

The Untapped Urban Market: Attracting Business to the Inner City
Buffalo – May 1, 2001
Panel Discussion

Panelists

Archie Amos: Buffalo Economic Renaissance Corporation
P. Jefferson Armistead: Local Initiatives Support Corporation
Robert Bannister: Fannie Mae
Shelly Herman: Shorebank, Inc.
Claire Kaplan: Initiative for a Competitive Inner City
Bruce Katz: Brookings Institution
Margaret Murphy: Consultant, MidTown Cleveland
Henry Taylor: University at Buffalo Department of Planning

Q. What is the ideal role of non-profits involved in retail initiatives?

Armistead: The CDCs (community development corporations) or non-profits serve as developers and owners of the real estate; they take title, manage the development and lease the space. They use their expertise to manage the property and, if there are any, reinvest profits in the community.

Q. How much community organizing is involved?

Armistead: CDCs tend to be both community organizers/advocates and highly skilled developers. At any given time a CDC may be concentrating more on one role than the other. CDCs that are large enough and expert enough to be able to handle the challenges associated with developing a neighborhood retail center must be able to handle the political challenges as well. They need political skill in order to overcome the hurdles, including the tensions within the community about who wants a store and who doesn't.

Herman: Some retailers really want to partner with the community; they attribute the success of their stores to community groups helping them get the product mix right, understand the different populations that are there, get the advertising right, and also the employment piece -- linking them with the people in the community.

Q. Could the panel comment on Henry Taylor's introductory remarks? Specifically, on the challenge of trying to get an economic development strategy going when faced with the barrier of poverty, which is synonymous with race and color. How have other communities dealt with this challenge? And how can you have economic development without having the gentrification affect so that the indigenous population is not pushed out?

Bannister: A fundamental aspect is to develop a housing component as an integral part of any program. Housing and business investments should go together. The principal way people invest in their community is through home ownership. Home ownership provides an anchor in the community. The average net worth of a family that owns a home is \$107,000; the average net worth of a renter is \$4,300. Home ownership is part of the answer.

Katz: If we look at the common themes today, there has been a focus on the competitive disadvantages of inner-city and urban markets. There has been discussion of the information failure: the private sector has underestimated the potential of the inner cities because it uses standard indicators that are more based on middle class communities than inner-city markets. A lot of the focus has also been on government barriers that lead to competitive disadvantages, particularly around the assembly of land and the disposition of government-owned land. So before you even get to discussions of race and poverty, which are critical issues, you need to remove the barriers that prevent businesses from considering inner-city locations. On gentrification: these are not just housing markets and commercial markets and labor markets. We must link economic development to workforce development, which in this country have historically been separated. When it comes to inner-city economic development, we must ask: does it raise the incomes and create job potential for the people who live there? I'm not sure gentrification should be put towards the front of the conversation in Buffalo. Buffalo is not Atlanta or Oakland or Boston. Instead I think we should first focus on the issues of income raising and asset building.

Taylor: We should not only criticize, but propose solutions as well. There are firms located in the inner city (in Buffalo) and a high concentration of economic activity, but the people who live there aren't connected to it. When it comes to the Fruit Belt (Buffalo) Medical corridor, there needs to be joint planning with the people in the neighborhood and the development of collaborative strategies. We need landscaping and streetscaping in the entire Fruit Belt community, not just in a small section. We think joint housing strategies are great, but we want those people (employees) to live in the Fruit Belt, not across the street in Allentown. We also believe that the methods that are used to finance urban development are inadequate. There are a lot of infrastructure costs associated with housing and commercial development and the existing methods that we use are inadequate. We are talking with the Buffalo Economic Renaissance Corporation and the Buffalo Office of Strategic Planning about using tax increment financing as a method of leveraging the funds needed for urban development. I disagree that we don't need to look at gentrification. Nobody thought that gentrification would take place in Harlem, Atlanta or Cincinnati, but it happened. I think there are some things we can do up front to deal with it. We have to make property tax more progressive, where we take income into consideration, and we must shift from the current system to land-value taxation. We also have to look hard at the crazy quilt of tax abatements; we have things like parking lots getting tax abatements in inner cities. We have to create strategies that are based upon partnerships between businesses and the neighborhoods in which they are located. And the residents must be full partners. Here is where I disagree with those who say that the private sector can lead this. The private sector has to be an important partner, but we have to raise civic society to a level of leadership. Economic development projects must involve residents. And when residents are invited to sit on a board for a project, the community should select the representative instead of having the person handpicked by the organization. I think we are making some huge strides in these areas, and I am sure we can resolve the issues regarding the Buffalo Medical corridor. But we have to acknowledge that this is a huge problem across the country that is keeping us from transforming inner-city development into inner-city development that benefits everybody in the community.

Q. It's been said that there needs to be a shift in focus from community deficiencies and subsidies to one of private investment. Government has been trying to use subsidies and tax breaks to lure companies to Buffalo and Niagara Falls for years and it doesn't seem to work. How did Cleveland do it; were there a lot of subsidies involved?

Murphy: At the time, there were few subsidies available in Cleveland. The real strength was working with the local banks, the reinvestment coming from the banks. There were some small business loans and tax incentives coming from the city of Cleveland, but this was not the big issue. The big issue was information: getting a listing of all the vacant property and then communicating that to the real estate industry. Then when you started to get interest and business growth, a lot of it came from the local businesses -- we started to build momentum from within. Things became more complicated once the businesses were there and needed to expand. Then it became necessary to use every tool available, and by that time in the 1990s there were a number of financing tools. I cannot say whether certain tax incentives are critical or not, but they are not the biggest issue. The biggest issue is the cost of land and the whole issue of land clearance.

Kaplan: Tax incentives focus on attracting new companies into an area. In many cases we see local officials have not talked to the companies already located in their city. We have seen cities lose strong growing companies because they are focusing all their attention on attracting new companies with special incentives. Existing businesses ask why they don't get the same advantages. Cities need to focus more attention on the businesses that are already there, that are presumably there because they have some competitive advantage at that location. A subsidy implies that we know there are problems and we're going to pay you to come here. More focus needs to be on boosting that area's ability to compete and making it an attractive location for business. That is the only way that sustainable economic development will take place. Another problem is when large economic development projects try to bring in one company or a stadium without a cohesive strategy to make it work. We try to create strategies along with those large projects to increase their benefits, such as promoting local entrepreneurship and working on supplier development and workforce development. If you are going to use subsidies you need to put strategies in place to make sure key investments are successful in creating jobs and income for the communities you are trying to serve.

Taylor: Infrastructure development is another important strategy – landscaping and streetscaping where businesses locate. Building strong neighborhoods also has to be seen as an economic development strategy. Businesses are much more likely to locate in neighborhoods that are seen as safe, clean and well maintained.

Q. We have not touched on the issue of urban design. The medical campus (in Buffalo) is a classic example of a barrier between the city and the neighborhood. The buildings are built like a fortress, with the utilities, parking lots and rusting fences facing the neighborhood and dividing it from the rest of the city. In order to facilitate many of the proposals that we've heard today, you have to think beyond the economics of it, beyond cleaning up the environment, and consider the physical functioning of the city.

Q. I work for a CDC, and have discovered that apathy in the community is huge. It is difficult enough to get people to come to a PTA meeting, let alone become involved in these types of issues. I have had to act as a translator between the community and government because they don't trust each other. Do CDCs (community development corporations) often play this kind of role; should they?

Taylor: In inner city communities, we have created an entire infrastructure to get people not to dream. I was at a meeting where the plans for the world-class medical campus were enthusiastically presented, but when we talked about building a world-class neighborhood nearby, these same people thought we were improperly raising expectations. The message here is

that it's okay to dream on one side of the street, but on the other side, if you dream at all, you should dream little dreams. You have to get people to dream. People have to believe that their communities can be transformed. In order to get them involved, they have to believe something can happen. We believe that the neighborhood residents have to take the lead in neighborhood development. Some say others have to lead. What if the civil rights movement would have been lead by corporate executives, Wall Street moguls and college presidents? Archie (Amos) and I would still be on the back of the bus. We will be launching a major project to work on the social development side; because we call for radical reconstruction of these neighborhoods, not little settlement houses. You need to work on both sides. You must change the people in these neighborhoods as well as the physical and economic environments.

Armistead: From what I've seen, CDCs have played a very powerful role in expressing the dreams, hopes and plans of a community. LISC tries to connect with that vision and help provide the resources needed to achieve it. That's what the community-based movement is about, that there is a vision within a community. Ask the right questions, and you'll find out what that vision is.

Q. It seems that in Buffalo we can't get anything done. Every time we seem to be making progress, someone steps in to stop the process. Every time we have a grand plan, it gets held up or stopped because everyone's pushing his or her own agenda.

Amos: Buffalo's governmental system at the city and county level is too large for its population. In the block grant program we have too many players -- you have to break that pie up so that you really don't see any result from the block grant dollars. We need to restructure the council so there will be fewer objectives -- and more cohesiveness around the remaining issues so plans have the opportunity to come to fruition. So you're right, a grand plan gets strung out and then six months down the line it gets watered down because of individual agendas.

Taylor: I have a slightly different take: we're too conservative in this town. There's a general fear of bold and creative ideas, and there's not a vision of where we see ourselves going. I'm a big proponent of regionalism, but there's no regionalism vision (in Buffalo). Regionalism here is how to save some money. In the absence of a vision, all you end up with is squabbling. So to break this logjam, we have to come forward with good, solid plans and then get these breakthrough projects where we can demonstrate that if we do things this way instead of that way, we can make things happen. In terms of council size, if you look around the country, there's no relationship between the size of the council and how well a city is run. Overall, I believe we have made substantial progress the last ten years. If we can continue this momentum, I think that over the next few years we will have some major breakthroughs. I'm very optimistic about the immediate future, and I think we're on the cusp of getting past these issues that have led to impasse in the past.

Bannister: If everything is a priority, then nothing is a priority. Sometimes city officials have to say no to certain proposals from interest groups. They need to be told we'll get there but there are some things we have to do first. I think there is a vision in Buffalo, I've seen the master plans. But you must start to implement those plans. You must consolidate your resources, get a critical mass, and not try to do everything at once. The alignment of the political vision and resources has to come together to get something done.

Katz: I would raise the question to the broader region. The 2000 Census shows that the northeast is in decline. There is a market issue in upstate New York and throughout most of New England that is based in things you can't change, like the weather, and things that you can change: high taxes and utility costs for example. What hasn't happened in this state and throughout most of the northeast is the development of a common agenda among Buffalo, Rochester, Syracuse, Albany, etc. to deal with the structural barriers to creating a healthy business climate and then connecting some of that growth to inner-city residents. You've basically stayed the course. But at some point we must look at state policy. Localities can only do so much, even if they do take the bold step of regional collaboration or consolidation. The state is really the right level for investment, for removing barriers, for creating a better climate for market activity. This state doesn't have it. Upstate New York did not participate in the longest economic expansion in history. At what point do you say we can't continue with business as usual?

Amos: There is a vision. If you walk into the mayor's office or the county executive's office, you can see it. There isn't an overall vision because the community at large isn't aware of it -- they're not connected to that vision. There has to be a mechanism so that the larger community has an opportunity to buy into and support that vision. That's not happening. There's a vision on paper, but there's a huge disconnect with the Buffalo-Niagara community.

Q. The conversation has been fruitful, but I think we have focused on some issues in a somewhat superficial manner. We've talked about urban labor markets and inner cities as consumer markets, but we haven't talked about the tremendous degree of segregation that takes place within urban labor markets -- how women and minorities are concentrated in low-paying jobs. We also have failed to discuss the tremendous residential segregation in Western New York. These issues have an impact on urban consumer and labor markets. The real wages of African American individuals in Western New York have decreased every year for the last 25 years; the incomes of African American households have decreased every year. We've talked about some of the barriers to inner-city economic growth, but we have not talked about racial and gender discrimination, which also impact labor and consumer markets.

Taylor: I believe the heart of those issues centers on the fact that we have hundreds of jobs and industries within the minority community but the residents don't have linkages and connections to those jobs. That automatically leads to high levels of poverty and other problems. But high levels of poverty, even with falling wages, do not mean that there are not considerable economic resources in those neighborhoods that are not being taken advantage of. And a lot of the structurally racist forces like the property tax system and other elements are a big part of the problem. If we begin to build linkages and connections between the businesses located in the minority community and the people who live there, we can create pathways that increase economic mobility. But first we must first figure out how to make the connections, and then reset priorities so that you begin to redevelop the neighborhoods and rebuild the communities. If you do that, then whether you call it racism or not, you've broken the structures of racism.

Bannister: We must close the homeownership gap. Minorities in urban areas have missed out on the growth in home ownership. Homeownership helps to build community wealth. Also, we've talked about the outflight of jobs and population from this area. This loss of jobs disproportionately affects the minority population. When businesses leave an area, the people who remain are stranded. We must develop a community-wide plan that addresses the problems that are causing the loss of businesses. Bring back jobs, bring back investments and the rising tide will lift all boats.

Murphy: With MidTown Cleveland, we were an inner-city non-profit development corporation. Therefore, we always believed we had to connect to the neighborhoods and provide jobs. We knew there had to be a match with the neighborhood residents, so we established a jobs program. But it takes an organizational capacity, a CDC capacity -- someone that speaks for the community -- to make those connections. We went into the public housing projects and tried to hire and match residents with local employers; we worked with the United Labor Agency, which had some programs. Then we got foundation money because we were successful with an initial goal of 100 employees from the neighborhood. Eventually empowerment zone funding took over the project, and quite frankly, control was lost and the process became much more bureaucratic, resulting in a disconnect between employer needs and community needs. The need for a connection between businesses and residents became clear to me when I saw a 1990 study by Case Western Reserve. It showed that there were 41,000 jobs in the empowerment zone, but 12,000 unemployed residents within a 30-minute walk of those jobs. The jobs were right there in their backyard. Everyone talks about the need to bus inner-city residents to jobs, but I say first you should look out your window and see what's already there.

Taylor: I'd like to say something about homeownership. In the Buffalo environment, with the kind of hyper-segregation that we see, homeownership has a different impact than it may have in other cities. I'm becoming increasingly convinced that in Buffalo homeownership does not lead to wealth production, but debt. Look at the resale values of many of the homes in the African American community; there's no equity in those resale values. So we need to strengthen the housing markets by widening them and by making the communities more attractive. If we don't do that, then the homeownership that we stress so heavily has a boomerang effect. I also think that in Buffalo we must get creative and look at things like land trusts that allow collective and cooperative homeownership and take people out of the rental market of these absentee owners. We've talked about knowing the context -- which I agree with—and in the context of this city (Buffalo) there are some tricky dynamics going on that we need to pay attention to if we want to create a situation where homeownership becomes a form of wealth production.

Q. In reference to creating linkages between minorities and industry: what are we doing to make sure that minorities have the skills to take those jobs? We are not really creative in this city when it comes to training. Not everybody can go to college. We have all these projects coming up: school construction, Adelphia, the Peace Bridge. If we want minorities to take those construction and other jobs shouldn't we be training them now? And shouldn't we be training our youth or anybody interested for those jobs? When those companies come here, we want a base of people who are skilled to take those jobs.

Taylor: The job training systems we have in place aren't very good. They are not connected to the marketplace; we don't know the skills of the residents and we don't know the skills that businesses need.

Amos: In reference to the Adelphia project – if we don't have the plan of operation, we won't know what jobs will be needed and we won't have the opportunity to train the workforce. Many of those jobs will be filled by people from other areas because our residents will not have the skills.

Q. The housing market is devalued in Rochester too. You alluded to some systematic changes that are needed in order to rectify the housing situation in cities? What are some practical first steps that you've seen implemented in other cities towards systemic change?

Taylor: There are a number of examples. In Chicago, they have a home equity program established where a certain party places a guaranteed equity after a certain amount of time. They do this by tapping into other existing funds. I think cities need to resist draconian cuts in property taxes because that sends shock waves throughout the area. We are doing some things in Buffalo, basically simple things, such as folding the rehabilitation cost in with a mortgage to form a single no-red-tape product. I think there are some things that the city can do, but doesn't, that could inspire a sense of confidence in a community, such as maintaining public spaces and providing small services that make people feel safe and secure about their investment. The bottom line is that cities have to develop a strategy for maintaining neighborhoods and developing confidence. But right now a lot of our efforts around city development seem to be one-sided: we only see economic development, and we don't seem to have a sense that many companies want to locate in a place with a high quality of life and stable neighborhoods. And so we have to fight with City Hall and others to convince them that building and strengthening neighborhoods, not just in the inner city but across the central city, inspires confidence in people.

Bannister: We constantly underestimate the profound impact of what has passed upstate New York by...in terms of economic expansion. The things that have caused businesses to move elsewhere have resulted in a drop in housing values. The percentage of vacant units is much higher in Buffalo than in Philadelphia, and you heard today of the bold steps they're taking. This is a serious problem for Buffalo. But the promise is great, for there are things on the horizon and there are incentives available that indicate that this area is poised for an economic revitalization. The vision is utilizing Niagara Falls, one of the seven "Wonders of the World", as the hub for international tourism fanning throughout New York State. The governor has proposed programs for Niagara Falls that are going to help this area. That's the approach we need to take; it's all interrelated. But it takes focus.

Q. From my experience, infrastructure is very important. In Chicago in the 1980s there was no housing value appreciation in the inner city; there were no people moving into the neighborhoods. As Shorebank was lending, people were worried about housing depreciation. The housing market came back in the late 1990s in large part due to infrastructure investment in the city, much of it related to the 1996 democratic convention. There has now been a significant amount of investment in the near-south and near-west-side neighborhoods and a renaissance in some of the African American inner-city communities. I really believe a big part of that was the way the neighborhoods looked, as well as thinking positively. It seems that in upstate New York we are always thinking negatively about what's happening here, instead of thinking about what can happen. As far as workforce development, I'd like to ask Shelly Herman if there has been some success in Chicago in getting inner-city businesses to hire from within the community. I know they weren't in the past.

Herman: We have had some success, and it's been due to a combination of two things: one is the use of Shorestaffing as a temporary service company to try to get local people into those jobs. As was talked about earlier, there were a lot of bias issues going on that were preventing people from getting hired. A second thing that happened was that a fund that had been set up to help local businesses began requiring the use of Shorestaffing's services in order to get a loan. They

did not necessarily have to hire local residents, but they had to use our employment agency, which tried to match local residents with job openings.

Q. We've talked about the perception of crime. In Rochester we have a business strip that is filled with kids hanging out on the street. Some are on drugs, some are not, but the perception is that all of them are. What can we do to change that perception? And what can we do to get the kids off the street?

Herman: Shorebank started a youth business because we wanted to help get kids off the street. When we went into the schools and asked kids why they were hanging out on the street, they said they didn't have anything else to do. Also, in Chicago, there is tremendous pressure to join a gang. So we've had to deal with the gang issue with that business. Students that participate say they are happy to have something to do after school. You have to give them alternatives.

Taylor: We believe that commercial strip development is one of the keys to community development. Commercial strips are a window on the community culture: vibrant strips mean vibrant neighborhoods; rundown strips mean rundown neighborhoods. I think the first thing is to talk to the kids. You need to find out why they're on the street. Find out what they would like to have other than the street corner. That's the first step in finding an alternative approach. You can't just force youths off the street; they'll just go somewhere else. You have to address the problem.

Kaplan: An entrepreneur in inner-city Detroit sat down with gang members to discuss his company what he was trying to do in their community. He talked about the issues of crime and the perception of crime and their impact on business development. And he asked them what they wanted. The gang members said they wanted real jobs, with steady wages, benefits and a career path. Many of those gang members are now employed in the entrepreneur's company. This was an individual with a vision for his community.

Amos: In Chicago, where the Cabrini-Green housing project is being torn down, there is that same issue of kids on the street and gangs as they try to attract businesses to the area. They have been able to get gang members to buy into the vision and play a role in the redevelopment of their neighborhood. They weren't the threat to the businesses that people had perceived because they bought into the vision.

Amistead: I'd like to make a comment that addresses the last few issues that have been brought up and that is based on my reflections of what really happens with community development in cities like Buffalo, Rochester, or Chicago. It's known as the "paradox of small beginnings." A lot of people look at the conditions in an inner-city neighborhood and think we need to solve everything. But then they don't know where to start and feel overwhelmed. One of the things that I've seen with CDCs is, as a way of starting the expression of that vision, they pick one thing and say "we're going to fix that house" or "we're going to get 20 kids in this neighborhood summer jobs." Out of that, we've seen some remarkable changes that started with just one house, and then one block, and then a whole neighborhood. Then you realize that if you are going to deal with commercial strip revitalization there are other issues you have to confront. For example, it's interesting that in every community where we have worked with a police community partnership there has been the development of a youth center, not by plan, but by process. If you're trying to get kids off the street, you realize that they need a place to go just like everybody else. In my experience, when you look at a city like New York and see that some neighborhoods are

declining while others close by are stabilizing or improving, it has to do in many cases with small things being done by people with vision in the neighborhood. So don't get overwhelmed by overall statistics. Take a look at the strength of what can be done on an individual basis and you can make some remarkable things happen.

Taylor: I agree that small steps are important. But we believe that there is a turning point beyond which development begins to accelerate. So we think it's important to develop strategic plans that will move things in an incremental fashion towards that turning point. Because unless they are able to push the neighborhood beyond that turning point, the improvements that are made are not going to lead to fundamental change. You need a strategic plan to give you a sense of where that turning point is and to guide you along in incremental steps to really turn things around.

Q. The loss of wealth in inner city communities is a big problem, particularly due to the so-called fringe financial institutions: pawn shops, check cashing services, etc. It seems to me that addressing this issue is a first step to keeping the wealth in the community. Are there any programs or strategies that have been undertaken in other areas?

Amos: One of the strategies of the Greater Buffalo Savings Bank is to get people who are spending money on check cashing to start savings accounts at their institution.

Taylor: I don't have an answer, but when we get involved in neighborhood development, it's key to think of structural problems that require structural solutions. So we must think about what kinds of institutional arrangements we need in these communities to create alternatives. That's where some real creative thinking starts to occur, because a lot of these things can generate further economic development. We have to think out of the box.

Bannister: We've done studies that show that minority populations pay much more than they have to for homeownership. One out of five subprime mortgages go to African Americans. Fannie Mae has a program to address this problem. Our Timely Payment Rewards Mortgage allows the lowering of the interest rate once a borrower shows a 24 consecutive-month history of payment.

Herman: On the issue of check cashing businesses: there are a network of community financial institutions like Shorebank that are trying to play a larger role in inner-city communities. But communities should also consider partnering with check cashing businesses because there are reasons why people go there. People may not be comfortable coming into our bank, or they think they get services from check cashers that they don't get from a community bank like Shorebank. What we do try to do is provide access to ways to save their money if they want to, and partnering is one way to do that.

Kaplan: As an example of another innovative solution that I've heard about, one company encouraged employees to directly deposit their paychecks into checking accounts. They also provided financial education to help their employees manage their personal finances.