The Neighborhood Has Gentrified, But Where's the Grocery Store?

BY: Scott Beyer | February 2015

This story is part of a series on gentrification, which appears online and in the February 2015 print issue.

If you're an urban pioneer who settled in downtown Cleveland sometime in the past decade, you're probably happy with the neighborhood's progress. Even as the city as a whole has continued to lose population, the central area has revived thanks to an influx of young and educated newcomers. Downtown Cleveland right now has its highest-ever population, with more than 13,000 residents and lots of new housing developments on the way. There are more than 4,000 hotel rooms, with another thousand expected by 2016. And residents today enjoy a more walkable neighborhood, as new restaurants and bars open around old cultural institutions like the theater district.

If you are looking for a large grocery store, however, you're still out of luck. The first one, Heinen's Fine Foods, is set to open soon, but residents so far have had to make do with quick marts and gourmet prepared-food delis. Even following the opening of Heinen's, downtown Cleveland still will not have many of the amenities found in denser areas: Neither Target nor Walmart has launched one of its urban-style branches here. There's no large office supply or electronic retailer. And the many empty storefronts remind passersby of the basic amenities they are still missing, such as a hardware shop.

A similar pattern has occurred in other traditionally declining cities with emerging downtowns, like Baltimore, Detroit and Pittsburgh. While they have enjoyed growing residential populations alongside high-profile new projects like stadiums and malls, they have had trouble attracting the critical mass of retail that actually helps residents on a day-to-day basis. The fact is that for fast-changing neighborhoods -- especially in cities that have suffered hard times -- retail often lags far behind office and housing growth in the gentrification process.

This is not a new phenomenon. The real estate industry has long known that "retail follows rooftops." Businesses don't want to open in areas where there aren't very many people. But when a neighborhood is undergoing rapid gentrification changes, the retail lag can be particularly challenging. "Retailers are going to often wait until they see who's living there," says Rachel Meltzer, an expert on retail gentrification at the New School in New York City. "Particularly in these neighborhoods that are changing, it's very hard to predict what that consumer base is actually going to look like."

While little empirical research exists to document it, Meltzer says she has found through fieldwork that gentrifying neighborhoods often have substantial mismatches between their residential and retail makeup. That's true, she says, for both places with an existing residential base and those that are just now beginning to attract people. In cities that were already dynamic, businesses that served older populations tend to linger for otherwise uninterested newcomers. In trending Brooklyn neighborhoods like Crown Heights, for example, one still finds greasy takeouts and bodegas with bulletproof glass, rather than healthy sit-down restaurants or other amenities that newly arrived residents might want. Meanwhile, cities without a previous critical mass, like Cleveland, can have difficulty attracting retail altogether, despite their large residential presence.

The retail lag is especially true for national chains, which take fewer risks, says Ed McMahon of the Urban Land Institute. "It's the locally owned business that will take a chance on the neighborhood first," he says. They will "show that the neighborhood can support retail, and that's when the national chains have the confidence to move in." Michael Deemer, a development official for the Downtown Cleveland Alliance, says that many chains have told him that they want to see about 20,000 residents before they locate downtown. The area isn't projected to reach that figure until late in this decade, and in the meantime has relied on a mix of smaller chain stores and local entrepreneurs.

In attempting to solve the retail problem, many cities have implemented subsidies for anchor businesses, mainly through tax increment financing, or TIF. This strategy, which has greatly expanded since the 1970s, enables officials to draw boundaries around targeted redevelopment areas, borrow to help subsidize key projects within them, and then use the tax revenue generated from the areas to pay the debt. Cleveland used that strategy to finance the Rock and Roll Hall of Fame, while it's given other subsidies to developers of downtown stadiums, hotels and condos. Washington, D.C., has used TIF revenue to finance downtown apparel stores, while Chicago has used it for an extensive range of retail, including adding a Whole Foods.

Cities can also draw retail by tapping into state and federal tax credits. Cleveland, for example, attracted Heinen's through both federal new market tax credits, which are reserved for low-income areas, and Ohio's historic rehabilitation tax credits, which the grocer used to locate into the historic Cleveland Trust Rotunda building. Heinen's also received $3.3 million in city TIF money.

When a Heinen's Fine Foods store opens in the former Ameritrust bank building later this spring, it will be a boon for downtown Cleveland residents. But the area still has lots of empty storefronts waiting to be filed. (Shutterstock)

But if cities like Cleveland can only attract large retailers through subsidies, then it calls into question whether their gentrification process is authentic and occurring equitably. Critics of TIF say that the approach favors certain businesses -- usually major chains -- by taxing the very competitors who fall within their boundaries. And they note that revenue for TIF and other incentives often comes either from property or sales taxes that would otherwise go toward core city services.

Twenty years ago, Harvard University economist Michael Porter's landmark report *The Competitive Advantage of the Inner City* suggested that government subsidies were ineffectual in achieving the desired mix of urban-core retail, often at great public expense. Instead, Porter proposed that cities improve their business climates by reducing regulations, cleaning up vacant lots and repairing infrastructure. McMahon of the Urban Land Institute agrees. Rather than targeted handouts, he says, cities should focus on "setting the table" for broader retail investment by improving streets and public safety. Business improvement districts (BID) have been formed by governments to provide better services for retail areas. Unlike with TIF, businesses in BID areas voluntarily agree to pay a special tax that is used solely for improvements. This guarantees that no one business shoulders the burden -- nor receives outsize benefits -- and that the revenue itself follows a dedicated stream rather than being taken from the general fund. Another option has been community development corporations, which use public and private funding to revitalize neighborhoods through the same bottom-up approach.

Such organizations have been instrumental for downtown Cleveland. When founded in 2005, the Downtown Cleveland Alliance focused on basics such as cleaning streets, building a dog park and hiring several dozen yellow-shirt-wearing street ambassadors to provide added security. Now, says the Alliance's Deemer, the BID has expanded its purview with a business development center that directly links companies to specific sites or to helpful information. Another factor in Heinen's move downtown was a survey conducted by the Alliance that found that a grocery store was the second most desired retail option for area patrons. "Having been successful in laying that clean, safe and walkable foundation," Deemer says, "we then branched out to focus more directly on filling office vacancies [and] on filling retail vacancies."

Another Cleveland community development group, the Historic Gateway Neighborhood Corporation, is focused on helping bring retail downtown. It has partnered with the Downtown Cleveland Alliance and other community groups on various improvement initiatives, such as sprucing up a key section of downtown with public art. It also regularly assists incoming businesses, namely smaller ones, by helping them navigate the city's design and review process, and apply for various loans and grants. And it has encouraged Cleveland to embrace creative new ideas, such as the one Director Thomas Starinsky concocted for some underused parking lots. Working with the landowners, he brought in empty shipping containers that were placed on the edge of the lots and renovated to host start-up clothing retailers. The containers have become popular, and now some of the retailers are talking about opening brick-and-mortar stores.

That's part of a broader willingness by the city to engage in new ways of thinking, Starinsky says. The city has incorporated several ideas that have proven successful in other places. In 2011, Cleveland amended its regulatory code to allow food trucks, and last spring the city welcomed ridesharing services. Other actions, like a city proposal to build a pedestrian bridge linking downtown to the waterfront, signal that Cleveland is eager to spur additional development, Starinsky says.

Still, downtown Cleveland has a way to go before becoming a full-service neighborhood. Retail options are now focused around a few scattered nodes, namely the East Fourth Street pedestrian mall, the 5th Street Arcades and the Warehouse District. For the neighborhood to be truly livable, say Starinsky and others, the city will need to fill in the gaps with additional retail options. Attracting the right mix of stores will require continued focus by public officials and private groups alike. But downtown residents will no doubt look at the opening of Heinen's as a crucial step in the right direction.

This story is part of a series on gentrification, which appears online and in the February 2015 print issue.