

# **GATEWAY PLAZA**

## **A RETAIL CENTER DEVELOPMENT**



**Chattanooga, Tennessee**

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January 14, 2000**

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# **GATEWAY CENTER**

## **A RETAIL DEVELOPMENT**

### **ABSTRACT**

Gateway Center: A Retail Development describes the process used in the creation of a commercial center in the M. L. King District. The objective is to stimulate neighborhood revitalization and address concerns from residents voiced during a visioning process regarding the lack of commercial services. Residents from the target and adjacent communities responded to survey questions about goods and services they would like to have accessible in the neighborhood. After tabulating and reviewing the results, a feasibility analysis was completed to identify the target market, calculate purchasing power, identify potential retail tenants, and determine costs for construction and operation of a retail center. The challenge is to create a “virtuous cycle of retail” in the District that offers goods and services, promotes business growth, provides employment, and attract new investment by the private sector.

## **BACKGROUND**

Located at the junction of Tennessee, Georgia, and Alabama, Chattanooga is in the heart of the Tennessee River Valley surrounded by the southern Appalachian mountains and Cumberland Plateau. Chattanooga's unique name was derived from the Creek Indian Nation and means "rock coming to a point" which is thought to describe Lookout Mountain, the most prominent mountain near downtown. The city is conveniently situated where I-75, I-59 and I-24 joins and it is within a day's drive of one-third of the nation's population. Known as an industrial manufacturing town, the area began to decline shortly after World War II. During the next two decades, loss of high paying manufacturing jobs, particularly in local foundries contributed to the decline. As employment opportunities became available in other surrounding cities, such as Atlanta, Georgia, Nashville, Tennessee, and Charlotte, North Carolina, the economy and strong sense of community was weakened.

In 1984, Chattanooga residents participated in a community-wide planning process, commonly known as Vision 2000. The process was conducted when the city was beset with numerous community problems, such as economic recession, social tension and general urban decline. Over 1,700 people brought their ideas, concerns and suggestions for positive change to the meetings. The process produced a series of broad goals that both the public and private sector set out to accomplish. An assessment survey conducted in 1992 determined that Vision 2000 resulted in over 2,000 projects, created 1,381 permanent jobs and 7,300 temporary construction jobs while accomplishing the goals. In 1993, the community revisited its accomplishments and set new goals. The goals of ReVision 2000 emphasized the environment, education, training and jobs.<sup>1</sup> Chattanooga is becoming one of the best mid-sized cities in America where economic growth and job creation are balanced with a sense of responsibility for future growth.

### **Target Community**

The M. L. King District is located just east of Chattanooga's central business district in Hamilton County, Tennessee. The boundaries of the neighborhood are McCallie Avenue on the north, East Eleventh Street on the south, Central Avenue on the east and Lindsay Street on the west. (See exhibit one). The District encompasses 183 acres and is developed with a mix of residential, commercial, institutional, and light industrial uses. Favorably situated adjacent to Downtown Chattanooga, the District is located near Erlanger Medical Center, the University of Tennessee at Chattanooga (UTC), and the Fortwood Historic District containing homes dating from 1880 to 1920.

Dating back to the 1800's, the M. L. King District has enjoyed a long history as a center for black culture, commerce and society. The District was once a prosperous, self-sufficient community containing desirable residential areas, a profitable commercial district, schools, churches, hotels, and a black owned hospital. However, since the late 1950's, the area has significantly deteriorated physically, steadily lost population and experienced sustained socio-economic decline. Today the M. L. King District faces many challenges including a high poverty level, low educational attainment, an elderly population, crime, deteriorated structures, vacant buildings, and a large amount of vacant and underdeveloped land.

## **PROBLEM STATEMENT**

Chattanooga had made great strides in recent years in redevelopment of the central business district and adjacent neighborhoods. However, the missing piece in the comprehensive redevelopment of downtown Chattanooga remains the M. L. King District, just east of the central business district. The neighborhood is surrounded by both strong institutions and established neighborhoods, including the City Hall complex, the University of Tennessee at Chattanooga, and the Fortwood residential community. The District is thus uniquely situated relative to major employment centers, educational facilities and service providers. Some revitalization efforts, although sporadic, have been initiated by individual organizations without adequate resources and capacity. The District has been excluded from the benefits associated with Downtown initiatives. It is perceived by community stakeholders that the neighborhood will no longer be a place that African American residents and local entrepreneurs can afford to live because of increased rents or offer traditional retail services, such as hair cuts and shoe repair. Unless initiatives are implemented to provide affordable housing, encourage business development, assist existing businesses, then the deteriorated neighborhood will negatively impact the City's redevelopment efforts and national fame. Chattanooga is gaining a reputation for its emphasis on sustainability and its recognition that the City's economy, its social institutions and the quality of life for its residents are closely intertwined. This effort should be continued in the M. L. King District.

## **ORGANIZATION COMMITMENT**

In order to facilitate redevelopment of the District, Inner-City Development Corporation (ICDC) was created. Driven by a volunteer board of directors and part-time staff, the Inner City Development Corporation completed many successful housing projects between 1986 and 1993. ICDC has traditionally focused on providing affordable rental housing for very low and low-income households. Since its inception, ICDC has acquired and rehabilitated 40 rental units; acquired, rehabilitated and sold four single-family homes; and constructed and sold eight new homes. These projects are located in the M.L. King District. All housing acquisition and rehab has been financed with public and private funds at an investment of approximately \$2 million.

In the past, ICDC has focused its efforts on providing safe, decent and affordable housing to low and very low-income individuals. Because of extremely high costs for property maintenance, the Board of Directors realized that economic and social issues needed to be addressed along with physical development efforts. Successful initiatives reflect the interconnection of the physical environment with the economic, social, and human aspect, individual and collective as well as children and adults.<sup>2</sup> New projects reflect this inclusiveness.

## **PROJECT DESCRIPTION**

Prior to the beginning of this project, in my role as the Executive Director, a visioning process for community stakeholders was initiated and coordinated. The process consisted of four focus group meetings held to gain community input and assess the development objectives of community stakeholders. A planning consultant was hired to facilitate the focus groups. The Executive Director scheduled the meetings, secured the facility, notified prospective attendees, and provided opening comments. Approximately 100 people attended the meetings representing community residents and property owners, business owners, service providers/institutions and government agencies. Participants expressed concerns regarding several issues such as housing, transportation and parking, commercial development and vagrancy. Residents living in the District stressed the need for retail establishments offering convenient goods and services. This process has become a valuable resource for ICDC when making decisions for redevelopment of the District.

Commercial development is essential to the successful revitalization of the M. L. King District. Retail shops and services within walking distance of residential development will enhance neighborhood sustainability as a self-sufficient in-town community. University administrators have also expressed the need for commercial establishments in the District that cater to its students, who currently drive as far as 15 miles to buy groceries and rent movies.

The project goal is to determine if indeed there is a market to support retail development in the District and if so what types of businesses are needed and wanted. Regaining economic stability, including job opportunities and training will require that connections be reinforced to the adjacent areas of Fortwood and UTC. The fundamental uses and activities in the area should build on one another enhancing economic vitality for the neighborhood, its residents and business owners.

## **CURRENT CONDITIONS**

In order to determine the need for additional retail establishments, a review of demographics and land use was conducted and is described below. The boundaries of the M. L. King District generally fall within Census Tract 15. The 1990 census provides the most complete source for recent demographic statistics.<sup>3</sup>

### ***Population***

The 1980 population for census tract 15 was 1,832 persons compared to an estimated population of 1,039 persons in 1995. This represents a 43% decline in population in 15 years. In fact, the District has been experiencing a steady decline in population for the past 40 years due in part to a preference for suburban lifestyles, and a decline in the number and quality of housing units and a large reduction in convenient neighborhood services.

### ***Ethnic Makeup***

The District has historically been primarily an African-American neighborhood. Population estimates for 1995 indicate that approximately 72% of the population is black and 28% is white. Approximately 80% of the population of Chattanooga is white and 19% is African-American.

### ***Age***

A significant percentage of the District's population is elderly. The median age was 59.93 for 1995. Persons aged 55 and over make up 56.8% of the population and children under the age of 18 comprise only 9.7% of the population. Young adults aged 18 to 34 accounts for 13.2% of the population. This compares to 23.8% of the population of Chattanooga that is under the age of 18 and 23.6% that is over the age of 55.

### ***Education***

Educational attainment for residents of the District is significantly less than Hamilton County as a whole. Sixty percent (60%) of the residents of the District over the age of 25 have less than a high school education compared to 27 percent of county residents.

### ***Employment***

The M. L. King District has an unemployment rate of 28 percent, which is over four and one half times the unemployment rate for Hamilton County of 5.8 percent. Seventy-two percent of the residents of the District aged 16 years and older are not in the labor force compared to 36 percent for the county.

### ***Income***

According to the 1990 Census, the median household income for the District was \$5,586 and the median family income was \$10,750. This compares to a median household income of \$22,197 and a median family income of \$27,487 for the City of Chattanooga.

Approximately 42 percent of the households in the district had an income of less than \$5,000 and 35 percent of the households had an income between \$5,000 and \$9,999. The 1990 Census classified 35 percent of all families in the District with children under the age of 18 as being below the poverty level. Poverty status for all residents indicated that approximately 57 percent were considered below the poverty level. For Chattanooga, roughly 18 percent of all families and 14 percent of families with children were below the poverty level.

### ***Land Use***

The District comprises 183 acres with a mix of residential, commercial, institutional, and light industrial uses. Land uses are distinct, particularly the residential and commercial cores. Residential uses are concentrated primarily to the east of an abandon railroad right-of-way and commercial uses are to the west. Industrial and manufacturing uses characterize the southern edge of the District. The area contains a significant amount of vacant properties. A visual survey revealed the following number and types of land use in the District.<sup>4</sup>

<b>Land and Use Type</b>	<b># of Properties</b>
Vacant Land	237
Single Family Residential (single or duplex)	125
Low Density Residential (2-3 stories)	68
Medium Density Residential (>3 stories)	3
Open Space (parks)	2
Commercial/Office	95
Institutional/Service Providers	30
Industrial	20
Mixed-Use	2
<b>Total</b>	<b>582</b>

Of the 95 commercial properties, only 54% or 51 structures are in standard condition, 35% or 33 structures require substantial rehabilitation and the remaining are deteriorated. Of the 51 commercial structures, 23% or 12 are unoccupied. Sixty-five percent or 62 commercial structures are concentrated in a two-block area on M. L. King Blvd. located in the southwest portion of the targeted community.



## **RETAIL DEVELOPMENT**

The M. L. King District is very under served in the area of basic neighborhood services and shopping opportunities such as dry cleaning/laundry services, grocery store, banks, entertainment facilities, gas stations/convenience stores, movie rentals, theatre, and retail stores. Retailers, franchisees, and independent entrepreneurs have overlooked this neighborhood. The project purpose is to determine the feasibility of a retail development on a parcel of vacant land. Establishing a neighborhood center will provide an opportunity for retail businesses that offer convenient services to a under served community who needs are unmet. Given the advancing age of the population, convenient neighborhood services are even more important to the area. These services are also needed to help attract new residents to the area. According to a patron survey, shoppers make more frequent and shorter trips to neighborhood centers and less frequent, longer trips to centers that are farther away.<sup>5</sup> Establishing businesses in an inner-city neighborhood will result in the creation of jobs and thus more local spending which will remain in the community. A “virtuous cycle of retail” will promote business growth, jobs, and revitalize a community.<sup>6</sup>

Under the auspices of Inner-City Development Corporation (ICDC), with the Executive Director’s leadership and guidance, plans are to pursue the construction of a neighborhood retail center on an acre site at the corner of Central and McCallie Avenues. (See exhibit two). ICDC will be the developer, owner, and lessor of the retail center. In addition to this process, the Executive Director will obtain construction funding, manage the construction process, disseminate market information to solicit potential tenants, and hire/supervise the economic development specialist who will solicit and encourage community residents to seek employment in the retail center and negotiate with tenants to provide jobs for interested residents.

## **RESULTS**

The development of a retail center requires the collection and analysis of pertinent data. The major outputs, prepared by the Executive Director except where noted, consist of:

- A survey of the proposed target populations to gather input;
- Identification of target markets;
- Calculation of potential buyer power;
- Identification of proposed tenant mix to occupy the building;
- Development of construction budget;
- Estimate of operating costs.

### ***Survey***

A survey was conducted (see exhibit three) in order to determine what type of businesses the residents would like to see in the neighborhood. Four different targeted groups were surveyed—M. L. King residents, Fortwood residents in the adjacent neighborhood, and university students and faculty. The survey results from the 243 respondents are as follows:

**1. What type of development would you like to see at the corner of Central and McCallie?**

Convenience store/gas station	35%
Restaurant	28%
National Chain Drug Store	16%

**2. What type of stores would you most like to see in a neighborhood commercial center?**

Convenience Store	43%
Small Restaurant	42%
Bakery	39%
Variety Discount	36%
Book Store	29%

**3. What office uses would you most likely use?**

Doctor's Office	43%
Job Placement	41%
Dental Office	27%

**4. Would you be interested in operating a business at this location? Yes 17%**

What type of business?

Book Store/Coffee Shop	Record Store
Grocery	Computer Sales
Bakery	Computer Repair
Liquor Store	Department Store
Restaurant/Bar	Laundromat
Barber Shop	Elderly Sitting Service
Internet/Media Store	Non-Profit Service Center
Veterinarian Office	Antique Dealer

**5. Would you be interested in working at a commercial business at this location?**

Yes 47%

**6. Do you own or have use of a car? Yes 87%**

**7. What type of transportation do you most often use to conduct errands?**

Car 90.5%	Walk 7.4%	Taxi 1.2%
Bus 9.9%	Bicycle 8%	

### ***Target Markets***

The next step was to define the market areas to determine a customer base. Generally customers that shop in a neighborhood are residents within a 5 to 10 block radius. The designation of the primary market consists of a 5 to 8 block radius of the site and includes census tracts 10 and 15. The boundaries of the primary market area are Third St. on the north, Main Street on the south, Central Avenue on the east, and Walnut Street, Georgia Avenue and Interstate 24 on the west. The secondary market area includes census tracts 4, 5, 10, 11, 14, 15, 26, and 31. This area is approximately 10 to 12 blocks from the site in all directions. The boundaries of the secondary market area at the Tennessee River/Citico Avenue on the north, Interstate 24 on the south and west, and Willow Street on the east. Exhibit four identifies the boundaries of the secondary market.

Demographics of the primary and secondary markets compared to Hamilton County area as extracted from the 1990 U. S. Census Data is as follows:

	<b>Total Population</b>	<b>Total Household</b>	<b>Average Income</b>
Primary Market	2,815	1,116	\$25,246
Secondary Market	11,067	4,477	\$26,546
Hamilton County	294,070	116,702	\$45,513

### ***Buyer Power***

An often-overlooked market, residents in the inner city have enormous buying power. This buying power remains virtually untapped. The income of an individual household is less important to retailers than the combined income of everyone in the market area. Sales in inner- city markets match or even exceed estimated retail buying power.<sup>7</sup> The potential buying power of the primary and secondary market is as follows:

	<b>1998 Average Household Income</b>	<b>1998 Average Aggregate Income</b>	<b>1998 Retail Sales Potential (38% of Aggregate Income)</b>
Primary Market	\$24,246	\$28,174,536	\$10,706,324
Secondary Market	\$26,546	\$118,846,442	\$45,161,648

According to the Southeast consumer expenditure data compiled by U. S. Department of Labor, residents in the inner city spend 38% of expendable income on retail sales. Therefore 38% of the aggregate income is used to calculate the potential buying power. It is important to note that standard corporate methods for assessing market strength are inadequate for inner

city neighborhoods and tend to underestimate business potential. Consumer purchasing power is undervalued because a substantial amount of income is not reported for fear of negatively impacting other benefits. Relying on income data from the Census, as shown here, may be misleading because of undercounting and under-reporting.<sup>8</sup> If true, the buyer power may be more than calculated. Many retailers privately acknowledge that their inner-city stores can be more profitable than their suburban locations offering comparable prices.<sup>9</sup>

### ***Competition***

A visual survey of the primary and secondary market areas revealed a lack of variety of retail offerings. (See exhibit five.) Commercial uses within the primary market area include 1 small grocery store, 4 neighborhood quick marts with limited stock, 2 pharmacies and 1 neighborhood commercial center containing a chiropractor's office and a pizza/deli eatery.

The secondary market contains 5 small neighborhood quick marts, 7 quick mart/gas stations, 2 national chain drug stores, and 2 grocery stores. There are also two neighborhood commercial centers located on the edge of the secondary market area. They are limited in the variety of goods and services they offer and have some vacancies.

One of the strongest potential markets for retail goods and services in the District is the growing faculty, staff and student population of UTC. With a current enrollment of 8500 students, and a projected enrollment of 15,000 students in the next ten years, UTC has expressed interest in locating future campus facilities in the District. Plans are to construct a 280 bed dormitory, 50 units of graduate and student housing, and a small student center that will house a wellness facility. The dormitory is scheduled to open Fall 2001.

Another customer group is the commuting public to and from downtown Chattanooga. McCallie Avenue is a major one-way arterial which funnels commuters into the Downtown area from the large suburban areas located to the east. M. L. King/Bailey Avenue carries traffic one-way east from Downtown. Central Avenue is a two-way arterial that provides a connection between the one-way pair. The proposed site is located in the southwest corner of the intersection of Central and McCallie Avenues. According to the City of Chattanooga's Traffic Engineer, the average daily traffic counts in the vicinity of the site are as follows:

Central Avenue/8th Street	11,632 automobiles
McCallie/Central Avenue	16,208 automobiles
Bailey Avenue/Spruce Street	17,306 automobiles

The neglect of the inner city has created markets full of opportunities for entrepreneurs. The M. L. King district represents a potential growth market that can rival suburban retail developments. Urban locations typically offer a critical advantage for retail businesses due to density of demand. U. S. Treasury Department analyses indicate that the higher population density in the central city balances out the high household incomes in spread-out suburban areas.<sup>10</sup>

### ***Customer Profile***

Inner city shoppers have similar preferences of suburban shoppers. Those preferences include basic, quality goods and services, competitive prices, clean environments, and courteous, helpful salespeople. According to a survey of 1200 inner-city shoppers conducted by Pricewaterhouse Coopers and The Initiative for Competitive Inner City, an inner-city shopper does have distinct characteristics. Shoppers of inner city households are older than the total U. S. shopper population. Survey data revealed that inner-city shoppers tend to be less educated than the total U.S. shopper population but the majority are high school graduates and almost 50% of the shoppers have some college education. Inner-city shoppers surveyed are more likely to be employed in pink collar (service or support) positions or blue collar (operator/laborer) jobs than the U.S. population. Inner-city shoppers enjoy shopping especially for apparel and groceries and prefer specific brands with national or private labels.<sup>11</sup>

### ***Potential Tenants***

Based on results of the resident survey and visual survey of existing retail businesses in the targeted market area, a proposed mix of tenants was carefully chosen for the center. Consumers shop where there is a right mix of tenants. The chart below shows the proposed tenant mix.

<b>Tenant</b>	<b>Sq. Ft. Space</b>
Variety Discount Store	10,000
Used Book Store	2,500
Bakery/Coffee Shop	2,500
Laundromat/Dry Cleaner	1,100
<b>TOTAL</b>	<b>16,500</b>

A neighborhood meeting with residents confirmed that the proposed tenant mix offers the type of goods and services most desired. Although a convenience store/gas station was the most preferred use, seven quick mart/gas stations currently exist in the secondary market area. Therefore it is not financially beneficial for that type of retailer. There are also two drugstores in the secondary market and a sandwich shop across from the proposed site, thus these uses were not considered as a potential tenant. There is not a variety discount store nor bookstore in the targeted market area. A variety store will sell household products and basic necessities for students and adults, young and old. The bookstore will not only sell used textbooks but will sell a variety of children books and used compact discs. The bakery/coffee shop will not only cater to walk in customers, but will also offer special order, baked goods. There is no Laundromat or dry cleaner in the market area to help promote the basic necessity of cleanliness. Many of the residential units do not have washer or dryers.

### ***Site Design***

Located at the intersection of Central and McCallie Avenues, the site was chosen because of its close proximity to other neighborhoods and the university population. The site will also serve as an entrance to the university and the downtown business district. The location poses a physical challenge because of the major difference in elevation between two portions of the site as shown below. Major site preparation will be needed to bring the building's first floor down to street level on the northeast side as shown below.



With the assistance of an architect, two site designs were created to portray different concepts of a retail center depending upon the tenants that will occupy the space. The designs portray similar characteristics as surrounding structures. Because there is a difference in land elevation on the proposed site, two site designs were prepared. (See exhibit 6). Site plan #1 consists of three buildings to reflect a new urbanism design fronting directly on the sidewalk with parking hidden behind the buildings. Based on the difference in land elevation, plan #1 minimizes the amount of site work required because the grading will be sloped. Site plan #2 displays one building with parking mostly on the side and rear of the building. Site two requires the land to be excavated so that the ground will be one level. Both designs will allow for a monument to be erected designating entry into the M. L. King District and University. Each design will have two stories with 16,500 square feet.

**Construction Budget**

The proposed construction budget was prepared for the two site designs as shown below. A rental rate of \$7.00 per square foot is projected to insure marketability of the tenant space. A review of local neighborhood shopping centers indicated an average rate of \$6.93 per square foot. The proposed rate will be very competitive. The construction budget is based on the local market.

	Site Plan 1	Site Plan 2
<b>Sources</b>		
Land Equity	\$ 90,000	\$ 90,000
Bank Loan	560,336	560,336
Grants	<u>631,106</u>	<u>617,451</u>
Total Income	1,281,442	1,267,787
<b>Uses</b>		
<u>Hard Costs</u>		
Land	\$ 90,000	\$ 90,000
Site Work/Improvements (excavation, retaining wall)	18,880	36,735
Building Construction	835,105	792,000
Landscape (paving, curbs, plaza, walkways)	<u>52,340</u>	<u>72,410</u>
Total Hard Costs	\$996,325	\$991,145
<u>Soft Costs</u>		
Financing Fees/Interest	\$ 35,022	\$ 35,022
Taxes & Insurance (.5% of hard costs)	4,532	4,460
Title & Title Insurance	2,500	2,500
Legal/Accounting Fees (.9% of hard costs)	9,063	8,920
Marketing/Lease up (.18% of hard costs)	18,127	17,840
Environmental Assessment (Phase I)	2,000	2,000
Appraisals	1,500	1,500
Topographic Survey	3,200	3,200
Architectural/Engineering (6% of hard costs)	54,380	53,521
Project Management (4.5% of hard costs)	45,000	44,601
Development Fee (6% of hard costs)	54,380	53,521
Contingency (5% of total costs)	<u>55,413</u>	<u>49,557</u>
Total Soft Costs	285,117	276,642
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$1,281,442</b>	<b>\$1,267,787</b>



***Operating Performa***

The income and expense projections for the first year of operation are listed below. Because the estimated construction costs differ by only \$13,655, the operating budget is based on the higher cost. It is assumed that all the space is leased during the first year. The expenses are based on the local market. During the first year of operation, the cash flow is limited which is typical of a startup project.

**INCOME**

Rent (16,500 x \$7.00)	\$115,500
Vacancy (5%)	<u>5,775</u>
Effective Gross Income	109,725

**EXPENSES**

Real Estate Taxes	19,200
Property Insurance	2,613
Management Fee (5%)	5,486
Repairs & Maintenance (5%)	5,486
Utilities	2,040
Accounting & Legal (2%)	2,195
Advertising (1%)	1,097
Supplies (.5%)	549
Parking Lot Cleaning	2,600
Landscaping/Maintenance	1,000
Security	3,600
Miscellaneous	<u>1,100</u>
Total Operating Expenses	\$ 46,906

**Net Income** **\$ 62,819**

Annual Debt Service	56,244
Funded Reserves	3,292

**Net Cash Flow** **3,283**



## CONCLUSION

The creation of Gateway Plaza retail center will reduce economic and social blight and provide a highly visible project in the District. The new center will send a very important message to the public that the M. L. King District can once again become a desirable place to live. The retail center will produce permanent and measurable results that will help improve the overall quality of life for community residents. Specifically, the center will:

- Offer quality goods and services to residents who must now seek these services outside the neighborhood;
- Provide new businesses and employment opportunities to neighborhood residents;
- Develop a vacant underutilized parcel of land that will serve as a gateway into the M. L. King District, University of Tennessee campus and Downtown area;
- Improve the image of the neighborhood that will encourage further public and private investment.

The challenge to the successful completion of this project is the creation of strategies to encourage private investors to take advantage of the untapped market. The most desired tenants may not locate in the neighborhood. Therefore the proposed tenants may change and will continue to change until entrepreneurs are convinced of the consumer buying power. Until a major tenant agrees to lease the space, construction will be delayed. Another challenge is to attract subsidy that will help defray the cost per square foot for the lessees. Without the additional subsidy, the cost per square foot will increase and thus, a reduction of the attractiveness of this project to prospective tenants a significant impact on the effort to attract tenants. As efforts to attract tenants continue, emphasis is placed on the customers unmet needs, potential spending power, and the potential workforce in the District.

### *Lessons Learned*

It is important to note that the residents in the community must be informed of all the tasks required to accomplish a new initiative. Residents have often been made promises, hopes and expectations have been raised only for them to be disappointed. They have embraced the proposed development and are encouraged that the neighborhood is changing. The residents are showing interest by asking questions regarding the construction date and job opportunity. Residents have a renewed sense of hope created by this process.

The proposed site has two land elevations. The different land elevations pose a difficult challenge in the design of the building. It would have been much easier to select a parcel of land with the same elevation to eliminate the need for extensive site preparation that has an impact the construction budget.

It is much easier working in a community that is ripe for redevelopment. Community stakeholders are willing to cooperate with leaders of new initiatives. It then becomes easier to convince City officials that the initiative is feasible and obtain financial support that is forthcoming.

## ENDNOTES

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