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PRACTICE URBAN ACTIVITY CENTERS

Rezoning Urban Retail Strips to Create Neighborhood Centers

By Tom Smith

Planners have argued for an overhaul of urban neighborhood retail for decades.

City of Chicago, Mayor's Zoning Reform Commission

In Chicago's high-income neighborhoods retail strips are economically healthy. These healthy strips, however, have created a false hope in middle- and low-income neighborhoods that all neighborhood strips can be restored. A more realistic strategy calls for consolidation of retail into activity centers and the conversion of old retail corridors to housing.

The old pattern of linear commercial strips strung along miles and miles of major and minor arterials is simply not working. Still, most cities and inner-ring suburbs cling to this linear pattern of retail zoning in hopes that the small businesses that previously populated these strips will somehow be reinvented.

The bleak national economy, however, has further emphasized the need to consolidate since many low- and middle-income neighborhoods are only served by marginal businesses that are dispersed throughout neighborhood's business streets. Problems of vacancy, abandonment, and disinvestment plague these corridors. The worsening state of commercial real estate and the continuing problem of low rents and underused properties support arguments for a major rezoning of these strips. In light of these realities, I believe many cities and inner-ring suburbs need to adopt plans and make zoning changes that encourage the use of strips for housing, churches, schools, and other institutions, and for parks and open spaces. Instead of focusing on long, linear retail strips, planners should turn their attention to drafting plans and zoning codes for neighborhood centers.

This article makes a case for planning new neighborhood retail and activity centers anchored by housing, institutions, and places of employment rather than the traditional anchors of department stores or supermarkets.

FAILING TO SAVE THE STRIP

Ignoring market evidence, cities continue to use tools like tax increment financing (TIF) in a misguided effort to save the strip. Chicago has created approximately 130 TIF districts with the intent of spurring redevelopment, and some of these districts are miles long. As

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About the Author
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tax revenues increase within a TIF district, the designation allows the city to collect any new "tax increment" as a source of funds for stimulating new development. However, after 25 years of this effort, the Chicago TIF districts are largely considered a failure and, in some cases, a public finance scandal.

In recent years *Chicago Reader* reporter Ben Joravsky has received considerable local attention for his coverage of Chicago's TIF program. His stories have highlighted the program's lack of transparency, its failure to achieve results outside of the city's booming downtown, and its pattern of public expenditures that seem to benefit city insiders and mayoral supporters. In 2002 a study by Chicago's Neighborhood Capital Budget Group (a now-defunct municipal budget watchdog group) criticized the city's TIF districts for having boundaries that were too large, for targeting areas that were not blighted, and for providing incentives in neighborhoods that didn't need them.

National commentators have also criticized the misuse of TIF districts, especially in those states where TIFs have been used extensively. Jeffrey Spivak, writing in the *Tulane Law Review* (Volume 83:1), states that TIF funded projects have aroused taxpayer protests because "some projects accomplish little of public benefit and hog increased property tax revenues that should have been shared with other local government entities."

In response to some of these criticisms, both California and Wisconsin have placed additional restrictions on the use of TIF districts to ensure that TIF funds are used for projects that would not have occurred without public subsidy.

What is missing in Chicago's (and many other cities') economic development efforts for these strips is a long-term plan coordinated with zoning changes. To date, city and suburban economic development programs for strip commercial often look like a version of *Let's Make a Deal*. The result is city neighborhoods are underserved by retail and plagued by "food deserts."

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GLOOMIER FORECAST FOR THE STRIP

It is hard for cities and suburbs to give up on neighborhood retail strips. Neighborhood retail strips are part of the local history. These strips are the locations where small businesses flourished and small entrepreneurs achieved the American dream. Yet the factors that made these strips successful in the past—the clustering of small businesses, urban densities, and less reliance on automobiles—no longer exist.

For decades, the discount franchise retailers have declared war on the small neighborhood shops that occupied many urban and suburban strips. The very goal of the retail "category killers" is to put others that sell products in their category out of business. Few small-scale neighborhood stores have survived the onslaught of merchandisers like Home Depot and Menards for home improvement, Barnes and Noble for books, Best Buy for electronics, the Sports Authority for sporting goods, Burlington Coat Factory, TJ Maxx, and Marshalls for clothing, and Bed Bath & Beyond for linens and housewares. Category killers offer a wider selection, better prices, and ample parking.

The problem only continues to get worse. The discount warehouses—Wal-Mart, Sam's Club, Costco, BJs Wholesale, Kohl's, and Target—have recently shown an interest in more urban locations. These discounters, however, want to keep their suburban format whenever possible. Where these big box stores have been constructed in urban areas, they are typically built in old industrial districts, further drawing business away from the neighborhood strips.

Other trends including e-commerce have further eroded the stability of neighborhood shopping strips. Forrester Research predicts that e-commerce sales in the U.S. will keep growing at a 10 percent compound annual growth rate through 2014. It forecasts online retail sales in the U.S. will be nearly $250 billion in 2014, up from $155 billion in 2009. Last year, online retail sales were up 11 percent, compared to 2.5 percent for all retail sales. By 2014 e-commerce sales will represent eight percent of all retail sales in the U.S., up from six percent in 2009.

The market issues are magnified when you examine the scale of neighborhood retail strips. In Chicago alone, there are approximately 700 miles of streets zoned for neighborhood retail. This pattern cannot be sustained. These retail areas need to be consolidated into more successful and higher density locations. It is time to acknowledge that the category killers, big box retailers, and franchises have won the battle and that much of the neighborhood retail strip zoning needs to be reconsidered.

Tom Smith

Many small businesses—food stores, apparel shops, newsstands, and home furnishing stores—have abandoned urban retail strips and have been replaced by liquor stores, pawn shops, tattoo parlors, nail and beauty salons, and storefront churches. When cities resist these new uses, it can lead to higher vacancy rates and lower property values.

Ed McMahon, a senior resident fellow at the Urban Land Institute, has concluded that market trends indicate a new paradigm for suburban commercial development. McMahon thinks neighborhood centers that provide a park-once environment will see sharp increases in value as fuel prices rise.

Writing for *Citiwire.net*, McMahon stated his belief in "Future of the Strip: Downhill" (February 4, 2011) that "commercial strips are not going to disappear overnight. But it is increasingly clear that strip retail is the retail for the last century. The future belongs to town centers, main streets, and mixed use developments."

The need to consolidate and reformat retail into attractive, walkable, mixed use centers is an issue in both high-density urban areas and in low-density suburbs. In urban settings we need to consolidate because of overbuilding of strip retail in the 1920s and 1930s, and in the suburbs we need to consolidate because of the overbuilding of strip malls after World War II.

CONSOLIDATION AND REZONING

Cities and inner suburbs desperately need to consolidate the retail areas into more logical and sustainable locations. In Chicago we have struggled to find the political will to do this. Chicago's decision-making process is so political and so fragmented that no mayor or planning/economic development commissioner could tell the local alderman that his neighborhood retail needed to be phased out in favor of storefronts in a better location in another ward. Instead of consolidating strips the city has created hundreds of TIF districts—in hopes that virtually every retail strip could come back.

Given the politics, who has successfully done this? What does consolidation mean in terms of land use? What alternative use is reasonable for neighborhood strips? The next section outlines some of the important steps that some cities have taken to address the issues.

MINNEAPOLIS'S COMMUNITY CORRIDORS

Minneapolis has targeted many of its older commercial corridors for housing because of retail disinvestment, declining tax revenues, and the need for more affordable housing. The city's planning was combined with efforts of nonprofit groups (e.g., Center for Neighborhoods in the Twin Cities and now the Twin Cities Local Initiatives Support Corporation) in a program called the Corridor Housing Initiative.

The city's Department of Community Planning and Economic Development committed significant staff resources to work with neighborhood organizations and builders to promote housing with a significantly higher density than might otherwise be allowed. The goal is to allow for higher housing density while still demonstrating compatibility with the surrounding neighborhood.

Through the city's corridor housing program there is a limited funding source for public acquisition of sites for multifamily housing development on community, commercial, and transit corridors. Funds are used to assemble larger sites for new mixed income rental or condominium housing development. With the recession starting in 2008, the redevelopment of old retail corridors has slowed considerably, but four or five projects, started before the economic downturn, are still ongoing.

The city's economic incentives for converting the older "streetcar" corridors to residential are coordinated with its land-use and zoning classifications. The key classification system is as follows:

Commercial corridors. These streets retain retail zoning. They carry high volumes of automobile traffic, and the city encourages a traditional urban form with buildings built out to the sidewalk. The city's comprehensive plan designates only 11 commercial corridors.

Community corridors. These strips are the streets that are being converted from commercial to residential. These streets provide a connection between neighborhoods, carry moderate levels of traffic, and may have low-intensity commercial at key intersections. The city's comprehensive plan designates 37 community corridors.

Neighborhood commercial nodes. Nodes are focal points for a neighborhood. The commercial uses at nodes are low-intensity, small-scale retail sales and services that cater to the immediate neighborhood. The classification discourages any auto-oriented businesses or high-turnover businesses. The comprehensive plan designates 45 commercial nodes.

CONSOLIDATING THE WEST SIDE OF CLEVELAND

The Cuyahoga County Planning Commission prepared a land-use plan for the old retail streets of the Old Brooklyn and Brooklyn Centre neighborhoods located on the west side of Cleveland because both suffer from high retail vacancy rates.

Most of the retail floor area in Old Brooklyn and Brooklyn Centre is made up of small storefronts and was constructed between 1910 and 1950, when the population base of the city was much larger and before the advent of big box retail. An inventory found a high vacancy rate especially among the old storefronts along the retail strips. In addition, these neighborhood retail districts are now in direct competition with a new regional retail center (Steelyard Commons), as well as a relatively new shopping center (Ridge Park Square). According to the Old Brooklyn/Brooklyn Centre Neighborhood Master Plan, consumer shopping patterns "no longer support the urban, streetcar-oriented shopping corridors."

The plan calls for the consolidation of retail uses in selected nodes. Encouraging existing businesses to relocate to the primary retail nodes (i.e., Old Brooklyn and Brooklyn Centre downtowns, major intersections, and some existing shopping centers), where road and transit networks converge and where traffic and visibility are highest. It calls for relocation assistance for businesses to shift to more prominent and more productive locations.

In a bold statement of purpose, the plan concludes that "to ensure that the Old Brooklyn and Brooklyn Centre retail and commercial areas are strong and viable, efforts are needed to consolidate retail in selected locations, upgrade the physical environment, recruit and retain the right mix of uses and undertake a marketing campaign."

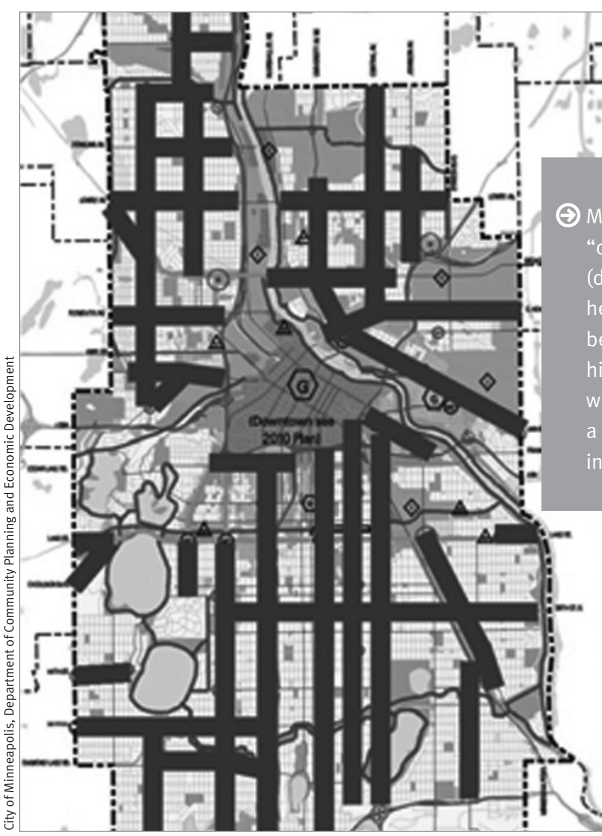
NEW ANCHORS FOR NEIGHBORHOOD CENTERS

The alternative to retail strips is the establishment of neighborhood centers. These should be mixed use centers. They should have good transit access. They should be in locations that allow shoppers, workers, and residents to combine trips for work, services, and groceries.

The most sustainable locations for neighborhood retail will be linked to neighborhood anchors that attract students, workers, or a high density of transit commuters. These nontraditional anchors will generate the traffic needed by neighborhood businesses. Neighborhood retail will be more sustainable if it is linked to neighborhood institutions or employment centers that provide the daily clientele to support local businesses.

In cities and suburbs we have a large number of potential anchors for neighborhood centers. These neighborhood anchors for activity centers might include the following:

- *Universities and colleges.* Cities and suburbs have community colleges, universities, and trade schools that can serve as anchors to neighborhood retail and services.
- *Hospitals and medical centers.* The workers and visitors at hospitals and medical centers create a good base of patrons for nearby restaurants, retail, and services.
- *Transit stations.* Stations with the highest boardings or stations where busses or busses and trains converge are natural focal points.
- *Neighborhood theater and entertainment venues.* Since movie theaters, live theaters, and concert halls mainly attract evening patrons, these uses are best combined with restaurants, nightclubs, and bars that benefit most from evening traffic.



City of Minneapolis, Department of Community Planning and Economic Development

Minneapolis's "community corridors" (designated with heavy lines) have been targeted for high-density housing, with retail limited to a handful of critical intersections.

IDENTIFYING CENTERS

Planners use lot of different terms—neighborhood centers, activity centers, neighborhood nodes—to describe alternatives to the long, linear retail strips. These different terms for centers may mean different things. Activity centers can come in all sizes and shapes. The most successful will be those with a solid anchor that helps to generate significant retail traffic. Some centers may be linear but, in general, these should not be more than two to three. Classifications used by Calgary, Alberta, give an idea of the size and scale of potential activity centers. These classifications define the city's target areas for growth outside of the city center and include the following:

Major Activity Centers (MAC) are locations along the city's busiest transit routes—those bus lines and future rail lines that have the most frequent service and carry the highest traffic. MACs contain one or more transit stations or stops. They have an existing concentration of jobs or population, and they must have sufficient land area to accommodate more jobs and housing. MACs are defined by high density and mixed land use. People who live or work in a MAC should be

City of Chicago, Mayor's Zoning Reform Commission

Many of Chicago's six-corner intersections have the potential to serve as activity centers. Cities need to identify locations with good transit access, higher densities, a strong mix of land uses, and anchors such as schools, hospitals, or large employers.

able to find most of the goods and services needed for daily life within the center.

Community Activity Centers (CAC) are existing shopping center sites or sites around a specific employment area. CACs may be located at transit stations or stops. They are substantially smaller than MACs in land area, and the locations do not offer the same opportunities for adding density or scale.

Neighborhood Activity Centers (NAC) exist primarily within the developed areas of the city in the form of smaller commercial sites—either nodes or small commercial strips. They should be located in the centers of small residential neighborhoods to provide walkable destinations for residents. NACs are typically served by a minimal level of transit service. They will be locations for medium density housing, local retail and services, community facilities, and, when absent, future transit stops.

ZONING FOR CENTERS IN TACOMA

The City of Tacoma, Washington, has successfully incorporated the "center" concept into its zoning regulations. Zoning amendments passed in July 2009 were designed to implement a 2007 comprehensive plan update that described the city's goals for centers. The update defined mixed use centers as Tacoma's primary locations for growth. The centers were identified as locations with some current commercial but also locations where the city could accommodate a significant amount of new development—housing, commercial, and employment growth. The update acknowledged the need for more mixed use, more density, and taller buildings in order to make these centers successful.

The 2009 zoning amendment established the growth and development rules for 17 mixed use centers. The code created new zoning classifications including an Urban Residential Mixed Used District, a Neighborhood Residential Mixed Use District, and a Hospital/Medical Mixed Use District. The city already had mixed use district designations for its downtown area.

A LOST OPPORTUNITY

In the 1990s and early 2000s, Chicago had an exceptionally strong market for new housing and condominiums. In response to this demand, the city proposed and later adopted a new business zoning classification that gave developers the option of building retail or building housing on the city's extensive retail streets. This B2, Neighborhood Mixed Use, district was intended to tap into the significant demand for new housing. It was intended to allow developers to convert existing retail storefronts to residential and to build new residential on numerous vacant lots along the old strips.

Unfortunately, since Chicago had so little consensus on the future of old retail strips, the adoption of the B2 district did not occur until the summer of 2004. By this time, the demand for new housing had slowed. By 2007, the city's housing boom came to a screeching halt and the market driven opportunity to convert the old retail strips to residential had disappeared. The city lost an important opportunity to remove vacant and abandoned properties from the market and to start thinking about transitioning the old strips to residential and other uses.

The city has designated eight centers that serve smaller neighborhood areas, seven centers that serve multiple neighborhoods, and two centers of regional significance (downtown and the existing Tacoma Mall). The principal issue in developing the zoning strategy was defining the center boundaries. Within the centers, the city's maps define where taller buildings can be accommodated along "core pedestrian streets." Each neighborhood center has a core pedestrian street where the incentives for more intensive mixed use development apply and where stricter standards apply to building design and pedestrian amenities. Height bonuses are available to properties within 200 feet of the centerline of each core pedestrian street. Bonuses are granted for features such as ground-floor retail, public art, structured parking, transit stop improvements, stormwater management improvements, green roofs, affordable housing, and contributions to the city's open space fund. The length of the bonus menu gives developers many options to qualify.

The Tacoma amendment prohibits certain uses from mixed use centers including golf courses and new single-family residential uses, and it restricts certain uses from locating along the core pedestrian streets, including building material sales and services, self storage, and vehicle service and repair. The center designations also apply strict standards for drive-through businesses and gas stations. The new zoning rules also require upper-story setbacks for any taller buildings located near the edge of a mixed use center where the building is adjacent to or across the street from a single-family home.

Development in Tacoma's mixed use centers has slowed due to the recession. Despite this, the city's Department of Community and Economic Development is in the process of preparing detailed master plans for some of the mixed use centers in anticipation of significant development once the recession ends.

EXCEPTIONS TO THE CONSOLIDATION RULE

Communities should be making the consolidation of retail strips into compact, activity centers a priority. Retail activity centers anchored by important neighborhood institutions—colleges, universities, hospitals, busy transit stations, popular entertainment venues—are more viable locations for neighborhood retail.

As with every major community development goal, however, communities should also recognize there will be exceptions to this rule. These exceptions include the following:

Ethnic retail strips. In many cities and inner suburbs the traditional and new retail strips of Hispanic, Indian, Italian, Chinese, Greek, and other ethnic groups have successfully expanded as the populations of these groups have expanded. In addition, these strips often offer distinctive products and unique foods that often attract customers and patrons beyond the immediate neighborhoods that they serve.

Strategic arterials. Most cities and larger suburbs have key arterials carrying significant volumes of traffic and that are attractive locations for auto sales and service, fast food restaurants, motels, gas stations, and other auto-oriented commercial uses. Despite the trends discussed above, many of these streets will continue to serve as good locations for high-intensity commercial uses that generate large volumes of automobile traffic.

Historic main streets. Many cities and suburbs have historic retail strips that they will not give up on. Where these strips have a strong historical or architectural character, they may be able to compete with the category killers and big box stores.

DISAPPEARING OR LOST FROM NEIGHBORHOOD STRIPS	
Appliance Stores	Home Improvement
Bakeries	Ice Cream Stores
Bike Shops	Jewelry Stores
Bookstores	Kitchen Shops
Bowling Alleys	Men's Apparel
Butcher Shops	Music Stores
Camera Shops	Newspaper/Magazines
Card Shops	Pet Shops
Clock/Watch Shops	Picture Framing
Delicatessens	Shoe Stores
Department Stores	Small Scale Theaters
Fabric Shops	Sporting Goods Stores
Film Processing	Stationery Shops
Food Stores (Independent)	Tobacco Shops
Furniture Stores	Toy Stores
Gift Shops	Travel Agents
Hardware Stores	Women's Apparel
Hobby Shops	

SURVIVING ON THE NEIGHBORHOOD STRIPS	
Armed Forces Recruiting	Martial Arts Studios
Auto Repair	Massage Services
Banks	Nail Salons
Coffee Shops	Pawn Shops
Day Care Centers	Photocopy/Fast Printing
Day Spas	Real Estate Offices
Dollar Stores	Restaurants (Fast Food)
Drug Stores	Saving and Loans
Dry Cleaners	Schools
Employment Agencies	Service Stations
Hair Salons/Barbershops	Storefront Churches
Health Clubs	Tanning Salons
Insurance Agencies	Telephone Stores
Laundries	Used Car Lots
Mailing/Packaging Stores	Weight Loss Centers
Liquor Stores	

➔ Traditional retail sales have disappeared from many neighborhood strips—lost mainly to the competition from big box stores.

CONCLUSION

Communities need to make an honest evaluation of the viability of their retail strips. They need to find the political courage to admit when things are not going well. It is important that communities not be stuck in some *Back to the Future* dream.

The long-term issue is whether cities and older suburbs can compete. The outer-edge suburbs already enjoy the advantage of ample vacant land where they can build "lifestyle centers" and "town centers."

The competition will be fierce. Still many cities and inner-ring suburbs have a much higher population density than the outer suburbs. This density can support more compact, mixed use neighborhood centers. The challenge will be transitioning the old retail strips to housing or other uses. An even bigger challenge will be identifying new locations for compact centers that are anchored by neighborhood institutions such as schools, hospitals, transit stations, or entertainment uses.

The best candidates for urban activity centers are areas with transit stations, higher densities, a strong mix of land uses, and anchors such as schools, hospitals, or large employers. (c) iStockphoto.com/ John Zellmer; design concept by Lisa Barton.

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WHAT DOES THE FUTURE HOLD FOR URBAN RETAIL?

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