in Philadelphia and Boston demonstrates how beautification projects can support community building by getting different

segments of the community to work together. In the **Frankford Philadelphia** neighborhood, leaders solicited ideas for improvements projects from residents and required the recruitment of 25 resident volunteers to fund an activity. Teams from two sides of the neighborhood worked together to complete the project, bringing together people of different races and incomes. East Boston actively recruited youth to participate in annual commercial district clean-up and beautification, which gave young people a larger stake in the district while changing adult perceptions of youth (Wright 2001).

Experts convened by the Urban Land Institute recommended multiple activities to enhance the image and appearance of inner-city neighborhoods, including: using gateways or recurring design symbols to defining the district boundaries and promote a clear identity; cleaning up the area by removing blighted structures, overgrown lots, garbage, and exterior storage yards; adding amenities such as playgrounds, parks, and natural features; creating a focus for the community through some version of a “town center;” and clustering commercial development at intersections (Suchman 1994). Smith, Joncas, and Parrish (1991) emphasize completing a comprehensive inventory of district conditions before preparing a physical improvement plan; designing improvements that enhance pedestrian movement within the district and to stores; providing for proper maintenance of public spaces; placing signage to direct people to and around the district; and coordinating building and public improvements.

Business Development. Business development efforts encompass both helping to retain and expand existing businesses and recruiting new businesses. Several studies point to the importance of providing technical assistance services to existing businesses (**Dane 1988**; Hebert et al. 2001; **Seidman 2001**; Suchman 1994; Waxman 1998). Key services to provide include basic business planning, help in securing loans, assistance in securing government licenses and

permits, advice on merchandising and marketing, and referrals to specialized professionals and service providers. Neighborhood economic development programs have used different tools to provide these services.

Several Boston Main Street programs work with CDCs that provide business technical assistance to local firms, with Main Street staff conducting outreach and providing introductions and referrals to CDC staff. In Pittsburgh, the South Side Local Development Corporation organized business assistance teams with both government and private-sector members to offer quarterly workshops, provide information on key business issues, review business plans, and help firms access the **Pittsburgh Urban Redevelopment Authority's** revolving loan fund (Dane 1988, 1997). The prior section on strategies highlights how New York's Business Outreach Centers help neighborhood businesses access and utilize a broad range of services.

A key technical assistance goal is helping businesses better serve the local customer base. Completing a detailed market analysis of the neighborhood is a critical tool to help businesses better define and understand their potential market and identify new ways to reach and serve them. Some authors emphasize the need to obtain professional market analysis assistance, while Main Street documents provide guidance on how volunteer committees can undertake this task. The Boston Main Street program has combined both approaches by hiring a consultant to work with district staff and volunteers in completing and interpreting their market analysis. After completing the market analysis, local programs need to invest time and resources to help businesses apply the analysis and implement changes in merchandising, marketing, and other practices.

Merchants can use several approaches to take advantage of underserved market needs in a commercial district. First, businesses can identify new customer segments to serve and

reposition their businesses to attract them (Smith, Joncas, and Parrish 1991; Waxman 1998). For example, the **Hyde/Jackson Main Street program (Boston)** worked with Latino merchants to expand their merchandising and communicate in both English and Spanish to attract a growing white population. Second, merchants can expand their product lines to offer more items that appeal to customers. Expanding convenience goods is particularly lucrative because, as stated previously, residents are strongly tied to local merchants for these goods. For example, an existing retailer could add movie rentals to its product offering in lieu of the community attracting a new video store. **Waxman (1998)** recommends that firms install inventory control systems to identify top-selling items, help determine the strongest retail niches, and show merchants where they are making their money.

Several factors inform the effective recruitment of new businesses. Targeted businesses need to be viable in the marketplace by either addressing unmet convenience shopping needs or synergies with existing retail niches (Suchman 1994; Smith, Joncas, and Parrish 1991; Waxman 1998). Attracting an anchor store that can draw a large number of customers is another recruitment priority, especially for districts with no or very few anchor destinations (Waxman 1998). Recruitment efforts need to encompass both national chain stores and independent retailers because they offer different advantages. National stores provide brand recognition, resources, and the perception of safety that draws a larger clientele to the district, while local independent businesses increase local wealth, are more likely to hire locally, and address niches that national stores do not serve (Gittell and Thompson 1999; Hernandez 2001; Waxman 1998). Other factors that affect the targeting of business types include competition from nearby shopping areas, the size and location of existing vacant space and new commercial space under

development, and the demographic characteristics of the neighborhood populations and the customers that the district seeks to attract.

A number of practices have been used or recommended to attract new businesses, although there is no consensus about what constitutes best practice. **Dane (1988)** cites holding business recruitment fairs, matching prospective businesses to property owners with vacant space, and helping new businesses secure city permits as effective practices. Both Smith, Joncas, and Parrish (1991) and Waxman (1998) emphasize the importance of preparing and disseminating a marketing packet with information on demographics of the district's customer base, development plans, foot and auto traffic counts, a list of stores in specific niches, the particulars of available space, and other positive attributes. Waxman also recommends maintaining a database of existing vacant properties, creating positive relationships with existing property owners, and involving them in formulating and implementing an overall recruitment strategy.

Gittell and Thompson (1999) and **Waxman (1998)** cite the need to mimic shopping mall developers by charging lower rents to anchor tenants and tenants that make early commitments to a district. Waxman also suggests creating a rental subsidy fund for a district (which could also provide an incentive to property owners to keep a space vacant until a desired type of business is secured), while Gittell and Thompson (1999) advocate granting control over entire blocks to a developer. Finally, some Main Street programs directly undertake development projects to control leasing and attract new businesses to a district (Dane 1988).

A **practice that supports both** business retention and store recruitment is exploiting retail linkages and strengthening niches or comparison shopping clusters within a district (Smith, Joncas, and Parrish 1991; Waxman 1998). Such efforts include organizing firms within a niche

or in closely linked businesses to work together to market and exploit their linkages. Customer surveys and data from inventory control systems are useful ways identify linkages and synergies among stores. Related stores and niches then can be promoted by placing a logo in store windows that identify niche members; sponsoring joint advertising through newspapers, radio, or TV; preparing shopping guides and fliers that market specialized niches; and running special promotions and events to link shopping in related businesses.

As discussed previously, business recruitment efforts also should target businesses that strengthen a district's specialization and comparison shopping niches. A larger set of stores with a niche and a unified marketing effort can expand a district's customer base by attracting shoppers from a larger market area. Authors, case studies, and market data suggest that viable niches for inner-city commercial districts include arts, culture, and entertainment (Dane 1988, 1997; Suchman 1994); restaurants (Suchman 1994); clothing and accessories (ICIC and PWC 2000); ethnic markets (ICIC and PWC 2000; Waxman 1998); and health services (Waxman 1998).

Marketing and Promotion. Marketing and promotion activities are central to improving a commercial district's image, helping to attract new customers, recruiting new businesses, and encouraging investment. These efforts also directly support the district's businesses by increasing their customer base and sales. Promotion efforts also are important because they can be implemented fairly quickly, thus providing a focus for short-term activities that build momentum before longer-term improvement projects are implemented (Dane 1988). Best practice literature on commercial district marketing focuses on four aspects: 1) the value of market analysis in formulating marketing activities, 2) the importance of creating an overall

district image, 3) the role of community events in district promotion, and 4) organizing retail promotions among merchants.

Market analysis helps inform promotion activities in several ways. It identifies the district's major current and potential customer segments, what attracts them to the district, their view of unfavorable district characteristics, how they might respond to different promotions, the major sources of competition, and the best media outlets to reach different consumer segments. This information helps organizations discern how best to define or position their district relative to competing districts, define a district image that is most likely to appeal to key customer groups, and decide on specific marketing events and promotions (Smith, Joncas, and Parrish 1991; Waxman 1998).

Defining a unique image or brand identity for a commercial district helps to change negative perceptions and differentiates the area from shopping malls and competing retail centers (Dane 1988; Gratz and Mintz 2000; Suchman 1994; Smith, Joncas, and Parrish 1991, Toups and Carr 2000). A district's image should be built around its unique assets, which may include historic buildings, key landmarks, specialized retail niches or uses, ethnic composition, or other characteristics (Gratz and Mintz 2000; Smith, Joncas, and Parrish 1991). An important part of improving the image of inner-city districts is reducing the sources of poor images, including crime, blighted conditions, lack of cleanliness, and undesirable uses (Seidman 2001; Suchman 1994; Toups and Carr 2000, Waxman 1998). This suggests that effective image building needs to accompany, if not follow, progress toward improving those conditions. Although Dane (1988) found that urban neighborhood business districts have trouble identifying and building an image that differentiates them from other such areas, but Toups and Carr (2000) identify five strategies that distressed neighborhoods use to create a positive image. These strategies are: (1) build a

town center or neighborhood “heart” that can become a new positive symbol; (2) create a new name (possibly with a logo) that conveys a positive image; (3) package and capitalize on existing positive assets such as history, culture and architecture; (4) make visible physical improvements that demonstrate change and neighborhood pride; and (5) undertake a marketing and public relations campaign to communicate the new image.

Several authors cite special events as supporting revitalization efforts in multiple ways. They bring residents together for a positive experience, helping to both overcome negative perceptions and strengthen connections to the district (Dane 1988; Seidman 2001). They also increase shopping among the existing customers while introducing the district to a larger audience, thus helping to expand its market. Finally, special events help build a sense of community within the neighborhood and strengthen the district’s role as a community center (Wright 2001).

Dane (1988) emphasizes the importance of devoting considerable time and resources to planning, advertising, and holding the event; having experienced professional staff to organize it; and generating creative ideas to attract the public year after year. Gratz and Mintz (2000) cite sponsoring farmers’ markets as an especially successful and cost-effective way to attract shoppers to commercial districts. Smith, Joncas, and Parrish (1991) identify cultural heritage, holidays, and social occasions as common themes for events, and recommend that they include lively and entertaining activities with music, food, something for children, something free, and overlapping activities.

A multicultural performance series was an important community-building activity in East Boston’s Maverick Square district (Wright 2001). Other Boston Main Street districts successfully used holiday tree lightings, historic house tours, Easter egg hunts, and street

festivals to build resident support for and participation in the Main Street program and to increase a sense of community pride (Seidman 2001).

Retail promotions entail special sales and cooperative advertising to directly stimulate increased patronage of the commercial district. Smith, Joncas, and Parrish (1991) distinguish between sales, which involve price discounts, and retail events that attract shoppers through other means. Retail promotions provide an effective way to involve merchants in district revitalization efforts and to build cooperative relationships among independent-minded business people (Dane 1998; Seidman 2001). In three Boston Main Street districts, it was found that merchants were more likely to participate in retail promotions and cooperative advertising than in other Main Street activities (Seidman 2001). Coordinated promotions support the retailers by increasing customer traffic, which in turn increases sales for the entire district (DiPasquale and Wheaton 1996). The Boston Main Street program supports a citywide neighborhood holiday shopping promotion, called Boston Unwrapped, with citywide advertising, special shopping bags, and bumper stickers. Local districts add their own events and special promotions (e.g., tree lighting ceremonies). This approach is consistent with Dane's (1988) observation that retail promotions that are linked with special events are most effective.

Districtwide Coordination and Management. Although coordinating the actions of multiple parties is a key theme in many of the practices discussed throughout this section, several practices are particularly important to effective coordination of commercial district revitalization efforts.

First, the creation of a broadly shared vision and revitalization plan for the entire district, based on the active participation of key stakeholder groups, is evident in several successful revitalization efforts and is emphasized by several researchers (Mulkeen 1997; Seidman 2001;

Suchman 1994; Waxman 1998; Wright 2001). Although the creation of such a plan takes considerable time, it is central to building broad-based support for revitalization, by helping to recruit volunteers and broadening the resource network for implementation. While the vision and plan are being formulated, revitalization work can go forward on short-term projects for which there is a clear consensus on appropriate actions.

Second, ongoing outreach and communication are needed to keep all stakeholders informed of progress, recruit new volunteers and support, and remind people of revitalization plans and priorities.

Third, special efforts are needed to cultivate the involvement of property owners, smaller merchants, low-income residents, and linguistic minorities, and to design and implement a set of activities that addresses needs and concerns across these different groups (Seidman 2001).

Finally, several activities provide a special opportunity to coordinate work districtwide and across stakeholder groups. They include the formulation of design guidelines, the preparation of an improvement plan for public infrastructure and spaces, and organizing large special events that are linked to district promotions.

Conclusions

This literature review suggests that commercial district revitalization is an important component in place-based community development, but requires integration with other strategies to overcome the long-standing demographic and economic forces that lead to inner-city disinvestment and to generate overall neighborhood revitalization. Commercial revitalization initiatives should be combined with housing improvement and development projects; sustained crime reduction efforts; improved health, education, and family support services; and education

and workforce development programs that link residents to job and career opportunities throughout the regional economy as part of a comprehensive effort to create neighborhoodwide revitalization that substantially benefits existing low- and moderate-income residents.

The Main Street strategy promises to be an effective approach to revitalizing inner-city commercial districts if it is adapted to fit inner-city conditions. It provides a clearer framework for action and a more comprehensive approach than other commercial district improvement strategies. Its framework and range of activities leverage several advantages of inner-city neighborhoods while addressing many of their obstacles to revitalization. The Main Street program, however, faces challenges to providing an effective framework and strategy for the revitalizing inner-city business districts.

First, it needs to incorporate key inner-city concerns, such as public safety and the management of gentrification, into its strategic framework. Second, Main Street programs require greater resources and capacity to address the challenges of inner-city neighborhoods, compared with their historic use in towns and small cities. This is likely to require a broader coalition and base of support, greater staff capacity, and more partnerships with other organizations. Third, greater attention to and subsidies for real estate development activities will be needed to address redevelopment of severely blighted properties and to attract key anchor businesses.

More research and codification of best practices in inner-city commercial district revitalization is needed. Although considerable literature exists on downtown development and on applying the Main Street approach in central business districts, there is limited empirical

research specifically geared toward inner-city commercial districts. Research would be particularly useful on:

- integrating commercial revitalization with other place-based and people-based initiatives
- effective crime prevention approaches in business districts
- creating linkages and synergies between independent and national chain stores
- effective business recruitment practices and tools to coordinate landlord leasing with community preferences and market opportunities

the process for defining and building a suitable image and integrating it with marketing, business development, and broader revitalization efforts

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