Conceptual Lags in Retail Development Policy <u>or</u> can the Carter White House save the CBD?

By Brian J. L. Berry

The disparity between the federal concept of retail development and reality is reminiscent of the old farmer, blissfully unaware that things have changed and continuing to look for barn doors to close so the horses won't escape after the barn has already been demolished to make room for a new subdivision. As Figures 1 and 2 show, central business districts had been losing importance as the primary retail centers of American city life for more than twenty years when, in 1970, the Congress declared that rapid urbanization and rural decline were still problems.[1] It has taken yet another decade for it to admit that the nature of urban growth has changed. As the White House's 1978 urban policy statement says:

> Three major patterns of population change can be traced in the Nation today: migration from the northeastern and north central regions of the country to the south and west; the slower growth of metropolitan areas and the movement from them to small towns and rural areas; and movement from central cities to suburbs . . . Today's widespread population loss in the Nation's central cities is unprecedented . . . the thinning out process has left many people and places with severe economic and social problems, and without the resources to deal with them . . . Our policies must reflect a balanced concern for people and places . . . to achieve several broad goals: (to) preserve the heritage and values of our older cities; maintain the investment in our older cities and their neighborhoods; assist newer cities in confronting the challenges of growth and

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FIGURE 1
DECLINE OF THE CBD AS A RETAIL AND SERVICE NUCLEUS OF MID-WESTERN SMSAs BETWEEN 1954 AND 1967

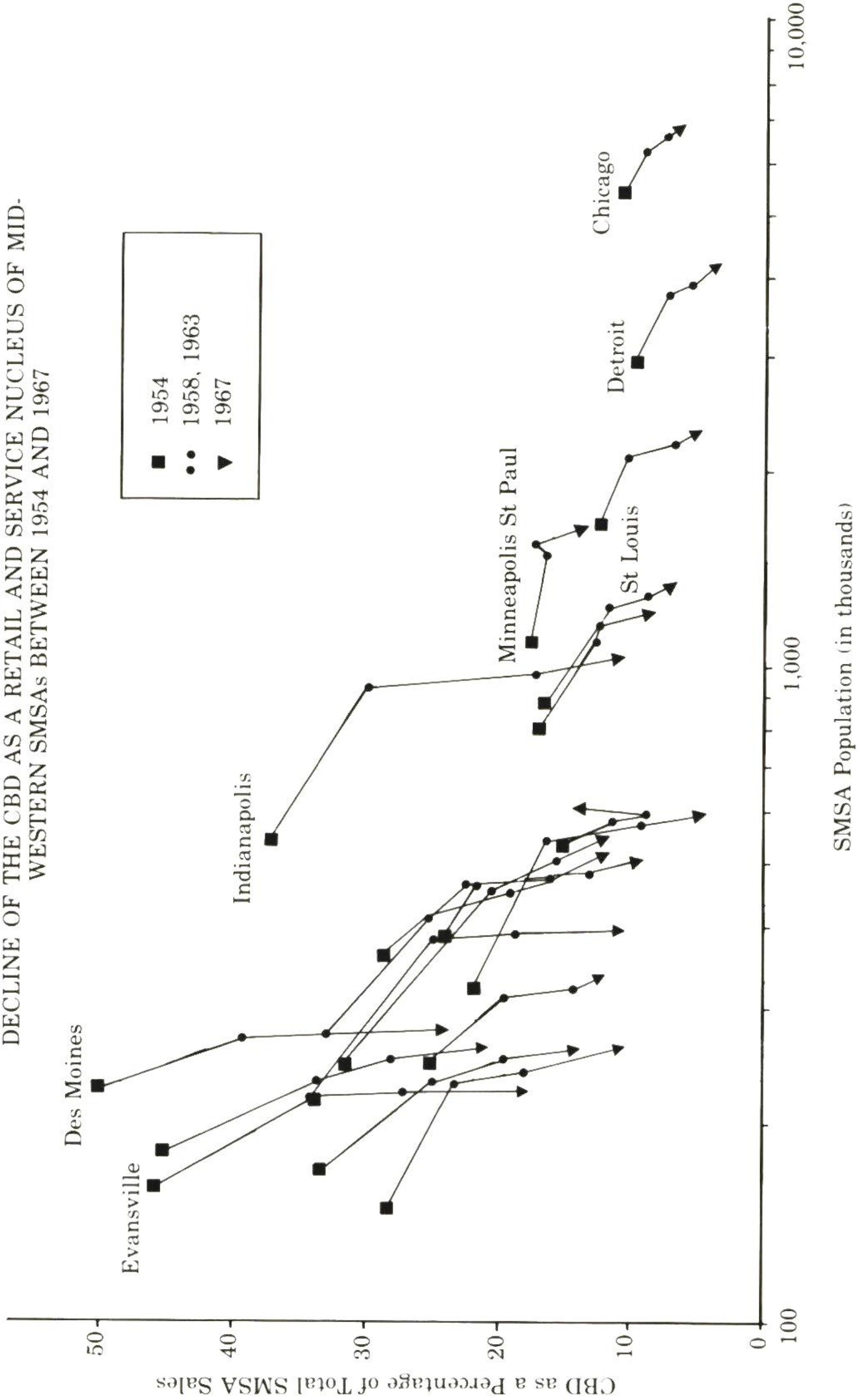
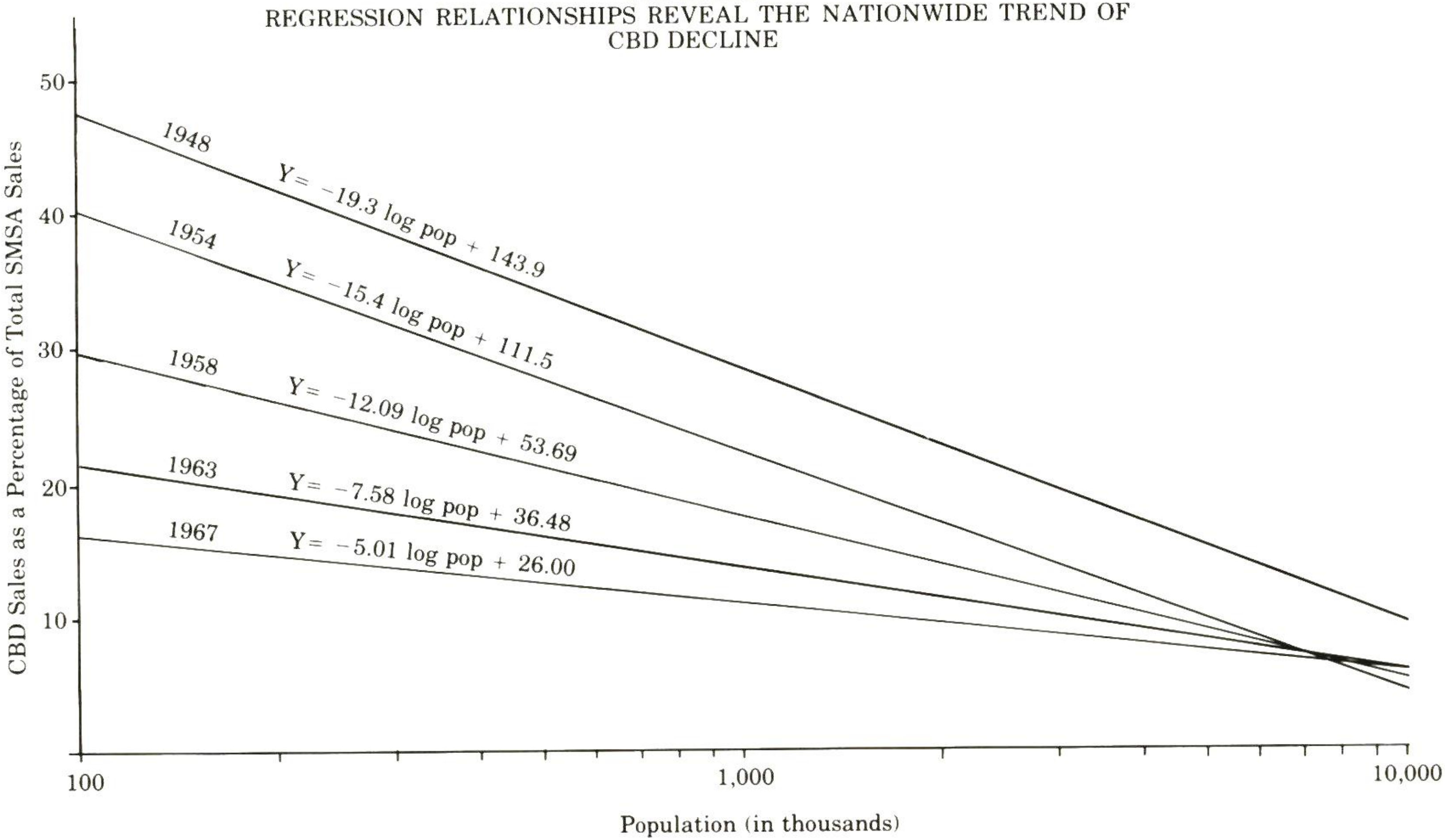


FIGURE 2
REGRESSION RELATIONSHIPS REVEAL THE NATIONWIDE TREND OF CBD DECLINE



> pockets of poverty . . . and provide improved housing, job opportunities and community services to the urban poor, minorities, and women . . . If the Administration is to help cities revitalize neighborhoods, eliminate sprawl, support the return of the middle class to central cities, and improve the housing conditions of the urban poor it must increase the production of new housing and rehabilitation of existing housing for middle class groups in cities . . . We should favor proposals supporting: (1) compact community development over scattered, fragmented development; and (2) revitalization over new development.[2]

Just as there was a reactive response to try to reverse rural to urban migration and rapid urban growth in 1970, today there is a reaction to outmigration and urban decline. The following appears in the White House's proposed Urban Conservation Policy:

> The primary objective . . . is to encourage through appropriate Federal, State and local action, the redevelopment and/or development by the private sector of healthy central business districts in distressed communities (and to) reduc(e) insofar as possible the likelihood (sic) that major Federal actions will directly and strategically lead to the construction of large commercial developments that clearly weaken established central business districts in distressed communities or promote unnecessary urban sprawl.[3]

Growth, so it appears, is to be inhibited when urban impact analyses show that older central business districts can't withstand the competitive impact of proposed new regional shopping centers! If the current White House urban conservation policy is as perceptually laggard and as conceptually bankrupt as the declarations of the 1970 Housing Act, which I believe is the case, then implementation of the policy will once again be the wrong thing in the wrong place at the wrong time.

This article will (a) review the changes in the nation's settlement patterns that are unfolding today; (b) propose an alternative concept of spatial organization to the CBD-focused model that apparently remains central to the White House policymakers' thinking; and (c) suggest the emerging patterns of commercial organization that are consistent with this alternative concept. One can then address the key question of the proposed urban conservation policy: will the attempt to undergird central business districts in distressed communities work?

CHANGING SETTLEMENT PATTERNS: THE EVIDENCE

Since World War II, there has been a breakdown of the nation's traditionally core-oriented settlement patterns on two scales. Interregionally, the heartland-hinterland organization of the economy as a whole is now giving way to a preeminence of the sunbelt. Intraregionally, the center city is withering in contrast to the suburbs and the rural periphery.

This is a result of the changing location of industry and of jobs. For the first half of the twentieth century, the northeastern manufacturing belt accounted for some 70% of the nation's industrial employment. Between 1950 and the mid-1960s, manufacturing jobs continued to grow in the northeast, but the growth was more rapid in other regions of the country and the manufacturing belt's relative share fell to 56%. By 1970 relative decline had been replaced by absolute losses. From 1969 to 1977, the manufacturing belt lost 1.7 million industrial jobs, almost exactly the job growth of the former hinterlands.

Similar shifts have taken place intraregionally. Between 1947 and 1958, central cities of the New York region lost 6.0% of their manufacturing jobs whereas the suburbs gained 37.2%. In other heartland cities comparable figures were: Chicago, city −18.5% and suburbs 49.4%; Philadelphia, −10.4% and 16.4%; St. Louis, −21.1% and 41.7%. Continuing from 1958 to 1967, the figures are: New York, −10.3% and 36.0%; Chicago, −4.0% and 51.6%; Philadelphia, −11.6% and 30.0%; and St. Louis, −14.9% and 41.4%.

Traditionally, the major central cities of the manufacturing belt were the centers of innovation. They were able to introduce new industries to offset losses of standardized industries to cheap-labor areas elsewhere. But this is no longer the case. The economy's rapid growth industries (electronics, aerospace, scientific instruments, etc.) are dispersed throughout the former interregional and intraregional peripheries. It is the older slow-growth industries that remain in the former cores. Employment in these remaining industries is extremely sensitive to cyclical change in the economy, compounding the distress of northeastern central cities when the economy is in recession. But what is even more critical is that the central cities of the former manufacturing belt appear to have lost their traditional seedbed function. The locus of innovation and growth has shifted elsewhere.

MIGRATION — IMPORTANT SOURCE OF POPULATION CHANGE

Job shifts have been accompanied by population shifts. Following the bulge in the population pyramid formed by the post World War II baby boom, there has been a decline in fertility rates to less than replacement levels. As natural increase has diminished, migration has become an increasingly important source of population change, which has been intensified by the movement of the baby boom cohort into its most mobile years. In all urban-industrial countries, a certain minimum amount of geographical mobility is a structured part of the life-cycle, with the greatest rates associated with the stage at which young adults leave the parental home and establish an independent household shortly after formal schooling is completed. The baby boom cohort is now passing through this stage, and through the subsequent period in which spatial differences in real wage rates and in employment opportunities provide signals that encourage economically-motivated migration. This migration not only increases the well-being of the movers themselves, but also results in improved resource allocation. Thus, job shifts in a period of maximum potential mobility have resulted in increased net migration from manufacturing belt to periphery, for both majority and minority members of the U.S. population.

The South has experienced a dramatic and accelerating migration reversal. Within regions, the balance of migration flows is away from central cities to suburbs and exurbs and from metropolitan to non-metropolitan areas. Throughout the nation, migrating workers have left jobs located in major metropolitan cores for workplaces in smaller urban areas, suburbs, and non-metropolitan America. Since 1970, the Northeast as a whole has lost population, a result of decreasing natural increase and of the net migration reversal; in the South continued high levels of growth have occurred, despite declining natural increase, because of increasing in-migration.

As a result, nonmetropolitan areas are growing more rapidly than metropolitan areas and central cities are declining, especially within the largest metropolitan regions. Thirty of the nation's fifty largest cities have lost population since 1970; one in five registered a loss of at least 10% between 1970 and 1975. Because the incomes of outmigrants were greater than those of immigrants, the income loss of metropolitan areas (gain of nonmetropolitan areas) was over $17 billion between 1975 and 1977 alone.

MARKET-ORIENTED ECONOMIC ACTIVITY

Retail and service shifts have characteristically *followed from* population and income shifts; such is the nature of market-oriented economic activity. Indeed, the high mobility rates characteristic of the retail and service sectors of the economy make these sectors extremely sensitive barometers of changing market conditions and of shifts in business organization and practices. Where markets are growing — as in the sunbelt, in smaller towns and cities, in new suburbs and in nonmetropolitan areas — births of new businesses and expansions of existing ones exceed business deaths and contractions. The trade and service sector is also expanding in these areas. Where markets are declining, as in the snowbelt and in larger central cities and older suburbs, deaths and contractions exceed births and expansions and the trade and service sectors are declining.

In growing markets the concentration of business in larger establishments has been increasing. Chain stores and nationally-advertised franchise businesses have been better able to respond to the changing market opportunities by joining with real estate developers to use new planned business centers as instruments for structuring new residential growth. They gain the advantages of better corporate planning, national advertising, easier financing, and an ability to withstand temporary market perturbations. In many markets, major new enclosed shopping malls primarily house chains and franchises and have replaced traditional central business districts as the retail foci of rapidly dispersing metropolitan regions, setting the tone for surrounding residential areas.

Meanwhile, traditional shopping streets and classical unplanned business centers continue to wither away in older urban neighborhoods as populations dwindle and the relative incomes of those left behind decline. Yet the thrust of the White House urban conservation statement is that the most market-dependent sector of the economy should become the instrument of neighborhood and inner city revival. If only new shopping center developments can be contained, the argument apparently continues, central business districts will once again assume their proper role as the hearts of high-density cities, the centers of innovation and control, and the middle class will once again want to live in the city.

This, surely, puts the cart before the horse. Job shifts have joined with a successful national housing policy — oriented to promoting household wealth through homeownership, improved living conditions via new construction, and increased efficiency by means of mobility — to facilitate the emergence of low-slung, far-flung metropolitan regions and a new force of counter-urbanization: the transfer of new growth to some of the most remote and least urbanized parts of the country. The settings where this growth is now occurring are exceedingly diverse. They include regions oriented to recreation in Northern New England, the Rocky Mountains, and the Upper Great Lakes; energy supply areas in the Northern Great Plains and Southern Appalachian coal fields; retirement communities in the Ozark-Ouachita Uplands; small manufacturing towns throughout much of the South; and nonmetropolitan cities in every region whose economic fortunes are intertwined with state government or higher education. Other contributing factors appear to be changes in transportation and communications, removing many of the problems that constrained the growth of the periphery, thus permitting decentralization of manufacturing on the inexpensive land and benefitting from the low wage rates of non-metropolitan areas. The trend toward earlier retirement has lengthened the interval during later life when a person is no longer tied to a specific place by a job. An increased orientation at all ages toward leisure activities has been caused in part by rising per capita income, centering on amenity-rich areas outside the daily range of metropolitan commuting.

EFFECTS OF TRANSPORTATION AND COMMUNICATION DEVELOPMENTS

These are but symptoms of more profound forces. The concentrated industrial metropolis only developed because proximity meant lower transportation and communication costs for those interdependent specialists who had to interact with each other frequently or intensively. One of the most important forces contributing to counter-urbanization is the erosion of centrality by time-space convergence. Virtually all technological developments of industrial times have reduced the constraints of geographical space. Developments in transportation and communications have made it possible for each generation to live farther from activity centers, for these activity centers to disperse, and for information users to rely upon information sources that are spatially more distant yet temporally more immediate. Large dense urban concentrations are no longer necessary for the classical urbanization economies to be present. The time-eliminating properties of long-distance communication and the space-spanning capacities of the new communication technologies are combining to dissolve the agglomeration advantages of the industrial metropolis, creating what some now refer to as "an urban civilization without cities". The edges of many of the nation's metropolitan systems have pushed one hundred miles and more from declining central cities. Today's urban systems appear to be multi-nodal, multi-connected social systems sharing in national growth and offering a variety of lifestyles in a variety of environments[4]. What is being abandoned are those environments that were key in the traditional metropolis-driven growth process: the high-density, congested, face-to-face center city settings that are now perceived as aging, polluted and crime ridden, with declining services and employment bases and escalating taxes.

THE RETAIL RESPONSE

Already there has been a retail response, far ahead of White House thinking: theme centers are multiplying in special locations; older structures are being rehabilitated for use as specialty retail centers, as in Utica where the former UNIVAC building (now Charlestown) was transformed into a mall containing factory outlet shops; and, where conditions are right, some CBDs are being privately regenerated. Contrary to common expectation, energy fears have not slowed shopping center development. *Shopping Center Digest* reported earlier this year that 63 new malls with over 400,000 square feet of gross leasable area will have opened during 1979, 77 more are scheduled for opening in 1980, and 100 are already committed for 1981 and beyond.

Many markets are saturated today, and developers are looking for such things as bypassed infill opportunities. Much of the current exploration relates to possibilities for reconstructing deteriorating suburban CBDs or older downtown areas with viable surrounding trade areas. There is an increasing emphasis on mixed use, including recreation, community and cultural services, art, music, and food, catering to evening and weekend activities in appealing enclosed environments.

Some industry spokesmen suggest that at least 10% of new mall activity will be in older central business districts in the next few years, clearly demonstrating that the industry is way ahead of the White House. Unfortunately, the Carter conservation policy's focus on communities in distress may distort private market activity in ways that remind us of Gresham's Law of Urban Policy with which we are all too familiar. Meanwhile, in certain metropolitan areas — where too great an excess supply of new housing has not been created and where a modern office sector has created new jobs for young professional members of the post-World War II baby boom generation — private market reinvestment has been taking place in certain older neighborhoods and has supported specialized retail and service growth.

THE CHANGING FAMILY

The essence of this has again been on the demand side. New higher-income young homeowners not pressed by child-rearing, with two workers (one or both of whom may be a professional) prefer neighborhoods in the inner city with geographic clusters of housing structures capable of yielding high quality services, a variety of public-good amenities within safe walking distance of these areas and a range of high-quality retail facilities and services including restaurants, theaters, etc. These preferences follow directly from life style and compositional shifts. The continued development of American society has resulted in increased economic parity for women; this enables them to have the option of roles other than that of housewife and mother. Consequently men and women lead more independent lives, and are able to exercise more options in life. Increasing numbers of couples live together without the formal ties of marriage. The direct and opportune cost of child rearing is rising, birth control technology has improved and abortion laws have been liberalized; hence the birth rate is dropping. There are increasing numbers of families with two or more workers.

CONCLUSION

Revitalization, then, has been taking hold first in superior neighborhoods in those metropolitan areas which have the tightest housing supply and which also have a sizeable cluster of professional jobs that support the youthful college-educated labor force most likely to evidence life-style shifts. Smaller households require less space. The fluidity of households and the looser legal links among their members are contrary to the rigidity of tenure associated with ownership. The maintenance of a house and its grounds is too time consuming and for people who must work, there is a growing preference for apartments, row, or town houses and innovative forms of design, as well as experimentation with forms of tenure such as condominiums and cooperatives which preserve some of the tax advantages of ownership but provide greater liquidity and increases in new forms of contracting arrangements for the operation and maintenance of housing. The growing attractiveness of more central locations in the core city and the older suburbs follows; there is an appropriate stock of housing and access to services as well as locational convenience for the journey to work. Since many of these households have no children, the racial factors of school integration do not act as they have in the white flight to the suburbs. And out of the new life style being created in old neighborhoods a new environment of opportunity for retail growth has occurred and is being realized.

An important principle of retail and service development is thereby illustrated. The older hierarchies of retail centers were a product of access-constrained market orientation of facilities of different scales. As access variables have declined in relative significance, the advantages of specializing to meet the particular needs of particular local markets, or of particular metropolis-wide market segments, have increased. As the metropolis has spread and differentiated, so has the retail and service opportunity. And as for the years to come, so long as a high degree of mobility is maintained there will be a continuing responsiveness to the changing nexus of opportunities and of constraints. If a principle is at work, it is one of opportunity-seeking and constraint-avoidance, which leads directly to the conclusion that the negatively-formulated Carter conservation plan can only result in everyone becoming worse off!

A creative policy shifts incentives, creating attractive market opportunities that, if realized, also achieve the sought-after goals. This has been the example of the nation's housing policy for the last 50 years. Negatively-formulated systems of regulation, on the other hand, lead only to avoidance, and avoidance by private developers of distressed communities can only deepen the malaise afflicting the CBDs that the White House conservation policy is supposed to alleviate.

REFERENCES

1. The rapid growth of urban population and uneven expansion of urban development in the United States, together with a decline in farm population, slower growth in rural areas, and migration to the cities, has created an imbalance between the nation's needs and the resources and seriously threatens our physical environment . . . The Congress . . . declares that the national urban growth policy should — favor patterns of urbanization and economic development and stabilization which offer a range of alternative locations . . . help reverse trends of migration and physical growth . . . treat comprehensively the problems of poverty and employment . . . associated with disorderly urbanization and rural decline. Quoted from Section 702 of Title VII of the Housing and Urban Development Act of 1970 (Public Law 91-609, 84 Stat. 1791; 42 U.S.C. 4501).
2. Quoted from President Carter's Urban and Regional Policy Group's March 1978 report, *A New Partnership to Conserve America's Communities. A National Urban Policy.*
3. Quoted from a White House staff paper entitled "An Urban Conservation Policy" circulated in the fall of 1979.
4. In contemporary theories of land use, three sets of variables are joined to explain the bid-rents of potential occupants that ultimately set the pattern of land values and create the land use map. The first of these is accessibility, traditionally measured as distance from the CBD. One of the distressing features of contemporary urban economics is that the models taught to new students seldom stray from this particular case. The second set of variables relates to qualities of the site itself. The case is clearest in Ricardian theories of land use, but also is relevant in urban land use as observers from Hurd to Hoyt have emphasized, although not independently of the third set, externalities. To the extent that traditional centrality has been eroded by time-space convergence, variables in these other two sets — environment and amenity — have increased in importance in determining the structure of the emerging metropolis. What is important today are relative qualities of amenities and externalities within the whole rather than relative access to an historical center. Hence the multi-nodal, multi-connected quality of contemporary urban systems.