

DEVELOPMENT OF INNER-CITY RETAIL NICHE MARKETS

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Robert Simons, Ph.D.
Assistant Professor

and

and John Brennan,
Ph.D. Student

Levin College of Urban Affairs
Cleveland State University,
Cleveland, Ohio 44115
(216) 687-5258
e-mail: roby@cua3.csuohio.edu
bren4452@cua3.csuohio.edu

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Abstract

This chapter outlines major issues concerning development of inner-city retail niche markets. We document the substantial amount of new retail construction in midwestern cities which has occurred despite the lackluster growth in new housing. Some of the problematic issues facing developers such as data analysis, site assembly, and project financing are identified. Because of high development costs and resulting market failure, the key factor to a successful retail project is the gap financing from public or quasi-public entities.

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I. Introduction

The movement of convenience retail services away from central city neighborhoods beginning the 1940's is a well known retail trend (Applebaum and Kaylin 1974, Benjamin and Eppli 1994, Cotterill 1992). However, since the mid 1980's, there has been a resurgence in the development of new inner-city neighborhood retail space. Given past trends of inner-city population loss, suburban retail development, and subsequent double digit vacancy rates in most suburban retail shopping markets, some shopping center developers and anchor tenants (i.e., supermarkets and drugstores) are re-entering urban markets once passed over because of perceived personal safety and investment risks.

Why are developers looking at redevelopment sites in the inner city? Because, if successfully implemented, they have substantial advantages: less competition, a dominant location, brisk sales activity, and a long-term viable retail market niche. Competitors are often small, and have functionally obsolete space (e.g., inadequate parking or interior space). The typical market niche features a supermarket-anchored convenience shopping center, which enjoys a spatial monopoly because it is the primary retail center in its neighborhood market area. Further, many lenders are now motivated to finance inner-city projects. Also, many local

governments are willing to subsidize retail projects.

Despite the rewards of having a viable retail location, these inner-city sites are difficult to analyze because good data are hard to obtain, hard to assemble due to multiple owners, and difficult to finance. When these potentially feasible projects are not developed, consumer demands are unserved: this is evidence of market failure. Therefore, government intervention has been common, and many public agencies have funded feasibility studies, provided assembled and environmentally clean land and gap financing to support development of these shopping centers. Developing an inner-city retail niche market is possible, but takes a longer time than a comparable suburban project. It also requires a special type of developer and a committed public partner. The developer should be prepared to acknowledge the value of non-financial returns, such as political benefits, open doors to other deals, and satisfaction of having a high-profile project.

The purpose of this chapter is to outline the major issues encountered with developing a retail location for new construction or expansion in an urban neighborhood setting. Information is presented on the magnitude of inner-city retail construction in selected Midwestern cities since 1980, including housing starts over the same period. Some of the problematic issues facing developers are discussed, such as data analysis, site assembly, and project financing. Because of high development costs and resulting failure of the private markets to move forward without government

assistance, the key factor to a successful retail project is the gap financing from public or quasi-public entities.

II. New Retail Development In Midwestern U.S. Cities

Retail redevelopment in major metropolitan areas such as New York, Chicago, and Los Angeles has been well documented in the popular press (see Nelson (1994), Bookout (1993), Suchman (1993), Alpert (1991), ULI Advisory Services Panel (1990), and Bennet (1988)). Redevelopment in these markets, due to the diversity of their respective economic bases and greater access to capital markets, has occurred more frequently compared with smaller, less diverse urban areas such as those found in the core and periphery of the U.S. Midwest. Substantial retail redevelopment is observed in the central cities of nine selected Midwestern urban areas, some of which have experienced substantial economic decline. The cities in the sample for this study are Buffalo, Cincinnati, Cleveland, Detroit, Ft. Wayne, and Pittsburgh. Three smaller cities at the periphery of the Midwest are also included: Harrisburg (PA), Lexington and Syracuse. The National Shopping Center Directory is utilized to document trends in new retail space in regional, neighborhood, and community shopping centers over the 1980-1992 period. These figures are then compared to total standing inventory of existing retail space. The regional centers are

typically larger (over 300,000 square feet of net leasable space), located downtown, and serve daytime office workers as well as out of town shoppers. The community and neighborhood centers are more typical of niche markets and are likely to be located in central city neighborhoods. Community sized centers (usually over 100,000 square feet) typically are anchored by a full sized supermarket and another large store. Neighborhood centers are smaller (under 100,000 square feet) and have a local supermarket or drugstore anchor.

Retail Supply

Two graphs have been constructed to portray trends in new inner-city retail construction. Exhibit 1 provides a year-by-year total of retail space for the nine cities. Over the 13 years observed, 103 projects totalling 16.1 million square feet of neighborhood, community and regional retail space were constructed and opened in the central cities. Of this total, the retail niche market space (neighborhood and community centers) represented 11.2 million square feet. Building activity was weakest during recessionary periods, and strongest between 1983 and 1991. 1992 activity was off by over half from 1991 levels, due in part to the recession and discontinuation of government assisted funding programs such as Urban Development Action Grants (UDAG).

In Exhibit 2, the trend is shown for the individual cities

where the 1980-92 construction activity, in square footage, is assessed as a percentage of total standing reported retail inventory within the respective cities. The proportion ranges from a low of 21% for Cleveland to a high of almost 60% for Harrisburg, with an average of 37%. Hence, substantial construction of new retail space through regional, neighborhood and community shopping centers is evident in all the cities in this study.

New Housing Construction

What demand factors have been driving this new retail construction? There has been a modest number of new housing units built in the above central cities. As Exhibit 3 shows, new private residential construction in the nine central cities was generally stable over the study period. A total of 60,000 new units was built over the time period, a combined average of about 5,500 new units per year. The central city percentage of new metropolitan-wide housing starts also remained stable, at about 10% (U.S. Department of Commerce 1981-1991).

The fact that development retail activity was strong despite generally flat overall housing starts indicates a problem (the "ecological fallacy") in using aggregated city-wide level data to explain the growth of smaller, retail niche markets. In other words, the relatively low level of housing starts at the municipal level may mask market opportunities in smaller geographic areas,

such as those served by neighborhood or community shopping centers. Because of this, housing projections for the smaller geographic sub-areas that constitute community or neighborhood retail market areas should be included as a part of any market analysis for a prospective community or neighborhood retail project. For example, developers of the Church Square retail development near Cleveland's Hough neighborhood benefitted from 400 new housing units in the project market area over a several year period, and converted this to strong public and private financial commitments (Reisenfeld, 1994). Although this modest housing activity would not dominate city level data, businesses associated with the project saw the housing plans as bolstering the strength of the local market area. The same was true for the established grocery store chain First National Supermarkets Inc. (Finast) of Cleveland, Ohio. Finast was more confident about opening a superstore in the predominantly African-American Glenville neighborhood on the city's east side in 1987 knowing that 80 new middle income housing units were under construction at the same time and plans for more units were underway (Milbank, 1992). For similar reasons, projects have been undertaken by the Kroger Company in Cincinnati, Ohio, and Atlanta, Georgia (Congressional Research Service, 1992).

New rooftops in an older urban neighborhood can play an important role in attracting new retail development. However, as the examples show, the strength of the smaller geographic retail markets cannot be ascertained by studying the trends expressed with

city level data, which for Cleveland were "no growth" in terms of net housing starts. Some cities interested in promoting inner-city revitalization have concentrated on financial inducements to new housing. In Cleveland, for example, the city's new housing subsidies for land, environmental remediation, infrastructure, property tax abatement and below market mortgages have averaged over \$25,000 per new unit for housing projects initiated between 1990 and 1992 (Simons and Sharkey, 1993).

Although central city new housing development is always a benefit for inner-city retail development, new rooftops are not always essential. Development of some retail niche projects are possible when there is weak retail competition with functionally obsolete space (e.g., on old streetcar lines).

III. Challenges To Developing A Successful Retail Project

Demographics and Data Analysis

Many retail niches in the central city are often overlooked due to the demographic differences of these areas compared to the conventional suburban location. The demographic makeup of these urban markets often includes a high percentage of lower-income, minority residents whose retail expenditure and travel patterns differ significantly from the average American household. For example, the 1989 median household income in the nine central cities was \$20,500, much less than the \$30,500 national average for

the same year. A higher percent of the inner-city households in the sample were living under the poverty line (31% as opposed to 13.5% nationally). In the nine inner-city markets, 33% of households are African-American, compared with 11% nationally (U.S. Department of Commerce, Bureau of the Census, 1990).

Mobility patterns are also different: the percentage of central city households in our sample without access to an automobile was 28%, compared with the national percentage of 8% (U.S. Department of Commerce, Bureau of the Census 1990). Thus, traffic counts utilized by conventional market analyses will not have the same impact on studies for prospective retail developments located in central city neighborhoods. Public transit connections are, in many cases, underestimated in these analyses as well. In both cases, traffic counts and public transit, the number of prospective shoppers for a central city retail project may be underestimated. In any case, within the context of weak competition, limited shopper mobility in central city neighborhoods is an attractive feature to supermarket operators looking for new locations (MacDonald and Nelson, 1991).

Because of concentrated ethnic populations in some inner-city neighborhoods, a store manager in a central city location can take advantage of ethnic food and housewares markets that would not be feasible in more diverse suburban areas. For example, a Finast grocery store manager in a predominantly hispanic section of Cleveland, Ohio was able to target market and take advantage of the

demographic make-up of his clientele by offering traditional Caribbean staples as fresh yuca, plantain, goya beans, and 20 pound bags of Spanish rice in the "Puerto Rican aisle." Customers looked at this as not only a good service, but as a sincere gesture of respect from Finast to the local community (Milbank, 1992). Other common services offered by inner-city merchants include free check cashing and delivery services for the elderly.

Hence, lower-income residents represent a very large untapped market for many goods, especially necessities. For example, households with an average income of \$12,500 spend 15.5% of their income on food at home (typically purchased at a supermarket or convenience store), whereas households with an income approximating the national average spend only 8.0% of their income on food at home (U.S. Department of Labor, Consumer Expenditure Survey, 1990). A similar pattern is apparent for other necessities such as medicinal drugs. Conventional data sources used in market analyses, such as the Census of Retail Trade, represent aggregated, regional or national average figures, which tend to underestimate demand potential for certain goods and services in inner-city markets. Additionally, conventional market analyses often understate the spending power of urban neighborhoods because in-kind subsidies (food stamps, public housing, and Medicaid) are almost never included in income data utilized by market analysts (Alpert 1991). This omission contributes to a situation where market demand for many convenience retail services may be further

understated, leading to limited development activity and failure of private markets to exploit a potential retail niche.

One solution is to provide more accurate market studies of inner-city retail markets. Some local governments, often using community development block grant funds (CDBG), and non-profit organizations such as LISC (Local Initiatives Support Corporation) provide seed money to fund market studies.

While there are many steps and data sources required, the methodology for performing an inner-city retail market analysis is straightforward. It requires the mixing of several federal data sources such as the U.S. Census of Population and Housing, Census of Service Industries, Census of Retail Trade, Survey of Current Business, and Bureau of Labor Consumer Expenditure Survey. Private sources such as the ULI Dollars & Cents of Shopping Centers are also important. The researcher should also expect to conduct a number of primary data gathering tasks, such as consumer surveys and windshield surveys of competing space. Local governments are also good sources of data for property tax records, traffic surveys, and consumer demand surveys.

In Exhibit 4, an example of how this methodology was applied to the Union-Miles neighborhood on Cleveland's east side is provided. The proposed retail location is currently underserved, and is one of several sites targeted for redevelopment in the City's long range Vision 2000 Plan. The study area is a stable, predominantly African-American neighborhood with a 1989 median

household income of \$22,000, and a total market area income (exclusive of in-kind) of \$203 million. The spreadsheet shown in Exhibit 4 includes numerous retail lines or services (rows) and nine steps (columns), some of which require three or four data sources. On the far right hand side is the result of the market niche analysis for each retail good or service, represented in net supportable square footage. A positive number indicates an underserved market segment, and negative signs show overbuilt store types. For this market area, the major underserved retail niches are supermarket, drugstore, and restaurant without liquor. Many of the market demand assumptions in this exhibit could be applied to similar inner-city retail markets with comparable income levels. A not-for-profit community development corporation is currently attempting to line up a private developer and financial support for the project (Bellamy, 1994).

Site Assembly

The presence of unmet market demand is a necessary, but not sufficient condition for a successful inner-city retail center. In other words, certain stores (supermarket anchors) may have a favorable business environment, but this does not assure the real estate developer of a viable retail project. A key step in putting together a viable inner-city niche project is land assembly, and a timely and affordable assembly of a well located, sufficiently

large and clean inner-city retail expansion site. This can be extremely difficult due to environmental problems and the large number of parcels involved. The resulting delay may be a major factor in termination of many potential deals because the market window for the project may close, due to competition or an increase in financing costs. This market failure has also prompted a larger role by local governments to assist developers by providing assembled sites and project financing. Parcel assemblage is more important for real estate developers than for retailers, who often lease space. By and large, it is the developer who takes the responsibility of devising, constructing, and implementing a community retail project, often by acquiring an existing commercial strip, using it as a nucleus, and expanding the site along the periphery. Major retailers, such as supermarkets and drug stores, act as the drawing power for secondary retail services that may be included in the project and for prospective customers. Major supermarket retailers, such as Kroger, rarely function as developers for prospective retail projects, preferring instead to lease space (Kroger, 1994).

There are several initial criteria an acceptable retail site must possess. In general, it must be at or near the center of an underserved market area, preferably one with some new housing under construction. It must have adequate access and visibility. At a minimum, the location should be at an intersection with major arterial and minor arterial streets with 2-4 lanes of traffic plus

parking, have heavy automobile traffic (e.g., over 20,000 auto trips per day on one street), and be adequately served with public transportation. Local automobile access rates should also be factored into this assessment.

Provided these locational criteria have been met, there comes a next layer of problems: assembling and obtaining ownership of a clean site that is adequately large (especially with respect to visible parking) and free of obstructing buildings. Due to age and location, nearly all good central city retail niche market sites have one or more previous uses (above and beyond existing use). These sites may be associated with known or unknown environmental contamination from leaky underground storage tanks, tainted soils, asbestos and lead in standing buildings, and construction and demolition debris. Usually these conditions require that a Phase I environmental assessment (including a review of historical documents such as old fire insurance maps) be conducted for these properties prior at some point in the acquisition stage of the project. If unforeseen contamination is discovered, these environmental clean-up costs can add hundreds of thousands, or even millions, of dollars to site assembly costs. Thus, a site may cost more than it is worth as a completed project, resulting in a financing "gap".

Inner-city assembly sites are also likely to be small (one or two city lots, or about 1/4 of an acre). Hence, in order to assemble a large enough site (e.g., 7-10 acres for a 100,000 square

foot center) it is not uncommon for there to be over twenty different parcels involved. Further, if some of these parcels are inherited, they may not all have clear title (due to liens, heirs which cannot be found., etc.) Thus, assembling the small lots required to assemble a viable site increases the number of actors in the deal substantially. If site control is partially accomplished with real estate purchase options, these may have to be renewed periodically. The developer is faced with the difficult task of trying to keep information about the project quiet until site assembly is complete, or risk having one or two "holdout" owners threaten site assembly and receive much higher prices for their strategic properties.

The accumulated problems associated with assembling inner-city retail sites may also cause delays, which could then result in the project missing a market window (i.e., be beat out by a competitor in an alternative location, or have interest rates rise to the point where the deal is not feasible from a financing standpoint). Thus, many developers do not even attempt to assemble properties, which has again led to unexploited market niches.

Local development corporations often play a constructive role in putting together a project. Their support is typically required for a project to qualify for Community Development Block Grant (CDBG) funding allocated by cities. However, some local factions are more oriented toward historic preservation or retaining urban form, and may oppose clearing the site of any functionally obsolete

buildings (from the streetcar retail days). If left in place, these structures could obscure project visibility, making the site less desirable to retailers. Also, lack of local community support can delay the project, increasing carrying costs because "time is money".

As a response to market failure, local governments have recently played an increasingly larger role in successful development of inner-city retail projects. Activities are usually based in community, economic development or planning departments, and involve site assembly and long term gap financing, usually with CDBG resources. Of course, local government is interested in supporting these projects for several reasons: they are generally popular with the voters; they slow or reverse population loss; and they increase the property and/or sales tax base by keeping city residents' retail expenditures from "leaking out" to the suburbs.

Site assembly and helping developers finance the cleaning of sites to environmentally acceptable levels is a key activity to cure market failure. Some cities such as Cleveland, New York, and others have a "land bank" where properties are acquired through property tax foreclosure, and held until the time is right for redevelopment. Local governments, which are motivated to participate to stabilize inner-city areas and dispense federal dollars, may use their police powers to acquire land through eminent domain, if they can demonstrate that the area constitutes urban blight. However, conducting these studies can take several

years, and market opportunities can be missed. Overall, the city role in assembling sites is crucial in the success of assembling an acceptable, clean, inner-city retail niche location.

Two recent projects in Cleveland illustrate the complexities associated with site assembly. Glenville Plaza is a 32,000 square foot L-shaped neighborhood strip center on 5.4 acres anchored by a drug store. The center, which opened in 1991, also has a fast food outlet. According to lead developer Morton Q. Levin, there were 15 parcels included in the project site, and it took over three years to assemble. Land costs were, \$300,000. Late in the site preparation process, (which cost an additional \$500,000) unexpected environmental problems were encountered, which added \$140,000 to the project cost of just over \$3 million. Minority partner, Dominic Ozanne, was responsible for project construction and management. Their expertise as attorneys was very useful in negotiating down outstanding liens from \$600,000 to \$8,000 on one parcel. The city played an important role in donating property from the Department of Community Development's Land Bank, providing CDBG funds to cover part of the environmental problem, and lining up a \$850,000 UDAG loan at 0% for 15 years. Total project cost (exclusive of donated land) was about \$93 per square foot (Levin, 1994). The project has additional on-site security, which adds \$1.75 per square foot per year to common area charges and effectively reduces developer revenue. The project's rate of return was below expectations for the first three years. Cash flow

has now stabilized at a level comparable with similar suburban centers. However, the "upside" of the deal is less attractive because owner equity is reduced substantially by the UDAG loan which must be repaid after 15 years.

Church Square is a 110,000 square foot supermarket-anchored retail center opened in 1993. It is located in an inner-city neighborhood with over 80 churches which had experienced sharp population decline since 1960. The site is also very close to the Cleveland Clinic medical center, which has over 30,000 daytime employees. Church Square was originally conceived as a large community shopping center on 20 acres anchored by a Zayre's department store, but the project missed the market window when Zayre's was acquired by Ames, which subsequently filed for bankruptcy protection. Church Square was then recast as a neighborhood retail center on 8 acres, with the balance to be devoted to housing. Developer Hal Reisenfeld reports that the site assembly process took several years, with over 80 different parcels to be acquired from 60 owners. Again, Cleveland's Community Development Department supported the project by donating tax foreclosed property from the land bank and by using eminent domain to condemn and acquire blighted property (Reisenfeld 1994). The development team also included a non-profit partner, which was key in lining up political and financial support for the project. The project team went through several iterations. Total project cost, including interim financing over the six year development period,

was over \$140 per square foot. Project sales so far are well above expectations. Consistent with other successful inner-city retail projects (Titus, 1990), Church Square has a visible security presence, with a part time security force and off-duty police officers.

Pressure from urban planners and community groups required the developer to construct two small office buildings as part of the project, in order to make the center's urban form more compatible with the traditional urban landscape. This space is as yet unleased, and also marginally reduces the visibility of the retail center from the street, as does a large freestanding building at the corner. Despite these minor impediments, the center is busy, and has many tenants of national stature.

Financing Problems

Assuming that a developer has found a location and obtained control of a site, the next major hurdle is putting together a financing package that makes the deal viable. Because of the increased risk associated with inner-city projects, expected rates-of-return for the developer and security provisions for the lenders are high. Further, site assembly costs usually are higher than for suburban projects, and the developer's cash position and time investment in inner-city retail deals are likewise greater than for "cookie cutter" suburban projects. Typical development costs for

the two Cleveland cases discussed above and for a non-random sample of nine other neighborhood sized inner-city projects listed in the National Shopping Center Directory were \$110 per square foot, substantially more than a comparable suburban center on green field (virgin) land. The difference, or gap, between project value (present worth of net income from tenants) and actual project cost is potentially a fatal problem for financing of inner-city retail sites, since the typical gap may be between 10% to 40% of total project cost.

Fortunately, getting conventional first lenders to participate in inner-city retail projects is easier now, due to the Community Reinvestment Act (CRA), which requires all lenders to make loans in the market areas where they obtain deposits. In the past, inner-city retail deals were considered by many lenders to be too risky, due to perception that there was a high potential of project failure, and thus mortgage default. More recently, vigorous enforcement of CRA provisions (sometimes accompanied by signing of formal loan volume commitments between city and lender) has motivated many lenders to actively seek out financing projects in central cities. Often, these banks may create wholly-owned subsidiaries, called development banks, to undertake risky projects. However, to minimize risk and get the greatest political return, the deal structure of many inner-city retail deals has included a larger than normal number of financing entities. It is not unusual for a project to have three or more senior lenders

involved, and more than one in a shared-first mortgage position . Each bank has its own lending c riteria and paperwork requirements. Developers contemplating an inn er-city retail project should value the importance of political ret urn to non-equity players for these types of projects.

Assuming first mortgage money is available, the more difficul t issue is where the developer can obtain gap financing. Community Development Block Grants administered by local governments co ntinue to be a premier source for these retail projects. Through 1990 , the UDAG program, also administered through city communit y development, was a prime source of funds for inner-city retai l projects. In the 1980's, cities distributed CDBG and UDAG fund s for worthy projects. However, since the latter program was no t continued (only UDAG repayments are currently available, a muc h smaller amount of money), innovative local solutions are needed.

In Cleveland, a city-wide non-profit group called Neighborhoo d Progress, Inc. (NPI) has played a key role in providing ga p financing for many retail projects, as well as housing ventures . Operating with a capital pool of over \$7 million endowed by s everal business and philanthropic organizations, NPI usually issues junior mortgages, participates as an equity partner, and packages cr eative financing to fund the gap for worthy retail projects, especiall y those which stimulate further new development. Over 100 loan s have been made (for both retail and housing) since 1990 (Berusch, 1994). One of the more innovative concepts is a linked deposit, where a

donor agrees to deposit a large sum at a financial institution, and accept a below market rate of return on capital. The financial institution would then loan money to the project developer, plugging the gap.

The financing gap for the Church Square project was very large. The project was therefore heavily subsidized, requiring over \$3.5 million in UDAG funds, plus substantial below-market gap financing from NPI. The developer in inner-city retail projects is typically left with a fairly large equity requirement. For this reason, an ideal developer would also have another real estate related income stream from the project, such as project management or leasing. Without the additional income from these sources, the developer's expected rate-of-return may not be attractive enough to induce him/her to proceed. Both of our Cleveland developers expressed reluctance to engage in another inner-city retail project, largely due to financial outcomes being below expectations.

IV. Synthesis And Conclusions

This chapter addresses the emerging megatrend toward development of inner-city retail niche markets. Due in part to retail market saturation in suburban areas, there has been substantial interest and activity in development of inner-city

retail niche markets, with many Midwestern cities experiencing a resurgence of new neighborhood and community retail shopping centers (even as overall population is declining). The potential advantages to the developer of serving these predominantly lower-income markets are low competition, a viable long-term retail niche, brisk sales and a loyal customer base. Developers face several difficulties in redeveloping inner-city sites. Accurate data on residents' spending patterns are difficult to obtain, especially for necessities like food, because food stamp spending power is not included in income data. This may underestimate potential demand and make it more difficult to attract development partners and anchor tenants. However, some grocery chains, such as Finast and Kroger, have seen this potential, and have been actively opening inner-city sites in recent years (although in many cases they lease rather than own the space they occupy).

Developers also face difficulties in assembling environmentally clean, suitably large, well located retail sites at a reasonable cost. It would be prudent to set aside funds for environmental Phase 1 studies for property acquisitions, and leave a larger than normal contingency for environmental surprises. There are often many existing owners and heirs which may not be easy to find. Developers should identify strategically located problem parcels in advance. Some parcels may be in the property tax foreclosure process or have liens on them. In many cities, assembling a suitable site in a timely manner is almost impossible

without the assistance of a local government partner to expedite the process through eminent domain or other means. This could include helping in parcel assembly and providing grants to remediate environmental problems. Cost of land underlying inner-city retail centers is likely to be much higher than for similarly sized suburban centers, leading to a financing gap. Developers should allow for more time than expected to assemble an inner-city retail niche site.

Financing inner-city retail projects may include more than one lender, a non-profit organization (so the developer can access government CDBG funds) and a developer team with one or more equity partners. Without a benevolent lender willing to take a higher-risk junior mortgage, and the additional support of an active local government partner, most inner-city retail projects will not get built. Developers interested in doing an inner-city retail project should also find patient investors who can accept a modest rate-of-return, value a social return on investment, and can handle late cash calls. In general, the large number of players during property acquisition, financing, and development may place undue time, cash and paperwork requirements on a developer. This could potentially kill many a deal through the complexity of joint action (Pressman and Wildavsky, 1984).

Until vacancy rates in suburban retail markets dip into the single digit range, retail developers will be forced to seriously consider inner-city projects. These complex deals are not for the

faint-of-heart, since they require a keen understanding of the market, financial strength, stamina, political connections, and most likely, a developer with another real estate revenue source such as leasing and/or construction management. Potential developers should also recognize the value of social or political returns from this type of project. Developers interested in pursuing an inner-city retail niche project should include an experienced advisor with both local political connections and financial acumen on the project team.

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