Small Business and Downtown Redevelopment in New England

by

R. D. Norton
Assistant Professor
Department of Economics
Mount Holyoke College

Introduction

As the sites of the nation's earliest industrialization, some New England cities have been in a state of decline for half a century. Their experiences suggest two conclusions. The first is that once lost, a city's industrial prowess is all but impossible to recapture (Norton, 1979). But the second is that even declining city economies can be restructured around service and information-related functions -- i.e., around the central business district (or CBD).

This paper treats the interaction of city governments and small business as critical to the recent evolution of the CBD's of Boston and Newburyport in Massachusetts, Hartford and New Haven in Connecticut, and Portland, Maine. Our premise is that the key to downtown redevelopment is a city government's ability

[I have received invaluable help from Alexander Ganz (Research Director of the Boston Redevelopment Authority), Janice LaVoie (Newburyport Redevelopment Authority), Professor Larry Isaacson (Yale School of Organization and Management), and Warren Turner (Portland Planning Department). But both the opinions expressed in the paper and any factual errors are entirely my own responsibility]
to foster a built environment that supports and encourages centralized activities. In particular, for revitalization (as the support of centralized functions) to work, rebuilding the downtown physical plant must somehow spark profit opportunities for small business, the key downtown sector.

Profit opportunities generate private investment. The paper interprets the redevelopment records of the five cities to show the ways city governments have induced such downtown capital placement. In essence, the city's problem is how to use city funds to attain maximum "leverage" in generating private investment. How can a city government deploy its severely constrained tax revenue so as to induce private capital formation in the CBD? That is the question the five case studies are intended to answer.

The City Government's Task in an Evolving National Context

But first we should note some highlights of the changing national context, the macro-setting within which downtown redevelopment succeeds or fails. The key sets of national influences on the downtown economy are (1) federal policies and (2) economic and demographic tendencies in the society at large.

We will find that by the late 1970's, economic and demographic forces had shifted to become more favorable to downtown activities than at any time since 1945. As a result, past federal policies and continuing city programs began to yield clear and at times dramatic payoffs.
The National Interest -- and the Federal Government's Ambivalence

Despite widespread dissatisfaction with the Urban Renewal program of the fifties and sixties, it seems clear today that downtown renewal, as a means to a more centralized metropolis, serves specific national goals. From the national standpoint, there are several persuasive reasons that downtown redevelopment should be helped along -- reasons that have become more cogent in an era of slowing economic growth and rising energy costs.

In terms of resource limitations, a more centralized metropolis would serve two broad ends. First, and as rehabilitation's success has demonstrated, much of the urban core's abandoned capital stock can be recycled at costs below the costs of new construction. Second (and more urgently), in an energy-constrained society the CBD remains the single most accessible point within the metropolis, the one location that minimizes the sume of the distances to all other points in the area. Hence it remains the most energy-efficient site for those activities that serve a broad range of metropolitan residents.

So considerations of capital conservation and of energy costs align downtown redevelopment with current national objectives. Moreover, some recent Presidents have explicitly espoused downtown redevelopment as a policy goal. Nevertheless, what determines the "national interest" in such matters is not the abstract correspondence of outcomes and goals, or even goal designation by Presidents, but the play of political interests within the
legislative arena. And over the 30 years since Title 1 of the Housing Act of 1949, the play of power first elevated downtown redevelopment to prominence and then stripped it from the national agenda, leaving it entirely a matter of local discretion and initiative.

As a federally sponsored program, Urban Renewal lasted 25 years and entailed a federal expenditure in current (i.e., old) dollars of $8.5 billion, plus federal and federally guaranteed loans of more than $16 billion (see Table 1). In 1954, 1959, and 1961 the original act was amended to encompass nonresidential (hence CBD) projects (Slayton, 1963, pp. 193-194). By the mid-sixties, federal priorities shifted back to neighborhood programs. That shift was eventually sealed with Urban Renewal's replacement in 1974 by Community Development Block Grants (CDBG's), a primary component of the Nixon Administration's so-called New Federalism. By 1976, downtowns were "garnering a smaller share of total public commitment and funds than...in the past 30 years." (I.D.E.A.-R.E.R.D., 1977, p. 17).

Over time, there have been several shifts in emphasis by the Federal Government. For example, [CDBG's] were substituted for... the urban renewal program... ...Recently a relatively small, but growing, amount of Federal funds has been made available for specific economic development projects. The funds have been provided primarily from the Economic Development Administration...and from the Urban Development
### TABLE 1

**URBAN RENEWAL GRANTS AND LOANS, 1950-1974**

(Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal grants disbursed</th>
<th>Federal loans disbursed</th>
<th>Non-federal guaranteed loans</th>
</tr>
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<tbody>
<tr>
<td>1950</td>
<td>8527.7</td>
<td>5745.1</td>
<td>10769.9</td>
</tr>
<tr>
<td>1951</td>
<td></td>
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<tr>
<td>1952</td>
<td></td>
<td>$ 9.7</td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>$ 8.7</td>
<td>21.0</td>
<td>$ 10.9</td>
</tr>
<tr>
<td>1954</td>
<td>12.6</td>
<td>24.8</td>
<td>11.8</td>
</tr>
<tr>
<td>1955</td>
<td>37.6</td>
<td>18.2</td>
<td>34.0</td>
</tr>
<tr>
<td>1956</td>
<td>16.3</td>
<td>21.3</td>
<td>43.1</td>
</tr>
<tr>
<td>1957</td>
<td>30.6</td>
<td>31.4</td>
<td>74.1</td>
</tr>
<tr>
<td>1958</td>
<td>50.1</td>
<td>51.5</td>
<td>111.8</td>
</tr>
<tr>
<td>1959</td>
<td>78.9</td>
<td>96.3</td>
<td>253.2</td>
</tr>
<tr>
<td>1960</td>
<td>135.5</td>
<td>108.9</td>
<td>250.6</td>
</tr>
<tr>
<td>1961</td>
<td>149.9</td>
<td>101.1</td>
<td>335.1</td>
</tr>
<tr>
<td>1962</td>
<td>192.0</td>
<td>130.2</td>
<td>231.0</td>
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<td>1963</td>
<td>181.4</td>
<td>117.2</td>
<td>358.0</td>
</tr>
<tr>
<td>1964</td>
<td>250.8</td>
<td>228.5</td>
<td>356.2</td>
</tr>
<tr>
<td>1965</td>
<td>285.1</td>
<td>208.4</td>
<td>497.8</td>
</tr>
<tr>
<td>1966</td>
<td>337.0</td>
<td>593.6</td>
<td>574.8</td>
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<tr>
<td>1967</td>
<td>431.4</td>
<td>252.6</td>
<td>1001.0</td>
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<tr>
<td>1968</td>
<td>552.5</td>
<td>282.6</td>
<td>545.3</td>
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<tr>
<td>1969</td>
<td>597.6</td>
<td>487.2</td>
<td>808.4</td>
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<tr>
<td>1970</td>
<td>1071.7</td>
<td>589.1</td>
<td>1010.8</td>
</tr>
<tr>
<td>1971</td>
<td>1149.8</td>
<td>551.1</td>
<td>923.6</td>
</tr>
<tr>
<td>1972</td>
<td>1076.4</td>
<td>736.4</td>
<td>1149.6</td>
</tr>
<tr>
<td>1973</td>
<td>1390.9</td>
<td>909.1</td>
<td>1454.0</td>
</tr>
<tr>
<td>1974</td>
<td>520.9</td>
<td>174.9</td>
<td>707.6</td>
</tr>
</tbody>
</table>

1** No new grants or loans were made after 30 June 1974, the end of the fiscal year.

2** Total combined grants and loans add to $25,042,700,000.

The City Government's Task

Still, downtown redevelopment remains almost entirely a function of city government initiatives. In practice, city governments pursue redevelopment for their own reasons: building up the city tax base, placating downtown landowners, or whatever. In this way, the implicit national objective of a more centralized metropolis may incidentally be served.

The city's problem is less to roll back the tide of history than to accommodate market forces. To some extent, in other words, downtown stagnation reflects market failure, which is endemic to core land markets. In addition, however, local fiscal and zoning variables constitute formidable non-market barriers to private redevelopment, e.g., taxation of improvements at effective rates above those applying to unimproved land (a perverse hallmark of most city property tax systems).

To help counteract such barriers to private investment, a city government can take three kinds of actions:

1. Contingent, perhaps, on the electorate's approval, it can use its own tax or bond money to get redevelopment "started" -- by building a sports or convention center, for example.
2. At the same time, it can use such city-raised revenue to attract state and federal grants or construction projects.
3. Building upon this aggregate public base, it can wield more specific policy tools to make downtown investments more attractive. Examples of such specific measures appear in
Table 2, which summarizes practices in 25 cities nationwide as of 1975.

If redevelopment is to work, these three policy levers must create profit opportunities for small businesses. For retailers, hotels, theaters, and restaurants, such profitability may result from the increased demand that comes with conventions, sports events, or refurbished historical attractions, all of which will generate increased trade. For legal, financial, and other specialized business services, profit opportunities may be enhanced both by the bunching of public facilities downtown and by policies that hold or attract office-housed institutions, each of which will need auxiliary business and professional services.

In each case, a public expenditure, project, or policy creates or enhances profit opportunities that will spark private investment downtown -- whether colossal office buildings or smaller scale, storefront-by-storefront rehabilitation. What happened in the late 1970's was that the context for such public intervention brightened considerably.
TABLE 2

REDEVELOPMENT MEASURES USED IN 25 CITIES

(As of 1975)

<table>
<thead>
<tr>
<th>Policy measure by frequency of use</th>
<th>Number of cities using the measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Location of public buildings in the CBD</td>
<td>22</td>
</tr>
<tr>
<td>2. Provision of facilities (mainly parking)</td>
<td>22</td>
</tr>
<tr>
<td>3. Planning and marketing studies</td>
<td>22</td>
</tr>
<tr>
<td>4. Use of state, CDBG, Dept. of Trans. &amp; Highway funds</td>
<td>22</td>
</tr>
<tr>
<td>5. Amenities provision and mall development</td>
<td>21</td>
</tr>
<tr>
<td>6. Use of general obligation or revenue bonds</td>
<td>16</td>
</tr>
<tr>
<td>7. Land cost writedown/Urban Renewal</td>
<td>15</td>
</tr>
<tr>
<td>8. Special tax districts or special assessments</td>
<td>13</td>
</tr>
<tr>
<td>9. Coordinated private investment</td>
<td>12</td>
</tr>
<tr>
<td>10. Use of existing facilities downtown</td>
<td>12</td>
</tr>
<tr>
<td>11. Renovation and historic preservation</td>
<td>10</td>
</tr>
<tr>
<td>12. Leasebacks</td>
<td>3</td>
</tr>
<tr>
<td>13. Rent reductions and loan subsidies</td>
<td>2</td>
</tr>
<tr>
<td>14. Tax abatement</td>
<td>1</td>
</tr>
<tr>
<td>15. Rebates</td>
<td>0</td>
</tr>
<tr>
<td>16. Tax increment financing</td>
<td>0</td>
</tr>
</tbody>
</table>

FIGURE 1
THE NATURAL RATE OF POPULATION GROWTH AND
MARRIED MEN'S UNEMPLOYMENT RATES
1850-1979

SOURCE:
Societal Shifts and the Downtown Revival of the Late 1970's

Figure 1 depicts two of the key national tendencies that encouraged the downtown revival of the seventies. Federally supported renewal projects were of course substantially complete and in place by 1976. Meantime, both the arrival of the baby-boom generation as consumers and the precipitous fall in birth rates after 1970 made for a large and growing pool of childless couples and singles - the natural clientele for downtown residences. The second tendency illustrated in the figure is the national economy's extended recovery after 1975, which helped downtown commerce bounce back from the depths of the mid-seventies recession. These two tendencies converged after 1975 to create a sharply improved environment for downtown businesses, an environment further enhanced by the new capital Urban Renewal had left in place, and by the healing of some of Renewal's scars with the passage of time.

Moreover, a subtler but still discernible value shift since the Bicentennial, in a striking reversal of the "throwaway mentality," has been a revaluation of the nation's historical assets. Coupled with the collar's decline, this reappraisal has bred a sharp upswing in tourism to such older cities as Boston, New York, and Philadelphia. A complementary factor here is the flowering of the historic preservation movement, as encouraged both by cost considerations and by HUD's new appreciation of the possibilities for adaptive reuse. The net effect has led one
architectural critic to conclude that "we have suddenly fallen in love with old buildings" (Von Eckardt, 1979, p. 95).

These recent changes in the national environment have made the downtown economy more responsive to policy intervention. In the improved context of the late seventies, the cumulative results of a generation of redevelopment policies combined to yield an extraordinary outcome in New England: new downtowns, far more exciting and prosperous than what they had replaced. From among them all, perhaps the most spectacular is downtown Boston. Boston Recentered

One of the nation's oldest cities, Boston, is showing signs of stabilizing after decades of dislocation. Considering the central city's long and stark decline, the obvious vitality of the downtown economy is especially striking to behold, and dramatic testimony to the public sector's capacity to aid in a declining city's adjustment.

The city government's attempts to manage this transition provide a classic study in downtown policy. During the 1950's, the city presided over the wholesale destruction of a functioning inner neighborhood -- and its replacement by high-rise luxury apartments. The keynote of the 1960's was direct capital placement by the public sector on a monumental scale. Since 1970 (and HUD's retreat from downtown projects), the city has showcased central Boston's historical assets and supported an office construction boom centered in the financial district.
Between 1959 and 1978 the city spent $100 million on urban renewal, much of it either downtown or in nearby inner neighborhoods. That amount was matched by federal money of $251 million, and by some state aid as well. This combined public expenditure leveraged more than $1 billion in private investment (most of it downtown), making a total of $1.5 billion (B.R.A., 1979, p. 10).

Spatially, the sequence of major downtown projects followed a roughly clockwise course around the Boston Common, the city’s extensive downtown park (Figure 2). Our account can proceed in approximately the same order.

(1) The West End: Bulldozer Renewal in Restrospect

Urban Renewal in Boston got off to a bad start. A 1964 Fortune magazine piece outlines the story of this typical fifties project:

The West End, an entire neighborhood, thirty-eight blocks, forty-one acres, and 9,000 residents in the middle of the city, was wiped out — a low-rent, low-rise Italian tenement section. With federal help, the land was condemned and bought for $7.40 per square foot, revalued at $1.40...and leased for a yearly rental approximating 6 percent of the lower value to a syndicate headed by a political supporter of the mayor. The area was ruthlessly cleared to make way for a cluster of high-rise, high-rent apartment houses...a bitter warning to all of the timeworn Boston neighborhoods of what renewal might mean to them, too (McQuade, 1964, pp. 261-262).

-139-
LEGEND:
(1) The North End
(2) The Prudential Center
(3) Government Center
(4) Faneuil Hall
(5) The Financial District
The West End symbolized everything objectionable about old-time Urban Renewal. Hence it is easy to lose sight of the fact that the project "succeeded" in terms of its original goal, which was in essence the replacement of lower-income by higher-income residents. As a recent paper on core residential upgrading in the 1960's shows, by 1970 family incomes in the renewal area had risen above the Boston SMSA median (Lipton, 1977, p. 140). The result of the city's first, Draconian exercise in renewal is that what was the West End is now a middle- and upper-income area, strategically located between the high rents of Beacon Hill and the traditionally Italian North End.

(2) The Prudential Center: Tax Abatement's Mixed Blessings

Boston was the only one of the nation's largest cities to suffer an absolute decline in taxable property values during the 1950's. In a 1959 report, the Boston Municipal Research Bureau called for a massive redevelopment program to turn property values around. In that same year, ground was broken for the first major job-creating project since the 1920's. Ironically, however, the policy measures used to encourage the project would diminish the tax-base increments from future development.

This was the Prudential Center complex, a $200 million package that included a 52-story office building, hotel and apartment units, and retail and service facilities. The Prudential Center was a private development, spurred initially by Prudential's decision to replace its single home office in New York by several decentralized regional headquarters. To nail
down the project, the city government granted "tax concessions, subsequently formalized in the passage of...Massachusetts General Law 121A...encouraging the private redevelopment of blighted areas by authorizing tax exempt and 'in lieu' payments" (B.R.A., 1975, p. I-10).

Thereafter 121A or "Prudential Law" tax abatements would be used to raise the prospective rates of return on new investment projects. Two distinct sets of tax rates would come into play, the rates for new construction being set at half the level of those applying to older parcels. Boston's notoriously high property tax rates doubtless required some such provision. But by excluding part of the city's new development from full assessment, 121A tended to drive tax rates ever higher for existing parcels, while keeping the city's coffers under constant strain. This fiscal strain reached a climax in the city's fiscal crisis of 1975-1976, when the state forced the city to stop granting new abatements.

In any case, the year 1959 also saw the beginning of John Collins' mayoralty (1959-1968), and of his $90 million "Development Program for Boston." This program placed high priority on two CBD projects, one for the retail core and the other for the construction of a dispersed cluster of government office buildings.
(3) Government Center: The Power of Public Investment

The first, Government Center, proved to be the decisive project of the 1960's. It was financed in part through large new bond issues, which contributed to a doubling of the city's capital debt between 1963 and 1970, to more than $200 billion. Also important was the city's aggressive pursuit (coordinated by Edward J. Logue) of federal money -- a campaign that catapulted Boston to the top of the list of per capita federal grants to cities. A third major factor in the project was Boston's status as both a state capital and the New England regional center for federal agencies. That administrative role meant that the new, $27 million City Hall would be joined by new state and federal office facilities as well.

Some 16 office buildings, dispersed over 60 acres at the heart of the downtown, replaced Scollay Square -- an area that was blighted by any standard. The effect of this massive replacement was to assure the downtown of a large and permanent army of office workers, a captive market for a wide variety of retail and service enterprises. But Government Center proved important in another respect as well. It has served as the spatial keystone for an arch of retail and waterfront development that began in the 1970's and continues today.

The diversity of this secondary development comes through in a recent Boston Redevelopment Authority (or B.R.A.) report:

The $230 million Government Center [also includes] the $70 million Christian Science Church Center, the highly
successful Faneuil Hall Marketplace restoration, the
construction of a waterfront park and conversion of
waterfront warehouses into residential units and shops, and
10).

In short, Government Center has served as the catalyst for a
broad spectrum of small-scale activities that have themselves
become a distinctive downtown attraction.

(4) Retail Miniaturization: The Lessons of Faneuil Hall

The second Collins project, the program for the retail core,
met with less success. A taskforce made up of officials of the
Boston Redevelopment Authority and a downtown business coalition
put together an ambitious plan to rebuild the traditional CBD
shipping district, which runs along Washington Street, just off
the Boston Common. The group announced a retail "master plan,"
including entertainment, office, and retail components, in 1967.
Its execution hinged on an application to HUD for $77 million in
capital grants. But by this time federal priorities had shifted
from downtown to neighborhood development, and HUD turned down
the proposal. As a result, not much came of the 1967 master
plan.

In that same year, however, architect and designer Ben
Thompson proposed the rehabilitation of the decaying city-owned
Quincy Market area, which centered on the historic Faneuil Hall.
Located between Government Center and the incipient Waterfront
Park, the area was perfectly placed for retail development, in that a high volume of retail traffic seemed assured.

But because Thompson wanted small, locally based businesses to occupy the project, he faced considerable initial difficulty in getting it financed. As his wife and co-worker recalled recently, "We wanted owner-operated stalls not chains. But the banks couldn't conceive of that. They wanted Howard Johnsons and A & Ps. It took three years to get it started" (Stocker, 1979). Eventually, however, the combined forces of the city (which owned the structures), the Thompsons, and the developer James Rouse were sufficient to get financing. And today the complex is the most profitable retail cluster in the nation, its 150 independent shops outdrawing Disneyland with a million customers a month.

Among the lessons of the Faneuil Hall project, three merit special attention here. One, of course, is that downtown historical landmarks can serve as focal points for successful redevelopment projects. But another is the miniaturization of downtown retailing, a process that has reflected underlying changes in retail technology. As a veteran observer of the retail scene wrote in 1979,

"New, electronically automated cash registers and computer-assisted credit and warehouse operation meant smaller, more

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8Rouse's Maryland-based company had 33 suburban malls to its credit before taking on Faneuil Hall. In a sign of the times, it shifted during the seventies to downtown packages like Philadelphia's Gallery, and Rouse and Thompson are now cooperating on waterfront projects in Baltimore and New York."
versatile store layouts with the capability of exceeding sales and profits of much larger stores. The process of replacing outmoded, unproductive downtown stores with leaner, more efficient units nearby became a prominent pattern of retail rebirth and proved a smashing success (Barmash, 1979, p. 128).

Whether in the Market area or in the specialized shops in the Back Bay area around the Prudential Center, the downtown retail revival has had as its vehicle the small, specialized shop the passage above describes. A recent city report concludes, in a similar vein, that

...retail establishments, such as women's fashion clothing, restaurants, jewelry and drug stores, which cater to the needs of the growing local market and accommodate the specialized needs of the suburban shopper continue to thrive. Retail activities oriented toward the older resident on the other hand -- hardware, home furnishings, sporting goods and traditional clothing and department stores -- lag (B.R.A., 1975, p. V-17).

While the city government continues to push the old retail core's upgrading (notably in the Lafayette Place project on Washington Street), indications are that market forces run the other way, against the kinds of traditional downtown stores the passage mentions. In any case, the most important lesson of the
Faneuil Hall experience is the critical role small business enterprises play in bringing a downtown economy back to life.

This is the third lesson, and the theme that recurs in each of our five cities. Large institutions and massive new office buildings may be necessary to a successful refocusing of the metropolis, but they are never sufficient to give the downtown the variety and excitement it needs to bring a CBD alive with people. That diversity can flourish only when small businesses locate downtown in large numbers.

(5) The Financial District: Leveraging the Office Boon of the '70's

In contrast to the retail sector, Boston's office-housed service activities remain highly centralized. In Boston as elsewhere, the value of face-to-face access has made finance, communications, utilities, and legal and other professional services the CBD's characteristic functions. The city government's task has been to make the most of these market-based locational tendencies.

Office-housed activities can pay the CBD's high rents because "data and decisions," the office's output, can be produced efficiently in vertical structures. Office buildings are the opposite of the land-hungry, single-story manufacturing plants that have historically gravitated to the lower rents of the urban

*Concerning the "data and decisions" output, see Vernon, 1960, pp. 111-118; the rest of this paragraph relies heavily on Mills, 1972, pp. 73-74.
fringe. Because it is so much cheaper to move people vertically than it is goods, the exchange and processing of information can be done at sites combining very little land with layer upon layer of capital -- and officeworkers. Since it uses relatively little of the CBD's expensive land, then, the downtown office building can provide access at an affordable cost.

To encourage the tendency toward downtown office construction the city granted 121A tax agreements, provided planning services, and initiated public improvements in the financial district. The purpose of such city investments, of course, was to elicit maximum private-sector investment:

...public investment is counted on to play a key leveraging role, inducing and supporting the role of private investment by providing urban infrastructure and the amenities which facilitate and make possible the private investment effort.

...Public investment gave the private sector the assurance that Boston was viable (B.R.A., 1975, pp. IV-3, IV-4).

Such policies contributed to a sharp expansion of Boston's office space in the decade after 1967 (from 24 to 38 million square feet), an expansion that far outstripped that of any comparable period in the city's history. Two-thirds of this increase was built in and adjacent to the CBD's financial district, where several banks and the regional Federal Reserve offices now occupy new structures of about 1 million square feet each. While 1975 saw over 4 million square feet just in time for
the recession, the market had become sufficiently tight by mid-1979 that a new round of office investment was being predicted for the early eighties.

By 1979, then, the city had substantially new downtown office stock, occupied by a diverse array of information-sensitive enterprises, large and small alike. In its scope, this new and upgraded supply of offices in the financial district is representative of the scale of Boston's downtown redevelopment of the past generation. Like Faneuil Hall, it evidences the CBD's successful transition to a new prominence within the city economy.

Conclusion

The key to the process of urban adjustment in Boston has been the city economy's reorientation from declining goods-linked sectors (manufacturing, wholesaling, and retailing) to more stable, and more centralized, services activities. In practice, that shift has meant an increasing reliance on smaller, more locally oriented firms -- and an historically diminished presence for Fortune 500 plants.

The current phase of the adjustment, as indicated both by city and by private efforts, centers on the city's cultural and historical assets. Boston is projected to have over 7 million visitors in 1979, and a flurry of hotel plans are in the works, including a complex in the heart of the waterfront, across from Faneuil Hall. A local cultural boom has triggered a spate of construction plans for a zoo, museum expansions, concert halls,
and the like, and the city government is pushing plans to upgrade the slumbering theatre district.

Still, and however remarkable this success story, Boston's adjustment has yielded painfully few benefits for the city's minority poor. It may well be that only federal policy can help them withstand the burden of the city's decline.

Newburyport Restored

Today Newburyport's "mellow brick business blocks...make up one of the most quietly beautiful downtowns in the country." The largest settlement in New England in 1800, Newburyport is now Massachusetts' smallest chartered city, though its population of 16,500 is growing. The town lies a third of the way between Boston and Portland on the mouth of the Merrimack River, a location that was the source of its long-departed role as a major seaport. Its commercial eclipse more than a century ago had the effect of insulating the town, freeing it from the disruption of market competition for downtown sites. Hence its priceless legacy of Federalist architecture was preserved intact, awaiting restoration.

Restoration has come only since 1970. The town was "discovered" by outsiders during the 1960's. Then, in 1968, a coalition of preservation-minded newcomers and natives combined to elect a new mayor, whose 10-year term assured a redevelopment

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'This description appears in Travel and Leisure, 1978, in a survey of three redevelopment "success stories" -- the other two being San Antonio and a Baltimore neighborhood.

-150-
program based not on demolition, but on reuse. In those days, preservation was a highly charged campaign issue, since a bulldozer renewal plan had come close to implementation. According to the Redevelopment Authority, the town:

"suffered from a long-delayed urban renewal proposal to demolish all buildings in the area. People saw what they considered to be their heritage in danger of disappearing under the blades of bulldozers. A preservation campaign ended in the placement of downtown buildings...on the National Register of Historic Places. Selected developers followed rigid specifications and controls in the restoration of the buildings (Newburyport Redevelopment Authority, 1979, pp. 1-2)."

The new redevelopment strategy thus relied largely on adaptive reuse of the downtown's existing structures. The urban renewal project's 22 acres included both the now completed CBD and also cleared riverfront acreage whose development has been delayed by litigation. Once the initial historic buildings in the CBD had been placed on the National Register, market forces shifted, and private developers took it upon themselves to rehabilitate and upgrade both the registered and adjoining buildings. The Redevelopment Authority's chief tasks became (1) traffic planning and (2) regulating the developers so as to...
maintain stylistic integrity. Both tasks have obviously been done with skill.

From the small-business standpoint, Newburyport's downtown redevelopment has been an overwhelming success. The retail and service businesses that line the CBD's main streets and pedestrian mall are making money; shops that could not pay the high rents success has bred (as high as $11 a square foot) have been shaken out. The remaining, successful small businesses are both a sign of the restoration's success and an attraction in their own right, one that helps draw tourists from all over New England and beyond.

Given this commercial success, what other lessons can be learned from Newburyport's experience? Four points stand out. The first is the enormously positive potential of adaptive reuse holds not only for such places as Newburyport or Savannah, but also for many downtowns across the country.

The second is the role public policy can play in channelling market forces -- tapping private energies and skills -- to attain redevelopment goals. In this case, the catalyst was the registration of selected downtown structures as national treasures. Until that happened, until the private sector was assured of a public commitment to preservation and rehabilitation, the town lay dormant. Once the breakthrough occurred, federal and state programs (principally mortgage subsidies, but also grants for public improvements) came into play to maintain the momentum.

-152-
A third and related lesson is that a city government can exert a formative developmental influence without using city tax revenue. As an N.R.A. planner put it in an interview, "Newburyport residents haven't had to pay one dime for the redevelopment." Instead, once the city government sold HUD on rehabilitation rather than demolition, everything that followed was paid for by federal and state grants and subsidies, or by private developers.

On the other hand, the restoration's benefits have not been specific to local people either. Like some big-city neighborhoods, virtually the whole of Newburyport is being "gentrified," as newcomers displace residents who either cannot or will not pay rapidly rising rents. According to a 1979 magazine piece:

"Drawn by restoration, people from all parts of the country have been purchasing and restoring residential property at an unprecedented rate. No less than 40 percent of the city's current 16,500 residents have settled there since 1970 (Yankee, 1979, p. 53)."

Since the population has grown nothing like 40 percent since 1970, it seems clear that displacement has occurred on a fairly large scale.

The fourth lesson, then, is that when it comes to downtown redevelopment, success is a double-edged sword. Insofar as

-153-
redevelopment works, centralized land values will rise, and some displacement will inevitably occur. But differently, decline is what has kept rents low. Yet would anyone advocate that decline be encouraged so that they could stay low? There must be better solutions.

New Haven's Downtown Malaise

New Haven's downtown economy has yet to bounce back from a protracted period of stagnation. The small business sector, the key ingredient in the vitality of the other cities we are examining, is notably depressed in the city's 210-acre CBD, which centers on a town "green" (a 16-acre park) and includes Yale University. Indeed, the lesson of New Haven's much-heralded urban renewal is central to our theme: redevelopment efforts do not succeed unless they spark profit opportunities for a board array of downtown enterprises. In New Haven, success in this sense of autonomous revitalization has proved elusive.

On one level, the New Haven economy's stagnant CBD might seem surprising. As numerous books and countless articles have attested, New Haven's city government pursued a singularly aggressive urban renewal path in the bulldozer era. Under Mayor Richard Lee and development coordinator Edward Logue (later prominent in the renewal programs of Boston and New York State), the city government became so adept at federal grant-grabbing that it pulled in more than double the per capita urban renewal grants of any other American city by the mid-1960's. Moreover, Yale's presence downtown (it occupies nearly a quarter of the
CBD's land area might also be expected to assure a generalized CBD prosperity.

But both Yale and the urban renewal of the fifties and sixties appear to have had more of an impact on the city's neighborhoods than on the CBD. Three-quarters of the structures facing the green are institutions (the university, banks, and government office buildings). For the rest, the general appearance is one of stagnation, if not blight. Individual enterprises have not taken it upon themselves to invest in rehabilitation or architectural upgrading.

Vacant lots and storefronts are easy to find within a block of the green. The area's larger hotels have recently closed, and the occupancy rates in the ones that remain were a low 64 percent in late 1978. Meantime, the office vacancy rate remained high, at 13 percent of the first-class space available. In short, the presence of large downtown institutions has failed to spark a lively and alluring central focus of the kind that is so evident in Boston or Hartford.

The reasons for this outcome include a variety of contextual and policy variables. Structurally, New Haven's downtown is physically isolated by transportation corridors from the city's waterfront, a factor that rules out the kind of symbiotic development projects that can be found in Boston and Portland. More generally, the metropolitan economy is in trouble, and this no-growth context renders the downtown especially vulnerable to the impact of suburbanization. In addition, the city's location

-155-
is awkward in terms of air connections, a weakness that tends to hurt the city in the competition for national conventions and conferences -- events that would likely occur downtown, and events that a recently constructed civic coliseum at the periphery of the CBD was intended to attract (Halcyon, Ltd., 1978).

But there is also a lingering suspicion that the scale of the earlier bulldozer renewal in some of New Haven's inner neighborhoods has hurt the inner city generally (especially away from the university), and with it the downtown economy. In any case, and whatever the exact explanation, New Haven is a telling example of a downtown that lacks a healthy small-business presence -- and hence a healthy CBD.

Hartford: From Pure Planning to Planned Diversity

In contrast to New Haven, downtown Hartford pulsates with vitality. Connecticut's capital city provides an invaluable study in the paradoxes and possibilities of downtown revitalization. Some of the components of its downtown success are unique to the city, which in addition to being a state capital is also the home of some 20 national corporations (an unusual number for a city of only 135,000). Of more general

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An explanation that would be consistent with a study that found that 40 percent of the small businesses displaced by a bulldozer renewal project in Providence never reopened and concluded that renewal's net effect was to hasten job suburbanization. (Zimmer, 1964.)
relevance is the shift in the city's planning strategy over time, a shift that has pivoted on the small business sector.

The CBD's vitality is obvious to the most casual visitor. Just as New Haven's problems show up in the absence of flourishing small enterprises, Hartford's small-business sector is the clearest sign of the downtown economy's comeback. Indeed the several blocks surrounding the new Civic Center mall (and its 55 shops and restaurants) provide an instant education in what constitutes a healthy CBD.

Sidestreets are studded with a wide range of specialized service and retail facilities. These small businesses, along with those of the Civic Center, draw large numbers into the downtown from the area's suburbs (which are among the wealthiest in the nation). Along with the city's favorable location (about midway between Boston and New York, with a large airport nearby) and its rich architectural legacy, the downtown's amenities also keep the city in the running for regional and national conventions. The result is a downtown that remains active through the evening and weekend hours when the city's legions of office workers have gone home.
The Context: City-Wide Decline and Fiscal Strain

Perhaps the most striking thing about this downtown revival is that it exists in a context of dramatic city-wide decline. Hartford lost fully 15 percent of its population between 1970 and 1976, a far larger loss than hit Boston, and half again as large as New Haven's. Moreover, the composition of the city's population changed rapidly during the early 1970's as a result of a federal recruiting program that drew several thousand Puerto Ricans annually to work in tobacco fields in the Hartford vicinity. When the local tobacco industry all but collapsed in the mid-seventies, tens of thousands of Spanish-speaking people were left high and dry, ill-equipped for the office jobs the city could offer.

As a related matter, the city government has experienced severe fiscal distress in recent years. Unlike most municipal governments, the city of Hartford administers public assistance, and by the late seventies Hartford's welfare roles accounted for over a fifth of Connecticut's welfare population. The city also administers public schools; a rise in the Hispanic proportion of the school population from 7 to 34 percent between 1964 and 1978 created severe expenditure pressures. The city has built new schools to replace obsolete facilities, and has also incurred long-term debt for downtown redevelopment itself. Both factors help account for the city's unusually high per capita debt burden. For these and other reasons, the city has the highest effective property tax rates in Connecticut.
Against this background, Hartford's downtown revival serves as the clearest possible reminder of the distinction between the CBD and the city at large. Downtown redevelopment does not solve all of a city's problems -- especially its most painful ones. Office jobs do not help unskilled male workers, and a successful revival may indeed entail some displacement of low-income households through gentrification.

But the other side of the coin is that redevelopment can occur despite city-wide decline. In this sense, models that quite plausibly posit a CBD's position as mainly a function of city- or SMSA-wide economic conditions (like the model sketched in Figure 3) tend to slight the most important relationship. That is the downtown economy's responsiveness to a broadbased and well organized redevelopment campaign.

The Public-Private Alliance in Hartford

The unifying theme of Hartford's experience is the capacity of a local business elite, spurred by a skilled public official, to effect fundamental downtown change. According to William Hill, an authority on downtown projects across the country, a prerequisite to their success is a "manager" capable of mobilizing and coordinating public and private resources.* In Hartford, that role has been played by long-time deputy mayor Nicholas R. Carbone. And the business elite in question has been

*From a telephone interview of Mr. Hill, the Executive Director of the International Downtown Executives Association (or I.D.E.A.).
almost as clearly defined, coming largely from Hartford's big insurance companies (17 of which are headquartered in the city).

From the beginning (i.e., 1956, when the first redevelopment bond issue was approved by the city's voters), the insurance industry has committed large amounts of capital to downtown projects. In the fifties, The Travelers took the lead in organizing a development corporation to finance and manage the first big project (Constitution Plaza), and Phoenix Mutual's decision to build a new office building helped get the project in motion. More recently, Aetna has been the developer behind the Civic Center mall, the keystone of the new downtown. Indeed, the Downtown Council, the primary planning and promotional organization in the CBD, is chaired by an Aetna vice-president. (I.D.E.A., 1979, p. 7.)

As a result, the city's redevelopment expenditures have been highly leveraged by private investment. Constitution Plaza benefited from over $50 million in private money, and more than that has gone into the Civic Center project in the 1970's. (The Civic Center Coliseum, famous for its collapsed roof, was financed through city bond issues; it will be ready for use in early 1980.) In addition, of course, the city's expenditures were augmented by state and (especially) federal grants -- which have exceeded $10 million in the Civic Center area.
FIGURE 3

- Competing MRC's in SMSA*
- Downtown Retail Sales
- Downtown Population
- SMSA Population
- Downtown Assessed Valuation
- Downtown Employment
- Per Capita Income of SMSA Residents
- Downtown Office Space
- Public Investment in Downtown
- Private Investment in Downtown

* "MRC" means major retail center — i.e., a retail node outside the downtown.

Small Business and Planned Diversity

Nevertheless, the secret of Hartford's downtown success lies less in the scale of its capital mobilization than in the specific uses into which capital was channelled in the 1970's. In the early days of renewal, the approach was "pure planning," and the result was Constitution Plaza -- a 15-acre project that replaced a predominantly Italian neighborhood with a massive and impersonal office complex.

Portland: Northern Renaissance

Maine's largest city is an intriguing anomaly. A metropolitan city of some 60,000 residents, it is virtually all white, its only sizable ethnic minority French Canadian. And unlike our other cities, it has never had much manufacturing employment, serving instead as a port and distribution center. Consequently neither industrial decline nor racial factors play anything like the roles they do in comparably sized New England cities to the south, within the Manufacturing Belt.

Instead, Portland's adjustment represents a study in "pure ageing." As a relatively homogeneous mercantile city, in other words, Portland's redevelopment problems have stemmed from the sheer physical ageing of its residential, commercial, and social capital, as compounded by mild economic decline and generally low per capita incomes.

The city can serve as a useful concluding case, illustrating as it does the basic harmony of interests between a city government and the local small-business sector. Despite the
formidable dimensions of Portland's redevelopment problem, its
downtown today is its greatest asset, a working model of what
prosperous American CBD's must have been like before the large-
scale suburbanization of the post-1945 era. And, as both a cause
and an effect, the city's small business sector is thriving.
Some 140 new businesses started up in the first half of 1979, for
example, and most were in or near the CBD.

The CBD has two distinct spatial components, with some
differentiation of functions between them. Most office space,
including four large new private office buildings (put up by the
city's three major banks), is in a long, narrow segment along
Congress Street, away from and above the waterfront -- which is
the other component.

The waterfront -- hit only a few years ago by the departure
of two large shipping and processing concerns -- has blossomed as
a center for restaurants, bars, and entertainment. It has also
spawned the sort of specialized retail development found in
Newburyport and Faneuil Hall. This combination of nightlife and
specialty stores has sparked obvious enthusiasm among residents
of both the city and its suburbs. As a result, a visitor finds
an engaging vitality on the waterfront, a vitality in no way
diminished by the area's rough edges and aged facilities.
The City Government's Primacy

Area residents readily attribute the CBD's prosperity to the city government, which has clearly played a decisive developmental role. While concentrating on the area around Monument Square (the intersection of the two CBD segments), the city has also provided infrastructure elsewhere and has helped upgrade inner residential neighborhoods. In this connection, a recent report to HUD observes that "Efforts have been made to coordinate downtown development so the various CBD functions can support each other" (I.D.E.A.-R.E.R.D., 1978, p. 138).

The report describes specific forms the city's planning, coordination, and investment have taken:

As a local observer recalled in 1979:

"In their zeal to encourage business, designers chose to emphasize "pure planning," that is, space designed for only one use -- business. Housing, movie theaters, small retail businesses such as flower vendors, pizza shops, and shoe stores, places that would have encouraged people to frequent the plaza, were all on the drawing board at one time or another and eventually discarded. [As a result] the missing ingredient in Constitution Plaza has always been people. Without them, the showplace is often a lonely, sterile place (Emphasis added) (Lohman, 1979, p. 6)."
By contrast, the Civic Center complex represents a combination of small-is-beautiful design with the central drawing power of a sports-and-convention center (the Coliseum) and a new hotel. The result, as in Boston, has been to restore the city's central focus by giving people access to the range and variety of sights; sounds, and services that only the downtown can provide.

The civic center demonstrated how concepts in urban planning have developed since the "pure planning" days of Constitution Plaza. Nowhere in the city can be found the exciting vibrant mix of people found daily at the civic center. Hartford's elderly sit on the benches...to watch the free show...Teen-agers with radios...suburbanites with children in strollers...young and old, rich and poor congregate, eat, shop, and stroll. The civic center reminds us that a city gains its strength from diversity (Lohman, 1979, p. 9).

The "new planning" thus offers a philosophy to shape and guide city redevelopment policy. The essence of the new approach is to create a downtown environment that nurtures diversity -- among both people and businesses.
(1) The Maine Way urban renewal program...resulted in substantial cosmetic changes...and leveraged major new construction in the CBD. The construction of two garages, the development of the new Convention/Civic Center, improvements to the roadway system, and the extension of the Main Way Mall...are all considered important projects which have reinforced the CBD by improving ambience, convenience, and attraction.

(2) Public investments also have reportedly leveraged new private investments [including the new bank-build office buildings and a new hotel].

(3) Neighborhood conservation programs, code enforcement programs, and [neighborhood development projects] reportedly have been successfully used in most areas surrounding the CBD (I.D.E.A.-R.E.R.D., 1978, pp. 137-138).

Small Business and City Governments in New England

Portland's city government, like those of the four other cities, has thus used a variety of policy tools to aid the market's conversion of downtown sites from old to new uses. In so doing, it has had to rely on small business as the prominent source of CBD jobs and services.

As national and multinational firms have drifted to more central locations, the economic positions of New England cities

10"Maine Way" is the keystone downtown project. It was based on a design by the planner Victor Gruen and aided by $9 million in Urban Renewal funds from HUD.
have depended increasingly on the capacity of municipal governments to manage the transition by refocusing local economies around the CBD. Their success or failure in creating this new orientation can be gauged by the condition of small businesses downtown. When downtown projects spur corresponding private development, a continuing and self-sustaining momentum is established — one that serves the national goal of a more centralized and energy-efficient metropolis.

**Policy Recommendations**

My message has been that a healthy small business sector is the touchstone for downtown vitality. Without it, a downtown will remain at best a 9-to-5 proposition, a sterile cluster of office buildings whose white-collar workers depart at the first opportunity. If a more centralized metropolis does serve national energy-development goals, then downtown policy design should begin by recognizing small business's role as the basic source of downtown amenities and services. What our case studies suggest is that if a city government can create the right context, small business can itself become a centralizing force.

When that is recognized, policy measures to overcome both market failure and non-market barriers to downtown adjustment can be evaluated accordingly. Some samples may be listed here.

1. The surest general line of action to encourage small business in the CBD — and hence to speed downtown adjustment — is property tax reduction. (**Not** piecemeal tax abatement, which creates long-term problems for city
governments and may in the short run raise tax rates for most small businesses). In the absence of state-local tax reform, property tax reduction will not happen in declining cities without increased federal fiscal relief to municipal governments — which is in any case desirable on a number of counts [Norton, 1979, chapters 7-8].

(2) Particularly when geared to small as well as large firms, Urban Development Action Grants appear to work surprisingly well as a means to overcome barriers to downtown investment. As the evidence stands now, they should certainly be continued.

(3) Downtown redevelopment's Achilles' heel is its weak payoff in terms of minority job opportunities. The federal government's recently enacted Targeted Jobs Tax Credit, a wage subsidy geared to the urban poor, should be watched as a potentially valuable means of making the CBD a better provider of minority jobs.
REFERENCES


