Attracting Supermarkets to Underserved, Urban Markets –
A Case Study in a Low-Income Neighborhood of
Durham, North Carolina.

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1 Introduction

The overall purpose of this paper is to improve the access to affordable food for residents of a low-income neighborhood in Durham, North Carolina. Especially in the United States, poor consumers often have to face many obstacles in doing their daily shopping since retailers tend to avoid their neighborhoods. Therefore, they have to decide whether they spend more money in small local grocery stores or travel far to reach the supermarkets located in the suburbs. These disadvantaged consumers would benefit much from a nearby supermarket, and at the same time retailers can make money by locating in inner city low-income neighborhoods as the markets on the outskirts become more and more saturated.

In order to find out what has to be done by the local government and community groups to bring supermarkets to low-income, inner city neighborhoods, I will concentrate on the retailers’ needs and the reasons why they have neglected these areas so far. Through the creation of a sustainable economic base, entrepreneurs should be able to run their business profitably and especially food retailers should recognize the potential of these neglected low-income, inner city areas. Only by abolishing the main obstacles of these areas and by focusing on the competitive advantage of inner city neighborhoods can the situation be improved on a long-term basis.

I chose Durham as the area of my case study because the city is in a short distance from Chapel Hill, where I spent one semester with the exchange program NEURUS (Network for European and United States Regional and Urban Studies) in fall 2003 to complete my research. In addition to that, Durham has a very diverse population and several low-income neighborhoods due to its declining tobacco and textile industry and has to cope with problems typical for a US-American city. Moreover, the City of Durham recently started to tackle these issues, but has not taken much action so far since the city still analyzes the situation in the city’s low-income areas. Therefore, this paper is also intended to assist the local government and community groups with identifying current problems in terms of food insecurity and with finding ways to face these deficits.
The paper is divided into five main parts: After this introduction, Section 2 will present the theory necessary to understand the issues of food supply in U.S. American inner cities. This theoretical part will first give a short overview of problems of food insecurity. Afterwards, American cities and U.S. food retailing will be dealt with in general and the last part of Section 2 will focus on key aspects of the retail environment and economic development efforts in low-income, urban areas.

Section 3 will discuss the methods used for the case study which will be described in Section 4. The case study will present the current situation in terms of food accessibility and affordability in Durham and especially in one low-income neighborhood that I chose as target area. By studying the retail environment in this neighborhood and the development of a supermarket in another low-income area of Durham, I will ultimately list a set of recommendations on how supermarkets can be attracted by the City of Durham and community groups, before summing up my findings in a conclusion in Section 5.
2 Theory

2.1 Lack of Access to Affordable Food

Despite the abundance of food in the USA, increasing numbers of Americans suffer from food insecurity, i.e. from lack of access to affordable food. Although poverty is the primary source of food insecurity, Bolen and Hecht (2003: 3-4) state that simple inability to buy food in low-income, urban neighborhoods is an important additional factor. Compared to people living in higher-income areas, residents of low-income urban neighborhoods have very limited access to high quality food, enjoy fewer options in the variety of goods that are available to them and pay higher prices for their groceries when they are available. Moreover, lack of grocery stores results in lower sales and property taxes as well as increased blight for local governments, lower revenues and profits for retailers and fewer real estate possibilities for developers.

Inner city residents have suffered from a lack of a sufficient number and size of grocery stores since World War II. At that time, home mortgages were offered at very advantageous terms in order to stimulate the construction industry. All over the country, young people took the opportunity, left downtown and built their own home in the suburbs, where land was cheap and abundant. According to Frieden and Sagalyn (1998: 11-12), the number of new houses increased from 300,000 a year in the 1930s to 1 million in 1946 and 2 million in 1950. Thanks to inexpensive cars, cheap gas and newly built highways, the new suburbanites were mobile and independent from public transport. Those who were left behind in inner city areas were less affluent inhabitants and mainly people of color.

As discussed in more detail in Section 2.2.2, industry and the majority of jobs moved to the outskirts at the same time as the residents, which caused severe problems for downtown shopping districts. Merchants soon realized that the inner city was no longer an attractive marketplace, shut down their inner city stores and opened new stores in the suburbs. Gosh and McLafferty (1991, quoted in Gosh 1994: 270) identified four key factors of the growth of suburban shopping centers in the post-war period: (1) suburban residents’ need for easy access to shopping opportunities; (2) retail industry’s need for access to the suburban population; (3)
local governments’ need to diversify their tax base; and (4) availability of financing and tax incentives. They also point out the municipal governments’ role in the suburbanization process: Due to lack of any industrial base, local governments viewed shopping centers as a major source of real estate and sales taxes. Therefore, they actively welcomed and helped shopping center developers, leading in many cases to competition among municipalities to attract new developments. In addition, the relatively low interest rates in the years following World War II facilitated the growth of shopping centers. Real Estate Investment Trusts, which allowed individuals and institutions to invest in securities that were backed by mortgage or rental home, also aided the rise of shopping centers. That way, financial institutions such as pension funds and insurance companies became dominant players in financing shopping center developers.

Unfortunately, the situation of these struggling inner city neighborhoods has not changed for the better over the last decades. Inner city neighborhoods have suffered severely because of the developments described above and lacking support of public authorities. However, their problems did not remain totally unnoticed, as a number of studies have been conducted to examine food provision in these areas and the topic has been in literature frequently for the last 40 years. In order to give an introduction to the problem of food insecurity, the next section will describe the advantages of the existence of a supermarket for both residents and the local economy before summing up the existing literature on this topic.

2.1.1 Supermarkets as Important Assets of Neighborhoods

We can buy our groceries in many different kinds of stores. Convenience stores, supermarkets, hypermarkets, supercenters and warehouse clubs all sell groceries, but they offer different numbers of items at lower or higher prices. In general, a small grocery store charges significantly higher prices. Therefore, a supermarket is an important asset for a neighborhood, especially for less affluent parts of the population. The Food Market Institute (2003) defines a supermarket as any full-line self-service grocery store that generates a sales volume of $2 million or more annually. Having such a store in the neighborhood offers the following advantages to the consumer. It guarantees:

- Lower food prices;
- A broad range of products and the possibility to buy fresh and healthful food;
- Food and related products in one store;
- Food in their immediate surroundings, i.e. low transportation costs;

In addition to these advantages for consumers, supermarkets often play an important role in economic development of inner city areas. They generate tax revenues, create jobs, revitalize vacant lots and attract other shops and investments. ICIC/The Boston Consulting Group (1998: 21-23) mentions several benefits of urban retailing for cities as well as for residents, such as the chance to increase employment and entrepreneurial opportunities, the reduction of urban blight, economic use of abandoned and underused land, the increase of the area’s foot traffic and desirability and the gain of additional sales tax revenue. They argue that filling the unmet inner city retail demand could create up to 250,000 new direct retail jobs and more than 50,000 new indirect jobs in U.S. American communities. That way, a virtuous cycle could be created that would lead to increased disposable income, consumer demand, local jobs, business sales, consumer traffic, security, and local spending.

2.1.2 Research on Food Accessibility and Affordability

In the early 1970s, the problems of “disadvantaged consumers” in the inner city received much attention by both academic and government research. As one of the first researchers, Sexton (1973) analyzed the changes in the number of supermarkets and found that the number of stores in Chicago’s inner city areas and especially in black neighborhoods decreased between 1959 and 1971. According to the Chicago Economic Development Corporation (1970), this development was caused by the impacts of ethnic transition and the Urban Renewal program (for more information on this program see Section 2.5.1). Other authors put emphasis on food prices: Andreason (1975) concluded that price differences in food stores result from differences in market structure. More small, high-cost independent supermarkets and small corner grocery stores can be found in disadvantaged areas, leading to higher prices.
The beginning of the 1990s was marked by a renewed interest in the protection of low-income consumers whose situation had deteriorated. Between 1970 and 1988, 40 percent of America’s central cities lost population and in Los Angeles, Chicago, Brooklyn and Manhattan the number of supermarkets declined by almost 50 percent (Anonymous 1992).

Bell (1993) reports on a study conducted by the West Coast Regional Office of Consumer Union that compares three low-income neighborhoods with one middle-income neighborhood in Oakland. The results suggest that the presence of a large national chain in a low-income neighborhood can make a big difference in keeping prices low. Without these stores, prices tend to be dramatically higher. For example, Acorn Super, an independent grocery store, was known not only for its high prices, but also for its old produce, lack of selection and rotten meat. Some consumers even claimed that prices increased on the first and fifteenth of the month, when food stamps, welfare, social security and other government support checks are received.

Alwitt and Donley (1997) found out that low-income zip codes in Chicago have fewer and smaller supermarkets, banks and drug stores than other areas. They further revealed that residents of poor neighborhoods in the inner city must travel more than two miles to reach areas with the same number of retail outlets as the rest of the city. This geographic isolation together with limited access to transportation is one reason for higher prices in these areas. Less competitive pressure allows merchants to charge higher prices in areas with few outlets, while consumers can only find cheaper shops in other neighborhoods by expending time, effort and money in travel. Smaller stores are less able to pass on benefits of economies of scale to their customers.

These findings are also confirmed by Kaufman et al (1997) who mention three reasons for higher food prices for low-income households: First, they shop in small grocery stores and not in supermarkets that offer lower prices and a greater range of brands, package sizes and quality choices. Second, low-income households are less likely to be located in the suburbs where food prices are typically lower. In central cities, where the low-income household is more likely to be located, grocery stores have higher operating costs and tend to be smaller and unable to take advantage of economies of scale. Third, supermarkets in low-income neighborhoods may charge higher prices than those in nearby higher income neighborhoods.

A more recent report studied the gap between the number of supermarkets located in low-income and inner city neighborhoods versus middle and upper-income and suburban communities in Los Angeles (Shaffer 2002). It confirmed that the higher the concentration of poverty within a community, the fewer the supermarkets. Each supermarket in Los Angeles County serves an average of 18,649 people, while one supermarket serves an average of 27,986 people in low-income communities. In addition to that, a high concentration of African-Americans and Latinos tend to come along with limited access to supermarkets.

Over the past years an increasing number of non-profit organizations was founded that call attention to the needs of underserved inner city residents. As one example, the Institute for Food and Development Policy/Food First tries to find solutions for hunger and poverty all around the world, but it also addresses the problems in the USA. According to this organization (Institute for Food and Development Policy/Food First 2003), millions of Americans suffer from hunger although affordable access to nutritious food supply should be an inalienable, basic right of every human being. By “redlining” inner city neighborhoods, i.e. not serving these areas, the supermarket industry has drawn boundaries defining where fresh, nutritious, competitively-priced food is and is not provided for communities throughout the USA. The absence of supermarkets in inner cities is caused by economic forces as well as racial stereotypes, tax laws and the consolidation trend in the food industry. Therefore, the organization strongly advocates that community food security should be a priority for policymakers and community members and points out that local governments have the ability and responsibility to make food more accessible to urban residents.
2.2 The US-American City

2.2.1 The Internal Structure

The massive growth of urban population, the influence of the horsecar, railroad commuters and the streetcar shaped the structure of the North American City in the 19th and 20th centuries. Three descriptive models developed between 1920 and 1950 describe the overall patterns of the early industrial cities and continue to offer useful generalizations of the internal structure in the average US-American city.

The first of these models is Burgess’s concentric zone model formulated in the early 1920s (see Figure 1). It is based on the era of massive immigration and migration to the cities and includes the effects of assimilation into an urban and American way of life: Newcomers first settle in the center of the city, where they can find cheap apartments and many low-paying jobs. As soon as they accumulate capital, they move outward into higher income neighborhoods. The result is a city that consists of six concentric zones. These rings were originally defined as the central business district, fringe of the central business district, zone in transition, zone of independent workers’ homes, zone of high-class residences and commuters’ zone. An important feature of this model is that more affluent households were observed to live at greater distances from the central city with the poorest residents living in the zone of transition. This area used to contain some homes of the wealthy, but as a result of immigration the rich were replaced by low-income families. Consequently, the zone contains slums and rooming houses common to the peripheral areas of the central business district (Yeates and Garner 1980: 198).
Based on the study of 142 North American cities, Hoyt developed his sector model in 1939 (see Figure 2) by analyzing residential value of the average block and drew the following conclusions (Yeates and Garner 1980: 201-202):

- The highest rental areas are located in one or more specific sectors on one side of the city in peripheral locations.
- High-rent areas tend to take the form of wedges in radial lines leading outward from the center to the periphery.
- Middle-range rental areas are often located on either side of the highest rental areas.
- Some cities contain large areas of middle-range rental units, which tend to be found on the peripheries of low- and high-rent areas.
- All cities have some low rent areas, which are often found opposite high-rent areas and usually in the more central locations.
By 1945, it was clear to Harris and Ullman that many cities did not fit the concentric zone and sector models any longer. In their multiple nuclei model they took into account the deconcentration within the city and the development of a number of areas that group around separate nuclei (see Figure 3). These areas can include for example outlying business districts, industrial suburbs or residential suburbs, around which the suburban parts of the city tend to be organized for their daily activities. In addition to that, a grouping of specialized facilities has developed, such as retail districts, manufacturing areas and university districts profiting from cohesion in these clusters (Yeates and Garner 1980: 205). Just like in the other models, the high-income areas are located on the outskirts whereas low- and medium-income neighborhoods are found next to the central business district.

![Figure 3: The multiple nuclei model. Source: Yeates 1980: 6.](image)

2.2.2 Urban Trends in the 20th and 21st Century

The 20th and 21st centuries were dominated by a trend towards decentralization as a contrast to the waves of urbanization and increasing population densities of the 19th century. In 1900, for example, 40 percent of the population lived in urbanized areas compared to 6 percent in 1800 (Levy 2003: 7). In the 20th century, new technologies began to favor not only decentralization within large metropolitan areas, but also within small- and medium-sized areas. The growth of metropolitan areas both in absolute population and as a percentage of total population, however, was not stopped as the nation’s population was growing and farm employment...
became less important in contrast to rising employment in manufacturing, trade and services. (Levy 2003: 14-15). All in all, in this period of time American cities were shaped by four main trends which will be described in the remaining part of this section.

2.2.2.1 The Move to the Suburbs

The first great period of suburbanization began in the 1920s, when mass production of Henry Ford’s Model T began and caused rapid increase in the number of cars, reaching about 25 million by 1930 in comparison with 5 million in 1905. Not only the population moved to the suburbs, also the retailing, wholesaling and light manufacturing industry was no longer dependent on the proximity to rail lines and could follow their customers and labor force to the suburbs. As another new technology, telephone communication reduced the need for face-to-face contact and made possible the decentralization of economic activity. The invention of motion pictures and commercial radio abolished the advantage of cities as centers of entertainment and made outlying residential areas more attractive. In addition to that, the development of limited-access highways and parkways proved to be decentralizing, as it made it easier to live in the suburbs while working in the central city (Levy 2003: 15).

During World War II, the process of suburbanization was interrupted because residential construction, other than for war workers, was halted, civil automobile production was suspended and gasoline was rationed. But as soon as the war had ended, the suburban housing boom restarted. In the first years, the increased demand came from low construction of the preceding years, but the trend did not stop due to several factors (Levy 2003: 17-18 and 299-304):

- Prior to 1935, banks required large down payments for mortgage lending in order to protect themselves from losses. That, among other barriers, prevented many people from becoming homeowners. The Federal Housing Administration completely changed the situation by offering mortgage insurances which made banks willing to lend for twenty-five or thirty years and
with little down payment. By creating the Federal National Mortgage Association, a secondary market for mortgages, the federal government further increased the willingness of banks to issue mortgages. The intention in creating the federal programs was to increase home ownership, a central element of the “American dream”. The consequence of making homeownership more accessible was a rush to the suburbs where the mass of land for single-family houses was available.

- The federal government also stimulated the suburbanization process through its tax policy. Through favorable tax treatment of home owners vis-à-vis renters, home ownership became more attractive and led once again to massive new construction in the suburbs.

- At the same time as car ownership rose quickly, a great expansion of the nation’s highway system increased commuting distances and made suburban residence much more feasible for city workers. Soon after the war, the states, encouraged by federal subsidies, began to build highways. In 1956, the Federal Aid Highway Act was passed which provided even more federal funds for highway construction which came from taxes on new vehicles and sales taxes on motor fuel. The highway system created rapid, safe, high-quality automotive transportation between cities and between cities and their non-urban hinterland, but it also spread the regions, fostered suburbanization and exacerbated the racial and class separation of America.

- Improvements in electric communications were the forth important factor. Telephone, television, computers and fax reduced the need for face-to-face communication and permitted businesses, which were bound to inner city locations, to move to the suburbs.

2.2.2.2 The Decline of the Inner Cities

As a result from the suburbanization process, the American middle class left the inner city in order to live in larger houses and in a homogeneous racial and
ethic environment. According to Grogan and Proscio (2000: 36-38), in 1990 the
typical affluent household, defined as earning at least four times the poverty line,
lived in an area where more than half of the neighborhood was also affluent.
Furthermore, white neighborhoods closest to majority black neighborhoods emptied
of whites more quickly than neighborhoods which were located far from concentration
of minorities. Population loss of the central cities was paralleled by employment
losses, as companies followed their workers out to the suburbs. Conversely, more
affluent residents of the inner city followed their employers out of the city. However,
the part of the population who could not afford a house in the suburbs was left back
in the inner city without job and without public transportation that would give them the
possibility to commute to job sites on the outskirts.

Another factor of the urbanization of the poor was the rapid mechanization of
agriculture and the huge increase in agricultural productivity (Levy 2003: 20-21). An
enormous number of farmers was forced to leave their land and migrate to the cities.
The more prosperous farmers were the ones who could mechanize, acquire more
land and stay in farming, whereas the poorest farmers had little choice but to head for
the cities. They poured into many of the nation’s central cities during the 1950s,
1960s and early 1970s. At the same time, the central cities lost a huge amount of
manufacturing and goods-handling work which might have sustained many of these
migrants.

![Poverty Rate in 2002 (in percent)](image)

Figure 4: Poverty in the USA. Based on data from U.S. Bureau of the Census 2003b: 9.
Those who nowadays live in the inner city are increasingly likely to be the most desperate and immobile. In 1997, 3.7 million lived in “ghetto-poverty” neighborhoods, which are defined as places where more than 40 percent of the residents are poor. When the threshold for “poverty neighborhoods” is set at 20 percent living below the poverty line, instead of 40 percent, the population of such neighborhoods has risen steadily in recent decades. In 1970, less than half the urban poor lived in such neighborhoods, but by 1990 the proportion had risen to two-thirds (Grogan and Proscio 2000: 40). Segregation of different income groups is still sharp: In 2002 the poverty rate\(^1\) in the central cities of the USA was 16.7 percent compared with 14.2 percent in rural areas and only 8.9 percent in the suburbs (see Figure 4).

2.2.2.3 Racial and Class Segregation

As mentioned earlier, Americans tend to live in a homogeneous racial and ethical environment. According to Yeates and Garner (1980: 275-276), the highest social class establishes itself in the most attractive part of the city, away from the noise and dirt of manufacturing. As their number increases, they spread outward radially from the origin. In these high-class residential areas, the economic activity of the city is controlled and the political life managed. In situations where a large part of the whites moved out of the inner city due to massive immigration of the lowest status ethnic and racial groups, the inner city was not seen as worth controlling. In these metropolitan areas, the suburban-central city distinction is not only an income and ethnic distinction, but also a class distinction in terms of control.

The middle-class group, which traditionally consists of white-collar workers, has also certain class distinctions to preserve. This group attaches much importance to a good education for their children which is most likely attained in an environment of economic and social security where everybody holds the same values. The middle-class group traditionally locates in broader wedges surrounding the high social class areas.

Low-income areas are frequently found on the worst drained land and on the least secluded sides of the city. These areas suffer the most air pollution and are provided the least recreational amenities. The inner city, which contains the oldest

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\(^1\) Census area in which poverty households constitute 20 percent or more of all households.
and most dilapidated housing, has become the home of the largest proportion of this class.

Kantor (1995: 81) analysed problems arising out of segregation within the inner city and reveals that race and class divide cities and lead to social polarization. On the one hand, traditional white immigrant groups still living in the inner cities are no longer very poor since rising incomes and upward mobility have created relatively prosperous blue- and white-collar families. On the other hand, high numbers of predominantly poor black and Hispanic minorities live next to these more prosperous white residents, creating a highly polarized social structure.

In addition to patterns of segregation within cities, regions are also highly segregated due to the diversity of the USA. A Census 2000 special report, published by the U.S. Bureau of the Census (2002a: 57-91), shows the development of the racial segregation of the two most important ethnic minorities, the African Americans and the Hispanics in different parts of the US between 1980 and 2000. It reveals that while residential segregation of African Americans decreased slowly but steadily, the picture for Hispanics is mixed with increases slightly outnumbering declines. Hispanics are about to become the largest minority group in the United States. In 2000 about 35.3 million people (12.5 percent of the total) were identified as Hispanic in comparison to only 22.4 million people in 1990 (9 percent of the total population). Concerning segregation of Hispanics, there was a slight decline in segregation in the southern states, but increases for medium-sized metropolitan areas and increases in metropolitan areas with large percentages of Hispanics. New York continues to be the most segregated large metropolitan area for Hispanics, as it has been for two decades.

Segregation of African Americans declined in the majority of metropolitan areas, though most only had a small change. A comparison of the 43 metropolitan areas with 1 million or more population in 1980 and at least 3 percent or 20,000 or more Blacks revealed that the five most segregated metropolitan areas for Blacks were Detroit, Milwaukee-Waukesha, New York, Newark and Chicago. Most progress seemed to have been made in the West and South, especially in California, Florida and Texas, in contrast to regions in the Northeast and the Midwest.
2.2.2.4 Regional Trends

As people are becoming more affluent, they can base their decision of where to live rather on preferences and less on economic necessity. This trend favors cities with warmer climate in the south and southwest and places with superior natural amenities. The interstate highway system and electronic communication made these locations more accessible, and many places in the south became more attractive with the invention of air condition. On the other hand, many older cities with a declining industry like Cleveland or Buffalo are still losing population because the market for products and services produced in this area is not growing (Levy 2003: 18-19).
2.3 **US Food Retailing**

2.3.1 **Characteristics of the Market**

The US has become a model for food retailing, ever since the first self-service stores appeared, and the country can certainly claim to have been at the leading edge of food marketing and retailing. According to Seth and Randall (1999: 180-182), the current period of consolidation is changing the former stable industry with local, fragmented markets where strategic, cross-regional development was limited. The grocery industry once operated under strict economic regulation. As Americans were the first to experience the revolution to large self-service stores, the government was prompted to monitor the development with care. From the early beginning, Americans were worried about the power that enterprises like Saunders’ Piggly Wiggly Memphis supermarket, King Kullens in Queens, New York or the famous Great Atlantic and Pacific Tea Company might exert across their country. Therefore, the Robinson Patman Act (1936) inhibited price discrimination and was intended to prevent the elimination of smaller independent traders and the established regional and local markets. As another important regulation, the 1950 Kefauver Act was employed to prevent dominant local retailers from extending into new regions. That way, the legislation caused a different pattern of supermarket development than that which had occurred in Europe.

As mentioned earlier, the market is highly fragmented and differs strongly from region to region with local supermarkets reflecting the overall condition of the area (Seth and Randall 1999: 182-183). Urban Chicago, for example, differs strongly from San Francisco or Los Angeles. The redeveloping markets of the old South, such as Atlanta or Charlotte, and huge new sunbelt cities like Phoenix and Tuscan have excitingly modern and different shopping structures. The west is quite unlike the urban east and New York has its own unique character.

2.3.2 **Types of Food Retailers**
American consumers can normally choose from a wide range of shopping formats that differ much in terms of sales revenue and retail mixes (see Figure 5).

<table>
<thead>
<tr>
<th>Types of Food Retailers</th>
<th>Conventional Supermarket</th>
<th>Superstore Combination</th>
<th>Supercenter</th>
<th>Warehouse Club</th>
<th>Convenience Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($ billions)*</td>
<td>143</td>
<td>158</td>
<td>49</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>Number of Stores</td>
<td>18,200</td>
<td>9,200</td>
<td>3,300</td>
<td>750</td>
<td>57,000</td>
</tr>
<tr>
<td>Sales/Store ($millions)</td>
<td>7.9</td>
<td>17.2</td>
<td>13.6</td>
<td>29.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Size (000 sq. ft)</td>
<td>20</td>
<td>20-50</td>
<td>100-150</td>
<td>100-150</td>
<td>2-3</td>
</tr>
<tr>
<td>Products (000)*</td>
<td>20</td>
<td>30</td>
<td>30</td>
<td>20</td>
<td>2-3</td>
</tr>
<tr>
<td>Variety</td>
<td>Average</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
<td>Narrow</td>
</tr>
<tr>
<td>Services</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
<td>Low</td>
<td>Average</td>
</tr>
<tr>
<td>No. of Checkout Lines</td>
<td>6-10</td>
<td>10-20</td>
<td>20-30</td>
<td>10-15</td>
<td>1-2</td>
</tr>
<tr>
<td>Prices</td>
<td>Average</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

*Supermarket items only.

Figure 5: Types of food retailers. Based on Anonymous 1999, quoted in Levy and Weitz 2001: 45.

2.3.2.1 Conventional Supermarkets

Prior to 1930, most food was purchased in small neighborhood markets referred to as mom-and-pop stores since they were family-owned and -operated. They have been replaced by larger supermarkets, which offer considerably lower prices. Supermarkets are self-service stores that sell groceries, meat and produce with limited sales of non-food items, such as health and beauty aids and general merchandise (Levy and Weitz 2001: 45). According to Lewison (1997: 67-69), many supermarkets added prepared food in the hope to limit the threat posed by fast-food restaurants. By offering “carry-out areas” and “eating-in areas” for such food as deli products, fresh bakery products and fast-food restaurant lines, supermarkets try to obtain a large share of this eating-out business.

Two general price strategies dominate the supermarket industry: The high-low strategy is a promotional pricing strategy in which advertisements of products sold below or at cost are used to attract customers into the store, where it is hoped that they buy also articles at full markup prices. Chains like Kroger, Safeway or American Stores use this strategy. The everyday low-pricing strategy is employed by stores
such as Food Lion or Winn-Dixie. They maintain low price levels on all items at all times in order to develop store loyalty and a steady return trade.

2.3.2.2 Big-Box Food Retailers

Supermarkets have increased in size and have begun to sell a broader variety of merchandise over the last 25 years. In 1979, conventional supermarkets accounted for 85 percent of supermarket sales, compared to only 41 percent in 1998. This development was caused by the growth of “big-box” food retailing formats: superstores, combination stores, supercenters and warehouse clubs.

Superstores are large supermarkets of 20,000 to 50,000 square feet, whereas combination stores are food-based retailers of 30,000 to 100,000 square feet with 25 percent of their sales coming from non-food merchandise like flowers, health and beauty aids, kitchen utensils, film developing, prescription drugs and video-tape rental. Supercenters, the fastest growing retail category with 150,000 to 200,000 square feet stores, combine a superstore and a full-line discount store. By offering broad assortments of grocery and general merchandise under one roof, supercenters provide a one-stop shopping experience. Customers typically drive farther to shop at these stores than to visit a conventional supermarket. Non-food items, which have higher margins, are often bought on impulse when customers’ primary reason for coming to the store is to buy groceries that are priced more aggressively.

A warehouse club is a retailer that offers a limited assortment of food and general merchandise with little service at low prices to ultimate customers and small businesses. These large stores (about 100,000 square feet) are located in low-rent districts and have simple interiors and little service. Aisles are wide so forklifts can pick up pallets of merchandise and arrange them on the selling floor. Merchandise is about half food and half general merchandise with specific brands and items differing from time to time because stores buy merchandise available on special promotions from manufacturers. These stores reduce prices by using low-cost locations and store designs and by carrying only a limited assortment of fast selling items and normally require customers to have an affiliation with a government agency, utility or credit union and to pay an annual fee of $25 to $35. Although warehouse clubs
typically represent less than 30 percent of the customer base, they account for over 70 percent of sales (Levy and Weitz 2001: 46-47).

2.3.2.3 Convenience Stores

Convenience stores are the modern version of the corner mom-and-pop store and offer time convenience by being open longer and during inconvenient early morning and late-night hours, as well as place convenience by being a small (1,000 to 3,200 square feet), compact, fast service operation close to consumers’ homes and workplaces. The basic task of the convenience store is capturing fill-in or emergency trade when the consumer has forgotten to purchase a needed product or has unexpectedly run out of a needed product before the next planned supermarket trip.

These stores carry both food and non-food merchandise lines at appreciably higher prices than other stores (Lewison 1997: 69). According to Levy and Weitz (2001: 47-48), milk, eggs and bread once represented the majority of sales, but now almost all convenience stores sell gasoline accounting for over 55 percent of annual sales. Dairy and baked goods represent less than 20 percent of in-store sales. The majority of in-store sales are tobacco products (29 percent), food service (14 percent), beer (13 percent) and packaged soft drinks (12 percent). Convenience store retailers increasingly encountered competition from major petroleum-based operators who tried to increase sales by expanding their gasoline outlets to include convenience store products. Moreover, other retailers are putting pressure on convenience stores by adding onsite fuel centers (U.S. Department of Agriculture 2002: 22).

2.3.3 Store Locations

The suburbanization process of the population and retailing led to severe problems for stores in the inner city. Popularity of shopping centers and isolated store locations far away from the central business district has risen at the same time as the inner city became deserted. In the following section, the main types of store location
– the isolated store, the unplanned business district and the planned shopping center
– will be described.

2.3.3.1 The Isolated Store

The isolated store is a freestanding retail outlet without adjacent retailers. The difficulty of attracting and holding customers is the major reason why large retailers or convenience-oriented retailers are usually those best suited to isolated locations. Years ago, when traditional retailers did not want to locate next to discount operations, numerous shopping centers forbade the entry of discounters. This forced many discounters to become isolated stores or to build their own shopping centers. Since they have been successful, diverse retailers operate in isolated locations today (Berman and Evans 1995: 312).

2.3.3.2 The Unplanned Business District

Before urban planning and zoning laws restricted the location of retailers, unplanned retailing clusters were developed, many of which still exist. In cities where local zoning ordinances are not strictly enforced, they even continue to spread. Because of lack of planning, four shoe stores may exist in an area with no pharmacy. The four kinds of unplanned business districts are the central business district, the secondary business district, the neighborhood business district and the string (Lewison 1997: 336 and Berman and Evans 1995: 313).

According to Berman and Evans (1995: 313-316), a central business district (CBD) – a synonym for the term downtown – exists in the part of a town or city with the greatest concentration of office buildings and retail stores and much vehicular and pedestrian traffic. Consumers include all ethnic groups and all classes of people are drawn from the whole urban area because of several reasons:

- Excellent goods/service assortment
- Access to public transportation
- Variety of store types
- Wide range of products offered
High level of pedestrian traffic

On the other hand, there are some weaknesses of CBDs:

- Inadequate parking
- Traffic and delivery congestion
- Travel time for those living in the suburbs
- Age of many retail facilities
- Declining conditions of some central cities relative to the suburbs
- Relatively poor image of central cities to some potential customers
- Movement of some popular downtown stores to suburban shopping centers

Due to these weaknesses and the suburbanization of the population, the share of overall store sales in the CBD has fallen substantially compared to the planned shopping centers over the past decades. Nevertheless, there are signs of turnarounds in numerous cities where CDB revitalization projects made the downtown more competitive compared to suburban shopping centers.

In addition to the CDB, especially larger cities have several secondary business districts (SBDs) located at the intersection of major streets. Some of these SBDs were originally downtown areas of cities that were later incorporated into larger cities. Recently, they have enjoyed fast population growth and are becoming revitalized opportunities for retail expansion. The goods and services offered are similar to those in the CBD. However, an SBD tends to have smaller stores, less width and depth of assortment and a smaller trading area. Moreover, it sells a higher proportion of convenience-oriented items.

The neighborhood business district is a small retailing cluster that serves primarily one or two residential areas. It contains several small stores with the leading retailer typically being a supermarket. The last type of unplanned business districts, the string, is located along a major thoroughfare and depends on consumers travelling these busy streets. The size of the string is directly related to the average volume of traffic along the thoroughfare. Car dealers, antique stores and clothing stores are examples of stores commonly situating in strings (Lewison 1997: 337 and Berman and Evans 1995: 316-317).
2.3.3.3 The Planned Shopping Center

A planned shopping center is a purposeful grouping of commercial establishments built on a site that is centrally owned and managed, designed and operated as a unit and surrounded by parking facilities. It serves a specific geographic, demographic and psychographic market segment. The importance of planned shopping centers has increased sharply over the last 45 years because of growing popularity of these one-stop shopping institution and the strong suburban population. Shopping centers can be categorized into three main types: regional, community and neighborhood shopping center (Lewison 1997: 338 and Berman and Evans 1995: 317-321).

2.3.4 State of the Grocery Industry

In 1997, sales of 96,542 grocery stores reached $368 billion creating 2,643,608 jobs with an annual payroll of more than $37 billion (U.S. Bureau of the Census 1997). According to the U.S. Department of Agriculture (2002: 21), supermarkets accounted for $337.1 billion or 73.5 percent of grocery store sales in 2000, which marks the lowest share in 10 years and has continued a steady downward trend since 1995.

In recent years, supermarket retailers increased both the floor space of their stores and the number of products offered. These larger supermarkets have to serve an expanded customer base in order to meet minimum sales requirements. Consequently, the number of supermarkets has steadily declined, from 27,765 stores in 1985 to 24,640 in 2000. In 2000, convenience stores increased their sales by 2.75 percent compared to 1999. The number of convenience stores rose to 55,125 in 1997, up from 53,783 stores in 1992 (U.S. Department of Agriculture 2002: 22 and U.S. Bureau of the Census 1997). Big-Box food retailers like Wal-Mart, K-mart, Target, Sam’s (a division of Wal-Mart) and BJ’s have increased their share of retail food sales from 4.8 percent in 1992 to 7.7 percent in 1998. These stores were the fastest growing segment and became strong competitors for traditional food retailers during the last years (U.S. Department of Agriculture 2000:18). Figure 6 lists the names of the top ten food and drug stores in 2003.
2.3.5 The Four Major Challenges Facing Food Retailers

2.3.5.1 Ethnic Diversity

American customers have become ethnically diverse because of immigration and high birth rates of various ethnic groups. Hence, retailers are increasingly focusing on the large and growing middle and affluent classes of minorities like African Americans, Asian Americans and Hispanics.

Much attention has been paid especially to the latter group as Hispanics represent a $171 billion annual market (Levy and Weitz 2001: 120-123). The densest Hispanic population resides in markets like Los Angeles, New York and Miami, but this segment is becoming more important all over the country. Recent figures from the U.S. Census Bureau suggest that the Hispanic population has already increased by nearly 10 percent between the years 2000 and 2002. Pegged at 38.8 million in July 2002, this powerful group is growing even faster than some had predicted, and has now officially been named the largest minority group in the United States (McTaggart 2003).

In recent years, retailers have discovered Hispanics to be ideal supermarket customers as they shop for groceries more often, spend more when they shop, cook
more at home and have larger families (McTaggart 2003). In order to reach these important customers, it is essential that retailers communicate and merchandise to the needs and desires of the specific ethnic group. Many retailers have attempted to address Hispanics by translating ads into Spanish or utilizing actors representative of this ethnic group. Kmart, for example, introduced successfully “La Vida”, a four-page Spanish-language and content magazine that wraps the Sunday insert in Hispanic markets (Gordman 2003). According to Levy and Weitz (2001: 120-123), the Hispanic market is, like many other markets, not homogeneous with different backgrounds and traditions originating from Cuba, Mexico, Puerto Rico and Central and South America. Moreover, some Hispanics are quite affluent and have had roots in the United States for centuries, while others have emigrated more recently, are less affluent and have limited English-language skills. Therefore, retailers have to pay attention to the specific characteristics of Hispanics living in the trading areas of their stores to address them successfully.

2.3.5.2 The Rise of Supercenters

Supermarkets are facing tough competition from an increasing number of supercenters as the trend towards one-stop shopping with a combination of food, general merchandise and other regularly purchased services continues. In a study conducted by Lewis (2000: 10-8), respondents cited superstores as the top competitive format and 70 percent of all executives surveyed anticipated more businesses going toward supercenters in the near future.

Wal-Mart leads this development and has changed the way how consumers shop by driving many successful innovations since the opening of its first store in 1945. According to Seth and Randall (1999: 201-205), Sam Walton, the founder of Wal-Mart, chose the location of his stores by following the slogan ‘put good-size stores into little one-horse town which everybody else was ignoring’ and opened rural discount stores in small south-western towns. By 1985, he became the richest man in America operating 859 discount stores with an average size of 57,000 square feet.

The reason for Wal-Mart’s recent growth has been the format of its’ enormous (150,000 to 200,000 square feet) supercenters which sell slightly less food than general merchandise and are built at a rate of more than 100 each year. By the end
of 2003, Americans could already shop in 1,568 Wal-Mart discount stores and 1,258 supercenters all over the country (Wal-Mart 2003: 7). The chain is expected to become even more successful by 2010 as it will introduce a variety of new businesses, products and services and will take sales from the supermarket by pushing deeper into the grocery business (Anonymous 2003b: 14A).

In response to these threats, supermarkets have to look for new ways to increase their market share, fend off competitors, improve profit margins and establish themselves as a one-stop shopping solution for customers who are seeking quick and convenient options (Anonymous 2000: A37-A38).

2.3.5.3 Mergers and Acquisitions

According to the U.S. Department of Agriculture (2002: 26), the number of major acquisitions has risen sharply since 1996, as large food retailers opted to grow through acquisition of other retailers rather than investing in new stores. Cost savings, in the form of reduced headquarters and management expenses and lower procurement costs, were often cited by these retailers as benefits to the acquiring firms. The consolidation may also be a response to increased food sales by non-traditional retailers. 22 of the 35 acquisitions in 2000 represented purchases of a portion of another food retailer’s assets, such as one or more individual supermarkets, while the remaining 13 acquisitions consisted of food retailers’ entire assets. Between 1997 and 2000, 4,100 supermarkets were acquired, accounting for combined annual sales of $69.3 billion.

Food retailers announced two blockbuster mergers in 1998. Kroger, the largest grocery retailer in the United States in 1997 with sales of $26 billion, acquired Fred Meyer, the sixth largest supermarket operator. In 2000, the consolidated retailer had $49 billion in combined sales and operated 2,210 supermarkets in 31 States and 816 convenience stores in an additional 6 States. Also in 1998, the fourth-largest U.S. food retailer, Albertson’s, merged with second-ranked American Stores, the operator of Lucky Stores, Jewel and Acme Markets. The combination became the second-largest grocery retailer, operating 1,796 supermarkets in 38 States.

Although consolidation contributed to increased share of sales by the largest twenty firms, most transactions did not involve local geographic areas common to
both acquiring and acquired firms, thereby limiting potential anticompetitive effects in cities and towns (U.S. Department of Agriculture 2002: 26).

Figure 7 shows that the largest 4, 8, and 20 food retailers accounted for 27.4, 40.5, and 52.0 percent of the Nation’s grocery store sales in 2000, representing significant gains since 1996 after several relatively stable years. Because food retailers compete for sales in local markets, national concentration measures are not comparable with those of food manufacturing industries, whose markets are regional or national. Nevertheless, aggregate concentration is an indicator of changing structure and organization of the food retailing industry. Between 1997 and 2000, the share of the grocery store sales of the four largest retailers rose from 18.2 to 27.4 percent of U.S. grocery store sales. Three of the leading four retailers relied extensively on mergers and acquisitions in order to become larger: Kroger and Albertson’s carried out major acquisitions in 1998 and 1999. Safeway also purchased regional supermarket operators. In contrast, Wal-Mart Supercenters grew internally by greatly expanding the number of supercenters outlets since their introduction in 1988. The share of the grocery store sales of the eight largest retailers increased from 29.9 percent to 40.5 percent between 1997 and 2000. Acquisitions made by smaller retailers also contributed to increasing sales share of the largest 20 grocery retailers, which rose from 43.9 percent in 1997 to 52 percent in 2000 (U.S. Department of Agriculture 2002: 27-28).
2.3.5.4 Online Grocery Retailing

Especially in the USA, online retailing has experienced impressive growth. Although the most popular categories purchased over the Internet are software, hardware, books, travel, music and clothing, also online grocery retailing is expected to reach the $20 billion level, i.e. approximately 5 percent of total industry volume, by 2010 (Levy and Weitz 2001: 124 and Lewis 2000: 10-18). However, online grocery retailers are still waiting for profits as growth in revenues and new customers did not materialize as expected. In addition to that, logistical difficulties also hampered the growth of online grocery retailing. These include: (1) meeting consumers’ expectations for timely delivery, (2) the need for access to the place of delivery service, (3) preventing spoilage of perishables, especially frozen foods, meat, and produce and (4) inflated per-customer delivery costs due to the lack of high-density service areas.

To ensure their viability, some of the online shopping services that initially operated independent from store-based retailers have partnered with traditional retailers, while others ceased operations altogether. In 2001, supermarket retailer Safeway purchased online retailer GroceryWorks, and Ahold USA, acquired Peapod, in order to provide online shopping services for their customers. In addition to investing in existing home shopping providers, a number of food retailers have initiated their own online shopping services. These retailers use existing stores to fulfill orders, requiring minimal investment, unlike most virtual strictly online retailers that used warehouse-based fulfillment methods (U.S. Department of Agriculture 2002: 30).
2.4 Retail Environment in Low-Income Inner City Areas

2.4.1 Choosing a Store Location in Low-Income Inner City Areas

Retailers are not likely to locate in the inner city because of altruistic motives such as improving the quality of life for residents, but instead choose their store location primarily on the basis of expected profits. First of all, retailers analyze the attractiveness of the whole area before looking for a suitable site within this area. In the following section, I will examine the factors that retailers usually base their decision on with an emphasis on the specific situation in the inner city.

The following list contains important characteristics essential for choosing a store location. Those factors that are especially important for inner city locations will be described in more detail.

<table>
<thead>
<tr>
<th>Population Size and Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Labor</td>
</tr>
<tr>
<td>Closeness to Source of Supply</td>
</tr>
<tr>
<td>Economic Base</td>
</tr>
<tr>
<td>Promotion</td>
</tr>
<tr>
<td>Competitive Situation</td>
</tr>
<tr>
<td>Availability of Store Locations</td>
</tr>
<tr>
<td>Regulations</td>
</tr>
</tbody>
</table>

Figure 8: Choosing a store location. Adapted from Bergman and Evans 1995:280.

**Population size and characteristics.** In terms of population size and characteristics, a high number of households and a dense population generate high demand, although the purchasing power per household tends to be limited. A study conducted by ICIC/The Boston Consulting Group (1998: 5) estimates that 7.7 million households in America’s inner cities possess over $85 billion per year in purchasing power, which amounts to almost 7 percent of the total retail spending. Moreover, inner city areas can dispose of up to six times as much purchasing power per square mile as surrounding areas. But in order to address the inner city customer
success, retailers should bear in mind the diversity of inner-city residents. According to ICIC/PricewaterhouseCoopers (2000: 3), African Americans represent 42 percent of the inner-city population, Whites 23 percent, Hispanics 31 percent and other segments 4 percent. The same study also revealed differences in shopping behavior concerning perishable goods between the average shopper and inner-city consumers (see Figure 9).

<table>
<thead>
<tr>
<th>Product Categories</th>
<th>Shopper Sample (%)</th>
<th>Inner City (%)</th>
<th>Primary Inner-City Shopper Sample Latino (%)</th>
<th>African-American (%)</th>
<th>White (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seafood</td>
<td>48</td>
<td>57</td>
<td>50</td>
<td>70</td>
<td>48</td>
</tr>
<tr>
<td>Delicatessen Foods</td>
<td>66</td>
<td>67</td>
<td>64</td>
<td>69</td>
<td>67</td>
</tr>
<tr>
<td>Fresh Prepared Main Courses</td>
<td>21</td>
<td>23</td>
<td>27</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Baby Food</td>
<td>10</td>
<td>11</td>
<td>19</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Soft Drinks</td>
<td>83</td>
<td>84</td>
<td>92</td>
<td>78</td>
<td>84</td>
</tr>
<tr>
<td>Household Cleaning Products</td>
<td>85</td>
<td>87</td>
<td>88</td>
<td>86</td>
<td>86</td>
</tr>
<tr>
<td>Fresh Bakery Items</td>
<td>65</td>
<td>65</td>
<td>73</td>
<td>57</td>
<td>68</td>
</tr>
</tbody>
</table>

Data Source: 1999 Consumer Database and 1999 Inner-City Shopper Survey, Initiative for a Competitive Inner City and PricewaterhouseCoopers LLP

Figure 9: Percent of households purchasing perishable items over 30-day period. Source: ICIC/PricewaterhouseCoopers 2000: 13.

In addition to the range of products, package sizes and the language of labels should be adapted to better suit ethnic consumers. Once the special features of inner-city customers are taken into account, these challenges can be transformed into advantages and inner-city areas may become valuable trade areas for retailers who have limited their search for a store location to the suburbs so far.

Availability of labor. Another critical factor is the availability of labor, as inner-city residents might not have sufficient work experience and qualifications. Nevertheless, according to Porter (1997), they can be attractive for employers who are looking for a loyal, modestly skilled workforce and who are willing to invest in their employees’ education and training.

Economic base. The economic base implies the industrial and commercial structure that residents depend on to earn a living. The dominant industry is critical for future development, as a decline may have negative effects on the population. Hence a diverse economic base is more stable than an area dependent on one industry (Berman and Evans 1995: 279). The economic base is usually weak in the inner city,
especially in low-income neighborhoods. A new retail development - above all a new supermarket - may attract other businesses and consequently foster economic development.

**Competitive situation.** In contrast to the economic base, the competitive situation in inner city, low-income areas tends to be advantageous: Too few stores sell groceries to satisfy the needs of the population. Thus, retailers can find enough consumers without competing with other stores.

**Availability of a store location.** A problem that is often mentioned as one of the biggest obstacles to retail development in an urban area is the availability of a store location. Most parcels of land are too small for a supermarket, storage area and a parking lot. Hence several parcels of land have to be assembled which takes too much time and money for many retailers. In addition, access to transportation is often weak with inadequate public transportation, traffic lights and sidewalks or inadequate roads. Once a suitable property is found, factors like demolition of existing structures and cleanup are time consuming and costly.

**Regulations.** Regulations play an important role in the evaluation of a trade area. Especially in inner cities, restrictive zoning and the number of necessary permits hinders the development process and complicates the approval process. For example, the community-owned Pathmark store in Newark, NJ, opened only in 1997 after eight years of fighting against political, financial and developmental obstacles. Due to restrictive building codes, the receiving area had to be enclosed which increased the costs by $500,000. As the subway runs underneath the land next to the store, construction costs were augmented because of necessary extra reinforcement (Food Market Institute 1998: 40-41). All of these problems would not occur in the suburbs, consequently urban area are said to be a difficult location for grocery stores.

**2.4.2 Other Challenges of Retailing in Low-Income Neighborhoods**
According to a survey conducted by Morris and Stewart (2002: 2), the following eleven factors – in descending order of importance – are regarded as the most significant obstacles to an entry into inner city markets:

- Crime/perceived crime
- Insufficient concentration of the retailer’s target customer
- Lack of consumer purchasing power for the retailer’s product
- Potential shrinkage
- Higher rent
- Higher build out/rehabilitation costs
- Site identification
- Inadequate parking
- Higher operating costs
- Construction and development costs
- Lack of amenities to attract out-of-neighborhood employees

In addition to the above mentioned characteristics of doing business in the inner city in general, grocery stores in low-income areas face a number of additional challenges (Garry 1996):

- Large disparity in weekly sales, which can vary up to 45 percent between the first week, when government benefits are disbursed, and the last week of the month.
- Many customers, but low average sales.
- High security costs.
- Much demand for perishable goods, providing retailers with a higher gross margin.
- Substantial income can be generated from financial services like lottery sales, money orders and check cashing.

2.4.3 The Inner City as a Place of Opportunity

As mentioned earlier, it is hard to convince retailers to locate in the inner city by telling them that they would improve the living conditions of residents. It is more
likely that retailers can be attracted by a profitable trade area and the promise of profits. I base my understanding of retail development in the inner city on the approach that was described by Porter (1995) in his article “The competitive Advantage of the Inner City”. Although other authors (Bates (1997), Goozner (1998) Harrison and Glasmeier (1997) reproach him for criticizing urban economic development of government programs and local organizations without offering concrete solutions, I consider his focus on the retailers’ long-term needs important.

According to Porter (1995), the inner city offers four main advantages: (1) the strategic location in proximity to downtown, (2) local market demand due to high population density, (3) integration with regional clusters and (4) human resources. These advantages can attract private, for-profit initiatives and investment based on economic calculations – provided that the challenges mentioned in section 2.4.1 and 2.4.2 are taken into account by those in charge. Porter rejects direct subsidies as this might lead to the location of businesses that lack an economic reason to settle in these areas and are therefore not sustainable in the long run. Public money would be better spent on reducing the disadvantages of the inner city by funding site assembly, extra security, environmental cleanup and training for workers. All in all, the role of the government is the creation of a favorable environment for businesses. This also includes providing access to capital and simplifying the regulatory process.

Porter sees the task of community development corporations (CDCs) in building networks between business and already existing business institutions like banks, chambers of commerce and business schools, rather than in offering all these services by themselves. These corporations are private, locally based non-profit organizations that are committed to serving a low-income population. Porter argues that CDCs lack the skills for advising, lending to and operating businesses; hence most of their endeavors end in failure (CDCs are discussed in more detail in section 2.5.4.2).
2.5 Economic Development of Distressed Inner City Neighborhoods

Different levels of governments and inner city communities try to achieve various goals through urban planning: Planners might be concerned with shaping the patterns of growth in order to avoid dense or scattered development. Public facilities like schools and social service centers might be built for the convenience of the people served and for the creation of a desirable land-use pattern. In older communities, planners may try to improve the quality of the housing stock or make available affordable housing for low-income residents. In recent years, much effort has also been made to minimize environmental damage.

In addition to all these planners’ aims, an important task of urban planners consists in economic development of communities that face serious unemployment problems. Economic development is basically the process by which individuals and organizations invest capital in an area, such as the central business district, a neighborhood or an exurban site. These investments are hoped to result in new, expanded or retained industrial, commercial or service enterprises and new or retained jobs. There are over 15,000 organizations in the United Stated devoted to promoting economic development and the amount of money spent are estimated to amount to several tens of billions of dollars annually (Bartsch 1989: 157 and Levy 2003: 3).

2.5.1 The History of Urban Planning: From Urban Renewal to Business Development

According to Levy (2003: 173), one of the first attempts of economic development was the Urban Renewal program which started with the Housing Act of 1949 and officially ended in 1973. Besides the elimination of substandard housing and the reduction of segregation, the main goal of the program consisted in the revitalization of city economies.

The method used was clearance and rebuilding directed by local agencies and supported by large federal subsidies. By 1973, the program had spent approximately $13 billion in federal funds, which would be at least four to five times as large if
converted into current dollars! City governments were empowered to purchase large areas of central city land through eminent domain. In other words, the city had the right to take property for public purposes, but had to compensate the owner for the value of what was taken. After clearance of the land, the local urban renewal agency provided appropriate public infrastructure, such as roads, street lightening and schools, and sold it to private developers or, more rarely, to another public authority.

Although the intentions of the program were praiseworthy, it was criticized harshly for ignoring the social consequences. 440,000 dwelling units mostly inhabited by low-income residents were destroyed until 1967, but were replaced by only 41,580 housing units that could be afforded only by low- or moderate-income families. Furthermore, the impacts on the economic structure came under criticism. On the one hand, the program surely stimulated economic development. On the other hand, it also damaged the existing economic structure as they forced businesses to close because their buildings were condemned. These businesses often never reopened. In addition to that, simply the announcement of impending renewal stopped investment within and nearby the revitalization area, as investors were afraid of the competition that would soon come thanks to federal subsidies.

Although the Urban Renewal program is over, many of its elements can still be found in the urban development process. It is an example of how hard it can be to formulate a policy that is free of major side effects and actually does what it intends to do (Kantor 1995: 143-145 and Levy 2003: 63, 175-177).

After 1965, cities began to experience civil disturbances which forced the authorities to allow the poor greater participation in urban governance and let President Lyndon Johnson declare the War on Poverty. For the first time, attention was paid to the demands of low-income residents and neighborhood groups had a say in the formulation of policies for the first time (Kantor 1995: 150-151 and Bendick and Egan 1993: 3-4).

Since then, the idea that business development can help to revitalize low-income communities and improve the life chances of their residents has never disappeared and it is still considered to be a good way to fight poverty. Business development refers to efforts assisting the founding, survival, growth and profitability of individual firms through such means as managerial training and counselling, preparation of business sites and facilities, subsidized finance and tax incentives. Recently, these measures have been focused on inner cities, because especially
these areas have had to cope with a steady decline in their market positions as a result of the dispersal of jobs, the decline of older industries and the flight of the skilled part of the population to the suburbs.

2.5.2 The Federal Role in Economic Development

Local economic development was strongly promoted by the federal government’s spending for programs such as the Urban Renewal program described in the previous section or the ensuing Economic Opportunity and Model City programs. Due to major cutbacks in federal aid to inner cities during the Reagan and Bush administration, only a few federal programs remained that still foster economic development. According to Kantor (1995: 123), federal urban policy has shifted more explicitly to reinforce urban entrepreneurship for the last and a half decades. By creating new programs that tie federal assistance to private sector participation, the use of federal funds is permitted to be decisively influenced by the pressure of city and state economic competition. Kantor stresses that local governments are pressured to employ federal aid for entrepreneurial activities to the neglect of other social priorities.

2.5.2.1 Community Development Block Grant Program (CDBG)

A year after the termination of the Urban Renewal program, Congress passed the Housing and Community Development Act of 1974 which provided Community Development Block Grants (CDBG) to permit localities to pursue a wide range of activities ranging from service provision to capital expenditures. The federal role in local affairs was reduced by giving municipalities more autonomy in the allocation of funds (Levy 2003: 181).

The primary objective of the CDBG program is to “develop viable urban communities, by providing decent housing and suitable living environment and expanding economic opportunities principally for persons of low and moderate income” (Housing and Development Reporter 1995: 09:0011). In 1998, $4.675 billion were distributed to over 3,000 small communities and to 986 large- and medium-sized cities and counties. Since 1992, CDBG funds have also been used to promote

In order to receive the funds, at least 70 percent of the money must be used for low- and moderate-income benefit activities. Therefore, CDBG funds have to be spent either in areas that have substantial proportions of low- and moderate-income residents or on activities or services that will benefit these people (Levy 2003: 182). Despite these restrictions for the spending of CDBG dollars, Wong and Paterson (1986: 294-297) revealed that CDBG resources became increasingly subject to local economic and political interests. A study in two big cities suggests that the increased level of local discretion resulted in less emphasis on the redistributive needs of low-income residents. Moreover, decisions became part of the local political process and were influenced by mayoral preferences. In absence of tight federal guidelines, CDBG funds were allocated in whatever local officials preferred and seldom used to ameliorate the life of the inner city poor.

In addition to grants allocated under the CDBG program, the Economic Development Loan Fund provides loans with lower interest rates and longer terms for the financing of economic development, housing rehabilitation, public facilities and large-scale physical development projects. According to the U.S. Department of Housing and Urban Development (1999: 18), communities can borrow up to five times their most recent CDBG allocation and pledge current and future CDBG funds as partial security for the loan guarantees. Loans guaranteed have to be repaid within 20 years. Since 1978, more than 1,100 loan commitments worth over $5 billion were approved under this program, $282 million only in 1998.

2.5.2.2 Empowerment Zones and Enterprise Communities Program (EZ/EC)

When President Clinton took office in 1993, it seemed that the federal government might take again a more active role in economic development of lagging area after cutbacks in previous years. However, his only initiative in local economic development was the Empowerment Zones and Enterprise Communities program (EZ/EC) (Levy 2003: 217). According to the U.S. Department of Housing and Urban Development (2001: i), it was designed to encourage comprehensive planning and
investment aimed at the economic, physical and social development of the neediest urban and rural areas. Under the initial round in 1994, 72 urban sites received EC/EZ designation and by 1998, there were a total of 105 Empowerment Zones and Enterprise Communities (see Figure 10). Funded projects are expected to reflect the following four key principles:

- Economic opportunity,
- community-based partnerships
- sustainable community development and
- a strategic vision for change.

![Empowerment Zones and Enterprise Communities Across America](Image)

**Figure 10 Empowerment Zones and Enterprise Communities. Source: U.S. Department of Housing and Urban Development 1999: 21.**

Businesses in these zones are provided with substantial packages of wage credits and depreciation bonuses and become eligible for tax exempt bonds and other subsidies. Furthermore, job creation and service programs are funded. The program requires state and local governments to supplement federal subsidies. The localities must provide “contributions” in the form of state and local tax relief, improved public service, suspension of state and local regulations and public financing of business endeavors. This, however, is likely to impose on many poor neighborhoods lower standards of government environmental protection (Kantor 1995: 125).
According to the U.S. Department of Housing and Urban Development (1999: 21), EZ/ECs have attracted more than $10 billion in new public and private investment to the designated communities by the end of 1998. Furthermore, over 42,000 residents received job training and access to capital was improved with the development of loan pools totaling $2 billion.

2.5.3 State-Level Programs Affecting Inner City Neighborhoods

Assistance offered by the states occupies an increasingly important place in local economic development as federal resources are shrinking. States try to replace lost federal development grants, loans tax incentives and other assistance with their business development and financial assistance programs.

2.5.3.1 Business Development

Every state has adopted a series of business development programs that are implemented by community based organizations and local governments and should take advantage of a locality’s special economic assets. Although they vary widely in scope and level of effort, they all focus on one or more of the following categories (Bartsch 1989: 161).

- on an individual industry or sector which is used to promote specific neighborhood development activities;
- on the entrepreneur or small business owner and his or her most critical development needs, such as access to capital, management resources and marketing advice, in order to encourage new business formation;
- on existing businesses in order to maintain the economic base necessary to attract additional activity;
- on filling development climate gaps by providing space or sites, support services, finance and other help necessary to launch an enterprise or get it through a transition phase.
Furthermore, states try to reduce bureaucracy to improve the business climate. Many are streamlining license and permit procedures and reducing paperwork requirements. They have established “one-stop” centers, whose services include referrals to and liaisons with other agencies for financial packaging and other businesses resources, and toll-free hot lines for business information. Such programs reduce business operating costs which can be an important factor for new or struggling neighborhood-based firms with little cash to pay professional help (Bartsch 1989: 162).

2.5.3.2 Financial Assistance Programs

Financial support is often a significant part of economic development, as especially small neighborhood-based businesses face severe problems in securing capital and rely on the public sector for help. Therefore, states offer creative and increasingly sophisticated financial assistance programs to meet a variety of fixed assets and working capital needs, investing in start-ups as well as in existing firms. According to Bartsch (1989: 163), states provide the following programs:

- Financial assistance grants to local governments or non-profit organizations in response to specific business development situations;
- Direct lending, frequently in conjunction with local governments, development corporations or community-based non-profit organizations;
- Loan programs;
- Equity financing programs, most often venture capital programs and pension fund initiatives;

Levy (2003: 219), however, raises doubts about the sense of such economic development programs and especially about subsidization in a national perspective. If numerous places spend large sums to attract firms, the final pattern of business location may not be different than if no place made such expenditures. It just may place considerable strain on states, as they have to offer the same subsides as other states in order to stay competitive.
2.5.4 Local Economic Development Programs

The vast majority of the 15,000 organizations that engage in economic development in the United States operate on the local level like cities, counties, towns or neighborhoods (Levy 2003: 219). Especially neighborhood-based groups like community development corporations play a vital part in the economic development process with residents being much more involved in the urban planning efforts as this is the case in European cities.

The reasons for local governments to promote economic development are plentiful (Levy 2003: 219-220). Jobs can be created by increasing the size of the local economy. Another motivation is the rise of property tax revenues. This tax is by far the largest locally raised revenue and the largest locally based source for school districts. In many localities, the property tax motivation is actually more important than the employment motivation. There are other reasons as well, since economic growth is good for various sectors of the business community. Real estate brokers benefit from an increased number of transactions and property owners from increased demand for land and structures. Retailers profit from increased sales resulting from increased personal income. Therefore, there are plenty of motivations for businesses and employees to support local economic development efforts.

2.5.4.1 Ways to Promote Economic Growth on the Local Level

Sales and Promotion. The community can engage in various public relation, advertising and marketing efforts. It should see itself as a product and market and sell this “product” to firms that are seeking a location.

Subsidization. There are many ways how a community can subsidize development. One form is tax abatement where the local government reduces a tax – normally the property tax – for new commercial or industrial development. Communities may also set up revolving loan funds or other credit-granting arrangements to promote business growth. Another type of subsidization is the enterprise zone described earlier. Within this zone a variety of tax breaks, including property tax, sales tax or corporate income tax, are offered for new investments in addition to direct grants.
Making Sites and Buildings Available. Availability of sites or buildings is a key factor in the attraction of new commercial activity. Utilities like water, sewers and electric power have to be available, as well as adequate road access. A site does not only have to have an adequate number of acres, but also the suitable geometry. In order to ensure adequate sites, a community can take various steps. The most direct one is the public provision of sites. It can use public funds to acquire and develop sites or even a municipal industrial park. The prepared sites are then sold or leased long-term to firms which erect and operate manufacturing or other commercial buildings on them. Some communities even go further and erect a building by themselves and then seek a firm to occupy it. In addition to the direct provision of sites, a community can use its land-use control powers to ensure that privately owned land is available for commercial development. It can, for example, simply zone an adequate amount of land in the appropriate categories (for more information on zoning see Section 4.3.5.4). Such measures can not guarantee that a site will be used for commercial or industrial activities, but it can increase the chances that its economic potentials will be taken into account (Levy 2003: 221-222).

2.5.4.2 The Rise of Community Development Corporations (CDCs)

Community Development Corporations were first started as part of the War on Poverty in the 1960s but their biggest growth has taken place in the last two decades. They now play an important economic development role in many neighborhood areas and are usually located in inner city neighborhoods, but some have been set up in Native American reservations as well as in more isolated rural areas (Bartsch 1989: 166 and Rubin 2000: 4). These private local organizations are incorporated as 501(c)3 non-profit corporations. According to Robinson (1996: 1625) they are empowered to purchase, develop and manage residential and commercial property or to provide loans and technical assistance to other organisations doing these same things. CDCs are often formed as a subsidiary of an existing neighbourhood association or it may be founded by community advocates who seek to access the sizeable governmental, foundation and business money that is available for non-profit community development.
A CDC must form a board of directors which often includes a mix of neighbourhood residents, the business clients and tenants who rent from the CDC, grass-roots activists, clergy, social workers and local businesspersons. However, to be eligible for federal grants for affordable housing the board must be primarily composed of poorer community members. Sometimes the board is chosen in a community election, but board members are usually selected upon the nomination of other board members, by appointment of government officials or due to their position in another community agency.

CDCs are entitled to apply for restricted governmental development funds and loans and often enjoy the support of foundations and churches. In addition, many private foundations support CDCs, notable the Ford Foundation through its Local Initiatives Support Corporation. When they serve a private developer, they can also attract private sector financing as bank loans, syndications and investments by project partners. Private loans are often guaranteed by state of federal programs. CDCs can also use government equity grants to leverage private debt financing for specific community development projects (Bartsch 1989: 166-167, Robinson 1996: 1625 and Rubin 2000: 5).

In some communities, CDCs work with the government as officially designated agencies to implement public programs of housing and economic renewal and therefore provide a public service. But most CDCs do much more than just carrying out government programs. They shape redevelopment policy by combining the separate agendas of for-profit entities, government, social service agencies and community activities. They run the organization like for-profit firms while they go beyond market logic to integrate physical development efforts within broader programs to bring about social repair at the same time. Their purpose is to promote economic equality and social justice and not simply bring capitalist efficiency to poor neighborhoods (Rubin 2000:2).

By contrast, a big part of the CDC’s revenue comes from the rental income from their projects and the receipt of fees for the physical development work. It is often the case that housing and business development projects have to produce a profit in order the guarantee the viability of a CDC. Therefore, Rubin (2000: 6) raises the question whether organizational survival is sometimes more important than the accomplishment of a social mission.
Moreover, Stoecker (1997: 4-6) doubts that private capital and poor communities have the same interests. He argues that the community’s tendency is to preserve neighborhood space as a use value for the service of community members, while the capital’s tendency is to convert neighborhood space into exchange values that can be speculated on for a profit. Thus, capital’s fostering of exchange values drives up rents, destroys green space, eliminates neighborhood-based commerce and disrupts neighborhood patterns. Capital is less willing to invest in neighborhood redevelopment that maintains neighborhood spaces as use values because that would prevent speculation and limit profits. This collision of interests puts pressure on CDCs. On the one hand, they are forced by capital to produce exchange values in the form of business spaces and rental housing. On the other hand, they are pressured by communities to promote use values in the form of services, home ownership and green spaces.

Stoecker also points out that the CDC model originally attempted to correct three market failures: (1) the inability of potential investors to see opportunities in the neighborhood, (2) profit maximization that prevented socially conscious investing and (3) social and legal restrictions on investment such as zoning laws. Due to a cutback in government funding, CDCs had to give up these principles and adjust themselves to the free market.

Nevertheless, many success stories of community-based neighborhood revitalization have been reported by various authors. As an example, Rubin (2000: 1648) conducted an in-depth case study of CDC housing developments in Tenderloin, a low-income neighbourhood in the heart of San Francisco. This neighborhood is a low-income “slum” which was successfully rejuvenated by CDC developments. Such examples show that CDCs can be very successful at altering the political balance of development politics in the city, at changing capital investors’ plans and at enhancing the social and psychological fabric of a neighbourhood. Rubin believes that community groups can develop professional and political sophistication, can forge complex, forwardlooking alliances with business and with government, and can organise a local infrastructure with a substantial social production capacity.
3 Methods

The empirical part of the paper was carried out as a single case study. On the one hand, using a case study as research method made it possible to take into account all factors influencing the retail environment in the target area, hence to understand the reasons for food retailers to locate in the area or to avoid it. On the other hand, a case study limits the applicability of the findings, as they can not be generalized, but used only in the area of the case study itself.

As a starting point, the distribution of food stores in Durham was examined to get an overall impression of the situation in all parts of the city. Based on these findings and suggestions from people familiar with the topic, the geographic area of the case study – the HOPE VI revitalization area – was selected. By gathering secondary data and conducting key informant interviews with Durham city officials, a community development corporation and a neighborhood group, information about current problems and existing policies was collected and analyzed.

In addition to information concerning the HOPE VI revitalization area, a supermarket built by a community development corporation in another low-income area in Durham serves as an example of a successful retail development project. Based on these findings, I will to discuss the problems, existing strategies and possible solutions for my target area in the last part of the paper, hoping to be able to provide the local government and neighborhood groups with useful recommendations for future policies.
4 Case study

4.1 History and Geography of Durham

Durham County is located in north-central North Carolina and covers 290.6 square miles. Unlike most counties in North Carolina, Durham County is primarily made up of one large city, the city of Durham with a population of 223,314 (U.S. Bureau of the Census 2003a).

The history of the city was shaped by the rise and fall of the tobacco and textile industries. The first tobacco-processing plant was established in 1858 by Wesley Wright and soon the flourishing industry attracted many other entrepreneurs. In 1890, Washington Duke, one of these successful businessmen, joined with several of his competitors to form the American Tobacco Company. Today’s tobacco companies like Liggett & Myers, R. J. Reynolds and P. Lorillard have its roots in this company. The textile industry grew out of the favorable economic climate established by the tobacco industry. Through the first half of the twentieth century, Durham’s economy relied heavily on the two industries that reached their height of productivity at the end of the 1940s. Scientific studies and medical statistics that showed the direct link between cigarette smoking and cancer, initiated the shrinkage of the industry, which produced less than 4 million pounds of tobacco in 1986 compared with 50 million in 1947.

Durham’s history was also characterized by the strength of the African-American community. Black businessmen founded North Carolina Mutual Life Insurance Company in 1898, which is today the largest and oldest African-American-owned life insurance underwriter in the nation. The area where the company was located was next to other black businesses, and became famous as “Black Wall Street” (City of Durham 1999: 15-23). However, the Hayti neighborhood, once famous for its black entrepreneurship, was badly affected in the 1960s when the construction of the Durham Freeway split the community in half. The heart of the community, including the black business district was torn down in order to make room for the highway (Cohen et al 1994: 9).
Despite the decline of the historically important industries, many jobs have been created in the Research Triangle Park since the 1960s. In 1998, the National Center for Health Statistics, the Air Pollution and Control office, the Environmental Protection Agency, IBM and many other research and technology companies employed about 42,000 persons whose combined annual salaries exceeded $1.2 billion (City of Durham 1999: 15-23). Today, the biggest employers are Duke University & Duke University Medical Center with 22,000 employees, followed by IBM with 11,000 and Nortel Networks with 8,500 (City of Durham 2000: 16).
4.2 Grocery Stores in Durham

As already mentioned in Section 2.1.2, many studies have already revealed that low-income neighborhoods face a lack of supermarkets. But is this also the case in Durham? In order to answer this question, the number and location of grocery stores in Durham was examined to find out if the low-income inner city areas are really underserved with grocery stores. In that case, retailers should have a closer look at these markets which offer a high population density and consequently a reasonable amount of purchasing power.

A query of the database ReferenceUSA (2003) resulted in a list of 107 “supermarkets and other grocery stores” for the area of Durham County. For the collection of the socioeconomic data, Census tracts were chosen as substitutes for the geographical area “neighborhoods”. Census tracts generally contain between 1,000 and 8,000 people and their boundaries normally follow relatively permanent visible features to guarantee their stability over many decades (U.S. Bureau of the Census 2002c: 6). Figure 11 shows the median annual household income of every Census tract and the geographical distribution of the 96 percent of those stores from the list that could be mapped successfully by the software ArcGIS. The level of income was classified into five categories using Jenks’ natural breaks method which creates classes based on the optimal natural breaks in the data set. Darker colors indicate lower income.

Figure 11: Grocery stores in Durham. Based on data from ReferenceUSA 2003 and U.S. Bureau of the Census 2003a.

The map shows a relatively even distribution of grocery stores. Further analyses were intended to explore the results in more detail: The tracts – grouped according to their income level in the same classes as used for the creation of the map in Figure 11 – were compared in terms of numbers of residents per grocery store.
The group with the poorest areas turns out to have the second lowest number of residents per grocery store. Similar to the findings of an analysis of Figure 11, Figure 12 also does not support the assumption that the number of grocery stores depends on the income of an area. However, the analysis was modified once again as stores that border tracts and might be close enough to serve the low-income neighborhood sufficiently were not taken into consideration. Therefore, stores within a distance of 1000 meters of each tract were included in the calculation of the following figure.

Figure 12: Location of grocery stores. Based on data from and U.S. Bureau of the Census 2003a.

Figure 13: Location of grocery stores 2. Based on data from and U.S. Bureau of the Census 2003a.
In Figure 13, the low number of residents per grocery store of low-income tracts is even more remarkable. Nevertheless, the above results can lead to an incorrect assumption. Before making the conclusion that all areas are sufficiently served with grocery stores, the size of the stores must be analyzed. Figure 14 illustrates this point by showing all stores with annual sales of at least five million dollars as turquoise dots which are almost all situated on the outskirts of Durham.

Stores in the inner city of Durham are rather small and definitely not suitable for big shopping trips because of the limited range of products and high prices. As the only exception, the Winn-Dixie store on N.C. 401 (East Lakewood Avenue) situated in the inner city next to the Durham Freeway, provides the area with a broad range of products with a floor area of over 40000 square feet. To take into account...

The size of the grocery stores, the number of residents per store was analyzed once again and the results are shown in Figure 15. If only supermarkets with annual sales of five million dollars or more are included in the calculation of residents per store, the findings suggest that poor people have to cope with a lack of suitable grocery stores.

![Supermarkets with annual sales of $5 million or more](image1)

**Figure 15**: Supermarkets with annual sales of $5 million dollars or more. Based on data from and U.S. Bureau of the Census 2003a.

These analyses suggest that neighborhoods in the inner city of Durham have enough convenience stores, but a severe lack of supermarkets. Especially in these areas, where the average income tends to be low, it is of particular importance that food can be bought in the neighborhood. These residents are less mobile, as they often are not able to afford a car and public transportation normally can not close this gap. In the tracts with the lowest median income in Durham, there are only 0.38 cars per resident, compared to 0.79 in the most affluent tracts (see Figure 16).

![Car Ownership](image2)

**Figure 16**: Car ownership. Based on data from U.S. Bureau of the Census 2003a.
4.3 The Target Area

Based on the analysis of the overall distribution of grocery stores in Durham, I chose the HOPE VI Revitalization Area as my target area that I will focus on in the rest of the paper. This area is located next to downtown and is bounded by the Durham Freeway to the south, Liberty Street to the north, Dillard, Main and Elizabeth Streets to the west, and Maple and Plum Streets to the east (see Figure 17). It is one of the oldest communities in Durham and part of the bigger, 96 block area North/East Central Durham neighborhood.

![Figure 17: HOPE VI Revitalization Area. Based on data from City of Durham (2003).](image)

The reasons for this decision were the following facts: First, the area has a median annual household income of $16,633 – far below the median income of $43,337 (U.S. Bureau of the Census 2003a). Second, just one grocery store of sufficient size serves the neighborhood, although there are several convenience stores that are certainly not suitable for bigger shopping trips. Moreover, these stores tend to cause public disturbances by selling alcohol and attracting crime, so they are more of a problem than an asset for a neighborhood. Third, the area is currently the

target area for a revitalization project in Durham that has already recognized the lack of food stores, but so far few efforts have been made to change the situation.

4.3.1 Durham HOPE VI Neighborhood Revitalization

4.3.1.1 The Program

Created by Congress in 1992, the HOPE VI program, administrated by the Department of Housing and Urban Development (HUD), was designed to move beyond bricks and mortar to address the social and economic needs of the residents of public housing projects and the health of their surrounding neighborhood (Popkin 2002: 1-2). This extremely ambitious strategy targets the worst public housing in the nation with problems too ingrained to yield to standard rehabilitation efforts. With this program the HUD changed its strategy by moving away from providing project-based assistance for poor families and starting promoting mixed-income housing and the use of housing subsidies to prevent the concentration of troubled, low-income households. The program’s major objectives are:

• To improve the living environment for residents of severely distressed public housing by demolishing, rehabilitating or replacing obsolete projects;
• To revitalize the sites of public housing projects and help improve the surrounding neighborhood;
• To provide housing in ways that avoid or decrease the concentration of very low-income families;
• To build sustainable communities;

HOPE VI grants can be used for capital costs of major rehabilitation, new construction and other physical improvements, for demolition of severely distressed public housing, acquisition of sites for off-site construction and community and supportive service programs for residents.

According to the U.S. Department of Housing and Urban Development (2003), since the beginning of the program 193 revitalization grants have been awarded totalling over $5 billion. Although most of the renovations completed so far have been highly praised by local leaders and some have won prestigious architectural awards,
Kingsley and Johnson (2003: 428) found out that the HOPE VI program still faces some serious challenges, particularly in the way it deals with those families that originally lived in the troubled public housing projects. Two types of problems have been observed. First, not much deconcentration is taking place in some places. Too many of the people that are relocated wind up in other seriously distressed high-poverty neighborhoods not far from the original site. In other cities a second issue has been more prominent: A large numbers of these relocates are being clustered in a small number of less poor, but still fragile, neighborhoods to destabilize them.

4.3.1.2 The Revitalization Area

Like many neighborhoods of Durham, North/East Central Durham suffered from disinvestment in the past and began to deteriorate. A large public housing complex named “Few Gardens”, built in 1952 on the Few Farm, became infamous for high levels of crime. Today, a renewed effort is being made to support the neighborhood. In addition to the historic buildings that have been renovated, the Golden Belt Factory is planned for renovation and a new school has been built. The largest project is the Few Gardens HOPE VI revitalization effort. A partnership between the Housing Authority of the City of Durham and the consultant company The Community Builders, Inc., has been established and has received $35 million of HOPE VI funds.

In addition to the HOPE VI grants, another $120 million will be raised by public and private sources to revitalize the Few Gardens public housing site and the surrounding neighborhood. The community has been actively involved in the program, which includes building and renovating rental- and owner-occupied units for a mix of incomes. The revitalization process began in fall 2001 and will not be completed until fall 2006.

4.3.2 Census Data Evaluation

For the data collection it was necessary to choose a geographic level used by the U.S. Census Bureau. Although Census Tract 11 does not exactly overlay the
boundaries of the HOPE VI revitalization area, it is the best data that is available and includes the largest part of the neighborhood (see Figure 18).

Figure 18: Comparison of the areas.

According to the Census 2000 (U.S. Bureau of the Census 2003a), 10.9 percent of the civilian labor force in this area are unemployed compared with only 3.5 percent in the whole city. The median household income in 1999 was $16,633, about one third of the median household income of Durham County. However, the income has increased sharply since 1990, when it just was $8,091. The percentage of people of all ages living in poverty is 34.37 percent in the target area. Considering the fact that 37.3 percent of the working population in this area has a job outside the county, there is a clear need for increased job opportunities within this census tract.

Figure 19 shows that housing conditions in the target area have already improved. The percentage of owner occupied units has increased since 1990, while the vacancy rate has dropped. The area is predominately black with African-American residents accounting for 70.6 percent of the population – 30 percent more than in Durham County at large. 16.27 percent of the population is Hispanic with this
group being considered to become more important in the future. Note that Hispanics are included in the data for the white segment of the population. Due to a change in the definition of the different races in the Census survey, the data from 1990 can not be used for a comparison of race.

<table>
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<th>Statistical Category</th>
<th>Tract 11 Year 1990</th>
<th>Durham County Year 1990</th>
<th>Tract 11 Year 2000</th>
<th>Durham County Year 2000</th>
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<tr>
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<td>181,835</td>
<td>3,727</td>
<td>223,314</td>
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<td>Unemployment</td>
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<td>3.5%</td>
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<tr>
<td>Median Household Income</td>
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<td>$30,526</td>
<td>$16,633</td>
<td>$43,337</td>
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<tr>
<td>Percent of Working Population with a Job Outside the County</td>
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<td>37.3%</td>
<td>24.5%</td>
<td></td>
</tr>
<tr>
<td>Poverty Rate (Individuals below Poverty Line)</td>
<td></td>
<td>34.37%</td>
<td>12.79%</td>
<td></td>
</tr>
<tr>
<td>Percent of Population 25 and Older with High School Degree or Below</td>
<td>57.45%</td>
<td>27.61%</td>
<td>76.57%</td>
<td>36.24%</td>
</tr>
<tr>
<td>Whites</td>
<td></td>
<td>15.7%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>African-Americans</td>
<td></td>
<td>70.6%</td>
<td>40.2%</td>
<td></td>
</tr>
<tr>
<td>Hispanics</td>
<td></td>
<td>16.27%</td>
<td>7.63%</td>
<td></td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>11.24%</td>
<td>6.97%</td>
<td>9%</td>
<td>6.74%</td>
</tr>
<tr>
<td>Home Ownership Rate</td>
<td>11.33%</td>
<td>52.97%</td>
<td>13.64%</td>
<td>54.24%</td>
</tr>
<tr>
<td>Number of Vehicles per Housing Unit</td>
<td></td>
<td>1.04</td>
<td>1.65</td>
<td></td>
</tr>
</tbody>
</table>

Figure 19: Selected socioeconomic and housing data. Based on U.S. Bureau of the Census 2003b.

4.3.3 Grocery Stores

4.3.3.1 The Revitalization Plan

In the HOPE VI revitalization plan, Durham’s Housing Authority identified insufficient commercial activities as one main problem of the area:

“The revitalization area also lacks a vital commercial center that offers the basic necessities. Existing retail is limited and occurs sporadically. That which does exist is below contemporary retailing standards and does not
meet the needs of the local residents. (The Community Builders 2002: 12)"

“When asked what is missing from the neighborhood today, residents most frequently identified good commercial services. The existing businesses do not fulfill the needs of the community. Specific suggestions included a drug store, a hardware store, a bank, a video store, a better grocery store and an all-in-one superstore. On multiple occasions, participants suggested a farmer’s market or programmed space for street vendors. The community suggested that the commercial core of the neighborhood was on Alston Avenue and Main Street. (The Community Builders 2002: 14)"

Although the issue of retail development is considered in the revitalization plan, the Housing Authority is mainly engaged in building houses on the grounds of the torn down Few Gardens public housing complex. Therefore, the suggestions included in the plan will have to be carried out by other institutions like the City of Durham (The Community Builders 2002: 35).

4.3.3.2 Observation of the Area

Alston Avenue, the western half of East Main Street, and the intersection of Angier Avenue and Alston Avenue are the primary commercial corridors, although much of the land on these streets is vacant. The Compare Foods grocery store, one of the two grocery stores listed in the database ReferenceUSA (2003) for this area, is located on the corner of Alston Avenue and East Main Street. This store, which mainly caters to Hispanic shoppers, is the area’s biggest food store with annual sales between $1 million and $2.5 million. A mural on the side of the grocery facing Alston also points to its importance for the community. However, on a visit to the store the produce section was partly empty and the available items did not seem to be fresh.

The other store found in the database is the Town Deli & Grocery, on the corner of Alston Avenue and Liberty Street with annual sales of only less than $0.5 million. This store does not serve the community as its selection is composed of beverages for the most part. Figure 20 shows the location of these two grocery stores. (Note that the Compare Foods store was renamed some months ago and is still called Bull City in the ReferenceUSA database and consequently in Figure 20.)
A visit of the neighborhood revealed that the area seems to be an attractive trade area for small convenience stores that derive most part of their revenue from alcohol. In general much of the commercial space is vacant and shows an urgent need for redevelopment. Of particular interest is the block of old commercial buildings at Angier and Alston Avenues that was built close to the street with sidewalks on both sides. Once redeveloped, this commercial corridor could prove to be a valuable asset for the community.
4.3.3.3 The Residents’ Situation

According to Alvis Aikens, the chairman of the Economic Development Committee of the neighborhood group PAC 1, residents complain about lack of food stores as they have to travel too far to get to the nearest supermarket. Compare Foods, the only grocery store (formerly called Bull City), opened about one year ago. In the past, a Winn-Dixie supermarket had offered food of good quality on the corner of Liberty Street and Alston Avenue until it closed down several years ago. Now people shop mainly at the Food Lion stores and travel at least 1.5 miles to do so. Not only the service is missing, but money also flows out of the community that could otherwise increase the tax base and create badly needed low-skilled jobs.

4.3.3.4 The Uncertain Future of the Compare Foods Grocery Store

As mentioned previously, the Compare Foods store is the only grocery store in the neighborhood, and even this one has threatened to close down. According to Constance Stancil, the City of Durham’s Economic Development Administrator, the North Carolina Department of Transportation plans to widen Alston Avenue to a multi-lane roadway. Alston Avenue is an extension of N.C. 55 and due to its narrowness poses problems for traffic coming from that busy street. Ms. Stancil is very concerned about the potential effects on the community: Although the plans for the street redesign include the construction of sidewalks and pedestrian crossings, the 6-line street will increase the traffic burden for residents as the speed limit will be increased to 40 miles per hour. In addition to that, the street would act like a wall that separates neighbors on either side of the streets.

This construction project will make it impossible to expand the Compare Food Store as suggested by the HOPE VI revitalization plan. If the street widening is carried out as planned, a part of the store would have to be torn down to provide enough space for the project. The city is trying to find a solution that would allow the store to stay at its location. Otherwise the city will negotiated with the North Carolina Department of Transportation and demand that they find an alternative solution. The option preferred by the city would include a relocation of the store: The Department of Transportation should buy the property from the owner and build a new store that could be rented by the merchant. The problem that would still have to be solved is

finding a suitable lot. One option would be an abandoned grocery store on the corner of Alston Avenue and Liberty Street that is now owned by a church. The proximity to the present location of the store would be advantageous. However, it remains unclear whether the church would be willing to make the property available.

Alvis Aikens expressed similar concerns regarding the roadway widening. Several retailers would lose part of their properties and be cut off from their customers as cars are not allowed to turn left in the current version of the plan. Therefore, cars could not turn directly to the shops but instead would have to proceed to the next traffic light. Mr. Aikens puts emphasis on the importance of the grocery store for the neighborhood and on their dependence on each other. The widening of the street would force the Hispanic store out of the neighborhood although it also serves as a cultural center in an area with the highest concentration of Hispanic residents in Durham. He estimates their share in the surrounding area to be as high as 20 percent. Four or five months ago, he talked with the merchant and found that he did not know what the city or the Department of Transportation were planning regarding his store, therefore he asked PAC 1 for help.

Mr. Aikens also points out that in the case of relocation to the abandoned building on the corner of Liberty Street and Alston Avenue, somebody will have to pay for the renovation of that old property, which has already been vacant for several years. All in all the grocery store serves the community and is a part of it, therefore it should be supported by the authorities.

4.3.4 Key Actors

4.3.4.1 City of Durham, Office of Economic and Employee Development (OEED)

Before 1998, the Durham City Planning Department was charged with economic development. Five years ago, the Office of Employment and Economic Development (OEED) was created and all the functions of economic development were concentrated in this department. According to Grace Dzidzieny, the planning department had focused primarily on large-scale economic development. The new office, however, has the additional resources necessary to put emphasis on neighborhood businesses and economic development and to act as a catalyst and facilitator for small business development. It serves as a gateway to business
services and workforce development services. For businesses the office provides help in the fields of business advocacy, customized training programs, demographic information, taxation information or financing. The programs for assisting businesses will be described in more detail in section 4.3.5.6. In addition, residents are supported in finding businesses that need employees, training and re-training programs as well as in upgrading their skills (City of Durham 2003a).

The OEEC is in the first year of engaging in neighborhood revitalization, which it especially tries to foster in North/East Central Durham. According to Constance Stancil, they are now working on a needs assessment plan of the neighborhood before addressing the problems discovered in that analysis.

4.3.4.2 Partners Against Crime, District 1 (PAC 1)

The Partners Against Crime project was formed in the mid-70s by the City of Durham and its Police Department to promote cooperation between the police, the city and residents and to prevent crime on a neighborhood level. One group was founded for each police district with the Partners Against Crime group 1 (PAC 1) being active in District 1, which has the same boundaries as North/East Central Durham.

The PAC 1 group consists of a board of community residents that is the administrative arm of the project and has decision making power (Cohen et al 1995: 78). The goals of PAC 1 are much more diverse than “just” preventing crime: Several committees were established that meet once a month and work in fields like human resources, the environment and economic development. According to Mr Aikens, the chair of the economic development committee, the committees’ tasks are delivering data, ideas and suggestions to the board.

Like the City of Durham, the economic development committee is working on a needs assessment plan where they look at the political, physical, financial and social capital in order to build a competitive community with financial help of the city. PAC 1 is also cooperating with the Office of Economic and Employee Development to develop strategies for commercial development and to look for investors as only one bank serves the neighborhood. Without a sufficient number of banks, not only are services not provided, but also investments are missing in the community.
4.3.5 Retail Environment in the Revitalization Area

So far, the paper has shown that the commercial structure in our area of interest is insufficient. In this section the current retail environment will be discussed to point out the reasons that retailers choose not to locate in the neighborhood. Based on these findings, the most important factors for the choice of a store location will be analyzed for the target area.

4.3.5.1 Population Size and Characteristics

Apparently, the low median household income is the most important factor that keeps retailers out of the neighborhood. With an income of about one third of the median income in Durham County, the purchasing power is definitely lower than in other areas of the city. In addition, the density might not be able to compensate for the lack of income entirely. Nevertheless, the situation is not that gloomy when we take into consideration that food has a low income elasticity of demand. People first satisfy their need for food before making other purchases. Therefore, the poorest 20 percent of the US-American population account only for 9.1 percent of aggregate expenditures, but for 13 percent of expenditures on food at home (see Figure 21).

![Food Expenditure per Quintile of Income](image)

**Figure 21:** Food expenditure per quintile of income. Based on U.S. Department of Labor (2003): Table 55.

Besides income, the second important characteristic of the area is the racial composition: African-American residents account for 70.6 percent of the population,
and Hispanic residents for 16.27 percent. It is therefore necessary for every store to adjust the items offered to the needs of these two groups.

4.3.5.2 Availability of Labor

With an unemployment rate of 10 percent, the area has a large number of modestly skilled job-seekers. The area offers a low educational level with 50 percent of the population over 25 years without a high school degree (see Figure 22). That should not pose a severe problem for a supermarket, as the skills necessary for an employee can easily be acquired.

![Education Chart]

Figure 22: Education. Based on data from U.S. Bureau of the Census 2003a.

4.3.5.3 Crime

The area has to cope with the perception that there is a tremendous amount of crime. Figure 23 summarizes the latest crime statistics, which reveal that in Police District one, i.e. in North/East Central Durham, the amount of crime was lower than in the Police Districts two, four and five. The Police Districts 1 to 4 are of similar size, and only Police District 5, which contains the downtown, is significantly smaller.

<table>
<thead>
<tr>
<th></th>
<th>District 1</th>
<th>District 2</th>
<th>District 3</th>
<th>District 4</th>
<th>District 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime January -</td>
<td>2291</td>
<td>3560</td>
<td>2751</td>
<td>2452</td>
<td>623</td>
</tr>
<tr>
<td>September 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 23: Crime. Based on data from Durham Police Department 2003.
Although crime data is not alarming for the Police District, the HOPE VI area as a whole, it seems to have a high level of drug activity. This presumption is supported by Figure 24 in which every red dot symbolizes a police call responding to a drug-related incident and the HOPE VI area is marked by the black circle.

According to Gwen Simpson, the HOPE VI Project Manager of the city’s Housing Authority, there are places within the HOPE VI area that have drug activity, but it has not reached heavy proportions. The issue with crime seems not to be that there is actual crime within the area, but a bad perception of crime within the area.

4.3.5.4 Site identification

The southern part of the area is located next to railroad tracks, therefore inaccessible from that side and not suitable for retail development. It can be difficult to assemble land in all parts of the neighborhood, since the area has a high number of abandoned commercial spaces, where the owners are absent.
In general, there is a very high proportion of vacant land, particularly along Alston Avenue (see Figure 25). Bowman and Pagano (2000: 560-561 and 567-568) state that the term “vacant land” is applied to various types of unused or underused land, such as small and irregular parcels that have not been developed in the past, unbuildable parcels with physical limitations, corporate reserve parcels held for future expansion or relocation, parcels held for speculation and institutional reserve parcels set aside by public or quasi-public entities for future development. The value of vacant land lies in its development potential. However, it frequently carries a negative connotation like disinvestment, degradation and blight. Associated images include roughly vegetated wasteland, abandoned buildings and an assortment of various temporary uses such as materials dumps and construction sites.

Therefore, city governments adopt vacant land policies in order to influence the use of privately held land. Some cities adopt an aggressively interventionist policies, others tend towards a laissez-faire style. Furthermore, city governments have a direct impact on local land-use patterns in the manner in which they deal with city-owned vacant land. Some cities consider publicly owned vacant land a grievance to be disposed of as quickly as possible. Others consider it a key part of a future cityscape. In general vacant land strongly influences an area’s reputation; hence city governments should try to tackle this problem to increase the value of the neighborhood.

Figure 25: Vacant and abandoned land. Source: The Community Builders 2002: 12.
Stores can only be situated in areas that are zoned for commercial use. Zoning ordinances are the best-known form of land-use control and an important tool for the municipal government to exercise control over the density, the type of uses and the physical configuration of developments. Typically, the community is divided into a number of zones displayed on a zoning map and items like the following are specified for every parcel (Levy 2003: 118-120):

- **Site layout and requirements.** These may include minimum lot area, frontage and depth, minimum setbacks, minimum percentage of site that may be covered by structure, parking requirements and limits on the size or placement of signs.
- **Requirements for structure characteristics.** These may include maximum height of structure, maximum number of stories and maximum floor area of structure.
- **Uses to which structures may be put.** In a residential zone the ordinance might specify that dwellings may be occupied by single families and might enumerate certain nonresidential uses permitted in the zone such as churches, funeral homes and professional offices. In commercial zones the ordinance will generally specify which uses are permitted and which are not.
- **Procedural matters.** The ordinance will specify how it is to be determined whether building plans are in conformity to the zoning ordinance.

As shown in Figure 26, a big part along Main Street, Angier Avenue and Alston Avenue is zoned as commercial trade districts (CT, orange color in Figure 26), with some sites zoned as neighborhood commercial (NC, darker orange color in Figure 26). The Revitalization Plan (The Community Builders 2002: 12) suggests concentrating commercial activities in the most viable locations, as the neighborhood can not support the quantity of commercial activity reflected in the zoning. According to Constance Stancil, the city helps entrepreneurs with rezoning and assembling. The city might even – as in the case of the American Tobacco Project – buy land, tear down the existing building and clean up the site. The lot is then offered to developers for as much as one dollar by issuing a request for proposals. In that way, a retailer may find a suitable site by cooperating with the city.
4.3.5.5 Transportation / Connectivity

Figure 27 shows that the Census tract has only 0.35 cars per resident compared to 0.66 for all of Durham County. Consequently, residents are less mobile, bound to their neighborhood and consequently loyal customers. Supermarkets inside the community would not have to face much competition from stores from outside.

Figure 27: Car ownership 2. Based on data from and U.S. Bureau of the Census 2003a.
An investigation of the Durham Area Transit Authority’s bus route reveals a lack of efficient public transportation access. Only one bus route (route 2, see blue route in Figure 28), runs the length of the area. It runs east to west through downtown every half hour and stops at midnight. One other route (route 13, see orange) runs through a small part of the area briefly before traveling west, but only runs every hour. Route 3 (green route) runs every half hour and route 16 (turquoise route) every hour, but both are on the outskirts of the area, and thus may not offer adequate access. The layout of the routes leaves two large gaps without public transportation that limit significantly the residents’ mobility.

![Figure 28: Bus routes. Based on data from City of Durham (2003b).](image)

### 4.3.5.6 Construction and development costs

Retailers can take advantage of the following existing city programs that offer financial incentives to businesses willing to locate in low-income areas. According to Constance Stancil, the following programs are intended to help to finance businesses in the HOPE VI revitalization area:

- **The Downtown Commercial Revitalization Loan Program** provides up to 40 percent of the financing for commercial projects in “Neighborhood Commercial Areas.” The East Main Street Revitalization area, a part of the HOPE VI project,
one of these areas. The maximum loan amount is $250,000 and the interest rates are generally 2 percent below prime rate.

• The **Opportunity Loan Program** grants loans up to 30 percent of the investment (up to $50,000) to small businesses with no more than 25 employees and $5 million in annual gross receipts. Businesses must locate within the Economic Development Zone. The program is funded by CDBG, and thus CDBG requirements have to be met before the loan can be awarded.

• In order to reduce unemployment, the **Job Creation Incentive Program** gives grants of $2,500 per new job to businesses that create at least 25 new jobs within two years or 100 new jobs within five years in a Durham Community Development Area. The HOPE VI project is located in one of these areas. To qualify for the grants, businesses must pay their employees at or above the livable wage rate and must not discriminate against any employee.
4.4 A Community- and City-Driven Retail Development in Durham

In the last section, the situation for retailers in the target area was investigated and the problems of the food stores were analyzed. Although these areas can represent an attractive and profitable alternative to suburban locations with heavy competition, retailers are normally not interested in these urban markets. The prejudice prevails that inner city, low-income neighborhoods have “too few neighbors and too many hoods” (Saunders 2003), consequently retailers tend to be unwilling to take the risk to invest there. In that case, the active involvement of a community development corporation (CDC) may be the only way to convince a business to open a food store. With that strategy UDI/CDC, one of Durham’s most important CDCs, was able to find a tenant for a vacant store in the low-income neighborhood Eagle Village.

According to its director and chief executive officer Ed Stewart, UDI was incorporated in 1970 as a for-profit organization. One of its first projects, the development of a supermarket, failed within two years. In 1974, UDI was reorganized and became a non-profit organization – United Durham Incorporated Community Development Corporation (UDI/CDC) – working in the fields of neighborhood revitalization in 14 low-income Census tracts in Durham. Its mission is raising the economic, educational, and social level of the area’s low-income residents with a focus on economic endeavors like its industrial park. The park offers an alternative to businesses that can not afford a location in the nearby Research Triangle Park. It is also the only CDC in Durham that engages in retail development in Durham.

For the first time since the 1970s, UDI/CDC is now developing a supermarket which has reached its final stage after almost three years of work. The store will be located at Fayetteville and Pilot Streets in Eagle Village, an area within one and a half mile of North Carolina Central University south of downtown. The project is situated in Census tract 13.04 with an annual median household income of $21,567 (US Census Bureau, 2000). An abandoned A&P supermarket was torn down and reconstructed. The site will house an almost 30,000 square feet Food Lion grocery store that will open early in 2004.

Ed Stewart identified the rather small size of the building as one of the biggest problems in finding a tenant, as major chains were looking for sites with 40,000 to
50,000 square feet. Despite this disadvantage, Food Lion made the decision to sign the 7-year lease agreement on the basis of a market analysis that showed the area is a good place for a supermarket. Ed Stewart mentioned security as one major concern of supermarkets, but the situation in Eagle Village was not any worse than in other areas of Durham, and the development actually included a police substation. In addition to that, the site was well lit, hence customers will not feel uncomfortable in the parking lot. UDI/CDC will help Food Lion to find employees within the neighborhood and will support their training as well. The supermarket also cooperates with the community in order to identify items that will be sold in the store.

The $2.7 million development is funded by the U.S. Department of Health and Human Services, by funds of the U.S. Department of Housing and Urban Development (HUD), through its federal land loan program, and by bank loans. According to Ed Stewart, the city's Office of Economic and Employment Development was a good partner and cooperated, for example by allocating the HUD funds. Some banks in Durham like the Mutual Community Savings Bank and Wachovia also proved to be sensitive to lending to low-income areas and provided loans for the development.

In this example, UDI/CDC took over the role of lead retail developer, where it can structure the agreements itself and takes all risks of financing the project and finding tenants. Nevertheless, the CDC got help from the city in order to raise the necessary funds. This cooperation between a CDC and a retailer can be applied as a model for places like the HOPE VI revitalization area, when supermarkets are otherwise not interested in locating there.
4.5 Lessons and Policy Recommendations

In this section, I will examine possible strategies that the City of Durham and the community of North/East Central Durham – or more specifically the residents of the HOPE VI redevelopment project area – can implement to recapture the vibrant economic character of the neighborhood and to improve food accessibility and affordability. Because of the dynamic nature of retail development, I will not conclude my paper with a single recommendation, but instead I will offer a group of recommendations that should be considered altogether to achieve the best possible outcome.

In talking to key informants, it became evident that the key actors know about existing problems and want to tackle them. However, they did not seem to be optimistic about possible changes in the future, but aware of the difficulty of attracting retailers to such areas. The situation is especially severe in the HOPE VI area, as residents and the local authorities are not in the position of fighting for an additional supermarket, but first have to try to prevent the existing one from closing down.

Hopefully, the HOPE VI project will have positive effects on the community by improving the housing stock, attracting a more affluent part of the population to the area and resulting in an upgrading of the whole neighborhood. In that case, retailers might be convinced that a sufficient amount of purchasing power is available in the area and would open a supermarket on their own initiative. As that is not likely to happen in the near future, the local government and the community must take an active role in encouraging investment by improving the business environment. They should create an environment where retailers can make a profit and are convinced due to economic calculations. If this market-based approach turns out to be unrealistic, the second-best solution will be the development of a supermarket by the local government or a CDC.

4.5.1 The Market-Based Approach

If there were no limitations due to time and money, a change of the socioeconomic situation, hence of the population characteristics would be the best way to attract retailers. Their main concern is the low purchasing power,
consequently the median income should be increased on a long-term basis by creating more and better jobs, raising the residents’ educational level, improving housing conditions and building a more diverse, mixed-income neighborhood.

As much time would pass and much effort and money would have to be expended before these suggestions could be carried out, a quicker and less comprehensive approach should be employed that focuses on other elements of the retail environment. In the following section, I will offer recommendations that can be realized by the City of Durham and the community.

4.5.1.1 Store Location, Development and Construction

Possible strategies for the City of Durham:

- The local government can promote retail development by **assisting with finding a suitable property and helping to assemble land**. The City of Durham should replicate what it did with the American Tobacco Project in which it bought land, tore down an existing building and cleaned up the site to speed up the development. Sections of the lot were then offered to developers for as little as one dollar. I recommend using a similar strategy to attract a supermarket to the HOPE VI area. However, some of the existing buildings are beyond repair and others are in need of major rehabilitation. Purchasing these properties and fixing them is costly, but it may be the only way they will ever get reused. If developers have to pay these costs, their retail projects will not be realized and they will continue to avoid the area. Although such a strategy may seem financially infeasible at first, I believe the City of Durham can find funds through a few additional sources. For example, the city can attempt to establish an empowerment zone in the area. These empowerment zones are part of the Empowerment Zones and Enterprise Communities program, which was initiated in 1993 by the U.S. Congress to provide federal funding and tax incentives to poor and economically distressed localities.

- The City of Durham should also think of ways to **seize abandoned buildings** where the owner cannot be identified and to take care of them by either tearing them down or renovating them. These lots deteriorate the visual
appearance of the area, are likely to attract crime and lower the value of surrounding property, which lowers the tax base.

- Once suitable sites are identified, the city should highlight them to retailers by providing information on the lots, including a market analysis. Thus, retailers would get information on the consumer base of the community which they otherwise may not be aware of. The city can also promote the available sites by creating a link on the website of the Office of Economic and Employment Development that lists for-sale and vacant properties together with pictures and further information.

- In addition to exorbitant costs associated with the rehabilitation and demolition of older structures, building codes and layers of city ordinances can complicate the approval process and hinder development. Therefore, my recommendation is the implementation of a fast permit approval program for commercial projects. A fast rezoning also contributes to the attractiveness for retail developments in the neighborhood.

Possible strategies for the community:

- The community can work with the City of Durham to identify and market possible sites, as they know most about the neighborhood. Once a retailer is interested in building a grocery store, community groups can provide help by offering their knowledge about food purchase preferences of the African-American and Hispanic residents to make possible an adaptation of the products.

4.5.1.2 Crime

Crime problems have to be taken seriously as no prudent businessperson is willing to invest money in areas that are known to have high level of criminal activity. Nevertheless, one has to take into consideration that the perception of crime often differs from the actual crime level and that strategies have to be adapted to the concrete situation.
Possible strategies for the City of Durham:

- The city should carefully analyze the current crime situation in the neighborhood. The perception of crime by people from outside the community is often more negative than it is in reality. As this seems to be the case in the HOPE VI revitalization area, the city should **present accurate crime statistics** to prospective retailers to reduce their security concerns.

- In addition, the current crime rate should further be reduced. The cooperation between the City of Durham, the Police Department and the residents should continue by increasing the **police presence** around East Main Street, Angier Avenue and Alston Avenue, improving **street lighting** on these streets and **educating residents about crime prevention**.

- **Cosmetic improvements** are often seen as purely superficial, but at the very least they decrease the perceived crime rate. If the appearance of the major roads in the neighborhood is improved, it can vastly upgrade the area’s image and be more inviting to potential tenants. The city of Durham currently grants up to $3,000 to property owners who wish to improve their building facades. I would like to see the city expand this program to fund similar projects that remove the most run-down spots. Furthermore, attractive street tree plantings, benches and other street furniture would be worthwhile investments.

- The city together with the police should consult possible retailers on how to apply techniques like **crime prevention through environmental designs** (CPTED). CPTED “is the use of design to eliminate or reduce criminal behavior while at the same time encouraging people to keep an eye out for each other” (Durham City and County CPTED Private Sector Taskforce 2002: 3). A CPTED Private Sector Taskforce with representatives from several groups has already been established. The city could coordinate the existing initiatives and promote them as a way to ensure a safe environment for food stores.
Possible strategies for the community:

- In cooperation with the Police Department, the community can develop strategies to prevent crime and ensure a safe environment. For example, residents can create **neighborhood watch programs**.

- It is important for the security of a new store to be accepted and seen as part of the community. Therefore, neighborhood groups should highlight the advantages of commercial activities for residents.

4.5.1.3 Availability of Labor

Possible strategies for the City of Durham:

- Although formal education is not as important for retailing as for other jobs, many local residents in disadvantaged communities such as the HOPE VI area lack sufficient work experience and other skills for service jobs. It is very important for both the merchant and the community that employees are hired locally, as “good employees improve productivity, good local employees improve community relations and the community as well” (O’Connor and Abell 1992: 17). Therefore, the city should assist the retailer in **the recruiting, screening and training process** and should partner with the local community to **train local residents** for retail jobs.

Possible strategies for the community:

- As community based groups have the best knowledge and contact to residents and potential employees, they can undertake the task of **screening initial applicants and training residents**, thus providing the retailer with a pool of potential employees.
4.5.1.4 Transportation/Connectivity

Possible strategies for the City of Durham:

- As the existing bus routes do not serve essential parts of the neighborhood, the city has to improve public transportation to guarantee the connectivity between residents and stores. At least, Alston Avenue should be served by an additional bus route to connect the northern and the southern part of the neighborhood.

- Moreover, the city should announce that it would be willing to cooperate with potential retailers to create and finance a van service for residents who do not have access to a car.

- The widening of Alston Avenue to a multi-lane roadway might turn out to be advantageous for the area. The increased traffic may bring potential customers to the neighborhood and convince retailers of the profitability of a supermarket. To guarantee that cars will not just pass by, it will be necessary to take into consideration traffic lights and left turn lanes for the construction of the new roadway. Otherwise the project is likely to harm the neighborhood without any changes for the better.

4.5.2 The Community as Retail Developer

In case the local government and the community are not be able to attract a supermarket by implementing the market-based approach described in the last section, they could try to take over a more active role in the development of a supermarket like UDI/CDC did in Eagle Village. In the HOPE VI area the community group PAC 1 would already have the necessary organizational structures to get involved in retail development with the support of the City of Durham. However, they have to be aware of the risks connected with such an endeavor.

There are several ways a community group of the HOPE VI revitalization area can participate in a retail project:
- **Initiator of the development**: Similar to the market-based approach, the community group can form a corporation with a retailer and promote their neighborhood by providing market analysis and consulting retailers. For the community group, this form of cooperation is not risky, but it does not offer much control over the development, neither.

- **Financial partner**: To avoid the long and costly role as a developer, community groups can just participate in the development as a financial partner. That way, they provide access to funds that are only granted to non-profit organizations and receive a share in the ownership in return.

- **Developer**: The most demanding way of getting involved in a development of a supermarket is the role of a developer itself that also UDI/CDC took over in its Eagle Village project. In that case, a community group constructs the building before it looks for suitable tenants. They have to face the same challenges as every other retailer like assembling parcels, finding necessary funding and applying for the permits. It is furthermore a long-term commitment, therefore it took UDI/CDC three years to develop their store which is the minimum of time that has to be calculated for such a project. However, the community is able to structure all agreements and has the full control over the development. Although this may be the most difficult role, it is at the same time the most rewarding one as a successful development will not only solve the lack of supermarkets, but it may even generate profits for the community groups that can be used for other projects. With help from the city and organizations like UDI/CDC that are experienced in retail development, the community of the HOPE VI revitalization area and especially PAC 1 could face the challenge and develop their own supermarket. They could either renovate an existing building or construct a new one on Alston Avenue and search for a supermarket chain that would like to move in.
5 Conclusion

The insufficient number and size of food stores in low-income, inner city areas has gained much attention over the last decades. Several programs on the federal, state and local level have been worked out to foster economic and retail development in these neighborhoods. The motivation also turned out to be high in the communities affected by food insecurity. Although these community groups face plenty of problems, they have a chance to achieve their aims, especially if local authorities support their efforts.

The case study conducted in Durham/N.C. confirms the problems described in the literature. The low-income, urban neighborhoods of Durham are underserved with grocery stores of sufficient size as retailers tend to locate in areas with high income and low costs of doing business. Compared to suburbs, the business environment of low-income, inner city neighborhoods tends to be less attractive. Lack of purchasing power, a low skill level of the labor force, high crime/perceived crime rates, problems with finding a suitable site, inadequate connectivity, high construction and development costs, and a lengthy permitting process turned out to be the major obstacles for retailers.

Since food stores serve as important assets for neighborhoods, retailer should be encouraged to locate especially in these distressed areas where the most dependent and the least mobile residents tend to live. But without municipal and community support, food retailers are not likely to locate in these areas. Therefore, the paper has attempted to offer a set of specific recommendations to the City of Durham and residents of the HOPE VI revitalization area which should help to create a more attractive business environment and make food more accessible and affordable for the community.
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