

Retail in Underserved Communities

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About This Paper

This paper is based on a forum held at the Urban Land Institute on February 11–12, 2014. The forum was a cooperative effort of ULI; the Office of Policy Development and Research, U.S. Department of Housing and Urban Development; and the International Council of Shopping Centers.

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The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has more than 32,000 members worldwide, representing the entire spectrum of the land use and development disciplines. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

About the Office of Policy Development and Research, U.S. Department of Housing and Urban Development

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International Council of Shopping Centers

The mission of The International Council of Shopping Centers (ICSC) is to advance the shopping center industry and to promote its role in the commercial distribution of consumer goods and services.

Acronyms

HUD—U.S. Department of Housing and Urban Development

ICSC—International Council of Shopping Centers

LISC—Local Initiatives Support Corporation

NoMA—North of Massachusetts Avenue (Washington, D.C.)

NRCDC—Neighborhood Recovery Community Development Corporation (Houston)

PD&R—Office of Policy Development and Research, U.S. Department of Housing and Urban Development

ULI—Urban Land Institute

URA—Urban Redevelopment Authority (Pittsburgh)

USDA—U.S. Department of Agriculture

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Introduction

Leaders of the Urban Land Institute (ULI), the U.S. Department of Housing and Urban Development's Office of Policy, Development and Research (HUD PD&R), and the International Council of Shopping Centers (ICSC) convened to explore issues of retail in underserved communities. Thirty-five participants gathered in a forum at ULI's Washington, D.C., headquarters on February 11–12, 2014, to

- Share information from among the developers, public officials, and nonprofits;
- Identify lessons learned from a set of illustrative project examples; and
- Explore ways to overcome some development barriers.

This summary documents the discussions of the forum. Although this report focuses solely on retail, the increased market for urban apartments is dramatically expanding the array of successful mixed-use projects with both retail and apartments. This change in urban housing demand may provide new opportunities in underserved locations.

Defining an Underserved Community

The entire retail sector is undergoing dramatic change. The advent of e-shopping and the increasing seamlessness between online and in-store retailing has caused some observers to dub the current state of the retail industry as "creative destruction." Over the past five years the consolidation and shuttering of some major chains has been offset by new online retail businesses and formats. Despite this churn, some urban and rural markets remain underserved.

A lack of retailers in a given trade area is the intuitive definition of an underserved community. Extensive attention has been given to the lack of available and affordable fresh groceries in some communities, which are labeled "food deserts." The U.S. Department of Agriculture (USDA) defines a low-access community as one in which at least 500 persons and/or at least 33 percent of the census tract's population live more than one mile from a supermarket or large grocery store (ten miles in the case of nonmetropolitan census tracts). However, forum participants observed that the issue deserves a more nuanced explanation than a single definition. They proposed four situations in which a community may consider itself underserved:

- **Urban locations lacking businesses:** Closest to the USDA metropolitan definition, these markets lost stores over the past 30 years and are now largely served by expensive, independent, convenience-size businesses.
- **Underserved markets:** When a community desires better quality rather than more stores, it is an underserved market. In addition to an expanded array of stores, often lacking are expanded services from convenient health care, dry cleaners, beauty salons, banking, and other neighborhood conveniences.
- **Locations without cultural offerings:** With growing population diversity, many communities do not have basic foods and household items to meet changing neighborhood populations.

- **Isolated rural or small towns:** As increased competition brought pricing pressures that expanded the size of profitable trade areas, rural and small town populations lost stores. Residents had to travel greater distances to meet their needs or order more online. The USDA captured this condition in its definition of nonmetropolitan low-access communities.

Although all four conditions are challenging, the forum focused on the first three situations in urban areas. Three case examples highlighted the urban landscape: East Liberty in Pittsburgh typifies a severely underserved community that has been transformed over 20 years with major public support. Union Market in Washington, D.C., now offers a wider shopping experience, more cultural choices, and higher quality to a broad cross section of residents. Old Spanish Trail in Houston is still a work in progress and showcases both corridor development and the difficulties in obtaining and sustaining a full-service grocer.

What Factors Create Underserved Communities?

Each underserved market has its unique history. Although several causes are often identified as common to underserved markets, the essence of the problem is most often weak market conditions. The creation of a local economy where investors, property owners, government, and retailers make market-rate decisions and obtain satisfactory returns on investment is critical to success. Some factors to consider include those discussed below.

Site and Market Challenges

Although economic market conditions overall are an essential factor, some site-specific factors encourage or deter retail development from occurring in a timely manner.

- **Site availability and assembly:** In developed older urban communities, locating a sufficiently large site with good visibility and access can be difficult. Once a desired site is located, land assembly and appropriate zoning may delay approvals and construction, thus increasing total project cost. These costs—including any existing tenant relocation—may cause urban land to be double or triple the cost of a similar exurban parcel.
- **Local approval processes:** In built-up areas, the approval process may be long and can be subject to many inputs from neighbors, planning and zoning commissions, and elected or appointed officials. Community groups may have

Vacant parcels in the East Liberty project area in Pittsburgh, Pennsylvania, were a community eyesore before new development.

Mulugetta Birru





strong views on project design, scale, uses, and operational features such as hours, green roof design, exceptional parking requirements, and so on. Although many of these efforts are well meaning and appropriate, if carried too far they can add significant time and cost to the desired project. A well-mediated approval process that balances the underlying business elements of retail with community desires and issues is essential to success.

- Matching the retailer to the market:** An inherent conflict often exists in choosing to revitalize urban retail. On the one hand, community support and nostalgia frequently favor small local retailers. These retailers may have once been thriving and may now be marginally successful. Small businesses are often not deemed creditworthy by lenders and investors. Officials, on the other hand, may seek to attract well-known, “name” retailers to evidence a new vitality in the community. National chains can draw from a larger trade area and bring new consumers to a market. Chains have purchasing and distribution networks that support lower prices, which can be attractive in price-sensitive communities. Some big-box retailers are now coming into urban areas with a whole array of new formats ranging in size to better suit urban locations.

New Chain Store Formats

Store type	Square footage
Big-box superstore	180,000–200,000+
“Regular” discount store	100,000–150,000
Neighborhood/urban	25,000–40,000
Mixed-use store	15,000–40,000 or more

- Inaccurate or insufficient market information:** Data in low-income communities often understate household income by as much as 15 to 20 percent. Some urban communities have an “underground economy” in cash wages and unreported income. The source of that economy is often misidentified as coming from illegal activities. In reality, the income is largely funded by cash transactions for auto repair, house cleaning, landscaping, babysitting, and other service activities. Because this income is often very difficult to document, it is difficult to communicate to prospective tenants.

Underwriting Challenges

Large retailers use a well-defined methodology to support the decision to open stores. Real estate departments scout opportunities to buy or lease properties based on their plans to expand. Expansion plans consider a full accounting of return on investment over several years, including the cost of store buildout, inventory, and working capital. Big corporate retailers are backed with corporate lines of credit and have flexibility to own or lease, build new construction, or retrofit an existing property. Large retailers are often sought out by developers on a multilocation basis and can trade expansion in one location or shopping center for reconfiguration in another location.

In urban underserved communities, the picture is quite different. Property owners often own only one location and seek enough rent to gain a market-rate return on their investment or would sell to the highest bidder regardless of future property use. Smaller property owners do not consider the overall market viability of store

adjacencies or the notion of “anchor” tenants. Increasingly, successful retail is clustered in a center or multiblock configuration rather than along an isolated strip or in separate parcels. Local retail brokers can play an important part in matching property owners with appropriate retailers and service providers.

Underwriters seek to minimize risk and to appropriately compensate risk with greater return. Much has been documented about redlining residential mortgages and the usury practices that some lenders deployed. Commercial redlining has also occurred. Lenders may see weak overall market conditions and little new investment. Urban projects may simply be harder to understand and clear market comparables may be hard to obtain to establish underlying values. To offset these liabilities, forum participants discussed the following strategies:

- **Going beyond “the usual suspects”:** Large retailers make decisions based more on avoiding mistakes than on taking risks. More opportunities are always available than the capital supports, and therefore retail decision makers are choosing the “best” sites and markets rather than merely qualified opportunities. Best locations are often found by looking at the market characteristics surrounding current high-performing stores. If a company does not have experience with underserved markets, proposals for those markets fail to compete for limited funding. Underserved communities that successfully attract development often rely on unconventional approaches to attract the attention of high-level retail executives. Both ICSC and ULI have showcased urban opportunities at their various meetings and conventions. Another approach is to offer financial incentives and subsidies as inducements for entering new underserved markets. On the bright side, large retailers have created multiple store formats and are now occupying ground-floor space as part of urban apartment locations.
- **Creating place:** Investors and lenders are more likely to be interested in a larger center or collection of attractions. If several investments are contemplated that build off each other, such as new apartments or civic investments in addition to retail, underwriting may be easier. Underserved communities that focus on scattered sites often fail to provide a thriving business environment because customers are spread among those locations.
- **Finding new lenders and investors:** From Korean bakeries in Orange County, California, to centers capitalizing on Latino foods and services, new stores and small centers are popping up. These enterprises are often finding equity investors within their own ethnic communities. Smaller businesses and developers are rarely active in local or national networking organizations. Reaching out by national and local trade organizations may benefit both the business and the organization. These networking venues and trade fairs may provide growth opportunities for culturally oriented businesses and can identify new equity or debt sources.
- **Using new financing tools:** Traditional financing is often unavailable for projects in underserved communities. The financial community prefers tenants with a long history and a solid balance sheet. These characteristics are often absent in small local tenants. Developers with relatively little experience are often not



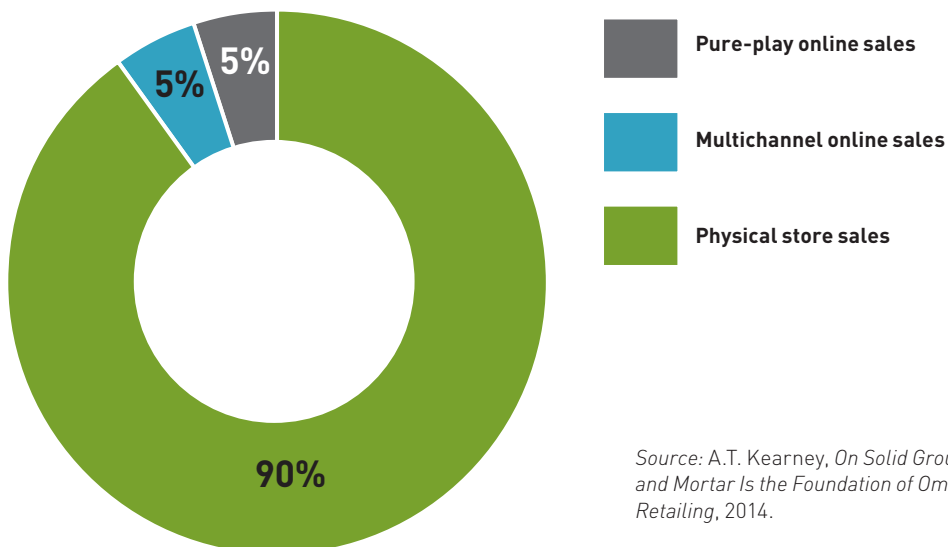
able to obtain leases from credit tenants and are subjected to more scrutiny by financiers. Without credit tenants, government intervention or guarantees similar to those supporting affordable housing may be required to attract sufficient financing. Various financing tools can be used—from a “soft” second mortgage to a nonprofit holding the land on a long-term lease or backstopping the first few years of operations.

Operational Challenges

Retail stores in underserved markets often must operate in a manner that differs from those in suburban locations. Inefficient operations have higher costs that must be overcome through higher sales. Although issues may differ by retailer and location, some common challenges include the following:

- **Size—bigger is usually better:** A single store trying to address underserved conditions generally has difficulty creating a critical mass. Shoppers may be reluctant to abandon previous longer-distance shopping patterns if the new store does not carry a full inventory to meet all shopping needs. Many consider 200,000 to 300,000 square feet of community-serving retail and services a critical mass. Although this amount of retail need not be all under one roof, the adjacency and ease of navigating multiple errands in one trip is crucial to success.
- **Distribution challenges:** Tight urban-core sites with narrow alleys and adjacent residential development often prevent efficient distribution via semitrailer trucks. Neighbors often demand daytime deliveries that encounter traffic congestion. These conditions add costs for smaller delivery trucks or additional personnel.
- **Multichannel sales failure:** Rising Internet sales mean that the most profitable retail businesses rely on the seamless integration of their brick-and-mortar channels with their Internet operations. Customers increase store volumes

Total U.S. Retail Sales, 2013



Source: A.T. Kearney, *On Solid Ground: Brick and Mortar Is the Foundation of Omnichannel Retailing*, 2014.

by ordering online and picking up merchandise in stores. Underserved communities often lack fast Internet connections that support this seamless integration. From groceries to gifts, successfully integrating online and in-store shopping is increasingly becoming a base-level requirement.

- **National anchor losses:** Many underserved markets previously contained shopping centers with anchors such as JCPenney, Sears, and grocery stores. These chains often had their oldest facilities in such markets, and these anchors became the first to close as the chains shed underperforming stores and expanded in outer suburbs. These anchor vacancies can be filled by educational, medical, and other uses, but the lasting impact is a decline in the sharing of shoppers and attendant loss of sales volume, undercutting the profitability of other tenants.
- **Employee training:** Finding appropriately educated employees can be a problem in some urban markets. Some local governments have coupled GED certificate programs with entry positions in new neighborhood businesses. This may be a mixed issue because, once trained, local employees are key to the success of businesses that choose to open in underserved markets. Retaining these new employees may be difficult if wages and benefits do not keep pace with other opportunities.
- **Crime and the perception of crime:** Retailers experienced in serving urban-core markets report that crime is less of an issue than expected and must be understood as a design and not a siting decision.

Although communication, process, and operational issues present challenges, the projects highlighted in the forum illustrated how creativity, persistence, and aggressive salesmanship can overcome these obstacles.



Case Study: East Liberty, Pittsburgh, Pennsylvania An Urban Revival Strategy

A 20-Year “Overnight Success”

One challenge repeatedly mentioned by forum participants is the difficulty of changing perceptions about a distressed community, thereby unlocking existing potential. In the 1990s, Pittsburgh faced these issues in the East Liberty community. Vacant parcels pushed both commercial and residential investment away. Multiple owners discouraged a more comprehensive vision of community renewal. Local leaders wanted to signal major change and sought a “name brand” tenant. Attracting a known entity encouraged neighbors on all sides of the community to reenter the community, shop, and ultimately reinvest. Over a decade of sustained leadership and community focus, a thriving center has been created.

East Liberty is a bridge community, bordered on one side by several affluent neighborhoods. East Liberty itself is home to a high percentage of low-income residents. Median household income in East Liberty is lower than that of the city as a whole. In the 1940s and 1950s, East Liberty was a thriving retail hub known as Pittsburgh’s “second downtown.” Urban renewal efforts in the 1960s, however, which were intended to make the community more competitive with suburban shopping centers, ultimately contributed to the area’s isolation and decline. Blocks of residential and commercial buildings as well as the urban street grid were demolished to make way for a set of one-way streets encircling the central business district. Suburban-style developments and parking lots were built around this ring road, known as Penn Circle. Government-subsidized rental units replaced owner-occupied homes at each end of the central business district. Streets within the district were converted to a pedestrian mall. These changes made the community’s retail center inaccessible and unattractive. Many retailers eventually relocated or closed, leaving behind vacant properties throughout the community.

By the early 1990s, East Liberty was perceived as a crime-ridden community and was largely abandoned. The community still held potential, retaining a station on

The new Home Depot in East Liberty opened in 2000.

Mulugetta Birru



the Martin Luther King Jr. East Busway, a bus-only highway providing easy access to locations throughout Pittsburgh. Several small-scale efforts had been attempted to revive the community. In 1994, Tom Murphy was elected mayor and made the revitalization of East Liberty a priority. Early in the administration, \$6 million from the city’s operating budget was diverted to finance a \$65 million bond to acquire vacant parcels to assist in site assembly and to partner with developers to spur catalytic development projects.

Creating a Catalyst

Murphy and Mulugetta Birru, then executive director of the city’s Urban Redevelopment Authority (URA), decided to attract a Home Depot store to East Liberty as a transformative project. They believed that the store’s success would not only lead to future development but would also serve both East Liberty residents and attract residents of nearby higher-income neighborhoods back to shop.

Landowners who had been hesitant to sell their land supported the project and were willing to sell to make the development possible. In addition to the property owners, East Liberty Development Inc., a local community development corporation, offered its support of the Home Depot project, recognizing the value of a large, well-recognized tenant. In 1994, URA purchased the site of a vacant Sears building as well as several adjacent sites to assemble a seven-acre property for Home Depot.

Initially, Home Depot was not interested in East Liberty, citing the lack of direct highway access. Determined to attract the retailer to the site, Murphy had community leaders in Pittsburgh invite a cofounder of Home Depot, Bernard Marcus, to speak at an event in the city. Once Marcus was in Pittsburgh, Murphy personally escorted him on a tour of East Liberty and pitched the site.

Home Depot executives questioned both the location of the site and the market support. After lengthy negotiations, the city agreed to share the risk and heavily subsidize the project. Home Depot began planning for the new store in 1998. The project’s total cost, including demolition of existing structures, land costs, and construction costs, was \$11.35 million. To fund the project, Home Depot invested

Costs and Funding Sources for East Liberty Home Depot (1998–2000)

Costs

Site assembly, demolition, public space, and related expenses	\$4,354,000
Land purchase, construction, and site work	\$7,000,000
	\$11,354,000

Funding sources

Private equity from Home Depot	\$5,331,337
Disposition proceeds	\$1,000,000
URA funds	\$1,694,000
City capital budget	\$1,000,000
Tax increment financing	\$1,668,663
Pennsylvania Department of Community and Economic Development	\$660,000
	\$11,354,000



\$5.33 million in private equity, and the city gathered an additional \$5.36 million in disposition proceeds, funds from URA, the city's capital budget, and tax increment financing. The state of Pennsylvania's Department of Community and Economic Development contributed \$660,000. The cobbling together of funds from many sources is both typical of difficult urban projects and an example of why many private developers are reluctant to enter urban markets.

Home Depot's Impact in East Liberty

Home Depot opened in 2000. The design followed the layout of a typical Home Depot store, with more than 100,000 square feet of commercial space and ample parking. As a neighborhood amenity, the project also incorporated a restaurant previously located on the site into a new building adjacent to Home Depot. The location quickly became one of the highest-volume Home Depot stores in the Pittsburgh region. The project created approximately 250 jobs, and 80 percent of those new employees walked to work, presumably from homes in East Liberty or nearby neighborhoods.

Beyond its immediate successes in terms of sales and jobs, the Home Depot had a larger impact on the community. Knowing that the city could contribute significant funds to help offset risk, other investors began to consider developing in East Liberty. While Home Depot was under construction, another developer, the Mosites Company, expressed interest in bringing a Whole Foods Market to the community.

The \$7 million, 32,000-square-foot Whole Foods Market opened in 2002 on the site of an abandoned janitorial supply warehouse on Centre Avenue in East Liberty, within a state-designated enterprise zone. This was the first phase of what would become a four-phase, 16-acre zipper development connecting Shadyside and East Liberty. Phase II opened in 2007 and consisted of 86,000 square feet of retail space that brought national and local tenants, including Walgreens, FedEx Kinko's, and a Pennsylvania Wine & Spirits store. This \$32.6 million project included public financing consisting of \$10.56 million in new market tax credit equity, \$1 million from various URA-administered funds, and over \$4 million of private economic development and foundation resources.

In addition to providing funding, URA worked to restore East Liberty's street grid, enhance walkability in the area, and improve the connection between the Whole

The Whole Foods Market in East Liberty opened in 2002.

Mulugetta Birru





The Bakery Square conversion added both new office and residential space to the community.

Mulugetta Birru

Foods site and the adjacent Shadyside neighborhood. The store attracted a variety of patrons, including students from nearby universities, residents of the Shadyside neighborhood, and low-income households. After opening, the store was designated by Whole Foods corporate as the “Rookie of the Year” store based on sales volume per square foot. The store had one of the highest percentages of food stamp use per square foot among Whole Foods Markets nationwide. The store created an additional 200 jobs and revitalized a vacant, unproductive space in East Liberty. In 2006, another grocery store, Trader Joe’s, opened in East Liberty.

After the development of Home Depot and Whole Foods Market, URA continued to fund projects that would fuel the community’s revitalization. URA purchased and demolished three high-rise housing complexes created during urban renewal in 2005 and contributed funds to replace them with more than 400 mixed-income housing units. An additional 600 market-rate housing units are currently planned or under construction on related sites. URA later provided funding to support the development of a Target store on the site of the demolished high-rise housing, which opened in 2011 and provided more than 200 additional jobs in the community.

These developments, in turn, paved the way for other investments, such as the reuse of the historic Nabisco factory for the mixed-use Bakery Square center. Although the Bakery Square project received some limited public funding, the market in East Liberty had begun to recover, and URA did not have to contribute any funding to make the project successful. Revitalization in East Liberty continues with plans for transit-oriented development around East Liberty’s Busway station. Currently, a TIGER (Transportation Investment Generating Economic Recovery) IV grant from the U.S. Department of Transportation is funding infrastructure improvements to upgrade the transit station and better integrate it within the community.

With all of the improvements in East Liberty, community residents now have improved access to goods, especially healthy food. Birru credits the initial Home Depot development as the catalyst that changed the market and halted the community’s decline. According to Murphy, the Home Depot project helped the community reach a sufficient threshold of activity to attract private investment.



Lessons Learned

Although no universal model exists for a winning project, East Liberty presents common lessons that can promote success.

- **Sustaining leadership:** Persistence and focused leadership were required in East Liberty through site acquisition, the creation of a financing vehicle, garnering community support, and finally site design and construction. Marketing and promotion efforts continued beyond Home Depot to attract a private developer and then Whole Foods and other tenants. Housing improvements were made to expand the breadth of the community changes. Although the pioneer project can have an extended timeline, both public and private partners must commit to additional projects that happen more quickly to create a critical mass.
- **Choosing a bridge location:** East Liberty was able to draw from both low- and high-income populations. By doing so the market demographics improved and the “sell” story to prospective tenants was easier. The large site also allowed developers to see the future through new investment and construction. New mixed-income housing added to the perception of full community renewal. Although social science may suggest a central location in the heart of a distressed market, a bridge location can attract an economically diverse customer base. Any site also needs to meet retail site criteria for size, visibility, and condition.
- **Sharing risks:** Basic economics says that higher risk demands higher return. That need to have a higher return often makes projects economically untenable. Different elements of each project contribute to the risk perception: local approvals, site conditions, and weak market conditions may all increase risk. Government can reduce real or perceived risk in many ways: relocating a police substation to reduce the perception of crime, completing property assembly to reduce land costs, or working with the developer to gain broad community support.
- **Paying for infrastructure:** Aging roads, sewers, street lights, the electrical grid, and other public utilities deter development. Completed projects rely upon both on-site improvements and connections to the community. Government plans for maintenance and capital improvements are a crucial element in developing private investment interest.
- **Managing growth not stopping decline:** The current projects were all focused on growth rather than the deteriorating conditions in a surrounding community. In East Liberty, the existing national chain grocer could not see the future. It was afforded one short-term opportunity to build a new store or upgrade the existing store before a commitment was made to Whole Foods as a new market entrant. Too often the politics of protecting the status quo in a declining community overwhelms the need for change to stimulate growth.
- **Finding ways to capture value:** When communities own land, the impediment to development often is valuing that land. Many successful projects use land leases that set the land price only after the project is completed. These 99-year leases have buyout clauses with prices tied to the project’s success. This approach allows for value capture at a point when more certainty about that value exists.

Case Study: Union Market, Washington, D.C.

Revitalization of a Historic Landmark

Capitalizing on Food

As communities change, a common complaint is the lack of improved quality in services and goods. Mixed-income neighborhoods often suffer from inadequate grocery offerings and specialty food items. This is often true in culturally changing neighborhoods as well. Households do continue to find retail goods, groceries, and services to meet their needs, just in other local jurisdictions. Governments are recognizing the loss of sales-tax dollars to the home community and are rethinking opportunities in underserved neighborhoods. Rather than a loss, these communities can be seen as growth potential.

The reopening of Union Market has been a success in part because of programming of a wide variety of community events.

Leigh Vogel

For over eight decades, the Union Market site has been serving the residents of northeast Washington, D.C., first as an open-air market providing wholesale fish, meat, dairy, and produce, and later—starting in 1967—as an indoor market. The historic area, located near the intersection of New York Avenue and Florida Avenue, fell into disrepair by the late 20th century and continued to struggle into the 2000s as many merchants relocated to larger suburban facilities. Despite problems with





Attractively displayed food highlights local farm participation.

Vithaya Photography



Local meat vendors provide custom service.

EDENS

vendors who were not paying rent and health code violations, the market stayed open owing to immigrant-owned businesses and strong community ties. In 2007, EDENS, a South Carolina-based company, acquired the 85,820-square-foot parcel and began planning for the redevelopment of the market, taking into consideration the concerns of neighboring property owners such as Gallaudet University, a top university for individuals who are deaf or hard of hearing.

Following major renovations, EDENS, which self-financed the project, reopened the property as an indoor marketplace in September 2012. The revamped market contains 29,508 square feet of open retail space designed to create an inviting atmosphere and a 12,000-square-foot venue for concerts and other events. More than 40 local vendors, including two holdovers from the previous market, offer a

Providing services for people of all ages has been a key part of Union Market's strategy.

Bonnie Sen



diverse range of items: fresh produce, cheeses, wine, coffee, olives, flowers, oysters, cupcakes, home goods, and art. The vendors are arranged in stalls from 100-square-foot food counters to a 5,760-square-foot artist's studio. EDENS organized drive-in movie nights and conducted extensive door-to-door outreach and social media campaigns to increase curiosity and draw people to the market. The site also benefits from excellent transit connectivity—it is located within a half mile of the

NoMA–Gallaudet Metro station and is served by three bus lines. Today, Union Market is one of the premier food markets in Washington, D.C., drawing customers from the neighborhood as well as citywide.

Community Impact

Union Market has not only regained its status as a vibrant community gathering place but is also a point of pride for area residents. Initially, the changes to the market led to some concern from the community's longtime residents who felt excluded because of the higher prices of some of the vendors' products. In response, EDENS worked with local churches and schools to open a dialogue with concerned residents and help them feel involved going forward. In addition, the developer requires vendors to accept Supplemental Nutrition Assistance Program (SNAP) benefits. Retailers are encouraged to hire locally, provide training for low-skilled workers, and pay above the minimum wage. Many vendors hire students from adjacent Gallaudet University, further strengthening community ties. In addition, many vendors have learned American Sign Language to make all customers feel welcome. About 1,500 people are employed in the production and distribution of food associated with the market.



Union Market reaches into the neighborhood and the D.C. area to use its signature events as a platform for small local businesses and individuals to gain support and exposure.

Ample surface parking allows Union Market to offer “drive-in” movie nights.

Joy Asico

During Thread, a three-day fashion event now in its second year that attracts nationally recognized retailers, Union Market introduced a rotating pop-up shop, Here + Now. The space served as an artist-in-residence program and created opportunity for emerging designers to showcase their goods to a larger audience. Two of the participants live and have studio space in Ward 5.

In the years since its opening, Union Market has introduced the city to Sunday Supper, an annual dinner benefiting the James Beard Foundation that features courses prepared by award-winning chefs. In 2014, Union Market invited local businesswoman and pastry chef Toyin Alli to be part of the night. She served her brown butter bourbon bread pudding alongside celebrated San Francisco pastry chef Emily Luchetti.

Chef John Mooney’s aeroponic garden on the roof of the market not only supplies the produce for his restaurant, but it also acts as a classroom for local schoolchildren to learn about urban gardening and sustainability.

Inside the market, an incubator space allows small local businesses to test their wares, engage with their customers, and make new connections with the already existing vendors. The pop-up space will soon feature DC Dosa, a startup kitchen serving Indian-style pancakes.

The market is a welcome addition to the ongoing revitalization efforts in the adjacent NoMA (North of Massachusetts Avenue) neighborhood. NoMA has seen significant private sector investment and population growth since the introduction of a Metro stop in 2004. A 2009 small-area plan completed by the District of Columbia Office of Planning calls for turning the area into “a vibrant, mixed use neighborhood that

Creative signage inside and out suggests the panoply of goods and entertainment on offer.

Daniel Schwartz



protects the look and feel of the historic retail markets, while also providing a basis for new development and rehabilitation.” The redevelopment of Union Market is seen as a catalyst for realizing the city’s vision.

Stephen Boyle of EDENS describes the developer’s interest in this project as follows:

For us, Union Market is very special. It is an opportunity to alter the perspective of how people see the District of Columbia as a city, not just our nation’s capital. EDENS could build 8 million square feet on the 45-acre site and adjoining properties. The site is near to so much—Gallaudet University, Capitol Hill—and accessible by transit from the region. People have not traditionally thought of D.C. as home to the “creative class,” yet bringing back Union Market as a place to serve the neighborhood with special foods, artists and artisans, and an array of unique vendors offers a window into the region and creates a new hub and gathering place. We have been thrilled that both the local and regional communities have embraced and encouraged us as we brought Union Market back to life.

Lessons Learned

Union Market illustrates some national trends and offers good potential in many communities:

- **Focus on food:** Emphasis on offering healthy choices for populations that suffer from the ill effects of poor diets has increased. Cities are encouraging farmers markets and neighborhood gardens. Retailers from dollar stores to drugstores are expanding their offerings to include more fresh fruits and vegetables. Despite these expansions, additional choice is needed. Whole Foods, Walmart, Target, Safeway, and Giant are just some of the major retailers experimenting with various urban formats and locations.

- **New formats:** Urban, dense communities present ideal mixed-use markets. Existing transportation infrastructure offers well-serviced sites with good residential density. Many of these catalyst projects use residential development density to finance ground-floor retail and supply additional customers. Because of the existing bus and transit service, fewer spaces or no parking may be required and a smaller site may be feasible.
- **Jobs for unemployed populations:** Retailers are the nation's largest employers, and their jobs are frequently the first employment for new entrants into the workforce. Although upward mobility can be limited, the employment history and opportunity to work part time while attending school makes retail jobs an important starting point for a lifetime of employment. Retail jobs can also be a road back for people unemployed for long periods of time or after personal setbacks.
- **New entrepreneurs:** The increased ethnic diversity within the country offers new entrants into urban markets. From a small-batch soup maker to a Chinese bun maker, Union Market has offered a sales venue for new businesses at relatively reasonable startup costs. The population is changing, and these startup businesses may grow and move into the larger community.

Case Study: The Old Spanish Trail Corridor Project, Houston, Texas

Fostering Economic Development in an Underserved Community

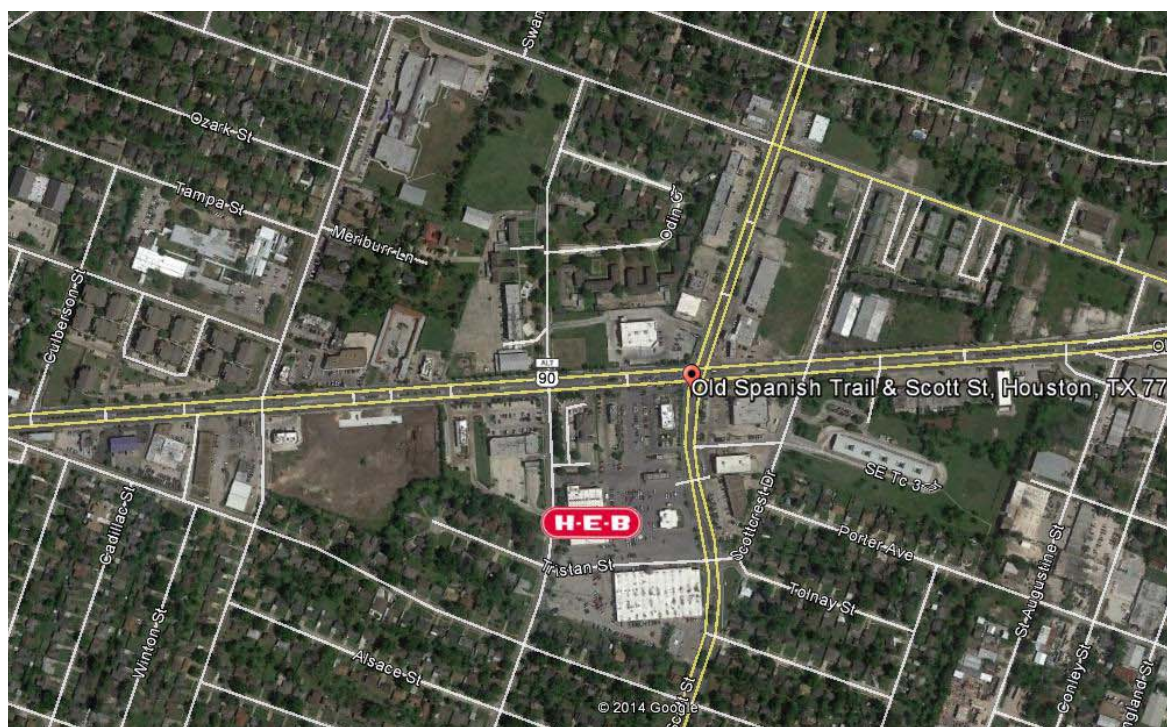
Revitalizing a Corridor

The final project considered by forum participants is still a work in process. In times past, much shopping was done on foot within a local neighborhood, often along a bus route. These older corridors offer great redevelopment potential but present some special challenges. Often, creating any sense of “place” is difficult. Adequate parking can be a special challenge. The fragmented collection of stores, disparate service hours, and types of goods offered can further exacerbate the inadequate nature of the consumer experience.

Since the opening of the H-E-B store in 1996, an additional 100,000 square feet of development has taken place nearby.

Google Maps

In the early to mid-1990s, the Old Spanish Trail area in south central Houston, Texas, contained many vacant industrial buildings as well as deteriorated commercial buildings. The trail is a roughly four-mile remnant of a highway dating from the late 1920s that stretched from St. Augustine, Florida, to San Diego, California. Median household income in the Houston neighborhoods surrounding the trail is lower





than that of the city as a whole, and the area has long lacked adequate retail options to serve nearby households. Retail sales leakage in the area amounted to about \$345 million between 1990 and 1996. The Neighborhood Recovery Community Development Corporation (NRCDC), founded in 1990, was one of many organizations working to encourage commercial development in the community.

Improving Retail Options

In 1993, the NRCDC partnered with the MacGregor Area Community Development Corporation to form the Renaissance Cooperative. The cooperative purchased a 9.6-acre property at the intersection of Scott Street and the Old Spanish Trail, the busiest intersection in Houston’s Third Ward, in 1995. The land was well located, close to the Texas Medical Center and two educational institutions: the University of Houston and Texas Southern University.

On this property, the Renaissance Cooperative, with Weingarten Realty serving as a development adviser, built the roughly \$4.5 million Renaissance Center, a neighborhood center with nearly 100,000 square feet of retail space. Funding consisted of a \$1.05 million loan through HUD’s Section 108 Loan Guarantee Program, administered through Houston Business Development Inc.; \$300,000 in grant funds from the city of Houston; a Local Initiatives Support Corporation (LISC) grant; and private funding from Texas Commerce Bank (which is now part of JPMorgan Chase). The cooperative enticed H-E-B to open a grocery store at the center in 1996; the store both served as the center’s anchor and represented an important step toward meeting the need for healthy food in a food desert. The center also added medical services, community service businesses, and other retailers to the Old Spanish Trail.

Project Funding

HUD Section 108 loan	\$1,050,000
City of Houston grant	\$300,000
LISC grant	\$60,000
Private funds from Texas Commerce Bank	\$3,200,000
Total	\$4,610,000

Community Impacts

The Renaissance Center generated positive economic changes in the underserved community around the Old Spanish Trail. Within 90 days of opening in 1996, the H-E-B grocery store, although a relatively small store by square footage within the H-E-B chain, became very successful. The Renaissance Center also created jobs for 375 individuals and produced an estimated annual economic impact of \$40 million. In addition, the Southeast Transit Center, located less than a half mile from the Renaissance Center, became Houston’s busiest transit station.

The Renaissance Center was also the impetus for further NRCDC efforts along the Old Spanish Trail, such as the Old Spanish Trail Corridor Initiative Project, which began in the late 2000s. By this time the Old Spanish Trail neighborhood had many of the attributes necessary to become a thriving community. With 150,000 people living within a three-mile radius of the Renaissance Center, the area had considerable commercial potential. In 1997, the city of Houston designated the Old

Spanish Trail as one of its Tax Increment Reinvestment Zones, making financial incentives available for developers.

With \$150,000 in funding from State Farm, NRCDC began the initiative by commissioning a study of the potential for commercial projects in the corridor from consultant D.B. Hartt. The study identified several promising sites along the Old Spanish Trail. Using information gained from the study and from charrettes, NRCDC and consultant Asakura Robinson developed a plan for the corridor. The corridor initiative was meant to highlight the potential for private development along the Old Spanish Trail, with NRCDC developing some of the projects outlined in the initiative and marketing the other projects to developers.

Notably, retail options have improved significantly since the 1990s. The community is becoming more attractive to both developers and community development corporations. Since the H-E-B grocery opened in 1996, over 100,000 square feet of retail space has been added nearby. A new CVS pharmacy and an additional grocer have opened, as well as some smaller retail service providers along Old Spanish Trail. The original H-E-B is expanding, opening in early 2016 with about 52,000 square feet of additional space.

Many would still consider the community a food desert based on a comparison of grocery store square footage to the neighborhood population. In 2013, the Houston LISC designated the Old Spanish Trail a GO Neighborhood; under the GO Neighborhood program, the Houston LISC provides technical assistance and project grants to community groups to support neighborhood revitalization efforts. In addition, public transportation options in the area have been expanding; the MacGregor Park/MLK station on Houston's upcoming southeast Metro line will be located at the eastern end of the corridor. NRCDC's investments paired with other public funding are creating jobs and improving access to healthy food and other retail products throughout the Old Spanish Trail Corridor. These activities are also helping drive economic development in areas close to public transportation, benefiting residents of the greater Houston area.

Lessons Learned

The Old Spanish Trail is typical of many urban corridors. The unconsolidated property ownership and lack of a center can make one-stop shopping a challenge for consumers. Although it faced many obstacles, the advent of light rail in some markets and the creation of new signature and catalytic projects can offset the inherent liabilities. The role of intermediaries such as NRCDC can be particularly helpful in educating retailers and property owners as well as in providing liaison services to city government.

The concept behind the Old Spanish Trail is ambitious and offers a plan for many years of new development. The integration of parks and civic amenities into the overall design helps people see the future and will spur new development. The comprehensive view of total corridor revitalization goes beyond just improving retail to encompass housing, civic institutions, and new community services.



Further Explorations

The ULI/HUD PD&R/ICSC Forum reviewed just some of the challenges and opportunities present in underserved communities. With the rapid change in the retail sector—changing formats, more mixed use, acceptance of new locations—the options to revitalize neighborhoods are expanding and can add more choice to underserved communities. Many areas could be explored further, such as the use of online shopping in poorly served communities. Rural and small towns present another important segment of the market unexamined by the forum. Participants raised concerns about the lack of services within communities in addition to the lack of goods. This is another area deserving attention, particularly as demographics shift and as service providers, particularly health care providers, move to more community-based locations.

Forum participants expressed a need for additional education specifically addressed to those who influence urban-core decision making. This would include elected and appointed officials, brokers, retail tenants, mixed-use developers, and the public at large. Several actors in the urban retail space are simply unaware of successful examples and new opportunities.

Although limited research and isolated cases are available, no recognized body of knowledge is relevant to current market conditions. Additional case studies are needed, focusing on detailed project descriptions as well as information on how public support, funding, and expedited scheduling can be achieved.

Union Market opens its warehouse bay doors to offer a special event.

Travis Vaughn



Looking Ahead

Little question exists that many parts of America have inadequate access to needed retail goods and services. Forum participants raised many issues, obstacles, and challenges. Yet real signs of optimism and opportunity have emerged.

The increased interest in mixed-use development offers additional density and perhaps internal project subsidy for retail. Often these urban mixed-use, mixed-income developments benefit from public involvement or subsidy. The public sector may pay for structured parking, enhanced streetscapes, or improved utilities or provide affordable housing incentives. Mixed-use projects may create that critical mass that gives a greater scale to the investments and more easily fosters new, additional expenditures.

Although the interplay between e-tail and bricks-and-mortar retail is still evolving in urban areas, it already provides new options. Facilities from quick-stop shops such as 7-Elevens to community facilities are providing safe and secure delivery sites for online receipt of goods. Online grocery shopping is becoming more popular and moving into the mainstream. Delivery fees may be an obstacle for some, but access to goods may trump a slightly higher fee.

Changes to big-box formats and locations offer promise in some communities. The expansion of many retailers into the fresh groceries business has improved access for many low-income families. Now drugstores and dollar stores, retailers in mixed-use developments, and newly located big-box outlets offer expanded options, including fresh fruits, vegetables, and meats. This increased competition may also improve the quality and pricing structure of existing community outlets. Small groceries could gouge local residents if they were the only markets available.

With increased retail comes increasing employment in the neighborhood. Many retail jobs offer entry-level employment opportunities, and local residents may be able to walk or easily commute to new development projects. Some employers, particularly the large national companies, offer opportunities for education and some degree of career advancement.



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