



Downtown Idea Exchange

Essential Information for Downtown Revitalization

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Perspectives

Challenged like no time before, downtowns innovate with community development models

By Brad Segal

The recession's full impact was on display at the National Trust Main Street Center's Annual Conference in Oklahoma City this past May. Attendance was down more than 50 percent from past conferences and the economy dominated informal chatter throughout. Due to the time needed for lower sales and property values to creep through the tax collection system, the full impact of the recession on local and state government has been delayed by 18 to 24 months. Now it's hitting many downtown organizations hard, particularly those that rely on municipal or state funding.

Despite these challenges, downtowns are adapting and innovating, and in some cases using grassroots initiative to build local economies that will be less reliant on national trends. Traditional community development models are also finding new life and applications in downtown settings.

One particularly instructive example we have found, the Cleveland Foundation is leading the Evergreen Cooperative Initiative, a groundbreaking and replicable model for community economic development that has applications for both downtowns and neighborhood business districts. The Initiative is

creating community-owned businesses to provide basic goods and services for large anchor companies that typically export dollars. In the case of Cleveland, the effort is built around the economic heft of the Cleveland Clinic, University Hospitals, and Case Western Reserve University. Despite the robust standing of these world-class institutions, the surrounding neighborhoods are perpetually challenged with low incomes and disinvestment.

To break this cycle, the Cleveland Foundation and its partners (which include other foundations, local government, and federal agencies) identified nearly \$3 billion in spending that the anchor institutions annually send out of Cleveland. To capture some of these funds locally, neighborhood cooperative businesses are being formed to serve the major institutions. The cooperative model allows local residents to earn an ownership stake in the business, ensuring the business's commitment to stay. Maximizing their long-term chances for success, businesses are oriented to capitalize on emerging green economies. Seed funds for the businesses are provided by the

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foundations, federal grants, and the creative use of tools such as New Market Tax Credits. Businesses are expected to be profitable, recycling business loans into a fund for future business start-ups. Two businesses have been launched — a cooperative commercial laundry and a home weatherization company that will also produce solar energy — and two more are on the way this year.

The Evergreen Cooperative Initiative offers incredible inspiration for downtowns. Most of our business districts have large economic anchors — a branch of government, a hospital, an educational institution or a large corporation. The procurement model that asks these anchors to spend locally for goods and services could benefit existing businesses as well as help incubate new businesses.

Across the country, downtowns are embracing traditional community development models to help stimulate new investment, including the creation of formal community development corporations (CDCs). Common in neighborhood development contexts, a CDC is a grassroots 501(c)3 non-profit organization that can help advance real estate and infrastructure improvements. Potential advantages of a CDC in a downtown can include:

- Provide organizational focus and expertise on advancing commercial and housing development.
- Diversify funding for both operations and projects through access to charitable and government grants, earned income through services and projects, contract for services to the city and other agencies.
- Ability to target resources to specific properties.
- Ability to work within and outside of assessment districts or other restrictive boundaries.
- Flexibility to respond to opportunities that an uncertain market may bring.

I used to be a program director at the

Downtown Denver Partnership, where we have a CDC subsidiary called Denver Civic Ventures (DCV). DCV has been able to undertake a variety of economic development initiatives over the past 30 years, all uniquely tailored to the challenges of the times. In the late 1980s, during our last “Great Recession” in Denver, we created a multi-bank loan pool to provide capital to small businesses. In the 1990s, DCV acquired a building, undertook pre-development work, and sold the building to a private developer, pocketing a \$1 million-plus development fee that provides an endowment for the organization today. In the 2000s, DCV focused more on planning, helping to raise funds for a 20-year downtown plan. Today, we are looking at DCV as a potential entity to develop and manage a public market.

Other CDC applications that we are currently seeing include:

A large California downtown is evaluating whether a CDC can advance redevelopment activities beyond the expiration of the city’s redevelopment district.

A mid-size Minnesota downtown is looking at the Cleveland Evergreen model and whether major institutions can help mobilize investment to create needed housing and retail.

A small Hawaii downtown is exploring the CDC model to help unify, leverage, and focus the efforts of several organizations that are currently fragmented.

For downtowns, the recession glass is turning from half empty to half full, and many of the new community development innovations will serve them well into the future.

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