

The Rebirth of Older Industrial Cities: Exciting Opportunities for Private Sector Investment

Executive Summary

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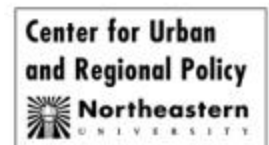
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Executive Summary

In a unique undertaking, the National Association of Industrial and Office Properties (NAIOP) and the Center for Urban and Regional Policy at Northeastern University (CURP) have collaborated to investigate new approaches municipal officials and state agencies can employ to help attract new development to inner city communities. This research benefited from financial and technical support from NSTAR, the Pioneer Valley Planning Commission, and the Merrimack Valley Planning Commission.

Our goal in this project was to identify the key “deal breakers” that act as barriers to urban development and to identify potential public and private sector strategies aimed specifically at overcoming these obstacles to inner city corporate investment. We expected confirmation of the prevailing perception that older inner cities pose greater public safety problems and contain more environmentally polluted sites than “greenfields” in suburban locations. We also expected to hear that poor inner city schools and a poorly trained labor force made inner city locations less desirable places for investment. These concerns were voiced by a number of the developers, business leaders, and location experts we interviewed.

But, over and over again, we heard something more. These barriers are real, but they can be overcome if city leaders take a proactive, aggressive stance to meeting the complex needs of firms looking to start up operations, relocate, or add new facilities. Firms are willing to consider older industrial sites and abandoned “greyfield” commercial districts if municipal leaders and state agency personnel can work with them as a team to expeditiously solve problems related to zoning regulations, brownfield remediation, permitting, and an array of related factors that can be barriers to investment in a fast-changing globally competitive economy. Indeed, we discovered a number of emerging urban entrepreneurs who are choosing inner-city locations as cost effective places to do business. Providing a forum for their experiences to be shared broadly within the business community could encourage other firms to consider older industrial cities for their start-up or expansion purposes.

The research focused on sites identified by officials in Boston, Chelsea, Holyoke, Lawrence, and New Bedford, and on six key industrial sectors, all identified as strategic by the state government: health care/life sciences; biotechnology; information technology; financial services; traditional manufacturing, and travel and tourism. More than 50 business leaders and commercial real estate professionals were interviewed in order to determine the factors most important in location decisions. We focused in particular on firms that had an existing or recently established urban presence in one of the study cities to determine what factors contributed to the decision to locate, expand, or remain in these urban locations.

Key Deal Breakers/Deal Makers

From this research, we identified a series of barriers or “deal breakers” that must be overcome if older industrial cities are to compete successfully for private sector investment and economic development. In order to address these critical issues, we have developed a series of “deal makers” or action steps that we recommend to enhance the capacity of urban development officials to compete successfully for business investment. The most important of these deal makers are included after each deal breaker.

Deal Breaker # 1

Due to rapidly changing market conditions in the global economy, municipal leaders in older industrial cities often lack complete, up-to-date information regarding the specific location needs of particular industries and the recruitment efforts of competing locations. As a result, they are not always fully prepared to assist firms in a timely and effective manner, helping to overcome obstacles to inner city investment.

While most municipal leaders are aware of the difficulties involved in attracting business investment to their communities, they continually need new information about market conditions and the particular needs of specific industries to attract economic development. Continuously assessing their own strengths and weaknesses, especially with respect to competing locations, is critical to success.

Key Deal Makers/Action Steps

- ***Create a powerful self-assessment tool for cities to better clarify their economic development goals and identify their competitive strengths and weaknesses relative to other urban locations. Cities should work with a team of private sector developers to undertake an internal review of all aspects of the development process using the assessment tool.***
- ***Provide ongoing economic development training for municipal leaders and managers that focuses on how to tailor responses to opportunities in different sectors.***

Deal Breaker # 2

Business decision makers have well-defined “cognitive maps” – perceptions or expectations—about the attributes of and opportunities in older industrial cities that can adversely affect the way they think about locating in these urban locations.

Attitudes and opinions about individual cities – particularly those with a higher proportion of low-income households – change slowly, often lagging behind reality. As a result, firms, developers, and location specialists may overlook business opportunities in urban areas.

Businesses seeking new locations for their operations – and the location specialists those businesses employ – often initially explore various location possibilities from afar by checking websites to gather relevant data on local communities. It is difficult for local officials to even get a chance to “show their wares” to prospective businesses unless they have attractive, compelling, and information-rich websites that provide the precise information that firms normally seek when making location decisions.

Key Deal Makers/Action Steps

- ***Assist cities in making their websites more attractive, graphically rich, easy to navigate, and more useful to firms, developers, and location specialists. Improved websites would include information on the characteristics of individual available parcels, zoning and regulation, available financial incentives, and background data on demographic and economic characteristics of the locality. Websites could include testimonials from existing business leaders and messages from city leaders indicating the support firms receive in their municipalities.***
- ***Assist communities in combining resources regionally in order to market and respond to inquiries from firms, developers, and location specialists.***
- ***Enlist companies – the “urban pioneers” - already located in inner cities as ambassadors. Businesses offer the best testimony to other businesses on the advantage of urban locations.***

Deal Breaker # 3

Specific urban site deficiencies can add excessive costs to doing business in older industrial cities.

Municipal leaders in older areas must deal aggressively with a series of specific deficiencies that may inhibit firm location in their cities including public safety concerns, brownfield remediation, parking constraints, and tax delinquency liability.

Key Deal Makers/Action Steps

- ***Encourage cities to create urban overlay zoning districts in which there can be flexible use, expedited permitting, focused public safety efforts, and amenity packages essential to creating competitive advantage in an urban setting.***
- ***Encourage the adaptive re-use of “greyfield” assets (e.g. abandoned shopping plazas) through appropriate zoning and regulation.***
- ***Make changes in the brownfields regulatory program for the re-use of urban sites to facilitate faster clean up and further limit liability.***
- ***Change state rules overseeing municipal property taxation that force new owners to pay delinquent taxes of previous owners.***

Deal Breaker # 4

State and local review processes can add excessive costs to doing business in older industrial cities.

The community development review and decision process, designed to maximize citizen participation in decisions affecting their neighborhoods, can create a sense of added risk and cost for businesses considering urban sites. The cost of an extended approval process can discourage firms from choosing such locations, resulting in lost development opportunities. The extent to which municipal officials are perceived as partners in the economic development system and, more importantly, can manage the review process fairly, effectively, and efficiently, plays a significant role in successful economic development.

Key Deal Makers/Action Steps

- *Identify market ready, pre-permitted sites for industrial and commercial uses and market these parcels through city websites, site finder services, and other commercial site services.*
- *Create a permit system that allows for a single presentation of a development proposal to all review boards with jurisdiction in the city and establishes a specific time frame for community response in the initial stage of the review process*
- *Reframe state programs such as an “environmental justice” executive order designed to encourage development of contaminated sites so they do not have the unintended consequence of discouraging potential developers.*

Deal Breaker # 5

Traditional public sector financial tools such as tax abatements, tax credits, and subsidies, while often strategically important as a deal closer, are not sufficient to attract high value business investment if previous deal breakers are not overcome.

Given the development of new financial mechanisms, local public officials may have an incomplete understanding of such strategic financial instruments as tax credits, tax abatements, and land subsidies which can be used to reduce business costs and encourage economic investment in older industrial cities. New opportunities under District Improvement Financing legislation in Massachusetts, for example, are available for public investments in critically needed infrastructure.

Key Deal Makers/Action Steps

- *Locate state and municipal facilities in urban locations to stimulate creation of amenities and other attractions to spur private sector commercial and industrial investment.*
- *Use the Tax Increment Financing (District Improvement Financing in Massachusetts) program to create revenue streams for critical infrastructure in urban locations.*

Conclusion

Implementing these “deal makers” can help reduce or alleviate many of the barriers that firms face when they consider locating in older urban cities. Despite all of these potential barriers to inner city development, our research leads us to the conclusion that older industrial cities can still win the competition to attract a fair share of economic investment. This is already occurring in a number of the cities we studied. Cities have the ability to create their own destinies, but they need sophisticated partners who can help them develop the tools and access the information required to compete successfully. Working together, city officials, state development agency personnel, private developers, and economic development experts can help transform older cities into attractive sites for business investment. They may not be able to overcome all the “deal breakers” nor attract every firm, but based on our research, we sincerely believe that older cities can compete successfully for a share of new economic development.