

Attracting Supermarkets to Inner-City Neighborhoods: Economic Development Outside the Box

Kameshwari Pothukuchi
Wayne State University

Kameshwari Pothukuchi is an assistant professor of urban planning at Wayne State University. Her research addresses the connections between food and community development, including urban supermarkets, community gardens, and food-related planning. Her other interests include community participation, collaborative processes, and gender issues in planning.

The paucity of accessible supermarkets is a continuing concern in inner-city communities. Based on a survey of planners in 32 communities, this article examines initiatives to encourage grocery retail investment, reasons for the existence or absence of initiatives, and factors in successful developments. This research shows that systematic, citywide grocery initiatives are rare, with such efforts limited to particular sites or developments. Reliance on private initiatives, absence of grassroots requests for action, and assignment of lower priority to grocery stores in commercial revitalization programs explain planner inaction. Successful initiatives are characterized by political leadership, competent public agency participation, and, often, partnerships with nonprofit agencies. This article also presents recommendations for community and economic development planners to increase grocery investment in underserved areas.

Keywords: *supermarkets; retail grocery; urban planning; economic development*

Over the past 5 decades, supermarkets have abandoned the inner city for suburban and exurban locations, which offered more land for parking, easier loading and unloading by trucks, convenient access to highways and arterials, and a development context for much larger stores. Lacking conveniently located supermarkets, low-income urban residents typically pay more for groceries in nearby convenience stores, spend more time traveling to distant supermarkets, and possibly incur other costs related to forgone consumption or poor food habits developed as a result (Cotterill, 1992; Kane, 1990; MacDonald & Nelson, 1991; Morland, Wing, & Roux, 2002; Whelan, Wrigley, Warm, & Cannings, 2002). The lack of supermarkets also costs communities in reduced job opportunities, fewer multiplier effects and entrepreneurship opportunities that grocery stores typically generate, and lower support for community activities. Furthermore, society as a whole loses out when food stamps and other government-funded vouchers return less value in smaller stores than they might at full-service supermarkets.

The reluctance of supermarkets to invest in urban areas has highlighted a range of perceptions and realities related to the so-called urban disadvantage. These include concerns related to the attractiveness of markets, land assembly and readiness for development, costs associated with urban store development and operation, and regulatory contexts that can facilitate or hinder speedy development. Emerging evidence, however, illuminates the strength of urban markets in general, documents greater interest in inner cities on the part of supermarkets due to suburban saturation,

AUTHOR'S NOTE: Georgine Bello and Sara Schillinger, graduate students at Wayne State University, the latter in the urban planning program, provided valuable research assistance. I am also grateful to Laura Reese, professor of urban planning at Wayne State University, and four anonymous reviewers for their thoughtful comments on earlier versions of this article.

ECONOMIC DEVELOPMENT QUARTERLY, Vol. 19 No. 3, August 2005 232-244
DOI: 10.1177/0891242404273517
© 2005 Sage Publications

and showcases examples of successful developments in inner-city locations (Ashman et al., 1993; Ferguson & Abell, 1998; Ingram, 1999).

Given this generally optimistic outlook for cities, what are city agencies and professionals doing to attract supermarket investment to previously underserved areas? Specifically, this study was designed to answer the following questions:

- (a) Which cities among those studied had in place specific initiatives to attract supermarkets to underserved areas?
- (b) What explained the existence or absence of these initiatives?
- (c) What explained the success or failure of these initiatives in producing supermarket developments?

PATTERNS OF SUPERMARKET INVESTMENT

The Unmet Urban Grocery Demand

Two national studies document a central-city gap in supermarkets (Cotterill & Franklin, 1995; Donohue, 1997).¹ Low-income zip codes tend to have fewer and smaller stores than their more prosperous counterparts have. Also, the higher the proportion of people on public assistance, the smaller the number and size of stores. Overall, the “poorest” zip codes in 21 of the nation’s largest metropolitan areas had only 55% of the grocery square footage that their wealthier counterparts had (Cotterill & Franklin, 1995).

Although those results are unsurprising—stores predictably follow customers with money—Donohue (1997) documented a central-city gap even in the face of existing market demand. Comparing existing sales to expected demand in 28 metropolitan areas over a 35-year period, he found that many central cities experienced ratios of less than 1 (i.e., sales were lower than expected demand), whereas surrounding suburbs frequently had rates higher than 1. This meant that inner-city grocery dollars were being spent outside city boundaries. This pattern was true of 12 areas that had experienced a “suburban shift” in supermarket investment patterns, as well as the 9 in Donohue’s study that had experienced a recent “reinvestment” trend in their central cities.

Other reports of “outshopping” or unmet market potential in the inner city confirm this finding (e.g., Initiative for a Competitive Inner City, 1998; McLaughlin, 1998; U.S. Department of Housing and Urban Development [HUD], 1999). The Initiative for a Competitive Inner City (1998) reported that inner cities may have been underserved by as much as 25% of existing demand. According to HUD’s *New Markets: The Untapped Retail Buying Power in America’s Inner Cities* (1999), inner-city neighborhoods had an estimated untapped demand of \$8.7 billion for the 48 cities in which a retail gap existed. In the economically distressed neighborhoods of Chicago, for example, retail sales fell \$2.3 billion short of the retail buying power of residents. Assuming that about 14%² of this retail potential could reasonably be captured entirely by supermarkets and other grocery stores, about 28 new supermarkets (with annual sales equaling the national average of \$11.6 million in 1999)³ would have to be developed in these neighborhoods. Detroit’s \$441 million unmet retail demand could sustain five to six new supermarkets with \$11 million to \$12 million in annual sales.

Inner-City Disadvantage? Old Barriers and New Realities

If urban markets have potential, why, then, have supermarkets ignored them? A brief review of the history of supermarkets in the United States provides some useful insights. The history of supermarkets is largely inseparable from the development of suburbs themselves. In examining a range of population, community, and industry variables, Donohue (1997) found that increased suburban service levels (ratio of sales to expected demand) were significantly correlated with per capita sales for all seven 5-year periods from 1957 to 1992, and with sales per store in two periods. These results suggest that the higher buying power of the community and the use of larger stores

Emerging evidence . . . documents greater interest in inner cities on the part of supermarkets due to suburban saturation and showcases examples of successful developments in inner-city locations.

were the most important factors related to the dominant patterns of suburban investment and inner-city grocery abandonment. The same study found that urban crime and metropolitan racial pattern were only weakly related to service levels.

These findings demonstrate that suburbs were attractive to chains for both their markets and locations. The resulting big-box formats, targeted at an auto-oriented population, helped chains with larger stores capture ever-increasing shares of the suburban market. At the same time, older urban stores—with smaller floor areas—became relatively less important to these chains' success. Inner-city markets, with a few exceptions, were virtually abandoned by leading chains.

Urban locations also presented—and continue to present—numerous problems. Sites to accommodate the standard big-box stores were scarce or needed significant public intervention for assembly, which most cities were reluctant or unable to offer. Site preparation costs, such as demolition of existing structures and environmental cleanup, added other costs and delays relative to suburban locations. The dearth and cost of urban development financing, a more demanding regulatory context than outlying areas, the uncertainties presented by depopulating neighborhoods, and the perceptions and realities of urban crime kept stores away.

Costs associated with inner-city store operation (rent, labor, insurance, etc.) were also higher than in suburban locations. As suburban stores streamlined product lines and distribution systems for the majority White, middle-class markets, deviations required to cater to smaller, minority populations presented higher marginal costs than leading chains experiencing record suburban growth were willing to bear. Sales per customer continued to be lower in urban locations, making operations more labor intensive and, therefore, less productive.⁴

Since the 1990s, however, much of this larger context of “urban disadvantage”—and our understanding of it—has changed. First, the saturation of the suburban grocery market has led chains to look for new markets given that other avenues to register growth such as mergers and acquisitions have been exhausted.^{5,6} Inner cities represent the new frontier, given minimal or nonexistent competition in the urban grocery retail sector (Talmadge, 1999). Second, chains that stand to gain the most in expanding to inner-city markets and getting there first are showing greater creativity in addressing challenges associated with urban development and operation, such as smaller sites, nonstandard product assortments, shoplifting, and employee recruitment and training.

Recent studies have also documented the existing and emerging strengths of inner-city markets. These studies fall into two major categories: (a) those showing how an information gap inhibits inner-city retail development and how much conventional location models developed in a context of suburban expansion have systematically underestimated inner-city potential (Brown, 1999; Initiative for a Competitive Inner City, 1998; McLaughlin, 1998; Porter, 1995) and (b) those documenting new population and demographic shifts that have made some urban locations increasingly attractive in recent years (see, e.g., Sohmer & Lang, 2001).

Exemplifying the first category, Social Compact, a Washington, D.C.-based organization found that the spending power present in Chicago's Little Village, a low-income Hispanic neighborhood, was \$85,018 per acre, more than twice that of Kenilworth, an uppercrust suburb north of Chicago with a much lower population density (McLaughlin, 1998). These and other findings challenge supermarkets and development agencies to look at the density of dollars rather than simply aggregate income and population statistics. They also call for greater attention to how mainstream market assessments miss the large urban cash economy, some of which is underground.

Bridging the information gap also involves attending to shopping and spending patterns in minority communities. For example, inner-city residents typically spend a higher proportion of their household income on retail items, especially food and apparel, than do other households (Baeb, 2001; HUD, 1999). Low-mobility shoppers, more sensitive to distance than their suburban counterparts, may also value proximity significantly more than they value other store attributes, such as size, mix of assortments, price, quality of service, and acceptance of credit cards. Conventional location models may mask this greater shopper sensitivity to distance in their aggregate parameters, biasing models toward locations accessible primarily by car (Sen & McLafferty, 1987). Differences between suburban and inner-city shopping patterns and the responses by different subgroups to their area's spatial organization of stores may be systematic and need to be attended to by planners designing supermarket initiatives.

RESEARCH QUESTIONS AND DATA

To answer the research questions posed at the beginning of this analysis, a research assistant and I contacted senior urban and economic development planners in 33 cities from October 1998 to July 1999. For our sample, we selected all cities from the list developed by Cotterill and Franklin (1995)⁷ and added four (Dallas, Texas; Milwaukee, Wisconsin; Pittsburgh, Pennsylvania; and Toledo, Ohio) for which the business literature had reported recent efforts at grocery development in underserved areas (e.g., Daykin, 1999; Food Marketing Institute & National League of Cities, 1995; Galuszka, 1997). These communities were included to help document lessons from successful or failed efforts. In addition, we added Portland, Oregon, and Seattle, Washington, because the Pacific Northwest was unrepresented in the other lists. In the end, Oakland, California, was dropped from the study because planners there failed to respond despite several requests. Table 1 lists the resulting 32 cities that were included in this study.

The survey asked whether citywide or neighborhood-specific initiatives to attract supermarkets existed, the reasons for the existence or absence of such initiatives, the content of initiatives, whether initiatives succeeded or failed in bringing about supermarket developments, and factors explaining success or failure of development efforts. We were interested in knowing whether public agencies were merely reactive, regulating proposals brought forward by developers and operators, or were initiating steps to attract grocery developments. Through our survey, we documented tools and strategies planners reported using to recruit supermarket operators and developers, as well as the contextual details of particular developments that could offer lessons for other places.

Following initial interviews with one or more public agency-based planners familiar with retail development in each selected city, we asked respondents to identify similar officials in other public and nonprofit agencies and in private firms who could respond knowledgeably about grocery store development in particular neighborhoods.⁸ Cities that had seen recent supermarket developments (from 1992 to 1999) in low-income neighborhoods were of particular interest.⁹ A combination of open- and closed-ended questions also assessed participants' perceptions of problems associated with access to grocery outlets in the city and in low-income neighborhoods, as well as the extent to which their agencies worked to solve these problems. Because city planners were the first contact, initiatives led by community nonprofits but not mentioned by city planners were excluded from the study by default.¹⁰

Grocery Investments in the Inner City

The survey began with the question, "In the past 5 to 7 years, did your city have an initiative or initiatives to encourage the development of grocery supermarkets in low-income, underserved neighborhoods?" The definitions of "initiative" and "underserved" were whatever planning and economic development officials themselves identified as such. Based on an analysis of the responses of planners when asked to elaborate on this question, we placed communities in one of two broad categories: (a) those that indicated significant public activism in seeking grocery retail investment (three cities—Dallas, Rochester, and Chicago) and (b) those without retail grocery programs or, at best, only case-by-case involvement in particular supermarket development proposals. For those with only case-by-case involvement, a special subcategory was developed in which community-based private, nonprofit, and public partnerships had resulted in supermarket developments in particular underserved neighborhoods. This subcategory documents the important contributions of nonprofits and offers general lessons related to community planning for grocery stores.

The Nature of Public Agency Involvement: More Reactive Than Activist

For 18 of the 32 cities, planners reported responding to projects initiated by developers. Only occasionally did they initiate actions following complaints from residents. Planners in 8 cities—with some overlap of the 18 noted above—indicated involvement in projects that were initiated by community-based organizations.

TABLE 1
Grocery Development in and Near Underserved Neighborhoods

<i>Surveyed City</i>	<i>EZ = Empowerment Zone; EC = Enterprise Community</i>	<i>Citywide Grocery Program</i>	<i>Supermarket Projects Led by CDCs</i>	<i>Active or Completed Cases in Particular Neighborhoods—Facilitated by Public Subsidy</i>
Atlanta, GA	EZ		X	X ^a
Austin, TX				X
Boston, MA	EC			X
Bridgeport, CT				X ^a
Buffalo, NY				X ^a
Chicago, IL	EZ	(Retail Chicago program, not limited to supermarkets)		X
Cincinnati, OH				X
Cleveland, OH	EZ		X	X
Dallas, TX	EC	New stores or expansions by Fiesta Mart, Minyard's, Albertson's		X
Dayton, OH				
Detroit, MI	EZ		X	
Hartford, CT				
Houston, TX				
Knoxville, TN				
Los Angeles, CA	EZ			
Memphis, TN	EC			
Milwaukee, WI	EC			X ^a
Minneapolis, MN	EC			
New Haven, CT	EC		X	X
New Orleans, LA				
New York, NY	EZ		X	X
Philadelphia, PA	EZ		X	X
Pittsburgh, PA				X ^a
Portland, OR	EC			X ^a
Rochester, NY	EC	New stores/expansions by Tops	X	
San Antonio, TX	EC			
Seattle, WA	EC			X
St. Louis, MO	EC			X
Syracuse, NY				X ^a
Toledo, OH				
Washington, D.C.	EC			
Wichita, KS				

NOTE: CDC = community development corporation. We dropped Oakland, California, from this list because planners there failed to respond despite several requests.

a. Indicates lack of success at study's completion in 1999 in obtaining supermarket development. Atlanta, Buffalo, and Milwaukee experienced store openings in multiple low-income neighborhoods following the study's conclusion. In Toledo and Wichita, efforts were put into place to bring a chain to a retail property that previously was vacated by a supermarket, but they were unsuccessful.

Typically, public agency activities included conducting or helping with needs assessments, reviewing rezoning applications, and offering assistance in identifying sites. More rarely, assistance in site assembly or cleanup was offered or provided. Many of those contacted indicated offering, or a willingness to offer, financial incentives (13 cases) and, less often, negotiating other site-related issues, such as parking and increased public safety, and facilitating a "fast-track" approval process, including fee waivers (10 cases each). For only seven cities, planners reported conducting, or helping nonprofits conduct, market feasibility studies before discussions with store developers or operators.

Of the 19 cities in the study that had empowerment zone–enterprise community (EZ-EC) designations, planners reported involvement in efforts to reintroduce supermarkets in 12 of these; only 3 efforts fell within designated EZ-EC boundaries. Planners in EZ-EC communities with no initiatives pointed to the industrial nature of the sites and the high proportion of low-income and minority residents as possible obstacles to development.

The Buffalo, Atlanta, and Bridgeport, Connecticut contacts indicated that they had attempted—without success—to leverage EZ-EC incentives to encourage investment by local chains. For example, the Atlanta respondent indicated that his department pursued Kroger with an attractive development package, which included tax abatements, employee tax credits, bond financing, and low-cost lease, to anchor a retail development in the predominantly African American Martin Luther King–Ashby neighborhood within the EZ. The agency conducted market feasibility studies and identified potential sites. “We have the tools. There is a market. I don’t want to believe it is racial, but we are wondering,” he said (Pete Hayley, Atlanta Department of Community Development, personal communication, 1998). The Buffalo planner reported unsuccessful efforts to bring a Tops, Wegman’s, or Quality Market store into the generally low-income, African American Pratt-Willert area. In both Atlanta and Buffalo, planners indicated that market studies and development incentives showed promise for development. Arguably, an alternative explanation for the racial hypothesis may be that the leading chains approached did not consider it worthwhile to invest in the particular site that planners identified, or they might have needed a larger store base to justify investment.¹¹

The majority of cities in the study lacked programs to encourage any form of food retail specifically in underserved areas, such as farm stands or assistance to neighborhood grocery businesses. This is unsurprising despite a majority of those contacted also indicating that access to grocery outlets was a problem for low-income neighborhoods in their cities (26 out of 32). More than half (19 out of 32) also considered themselves and their agencies to be somewhat or very responsive to solving these problems. As will be discussed later, public planners, for the most part, have simply not given this issue much attention or have written it off as an issue for which they had few, if any, decisive roles to play.

The following cases exemplify city involvement identified in particular developments and the kinds of resources that public agencies use to encourage grocery development.

In Pittsburgh, Shop ’N Save agreed (at the time of research) to reopen a 29,000-square-foot store in the predominantly African American and low-income Hill District in a \$4 million retail facility owned by the Pittsburgh Economic and Industrial Development Corporation (PEIDC) and leased to a minority owner. The Urban Redevelopment Authority assisted with site assembly and infrastructure development with public and private grants, including support from the Local Initiatives Support Corporation (LISC). Increased security measures were also discussed.

In Boston’s ethnically diverse Mission Hill neighborhood, a Stop & Shop store opened in a former tannery and paint factory following environmental remediation by the city and other development assistance in the form of low-cost financing, infrastructure improvements, and tax abatements. This development also included the Jamaica Plains Neighborhood Development Corporation as a community partner.

The Knoxville-Knox County, Tennessee, Food Policy Council (with representatives from the Metropolitan Planning Commission) had conducted community assessments showing a great need for grocery stores in some neighborhoods. These studies, however, did not translate into specific actions to encourage grocery retail development. According to the planner who was interviewed, “We did not push the grocery store issue beyond documenting the current state of food retail in the area . . . [through] needs assessments. We only act in an advisory capacity; we lack the power to effectuate anything concrete” (personal communication, 1998). However, this study did lead to transit-related changes—arguably easier interventions—to link low-income residents to more distant supermarkets.

It appears that where grocery retail is not actively and systematically addressed, efforts result in much time and resources expended on one or two facilities—typically less than required—or, at worst, they fail.

The majority of cities in the study lacked programs to encourage any form of food retail specifically in underserved areas.

Proactive City Involvement: The Dimensions

Our survey revealed three cities that displayed systematic and citywide efforts to attract grocery supermarkets and succeeded in their efforts: Dallas, Rochester, and Chicago. Dallas and Chicago arrived at this citywide strategy somewhat serendipitously as they attempted various approaches to attract supermarkets to underserved neighborhoods. Chicago, with its Retail Chicago program to attract retail investment in general, succeeded in achieving supermarket developments in underserved areas.

In 1990, the Dallas City Council commissioned a study of grocery stores in south Dallas, a predominantly low-income area, and found only a handful, with none larger than 20,000 square feet. The city approached all major Dallas supermarket operators but found no takers. The only chain that responded was Houston-based Fiesta Mart, which caters to mixed-income and ethnic minority communities. The city negotiated a comprehensive package of financial incentives and asked the store to develop a minimum of five sites in the city's EZ areas, of which three were built, according to our respondent. The first, a 45,000-square-foot store on Jefferson Boulevard, was extremely successful. The package of incentives offered, which were conditional on the development of five stores in the city's EZs, also attracted Minyard's, which, at the time of this study, had opened three stores.¹²

In Rochester, a community-based food advocacy organization, Partners Through Food, approached city agencies and political leadership to press for a store in the low-income Upper Falls area. Following the urban unrest of the 1960s, supermarkets abandoned the city, and by 1995, Rochester was left with only five supermarkets. During his reelection campaign, Mayor William A. Johnson, Jr. promised a new supermarket in Upper Falls. The city approached locally headquartered Wegman's, but its management showed little interest in returning. However, Tops Markets Inc., the region's second-ranked chain, was looking to expand its market share and was interested in developing in multiple locations in Rochester to respond to Wegman's encroachment into its home base of Buffalo. The city worked out a deal in which Tops agreed to open five stores, including one at Upper Falls. Rochester Economic Development Corporation helped develop the 75,000-square-foot Upper Falls shopping center anchored by the 23,000-square-foot Tops.

To increase local sales tax revenues, the Retail Chicago program was put in place in 1994 to attract development by simplifying the process. The program provided a single agency to address multiple concerns of potential developers of retail facilities. Based on input from a range of business and community economic development leaders, LISC and its subsidiary, the Retail Initiative, Inc., the program trained city staff about retail, conducted neighborhood and retail analyses, simplified the development approval process, identified measures to facilitate land assembly, involved nonprofit community development corporations (CDCs) in the development process, and assembled a range of financial incentives, including property tax abatements, low-interest loans, tax-increment financing, and bond financing in EZs and state enterprise zones. Dominick's has participated vigorously in Retail Chicago to compete successfully against Jewel-Osco, opening stores on North Clybourn Avenue and Division Street, both near Cabrini-Green, and its first Fresh store at Canal and Roosevelt roads, among other new supermarkets.

These successful citywide initiatives were characterized by political leadership at the highest levels; strong grassroots advocacy; and skilled public agency participation that responded to the regional grocery industry context, assembled appropriate development and financing tools, and competitively recruited operators.

Planners' Rationales for Absence of Grocery Initiatives

Many public officials wondered whether encouraging supermarket development was part of their mission. For example, a community development planner from Milwaukee observed that his agency was involved in low-income housing projects but not grocery development.

We have not done anything in Milwaukee besides responding to operators' proposals for development. It is an issue the community raises from time to time, but it has seen little action

from the city. Is it our role? Grocery store development? Shouldn't we let the private sector lead? (personal communication, 1998)

At least three planners posed the problem of low-income grocery access centrally—and several more peripherally—as one of inadequate resident mobility rather than one of proximity or effective transit. Another respondent, from Memphis, cited lack of demand from the community as a rationale for planning agency inaction:

I don't see an interest from businesses to move into low-income neighborhoods; stores are there, but no newer or nicer ones. . . . But then again, no one in the city has come up with grocery stores as an issue needing work, and we have not heard from the community. A grocery store would not be singled out positively or negatively in terms of the benefits that businesses can get from the city. (Terry Langlois, Principal Planner, Memphis and Shelby County Office of Planning and Development, personal communication, 1999)

In some cities, grocery stores tend to be wrapped up in broader discussions of commercial or business development, although sometimes they fall through the cracks by such a categorization. For example, one planner suggested that his economic development agency's focus was to attract large corporations or manufacturers that offered better wages and benefits and that supermarkets were not counted among such employers. Another planner explained that his agency's lack of a specific focus on grocery stores was because they were "too fine a detail in the larger commercial development category that we are pursuing" (personal communication, 1999).

In short, planners offered a variety of rationales for limited activity in persuading supermarkets to invest in low-income neighborhoods in their cities. Planners tended to expect the impetus for development to emerge solely from private initiative or grassroots pressure; to use broad strokes to attract firms to their area, which rendered supermarkets invisible to such efforts; or to define transportation rather than proximity as the key problem for inner-city grocery shoppers.

Community Nonprofit Leadership in Supermarket Developments

Interviews for this study highlighted significant roles for community-based nonprofits in successful supermarket development. Consider these recent examples:

The Abyssinian Baptist Church CDC in Harlem, New York City and other organizations partnered with Pathmark, a successful urban chain, to open a 64,000-square-foot supermarket on property bought from the city with state and federal money. The project site was a 1.5-acre parcel in Manhattan; the developer and owner of the project was the East Harlem Abyssinian Triangle Limited Partnership, which comprised the Community Association of East Harlem Triangle Inc., the Abyssinian Development Corporation, the Retail Initiative, Inc., and the New York City Economic Development Corporation. The development created more than 275 jobs, with at least 75% of the workforce coming from local residents. The store also set up a matching donation program for various community groups. Pathmark's arrival generated interest from other retailers, including Magic Johnson Theaters, Home Depot, the Disney Store, and Costco. This case also offers insights into the political contention that supermarket developments can generate in inner cities. Vehemently opposed by local bodega owners, the Pathmark proposal tracked existing racial and ethnic divides—between African American and Latino communities and Dominican and Puerto Rican communities—and highlighted the larger tensions between the mayor and the city council. Although such contention may be less intense elsewhere, the very potential for conflict, including associated intangible costs to store reputation, offers more uncertainty—and therefore increased risk—in the overall calculus underlying retailers' decisions to open stores in the inner city.

In the low-income Dwight neighborhood in New Haven, Connecticut, the Greater Dwight Development Corporation took the lead in working with Shaw's Supermarkets to develop a store on what used to be an old auto dealership site. The CDC patched together state and federal funding to finance the development, which included a video rental chain and other smaller shops. The nonprofit group runs the plaza and offers a shuttle for seniors and low-income residents.

In Cleveland, Neighborhood Progress, Inc., a partnership of business, foundation, and community leaders, worked with CDCs to help revitalize residential, commercial, and retail sectors of the city. As a result, Dave's Supermarkets, a small local chain, opened a 35,000-square-foot store in Ohio City, a racially diverse Cleveland neighborhood. This store has provided more than 100 jobs for local residents and represents the largest private investment in that area in 25 years, attracting nearly \$9 million.

The typical store-nonprofit partnership is an arrangement in which the CDC develops and owns the retail facility, which is leased to the grocery operator. In a handful of cases, such as those described here, nonprofits constituted a more multidimensional bridge between the store and the community. Table 2 details what are referred to in this article as "community-market" functions, which combine economic and cultural dimensions. In addition to traditional roles in property development—by channeling loans and grants from a variety of government and foundation sources—and ownership, CDCs provide important market entry and maintenance roles for stores and mediate their relationships with the community. Though not every CDC performs all of the roles described in the table, these roles can lead to higher returns, lower costs, and reduced risks for stores. In large part, these community-market functions help stores address current challenges and future uncertainties posed by the departure from standard suburban development and operation that city markets and locations entail. Some may help stores respond effectively to needs for products and services by assembling appropriate demographic and socioeconomic reports. They may also help recruit and prepare local youth for store jobs, enhance safety and loss prevention, help maintain customer loyalty through a host of programs that make stores responsive to local neighborhoods, and occasionally mediate in community–store conflicts.¹³

To summarize, city and nonprofit roles serve intrinsically different, though complementary, purposes in successful developments. City roles—fiscal, regulatory, or site related—help reduce development and setup costs and ultimately may determine whether the project happens. Non-profit involvement, in addition to helping reduce costs, promotes ongoing store success by building mutual gains in neighborhoods through increased confidence, connections, and loyalty and reduced uncertainty.

Grocery Development Initiated by the Private Sector

The need for and presence of public and nonprofit agency actions does not necessarily mean that low-income and inner-city neighborhoods are intrinsically unattractive places in which to invest. Across the country, grocery stores are being developed primarily, sometimes purely, as a result of private initiative and, at least in one case, in opposition to city planners' efforts. This study documented several examples; I will note two.

A 35,000-square-foot Fairway recently opened on the Hudson River waterfront at 133rd Street in Harlem, New York. This store caters to diverse ethnic and socioeconomic groups. The store is located in a manufacturing zone; however, following vocal community support, city planners reported that the store was relatively safe from city actions to remove it for not complying with the zoning laws.

Milwaukee was starting to experience, as the study was being completed, considerable interest on the part of chains, including Jewel-Osco and Pick 'n Save. Jewel-Osco later developed a 57,000-square-foot store in an area bordered by North and Meinecke avenues and 35th and 37th streets. Pick 'n Save today anchors (along with Wal-Mart) the successful Midtown Center at West Capitol Drive and North 55th Street.

Stores entering previously deprived inner-city neighborhoods are finding significant business and customer loyalty. Many stores respond to these inner-city locations with approaches different from the conventional suburban cookie-cutter, big-box models and their operational demands. Shuttle services, calculators on carts, services sought by immigrants and other non-English speakers, automated teller machines, rooftop parking, and two-story formats are some creative responses by stores to fit in and serve these communities effectively. Efficient Consumer Response technology, which links inventory to checkout data, thereby facilitating efficient flow of high-demand products in a limited space, is increasingly enabling these nontraditional formats.

TABLE 2
Community Partnerships: What Stores Want and What Communities Gain

<i>What Stores Want</i>	<i>Planner Action</i> <i>(PA = Public Agency; N = Nonprofit CDC)^a</i>	<i>How Community Gains as a Result of Planner Activities</i>
Compete successfully: increase sales, expand market share, reduce system setup and maintenance costs (distribution, advertising, etc.)	Conduct and disseminate studies of market and development feasibility (PA or N) Recruit stores with a view to regional competition, including smaller chains or independent stores (PA) View the whole community as a resource in recruiting new stores (PA) Package sites and incentives to facilitate multiple store development to increase operator interest (PA)	Increased interest by stores in essentially viable markets Potentially increased competition between stores Increased food retail choices in community
Reduce project development costs	Offer financial assistance to private and nonprofit developers (low-cost loans, tax abatements and credits, loan guarantees, etc.) (PA) Provide site-related assistance (identification, assembly, cleanup) (PA) Offer infrastructure and transit improvements, increased security (PA) Offer assistance to CDCs and nonprofits (PA)	Greater access to food retail outlets in low-mobility neighborhoods Increased availability of grocery products and related services Increased economic vitality through taxes, multiplier effects Increased jobs, sales, entrepreneurship
Reduce store operating costs	Implement programs to recruit and train employees and reduce staff turnover and product shrinkage (N) Increase sales per customer through shuttle services, ATMs, other store-based conveniences (N with store) Enhance public security/community policing (PA or N) Reduce risk by maintaining store–community relationships (N) Provide community-based mediation of resident–store conflicts (N)	Increased local employment Increased neighborhood vitality, livability, convenience Enhanced capacity, community status for CDC or nonprofit Increased accountability on the part of the stores Sustained store–community relationship through longevity of operation
Enhance ongoing returns	Offer store the chance to be the first in the area, increasing sales and loyalty (PA and N) Build mutual trust and community ownership through store sponsorship of community activities (N) Provide data, analysis on socioeconomic and demographic trends in neighborhood (store with N)	Long-term neighborhood stability and livability, retail and business revival Education of investor, retail community about viability of inner-city markets Lessons from specific development projects for transfer in other areas

NOTE: CDC = community development corporation; ATM = automated teller machine.
a. Recommended actions are marked by PA or N to indicate the ideal location among public or nonprofit agencies for that activity. In reality, most roles are flexible, and planners in both public and nonprofit agencies in different locations have instituted a particular role competently.

CONCLUSIONS

Although the cases described here show great diversity in their development contexts and in public and nonprofit agency roles, the lessons from this survey may be summarized as follows:

1. Community-wide initiatives to attract supermarkets were rare among cities studied. Successful initiatives included activities to assess market demand, identify multiple locations, assemble incentives and other development assistance, and recruit multiple operators. These initiatives also were characterized by political leadership at the highest levels and effective partnerships with community-based nonprofits.
2. Despite widespread acknowledgment of the absence of grocery stores in low-income neighborhoods, city planning and development agencies tended to wait for proposals to be initiated by developers. The typical agency response was regulatory and at best case driven. Planners tended not to perceive “proactive” roles for themselves in designing food retail strategies and tended to believe that their cities offered a friendly environment for retail, and to feel good that their agencies at least were not obstructionist. This led to a sense that if

Stores entering previously deprived inner-city neighborhoods are finding significant business and customer loyalty.

developers were not forthcoming with proposals, it was because underlying market conditions were unsuitable. A few who initiated actions gave up after they encountered obstacles because of perceptions that conditions were beyond their control.

3. Community nonprofits performed important “community-market” functions for retail developments. CDCs and other nonprofits provided stores with entry into the community, reduced risks, lowered development and operating costs, promoted confidence among residents, and helped stores be good neighbors. Nonprofits acted as cultural ambassadors of communities that present unconventional markets to stores. Advocacy of the importance of access to food retail outlets—such as that promoted by Rochester’s Partners Through Food, a community-based nonprofit, and the Knoxville Food Policy Council, a quasi-governmental advisory body—may be important to get public agencies thinking more broadly about communities’ access to quality retail sources of food.
4. Not least, attractive market and location conditions were key. Stores seek markets, neighborhoods, and sites that are attractive to their bottom lines. Indeed, this study documented several supermarket developments occurring primarily as a result of private initiative. City and nonprofit agencies can “show them the money,” in the words of one planner, through market studies, but supermarket developments are impossible without adequate market demand and appropriately located sites.

Based on this exploratory study, some recommendations emerge for actions on the part of community and economic development professionals in city agencies and community organizations. Although planners must make choices appropriate to their localities, these results reveal a range of effective actions that they may pursue. These include activities to

- Conduct systematic assessments of citywide and neighborhood-level demand for food;
- Identify chains and independents within the region and from outside that could be competitively recruited;
- Assemble, or help in the assembly of, a citywide supermarket program that, among other things, identifies multiple potential sites, describes available site and development assistance, and simplifies the review process for grocery retail;
- View grocery stores as important contributors to neighborhood quality of life through improved food access, rather than as suboptimal economic development tools.

Urban locations pose a host of problems for grocery development and operation. Planners need to revisit conventional approaches. They may have to go beyond advocating for individual “needy” neighborhoods or exclusively focusing recruitment efforts on a single chain and develop a citywide approach informed by market potential and regional grocery competition. Supermarket strategies themselves may need to be part of a more comprehensive food retail development program, which might include, say, farmers’ markets and other direct marketing programs and specialty food stores (Pothukuchi & Kaufman, 2000).

Although this study does not purport to be the final word on urban supermarket investment, it shows that urban markets may be “primed” using different models, actors, and starting points. Urban regions marked by strong interest among supermarkets to expand may see increased development, whereas other areas may be slower to get going. I hope that studies such as this will urge more community economic development planners to take systematic action on grocery retail in their communities and provide a range of policy options that have been effective in other localities.

NOTES

1. To avoid the perception that big-box and chain supermarkets are offered as the only suitable grocery outlet, a note on the focus on supermarkets, or food stores with annual sales of \$2 million or more, is in order. All forms of market access to food—farmers’ markets, ethnic food stores, farm stands, and food cooperatives—are of interest. However, supermarkets (and other grocery stores, except convenience stores) account for the majority of food sales (87%) despite representing only

47% of food and beverage stores (U. S. Bureau of Census, 1999). A consumer shopper study released by the Initiative for a Competitive Inner City found that supermarkets were the format of choice for food shopping in the inner city, with a 70% to 80% market share for almost all grocery items surveyed (Summerour, 2002).

2. In 1999, the ratio of sales in “supermarkets and other grocery stores (except convenience stores)” to sales in “all retail” was 14.28% for the country as a whole (U.S. Bureau of Census, 1999).

3. In 1999, aggregate sales for the 31,500 supermarkets were \$536.4 billion, or an average of \$11.6 million per store (*Supermarket Strategic Alert Special Report*, 2001, pp. 6-7).

4. Labor constitutes, on average, 52% of operating expenses (Food Marketing Institute, 2000).

5. The relationship between the proportion of total sales in a market area captured by a company’s outlets and the total outlets in the area operated by the company is S-shaped. In other words, market share per outlet declines as the number of outlets increases. Expansion to new markets, therefore, offers a greater potential for increasing market share per store and total sales. Chain stores are moving beyond expansion in existing markets and considering basing location decisions on market share rather than traditional feasibility and profitability analysis.

6. A recent study by Strategic Mindshare found that (a) retail chains reported more urban stores than rural or suburban in the upper 10% of their top-performing stores, (b) ranked by sales per square foot, urban stores had a better showing within the top 10% of best performers, and (c) retailers with urban-only locations showed more profit than those with mixed locations (Hill, 2002).

7. Cotterill and Franklin (1995) used criteria that placed cities within their regional grocery contexts; their list included a variety of city sizes, regional locations, and types of grocery markets. These criteria were congruent with the objectives of this exploratory study.

8. I was unable to get useful factual information from supermarket representatives because they tended to be reluctant to provide details of developments in process or under negotiation. In a handful of cases, planners refused to divulge the particulars of proposals that were under negotiation at the time of the study.

9. Many cases in which planners identified agency involvement included projects that began earlier than 1992, the cut-off date in the study. Partly, this experience illustrates the length of time projects of this type take to be built.

10. Quite possibly, I missed cases of interest, especially in large cities. For example, in Detroit, I documented, independently of interviews with planners, a partnership between Kmart and the Hartford Baptist Memorial Church at the intersection of Seven Mile and Meyer Roads. An interview with the director of the Detroit Planning and Development Department failed to surface this case. Hence, this study should not be seen as a comprehensive account of grocery development in the communities studied.

11. Since the study, Tops has agreed to come into Buffalo’s East Side, a neighborhood that has lacked supermarkets for more than 2 decades. This plan for a 29,000-square-foot store will also accompany the upgrading of the existing Niagara Street supermarket on the West Side, in which the floor area will increase from 20,000 to 47,000 square feet (Linstedt & Meyer, 2001). Exactly what factors contributed to this change are currently being assessed; the inclusion of multiple stores and sites in the discussions and the emphasis on a more systematic approach on the part of the city are important leads. Meanwhile, in a move that seems to support the study’s findings, Publix Super Markets built a 44,270-square-foot store in Atlanta’s East Lake neighborhood as part of a massive revitalization effort there (DeGross & Turner, 2000). Another store in the same chain has been developed in Historic Westside Village on Martin Luther King Jr. Drive near the Ashby rapid transit station.

12. As of May 2004, Fiesta Mart and Minyard’s were operating two stores and Albertson’s had three in the city’s state-designated empowerment zone and federally designated enterprise community areas.

13. The Local Initiatives Support Corporation and its subsidiary, the Retail Initiative, Inc., national community development intermediaries, were directly or indirectly involved in at least four of the successful inner-city developments described in this study. Although representatives in several locations were interviewed, an in-depth discussion of their roles is beyond the scope of this article.

REFERENCES

- Ashman, L., Dohan, M., De la Vega, J., Fisher, A., Hippler, R., & Romain, B. (1993). *Seeds of change: Strategies for food security for the inner city*. Los Angeles: UCLA Graduate School of Architecture and Urban Planning.
- Baeb, E. (2001, June). Hispanic items in Jewel cart: Grocer makes play in Latino market. *Crain’s Chicago Business*, 24(23), 1, 76.
- Brown, M. R. (1999). Supermarket blackout. *Black Enterprise*, 29(1), 81-82.
- Cotterill, R. (1992). The changing structure and performance of the distributional system: Implications for low-income urban consumers. *Urban Grocery Gap* (p. 80). Testimony before the U.S. House of Representatives, Select Committee on Hunger, 1992. Washington, DC: Government Printing Office.
- Cotterill, R. W., & Franklin, A. W. (1995). *The urban grocery store gap* (Food Marketing Policy Center Issue Paper No. 8). Storrs: University of Connecticut.
- Daykin, T. (1999, July 29). Central city neighborhood may get new Pick ‘n Save. *Milwaukee Journal Sentinel*. Retrieved from <http://www.jsonline.com/bym/news/apr99/990729centralcityneighborho.asp>
- DeGross, R., & Turner, M. (2000, October 13). Inner-city revitalization efforts bring Publix store to East Lake. *The Atlanta Journal and Constitution*. Retrieved November 5, 2002, from <http://www.ajc.com/>

- Donohue, R. M. (1997). *Abandonment and revitalization of central city retailing: The case of grocery stores*. Unpublished doctoral dissertation, University of Michigan, Ann Arbor.
- Ferguson, B., & Abell, B. (1998, Winter). The urban grocery store gap. *Economic Development Commentary*, 1(4), 6-14.
- Food Marketing Institute. (2000). *Supermarket facts, industry overview 2000*. Washington, DC: Author. Retrieved February 19, 2001, from www.fmi.org/facts_figures/superfact.html
- Food Marketing Institute & National League of Cities. (1995). Pathmark Stores and the city of Newark. *Cities and Supermarkets* (pp. 23-23). Washington, DC: Authors.
- Galuszka, P. (1997, September 15). Supermarkets return to these mean streets. *Businessweek*. Retrieved November 5, 2002, from <http://www.businessweek.com/>
- Hill, S. (2002). How the inner city pays off for Pathmark. *Urban Call*. Retrieved October 9, 2002, from <http://www.sheridanhill.com/urbancall.html>
- Ingram, B. (1999, July). Urban urgency. *Supermarket Business*, 54(7), 13-22.
- Initiative for a Competitive Inner City. (1998). *The business case for pursuing retail opportunities in the inner city*. Boston: Author.
- Kane, M. (1990, September 2). 8 bags full: When you live in public housing, shopping for groceries becomes a survival test you take each month. *The Pittsburgh Press*. Included in U. S. House of Representatives, Select Committee on Hunger, 1992. *Urban Grocery Gap* (pp. 150-154). Washington, DC: Government Printing Office.
- Linstedt, S., & Meyer, B. (2001, August 15). Tops supermarket to open in inner-city neighborhood in Buffalo, N.Y. *The Buffalo News*. Retrieved November 5, 2002, from <http://www.buffalonews.com/>
- MacDonald, J. M., & Nelson, P. E. (1991). Do the poor still pay more? Food price variations in large metropolitan areas. *Journal of Urban Economics*, 30, 344-359.
- McLaughlin, A. (1998, August 10). West Side story: Retailers thrive in inner city. *The Christian Science Monitor*. Retrieved November 5, 2002, from <http://www.csmonitor.com/>
- Morland, K., Wing, S. B., & Roux, A. D. (2002). The contextual effect of the local food environment on residents' diets: The atherosclerosis risk in communities study. *American Journal of Public Health*, 92(11), 1761-1767.
- Porter, M. E. (1995, May). The competitive advantage of the inner city. *Harvard Business Review*, 73(3), 55-71.
- Pothukuchi, K., & Kaufman, J. (2000). The food system: A stranger to the planning field. *Journal of the American Planning Association*, 63(2), 113-124.
- Sen, A., & McLafferty, S. L. (1987). *Location strategies for retail and service firms*. Lexington, MA: Lexington Books.
- Sohmer, R. R., & Lang, R. E. (2001, May). *Downtown rebound* (Fannie Mae Foundation and Brookings Institution Center on Urban and Metropolitan Policy Census Note 03). Retrieved December 9, 2002 from http://www.fanniemaefoundation.org/census_notes_3.shtml
- Summerour, J. (2002, May 1). Making it in the city. *Progressive Grocer*. Retrieved from www.progressivegrocer.com/progressivegrocer/index.jsp
- Supermarket Strategic Alert Special Report. (2001). *Annual industry reviews*. New York: Pollack Associates.
- Talmadge, C. (1999, August). Tapping the urban core: Developers target \$85 billion underserved urban market. *Shopping Centers Today*. Retrieved November 5, 2002, from <http://www.icsc.org/srch/sct/current/sct9908/01.htm>
- U.S. Bureau of Census. (1999). *Census of retail trade*. Washington, DC: Government Printing Office.
- U.S. Department of Housing and Urban Development. (1999). *New markets: The untapped retail buying power in America's inner cities*. Washington, DC: Author.
- Whelan, A., Wrigley, N., Warm, D., & Cannings, E. (2002). Life in a "food desert." *Urban Studies*, 39(11), 2083-2100.