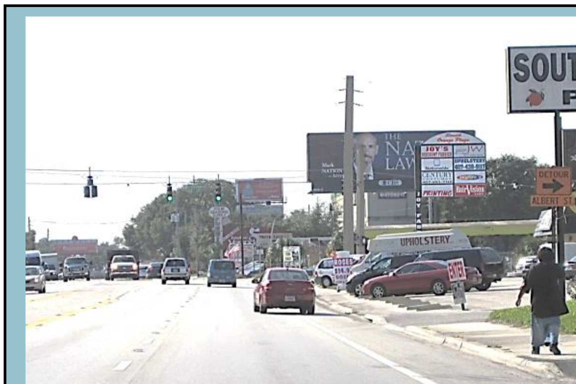
New Investment in Blighted Commercial Strips.

Turning Abandoned and Marginally Used Buildings into Successful Business Locations.

Blighted Commercial Strips. The proverbial "federal" highway that leads into most every small city and town in America has traditionally become an "anything goes" zone that accommodates regional traffic, roadside retail, apartments, offices, "big boxes", general commercial and industrial uses, personal storage and small warehouses, high schools, car lots and other uses not acceptable elsewhere in the city. Utilities, curb cuts and signs abound amidst a dearth of vegetation.



Commercial "strips" are always highly visible.

Commercial strips are one of the last bastions of laissez-faire development in America: under-regulated, under-designed, under-valued, under-served and under-performing. Yet, they are highly visible; often serving as the front door to the community. They are "too big to completely fail" yet "too sad to save."

The process for addressing commercial strips and converting them to "High Performance Development Corridors" has been presented in Feb'21 issue of **CharacterTowns.org.** The purpose of this discussion is to explore what to do with actual buildings that populate these blighted strips.

The Urban Land Institute's Ten Principles for Reinventing America's Suburban Strips is a great place to start. The authors have taken the concepts used in downtown redevelopment and applied them to strip commercial corridors. The key ingredients for successful infill and redevelopment are:

- **Infrastructure.** It is essential for building and site rehabilitation, new infill and redevelopment. Funding is the driver for the infrastructure improvement program.
- **Entitlements.** These dictate what uses can be included in the redevelopment scheme and how they must be designed. In general, the range of uses is broad; standards are tight.
- **Funding.** Funds can be a self-imposed business improvement district [BID] tax approved by property owners supplemented with a tax increment funding [TIF] program. Impact fee and user fee credits can also fund infrastructure necessary to support new investment.
- **Beauty.** Always a plus. Trees are the main element of any redevelopment program. Saving existing trees and planting new ones is an incredibly important and productive investment.

These factors that apply to "strips" also apply to abandoned or marginally used buildings. The city has to commit to rejuvenating the "strip" and then attacking the buildings, one at a time.

Recapturing Marginal Buildings on Blighted Commercial Strips.

Vision. The city must have the vision of a productive, attractive development corridor as the replacement for the existing blighted "strip." The vision must acknowledge a commitment to assist private property and business owners. Improved right-of-way projects, streetscapes, power line consolidations, traffic management and utility enhancements will only get the conversion so far. The buildings must be addressed.

A great location; it's just full of junk.

Private Buildings. First off, the buildings are mostly in the hands of private individuals or corporations. They may have let their properties fall into disrepair or uninhabitable conditions due to uncontrollable circumstances, irresponsible personal neglect or dereliction of the property owners' obligations…the reason does not matter. On a go-forward basis, the objective is for the buildings and the businesses they contain to become contributing assets to the city and the property's owner. While bad behavior does not need to be rewarded, recalcitrant owners cannot retard the mission of the city to benefit from a productive development corridor.

"There's about a billion square feet of retail space that needs to go away, that needs to be converted, for the market to get healthy," CoStar director of retail research Suzanne Mulvee said at *Bisnow*'s National Retail Series event in Manhattan Tuesday morning.

LINK: https://www.forbes.com/sites/bisnow/2017/04/05/even-developers-agree-the-u-s-has-way-too-much-retail-space/?sh=44e12b1c180f

A Market Supply and Demand Problem. Every community in America, every though it is harsh but generally true, has commercially zoned property in multiples of community demand. Likewise with buildings, the excess is obvious, but beyond the traditional role of government to decide who will succeed and who will fail – and become community blight. Everyone has the right to create commercial property that becomes trash.

OK, so given the glut of commercial zoning and buildings, what are the city's choices if the desire is to create commercial zones, be they main street or the city's entrance highway? The classical economist's answer is to increase demand and/or decrease supply.

In 2015—the most recent year with comparable data available—the US had about 23.6 sq ft of retail space per person available, according to estimates from PwC. As the Financial Times reported (paywall), that's more than twice the amount in Australia, and roughly five times that of the UK and other European countries.

LINK: https://qz.com/1032723/theres-much-more-empty-retail-space-in-the-us-than-in-other-countries-on-a-per-capita-level/

Increase Demand for Highway Commercial Buildings. As the city's population grows, the demand for retail and service business space will also grow. The problem is that the new demand is usually not where the old building is located. So, the over-supply problem becomes worse since the new locations will also become over-zoned and built. So, the private force of the "invisible hand" will not solve the problem of marginal buildings on "blighted strips".

Reinvestment opportunity: Before.

So, what then?

Staying on the demand side, one must consider adding to the eligible uses that may prosper on the "strip" and to entice existing or new owners to consider rehabilitating or occupying existing buildings or demolishing the existing building and constructing new space.

Reinvestment opportunity: After.

New business owner training, interim financing and marketing assistance may add to the group of potential business owners interested in starting a new business or expanding an existing business in the "strip".

On the supply side, reducing the number of marginal retail and service business buildings is helpful; especially if done strategically to create broader areas for redevelopment with larger sites. Reducing the number of marginal, failing or defunct businesses with other activities that can occupy their buildings has two effects. It reduces the space devoted to surplus retail and service businesses and expands the types of uses that might occupy these buildings thereby increasing the demand for these buildings. The city's approach to regulations, infrastructure and funding has an impact on both sides of the equation…the supply and demand sides.

Regulations. Expanded uses permitting along corridors build on traditional retail, restaurant and service businesses to include hotels and motels, residences of all types, institutional uses, education facilities, government activities and even light industrial or assembly activities with suitable design guidelines. The "anything goes" zone may still be a valid approach if the uses are subject to development standards and design guidelines that restore adequate infrastructure, enhance the aesthetic setting and provide meaningful buffers where necessary. Hence, regulations need to be relaxed as they address uses and focus more intently on the features of the product…infrastructure, aesthetics and buffers.

Infrastructure. On-site drainage and parking standards are inhibiting factors when applied to old situations. Pre-existing conditions need a remedy. Sometimes a multi-property solution is available. Sometimes a performance-based evaluation needs to be applied to reduce the standards while still keeping faith with their intent.

Funding. Money is what separates the wishful thinkers from the problem solvers. Will the city put up public money to enable private profit? If the result is exclusively private profit with no public benefit, the response should be a resounding no! If, however, there is substantial public benefit that happens to coincide with private profit, then maybe. The trick is to anticipate the situation and document the conditions that warrant public expenses associated with private gains.

Many cities have documented this situation thus freeing them from undo criticism when the city commits to a private project. Part of the documentation is the declaration that a specific zone along the strip will be offered redevelopment assistance when measured against a public benefit.


Small city and town “in town” business and building redevelopment opportunities.

On the “strip”, the city may consider:

- Buying a marginal building, repairing it to meet codes and re-selling or leasing the same building to the previous or new owner associated with a promising business concept.
- Exercising eminent domain powers to evict problem tenants from a marginal small strip center.
- Financing with low/no interest loans for the purchase and rehabilitation of a small strip center or building in a defined “strip”.
- Using funds from business improvement districts [BIDs], community redevelopment agencies [CRAs] with tax increment funding programs and other special overlay taxing districts to support small and start-up businesses willing to venture into a designated “blighted strip”.
- Reduced or deferred impact fees and utility connection fees.
- City assistance in seeking funding from state and federal agencies through special grants or general expenditures.

Conclusions.

1. **The city must recognize that a public benefit is worth supporting private gain.**
2. **The city must document the conditions for public assistance before any grants or loans are made to avoid criticism of supporting an arbitrary or “buddy” system of largess.**
3. **The city must assemble and employ the necessary resources to manage the private developers.**
4. **The city must sustain interest in maintaining infrastructure, training owners and marketing the former “strip”.**