These Cities Tried to Tackle Disinvestment. Here Are Lessons From What Happened.

Local governments have made efforts to revive commerce in neglected Black neighborhoods around the country. It hasn't always worked. But Chicago can learn from their experiences.

by Haru Coryne and Tony Briscoe, Dec. 30, 2020, 4 a.m. CST

The Central Ward of Newark, New Jersey, on April 7, 1968, the national day of mourning for Martin Luther King Jr. The city is one of several across the U.S. where local officials have tried to reverse decades of disinvestment. (Ann E. Zelle/Getty Images)

They poured millions into deals with giant corporations. They propped up small businesses. They changed the tax code. They expanded mass transit.

In cities as distinctly different as Washington; Newark, New Jersey; Chicago and Pittsburgh, government officials have found ways to restore essential goods and services to neighborhoods devastated by population loss and the flight of business.

In November, ProPublica examined how long-term urban decline played out on Madison Street, a once-thriving commercial corridor that runs through the East Garfield Park neighborhood of Chicago. Today, it's no longer a shopping destination or a source of much employment for local residents, many of whom must leave the neighborhood to shop or work.

The investigation revealed how decades of ineffective government programs, aggressive campaigns of demolition without redevelopment and widespread real estate speculation had allowed land to sit empty, even as the needs of the surrounding neighborhood went unmet.

Not every community buffeted by the larger economic forces of the last half century has met the same fate. Across the country, local governments have tried different strategies — often in combination — to build up commercial space for residents and revitalize struggling neighborhoods.

Each approach has its limitations and lessons. Here are a few of them.

Population Growth at Any Cost: Washington

In April 1968, the assassination of Martin Luther King Jr. sparked riots around the country. Few places were harder hit than the nation's capital, where roughly 900 buildings were heavily damaged or destroyed, mostly along three commercial strips: 7th and 14th streets NW and H Street NE.

The Idea

Not long after the unrest, district officials identified mass transit as a key to rebuilding those communities and proposed the construction of a new Metro line. After experiencing a number of delays, the city started work on the Green Line in the mid-1980s. Stations were eventually constructed along 7th Street in the Shaw neighborhood, on 14th Street in Columbia Heights and along the U Street commercial corridor.

Officials then turned to attempting to increase the city's population, which had dropped by around 184,000 between 1970 and 2000

What Worked

Williams fell short of his goal, but the city has grown tremendously. Many new residents moved to the Green Line corridor, which also attracted a significant share of Washington's retail development and households headed by people under 35.

The Catch

The influx of new residents drove up the cost of living, which pushed out residents in these historically Black communities. The neighborhoods along the Green Line experienced some of the highest levels of displacement.

"That was really successful in building back those areas, but not to the benefit of the people who had historically lived in them," said Sarah Shoenfeld, a scholar who focuses on Washington history.

Throw City Support Behind Smaller Retailers: Newark, New Jersey

For decades, Newark didn't have enough grocery stores. New Jersey's largest city started to lose much of its population and economic base in the 1960s, punctuated by riots that broke out in 1967. In the years that followed, many businesses, including most supermarkets, relocated out of the city or shut down. By the late 1980s, many residents of the city's Central Ward not only had to leave their neighborhood to buy groceries, they had to leave the city.

The Idea

In 2010, Newark set out to fill the gap in supermarket access, particularly in working-class, Black neighborhoods. Officials drew up a list of promising sites for new grocery stores. Then, they pitched retailers on them. The state made low-interest loans available for development, and the city drummed up attention around the new stores with ribbon-cuttings and other events. City grants helped cover the cost of job training. Stores in these areas were even allowed to charge a cheaper sales tax.

What Worked

In 2012, the Central Ward saw its first supermarket open in more than 20 years: the Food Depot. Eight years later, the store is still in business, and others have opened as well.

Lyneir Richardson, who was CEO of Newark's economic development corporation at the time and is now a developer in Chicago, described the Food Depot deal as "almost overly incentivized." But he said the costs were necessary.

The city needed a partner willing to locate in a poor neighborhood and accept a lower profit margin, Richardson said. Typically, those companies are smaller. The Newark store was the Food Depot's first location; the business has since opened a second one in nearby Kearny.

"The larger chains have a higher threshold of sales volume that they need to achieve to be successful," Richardson said. "They have a higher cost of operations. They want bigger stores."

The project depended on a $2 million “gap” loan, funded through the state’s enterprise zone program. The loan had less rigid underwriting standards than are common at large commercial banks, allowing it to be used to support a business that might take longer than normal to turn a profit. Once that was in place, the developer was able to finance the rest of the project with a traditional loan from a local bank.

The Catch

Projects like this are complicated, take time and often require the right connections. There was no single pot of money that the Food Depot deal relied on to work; instead, it drew on multiple incentives.

“It takes someone to say, ‘I have a relationship with the entrepreneur, I have a relationship with the city, I have resources to be able to put together applications and structure deals,’” Richardson said.

Prioritize Commercial Anchors to Attract New Residents: Chicago

On Chicago’s Far South Side, the historic Pullman neighborhood was founded in the late 19th century as a company town for laborers who assembled luxury passenger railcars. But as happened in many rust belt communities, those manufacturing corridors declined, residents fled and neighborhood businesses closed.

From 1970 to 2015, according to census data analyzed by Chicago demographer Rob Paral, the community lost some 4,400 people, or about 40% of its population.

The Idea

Traditionally, urban planners and developers working in distressed communities prioritize new housing to grow the population, which they hope will attract commercial development. But after the housing market collapsed in 2008, officials took the opposite approach. Alderman Anthony Beale of the 9th Ward and Chicago Neighborhood Initiatives, a developer, focused on creating jobs and bringing business to Pullman, starting by redeveloping the 180-acre site of a former steel mill.

What Worked

The first major development came in 2010, when Beale lured Walmart to the site.

“Once we got Walmart in, that’s when the floodgates started to open,” Beale said.

Since then, Method Soap opened its first operation in the U.S. in a newly constructed factory building. Gotham Greens, a company that grows produce indoors, set up what it touted as the world's largest rooftop greenhouse. Whole Foods built a distribution center. Other smaller businesses followed.

The investment appears to have paid off. Between 2011 and 2018, Pullman's population has risen nearly 5%, even as Chicago has lost residents citywide.

"What we realized over time," CNI President David Doig said, was that "while housing was important, the need for jobs was a more pressing need."

This year, a 38-unit apartment complex for artists was built on a vacant plot of land, marking the first major new housing development.

The Catch

This type of renewal doesn't come cheap. The development relied on considerable public support, including $50 million in tax revenue set aside from rising property values on the Far South Side and about $100 million in Federal New Market Tax Credits. To date, the project has created about 1,800 jobs, according to Doig.

Pullman also benefited from long-term conservation efforts unavailable to most neighborhoods. The city designated it a local historic district in 1972, which prevented aggressive demolition and preserved many of the area's trademark rowhouses. Pullman later garnered national attention and tourism when, in 2015, President Barack Obama designated the neighborhood's clock tower a national monument.

Tax Land More Than Buildings: Pittsburgh

After the decline of the steel industry in the 1970s, officials in Pittsburgh struggled to shift from the manufacturing economy that had long fueled the city's growth to one that would attract more white-collar jobs. Their immediate goal was to encourage the construction of new office buildings in the city's ailing downtown, where much land sat undeveloped.

The Idea

To help spur development, Pittsburgh dramatically changed how it taxed real estate. Typically, most of the taxes paid on a piece of real estate come from the value of whatever's built on it, and only a small portion comes from the land itself. As a result, if you build anything, whether it's a house or an office tower, your taxes will rise.

Instead, Pittsburgh started taxing land at a much higher rate than buildings. The arrangement is called a "split-rate tax" or, more generally, a "land-value tax."

What Worked

In 1979, Pittsburgh started taxing property owners at a rate roughly five times higher for the land component of their real estate than for the buildings.

It was a significant change from what happens in most U.S. cities. Policy advocates argue that traditional property taxation discourages people from using land productively by raising their costs if they want to make improvements. To mitigate this, local governments often offer tax breaks to developers, letting them avoid the increased expense they'll incur for building something new. A land-value tax, in theory, applies the same concept to the entire city.

"The land tax is basically a blanket edict that, if you want to make investments, you won't see an increase in taxes," said Joshua Vincent, a consultant and researcher who has advocated for more municipalities to adopt these policies outside Pennsylvania.

Some economic research backs those claims.

In 1997, researchers at the University of Maryland studied Pittsburgh's experiment. Although the tax reform was not the only factor influencing development in the city, the researchers found new construction increased by 70% during the decade after the adoption of the policy, compared with the previous two decades, as measured by the dollar-value of building permits. The study found, too, that building in other struggling industrial areas, including Detroit and the Ohio cities of Cleveland, Toledo and Akron, declined during the same period.

Pittsburgh ended its split-rate tax in 2001, Vincent said, following the election of a new mayor and a property reassessment that altered real estate values.

The Catch

Pittsburgh's growth was concentrated in its central business district, and there isn't much evidence that the split-rate tax aided community development. For example, many residents of Pittsburgh's low-income, Black neighborhoods continue to lack access to grocery stores, federal data shows.

Correction, Jan. 4, 2021: *This story originally misstated the decline in the population of Washington, D.C., between 1970 and 2000. It dropped by around 184,000, not 700,000.*

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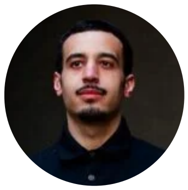

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