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RETAIL RETREATS

The urban mall

Inner-City Grocery Stores Show Gains All Around

FOR TOO LONG, INNER-CITY residents have gotten short shrift as far as readily available fresh, nutritious food. The number of food stores in low-income neighborhoods is nearly one-third fewer than in wealthier areas, and the quality of these stores—their size and physical condition, the range and nutritional content of their merchandise—tends to be poorer.

Beyond health and nutrition, the scarce availability and the inferior quality of food stores also count heavily on residents' daily cost of living. A recent Brookings Institution publication, *From Poverty, Opportunity: Putting the Market to Work for Lower-Income Families*, suggests that lower-income consumers pay a premium for basic food items that can add hundreds of dollars to families' annual grocery bills.

But due to a number of innovative partnerships among major grocers, local governments, and nonprofit neighborhood organizations, full-service grocery stores are opening in neighborhoods where such businesses have not been seen in half a century. Inner-city residents are discovering that high-quality food markets not only can help improve their diets and general health, but also can lead to a reduction in crime—by drawing more people to the neighborhood, attracting new businesses and jobs, and generally making neighborhoods more attractive places in which to live and work.

For economic and public health reasons, city and state governments also are inclined to do whatever is necessary to lure grocers to underserved neighborhoods. Of course, making the case to retailers can be challenging. Aggregating large, strategically located sites is difficult, and convincing investors of a neighborhood's potential can be a problem. That is when community development corporations (CDCs) can become crucial partners. Their mastery of local

The 22-store Felpausch Food Center chain opened a store in Kalamazoo, Michigan's Northside neighborhood that is credited with spurring neighborhood development.

market information, their persistence in overcoming opposition and practical hurdles, and their credibility with other local merchants who sometimes fear competition from larger markets have all proven indispensable to the creation of high-quality food stores in low-income areas.

Economists such as Harvard's Michael Porter and his Initiative for a Competitive Inner City (ICIC) provide well-publicized support for the case CDCs and others are making to retailers. According to Porter's ICIC study, "The Changing Models of Inner-City Grocery Retailing," the density of many poor neighborhoods makes their aggregate purchasing power far greater than the incomes of individual families might suggest—a pleasantly surprising fact that pioneering large supermarkets and grocery stores are starting to learn. Such stores can generate and oftentimes exceed the level of sales required by their business models.

Following are examples of inner-city supermarket development in which Local Initiatives Support Corporation (LISC) has worked with CDCs, local government, and prominent retailers to create successful inner-city markets. The municipalities vary in size, but the principles underlying the development of food stores in them can apply to other urban communities where residents lack one of the fundamental components of a secure and healthy life—affordable, good-quality food.

Kalamazoo, Michigan: A Modest, Effective Solution for a Small, Struggling Community. In Kalamazoo's Northside neighborhood, the need was basic, but urgent: Between 40 and 50 percent of the 8,000 residents lived below the poverty line, and the majority of them had no grocery stores, banks, dry cleaners, pharmacies, or even convenience stores within reasonable walking distance.

Every survey of the neighborhood identified the residents' top priority—a large, clean, affordable source of good food. But because the commercial streets had a ghost-town quality and a perception of high crime and low disposable income, potential retailers steered clear. The Northside Association for Community Development (NACD), a local CDC, spent nearly eight years searching before finding a grocer willing to take the plunge.

Food markets in less densely populated communities normally need to draw from a wider area than a single neighborhood, so with research by a LISC-funded consultant, NACD made a successful case to the 22-store Felpausch Food





In Pittsburgh's East Liberty neighborhood, a Whole Foods Market helped a commercial district that had been on a 40-year downward slide. A local nonprofit sets up shop for the day in the Whole Foods café to relate its mission for a "5% day" when the group receives 5 percent of the sales for that particular day (right). Whole Foods also travels off site to provide free all natural or organic refreshments for community events or for disadvantaged neighborhoods to encourage residents to eat more healthfully (below right).



Center chain that pent-up demand in Northside and its neighboring communities would add up to a profitable business. With a planning grant and technical assistance from LISC, Felpausch, headquartered in Hastings, Michigan, formed a partnership with NACD to operate the new 25,000-square-foot (2,326-sq-m) store. Though smaller than a standard supermarket, it was large enough to offer fresh produce and meat departments, a variety of packaged foods, plus a deli, bakery, and pharmacy.

With funding and the technical and legal collaboration of LISC, the city, the state, and federal agencies, a brownfield site was prepared for redevelopment. The Felpausch Food Center—following quickly by a handful of small retailers—opened in 2002, and soon the \$4 million North Park Street Plaza housing was thriving, with the grocery store single-handedly adding 50 new jobs to the neighborhood's tiny employment base. Almost as soon as the market opened, other developments began to spring up on the surrounding blocks, including a pizza franchise, a new discount store, and another community-owned retail plaza. NACD has gone on to redevelop adjoining properties, including a child care center, community offices, and an urban garden.

Pittsburgh, Pennsylvania: Foundation for a Healthy and Economically Diverse Community. In Pittsburgh's East Liberty neighborhood, the opening of a \$6.8 million Whole Foods Market in October 2002 marked a reversal of ill fortune for a commercial district that had been on a 40-year downward slide. The neighborhood had thrived in the 1940s and 1950s, but with the

development of the suburbs and insensitive urban renewal, its decline was swift. The last straw was the decision to turn the main drag into a pedestrian mall, which banned automobiles but also unintentionally discouraged pedestrian shoppers. Businesses vanished, and this district of many fine office and warehouse buildings fell into disrepair.

East Liberty Development Inc. (ELDI) had fostered redevelopment on the city's east side since 1981, but its efforts gained momentum when the organic grocery chain came on the scene.

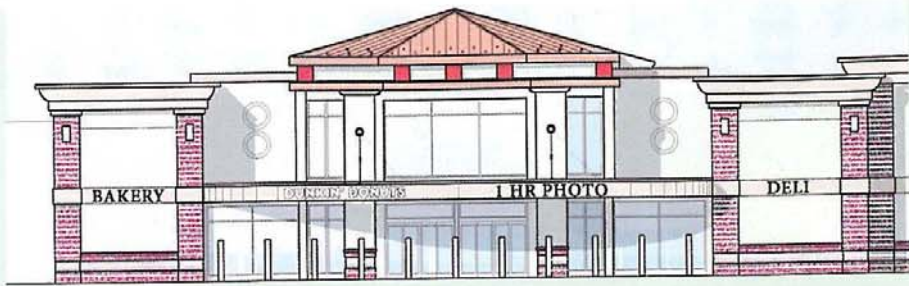
What set the ball rolling was a broad-based planning process led by ELDI that attracted the attention of the Mosites Company, a developer that appreciated the neighborhood's character, the opportunity to work with an organized community, and the viable economics of the trade area, which included not only East Liberty but also its more prosperous neighbors. These characteristics had strong appeal to Whole Foods, which looks for locations that offer an accessible labor force along with a customer base and opportunities for good corporate citizenship. LISC helped seal the deal not only by supporting the upfront planning but also by providing a \$2 million loan and a \$375,000 recoverable grant, which enabled a limited partnership created by Mosites and ELDI to transform an abandoned warehouse into the Whole Foods Market. Soon the 32,000-square-foot (2,976-sq-m) store opened, offering fresh, organically grown fruits and vegetables. Those products appealed to all income levels, and store brands provided an affordable source of high-quality merchandise for customers on tight budgets.



Providing this variety of healthy food to East Liberty was an important part of the equation, but equally so was Whole Foods' reputation for hiring low-income and minority members of the local community. As a result, 150 people from the neighborhood began working in the store. This employment has been a crucial catalyst in improving the East Liberty business district, and the store itself has become Whole Foods' primary seller through Pennsylvania's food-stamp program.

As restaurants and additional national retailers open shops in East Liberty, ELDI's vision for a refurbished Main Street-style business corridor at the heart of a healthy, economically diverse neighborhood is becoming a reality.

Washington, D.C.: A Future Model for Reclaiming Abandoned Land. For 30 years, Camp Simms, a vacant 25-acre (ten-ha) former military reservation in southeast Washington, D.C., was an environmentally contaminated eyesore. The site was located in the heart of the Congress Heights community, a neighborhood long underserved by retailers and developers wary of inner-city areas. Despite the vast



A vacant 25-acre (ten-ha) former military reservation in southeast Washington, D.C., is being redeveloped into the Shops at Park Village, which will include a long-sought supermarket for Congress Heights, a Giant Foods.



acreage and the community's need for groceries, goods, and services, the cost of cleanup was prohibitive. The site became a symbol of the impossibility of ever revitalizing the neighborhood. Local residents, desperate for a supermarket, had to cross the state line and shop in Maryland.

A solution to the Camp Simms impasse came from two organizations with the qualifications and credibility to break through. First came William C. Smith & Co. (WCS), a developer engaged in refurbishing and building housing and commercial properties and supporting amenities such as pools and cultural projects that elevate a community's quality of life. Its grass-roots partner, the East of the River Community Development Corporation (ERCDC) had built and renovated hundreds of units of housing and had begun work on a retail center. Together, the partners secured the development rights and the funding essential for needed environmental remediation. The final result will be the Shops at Park

Village, a 110,000-square-foot (10,232-sq-m) commercial development, which, when completed, will include a long-sought supermarket for Congress Heights, a Giant Foods.

WCS brought Giant Foods to the project, offering a competitive rental rate and a solid market of 70,000 people. LISC helped make this work, committing New Market Tax Credits to attract \$18.6 million from Wachovia Bank on financially feasible terms. Giant is creating 300 full- and part-time jobs to

staff its 63,700-square-foot (5,925-sq-m) store—its largest in the metropolitan area—which includes a grocery, a full-service pharmacy, and a Staples office supply aisle, as well as other services.

As in the other cities, the supermarket is merely one part of a much larger neighborhood revitalization strategy. A HOPE VI public housing redevelopment sits across the street. The supermarket itself anchors the Shops at Park Village, which is to provide an additional 10,700 square feet (995 sq m) of newly constructed retail space and 27,600 square feet (2,567 sq m) of renovated office and retail space. Tenants likely will include a combination of local and national retailers, while a major goal is to attract a large sit-down restaurant, another amenity the neighborhood has been without for years. Asheford Court, a 75-home, market-rate community being developed on the remaining part of the old Camp Simms site, was integral to persuading Giant to open the supermarket.

Clearly, such projects require patience and staying power—which is precisely why the use of CDCs tends to be an effective way of pursuing the goal. Not only do CDCs have the persistence, but also they provide the strongest bridge between grass-roots efforts in the community and the outside expertise of national corporations, agencies, and nonprofits. Neighborhood food market projects more than justify the effort to work through their political, financial, and logistical complexity. The impact of their economic development can be measured in rising property values, increased local expenditures, successful businesses, and greater investment. Meanwhile, with increased employment and shopping opportunities for residents, their disposable income keeps circulating within the community.

But many benefits—including the availability of healthful food to counter burgers and convenience-store snacks—are harder to calculate. The human value that a good food market generates contributes to individual and family health—as well as to the vitality, appeal, and worth of the whole community. Without such a market, residents of poor neighborhoods are isolated by the utter dearth of investment and commercial activity; they must travel farther and pay more for basic necessities. With such a market, residents are enabled with physical well-being, and the food market becomes the development linchpin that brings the whole community into the American marketplace.

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