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A Comparative Study of Entrepreneurship in New Urbanist Communities

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ABSTRACT

This comparative case study provides detailed analysis on how businesses are faring in five suburban and urban communities. In addition to examining differences and commonalities between these distinct neighborhoods, the authors attempted to make comparisons between neighborhoods with differing socioeconomic characteristics. The paper concludes that the survival of new urbanist developments depends on how well they foster sustainable environments for businesses within the developments.

KEY WORDS New Urbanism; Entrepreneurship; Community; Economic Development

The success rates for for-profit businesses and nonprofits vary greatly according to a number of factors, which include location, industry, and experience of business owners (Audretsch 1992); however, many studies have found that, broadly speaking, about half of all businesses survive to their fifth year (Kirchoff 1994). Phillips and Kirchoff (1989) note that this number tends to increase with the number of workers that a firm employs, meaning that success rates for smaller businesses are typically lower than those of their larger counterparts. Although studies that examine business success often vary as a result of the academic field of the researcher, a fairly common theme across scholarly disciplines is the key role played by managers in business survival rates. Subsequently, most studies, regardless of the academic discipline of the researchers, show that organizations that are run by experienced managers exhibit the highest survival rates (Brüderl, Preisendörfer, and Ziegler 1992).

The numerous obstacles faced by new businesses are compounded when entrepreneurs attempt to start commercial ventures in underserved urban areas.

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Academics ranging from Wayne State University economist Timothy Bates to Harvard Business School professor Michael Porter have noted that access to capital is a primary impediment to starting businesses in underserved urban areas. Although both of these prominent academics have championed the need to invest in these communities for decades, Bates (1997) and Porter (1995) have opposing views on the role of government in structuring commercial investment strategies. Porter's research on underserved areas has led him to conclude that inner cities typically have benefits such as access to warehouses, factories, and cheap and abundant labor supplies, which give them a "genuine competitive advantage." Porter (1995) views artificial inducements in the form of government mandates and subsidies as impediments to the incubation of businesses in underserved areas. In contrast, Bates (1997) purports that Porter's competitive-advantage theory oversimplifies the commercial dilemmas of inner cities. Bates points out that race continues to be an issue as far as access to capital is concerned. Bates's conclusions are based on comprehensive research studies that statistically control for credit and other risk factors. In light of the continuing problems related to racial discrimination in underserved areas, as well as a general unwillingness of the private sector to invest in the inner city, Bates (1997) concludes that private action needs to be supported by government intervention. In tandem with Bates's analyses of inner-city commercial activities, Rubin's recent (2012) study of underserved areas builds a compelling case for why the public sector needs to take a leading role in creating an environment that can stimulate private investment.

Although urban scholars have argued about the best strategies for small business development for decades, little is known about what types of businesses are best suited for new urbanism communities. Interviews conducted with developers and city officials alike as part of this study demonstrated that the dearth of data on new urbanist businesses made designing the commercial side of communities more problematic than designing the residential side. The virtual absence of market analysis research was evident in both suburban and urban redevelopment sites.[1] Because mixed-use development is a key component of neo-traditionalism, it makes sense that developers, city officials, and entrepreneurs would want information on the track records of businesses that establish commercial ventures in these types of communities.

THE COMMUNITIES

Tables 1 and 2 provide demographic information about each of five communities selected for this study. The authors selected three suburban communities (Village of WestClay, Carmel, IN; Norton Commons, Prospect, KY; and Celebration, Orlando, FL) as well as two urban redevelopment neighborhoods (Park DuValle, Louisville, KY, and Duneland Village, Gary, IN). Both of the newer suburban developments (Village of WestClay and Norton Commons) are located just outside of their respective states' largest metropolitan areas (Indianapolis and Louisville) in the suburbs of Carmel, Indiana, and Prospect, Kentucky. Duneland Village is located in the greater Gary metropolitan area, and Park DuValle is situated on the west side of Louisville. Both of

Table 1. Income Data for Selected New Urbanist Communities by Census Tract

	2000 Median Family Income	2010 Estimated Median Family Income	Percent Change in Median Family Income	Median Family Income Percentile
Village of WestClay	$138,897	$172,162	23.95%	250.60%
Celebration	$54,832	$69,785	27.27%	114.59%
Norton Commons	$118,629	$148,703	25.35%	240.62%
Park Duvalle	$27,597	$34,593	25.35%	55.98%
Duneland Village	$37,902	$46,622	23.01%	72.17%

Source: Federal Financial Institutions Examinations Council 2010 Summary Census Demographic Information.

Table 2. Selected Community Demographics by Census Tract, 2010

	Census Tract(s) Population	Percent Below Poverty Line	Percent Minority
Village of WestClay	6701	1.39%	8.89%
Celebration	8780	10.06%	22.80%
Norton Commons	5015	1.48%	8.49%
Park Duvalle	7630	28.04%	98.55%
Duneland Village	6432	21.99%	84.97%

Source: Federal Financial Institutions Examinations Council 2010 Summary Census Demographic Information

these redevelopment communities were formerly housing projects that were razed to make room for Hope VI-funded neo-traditional neighborhoods. Although all four of these communities were initiated between 2000 and 2004 and subsequently display similar neighborhood populations (ranging between 5,015 and 7,630), Celebration is the oldest of the communities selected, with the first residents moving into their neo-traditionally designed homes in 1996. This highly developed Orlando, FL-based development boasts the largest population by far of the five neighborhoods at 8,780 residents in 2010. Celebration in many ways is in a category unto itself with its cutting-edge school system and related neighborhood-based amenities that have been the subject of critically acclaimed books such as Naisbitt's (1999) *High Tech, High Touch* text about the intersection between technological innovation and increased demands for human interaction. This well-known neo-traditional community is included in this examination so comparisons can be made between this well-resourced "experimental" community heavily financed by the Disney Corporation and new post-Celebration urbanist developments, which, unlike Celebration, had no choice but to slowly build their commercial sectors.

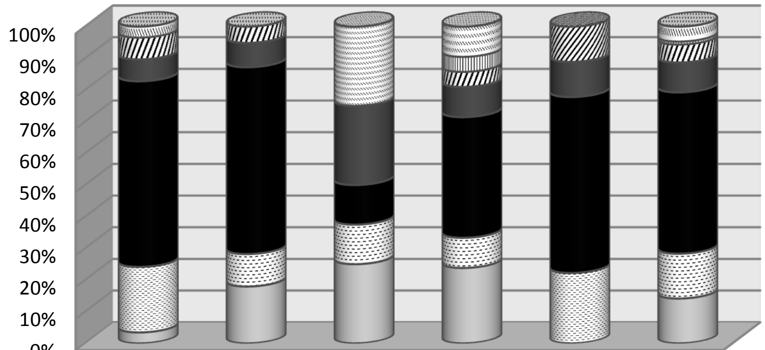
METHODOLOGY AND ANALYSIS

Data were gathered primarily from census data reports and interviews with key informants consisting of professionals who played crucial roles in the establishment and growth of each of the five communities examined in this study. A number of informants interviewed as part of this project included developers, architects, community business owners, realtors, public officials, and original residents. Informants were selected from each of the neighborhoods. A total of 15 individuals were interviewed beginning in the summer of 2009 and concluding over the spring of 2011. In addition to the use of census data reports and notes from these interviews, the authors utilized community and business websites to collect data on the businesses.

Figures 1 and 2 show community-based businesses that have been in operation for at least five years, as well as businesses that have closed. The authors constructed seven classifications for neighborhood businesses: (1) beauty and barber shops; (2) wellness (i.e., gyms, spas); (3) education and human services; (4) health care (i.e., medical physicians, health clinics, and hospitals); (5) professional and financial services (i.e., insurance agencies, architects, and financial/tax services); (6) general retail (i.e., clothing stores, wedding boutiques); and (7) restaurants and grocery stores. Some businesses that were unique to their particular communities and subsequently did not readily fit into any of the categories included Celebration's movie theater. As the "new urbanism gone wild" development in this study, Celebration is able to support a unique array of establishments not found in any of the other communities, including a movie theater, an electric-car dealership, a jewelry store, and a hotel. In addition, some governmental entities, such as the Louisville Water Company, are not included in these figures. These figures also do not capture the varying locations of these businesses, especially when suburban neighborhoods are compared to the urban redevelopment neighborhoods. Neither of the redevelopment communities has been able to successfully attract businesses to "open shop" in their residential sector. Nonetheless, they have been able to catalyze business development within a 15-minute walk of their neighborhood residents.

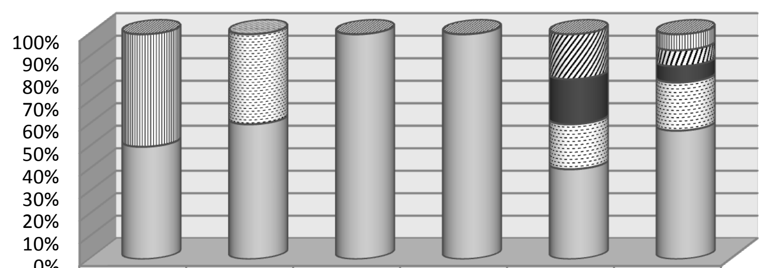
Despite these limitations in accurately portraying the growth and nature of commercial development in these communities, these charts depict several patterns in business viability. The patterns include relatively high business closure rates for restaurants and grocery stores in all of the neighborhoods. Key informant interviews revealed three themes that provide insight into reasons for the closures, including visibility and access problems, price of goods, and lack of patronage by local residents. Village of WestClay developer Tom Huston stated, "It's difficult for many of our businesses to make it if they are not located on a main fairway."

Figure 1. Open Businesses



	Village of WestClay	Celebration	Park Duvalle	Norton Commons	Duneland Village	Total
Barber Shops and Beauty Salons	1	0	2	2	0	5
Wellness	0	0	0	1	0	1
Education and Human Services	2	2	0	1	1	6
Health Care	2	3	2	2	1	10
Professional and Financial Services	17	23	1	8	5	54
General Retail	6	4	1	2	2	15
Restaurants and Grocery Stores	1	7	2	5	0	15

Figure 2. Closed Businesses



	Village of WestClay	Celebration	Park Duvalle	Norton Commons	Duneland Village	Total
Wellness	1	0	0	0	0	1
Education and Human Services	0	0	0	0	1	1
Health Care	0	0	0	0	1	1
General Retail	0	2	0	0	1	3
Restaurants and Grocery Stores	1	3	1	1	2	8

The exception to this rule is Helen Wells (a WestClay modeling agency). Her business has a lot of name recognition, so it doesn't matter that this agency is located right in the center of the village.

Huston's viewpoint was echoed by several of the interviewees, who often noted that "the perimeter of the development" is the best place to locate businesses that typically need high levels of visibility and access, such as restaurants, grocery stores, and general retail shops.

Lisa Baird, one of the first residents in Celebration, captured the sentiments of many of the key informants with regard to price of goods sold in grocery and retail stores. "People spend a lot on their homes, but we'll still go to Wal-Mart if grocery items are too expensive. Price is just as important to residents as convenience," remarked Baird in reference to a grocery store that went out of business in Celebration.[2]

Lastly, interviewees from all of the communities frequently stressed the importance of attracting and maintaining the patronage of local residents. This viewpoint was evident even in Celebration, which is frequented by a lot of tourists as a result of its proximity to Disney World. "Many of the restaurants that have closed in Celebration were ones that never appealed to the locals. These businesses need to appeal to both locals and tourists alike," stated lifetime resident and doctoral student Drew Baird.[3]

Figure 1 shows that professional and financial services exhibit the highest levels of business viability. Although these types of establishments are more prevalent in the suburban communities, the two redevelopment neighborhoods have been able to successfully attract and retain tax services, such as H&R Block, as well as insurance agencies. In addition to professional and financial services, health care establishments ranging from hospitals and retirement homes to dermatologists and dentists have fared well over the past five years in all of the communities. In many cases, such as the Park DuValle Health Clinic, these firms are nonprofit. It is also important to note that these businesses were generally the biggest employers in the neighborhoods examined, especially the retirement homes and hospital that operate in Park DuValle, Village of WestClay, and Celebration.

Nonprofit and governmental agencies are not limited to medical establishments in these developments. Most of the communities have been able to support at least one educational entity, varying from the preschool in Norton Commons to the elementary and secondary schools supported by the residents of Celebration. In tandem with the "village within the city" type of neighborhoods admired by Lewis Mumford in his 1961 book *The City in History*, all of these communities, regardless of their varying median family incomes, have been able to support a diverse mix of proprietary businesses, nonprofit agencies, and governmental institutions.

DEARTH OF MARKET ANALYSES

Two of the more pervasive planning dilemmas encountered by the developers in these communities pertained to market-analysis reports and the parking needs of many business owners. With regard to the market-analysis reports, the former director of development for the Village of Clay, Jose Kruetz, stated, "We had nothing to go on as far as market reports that informed us about businesses for this type of neighborhood. We conducted our own focus groups to figure out what residents wanted for their homes and neighborhood amenities, but we had nothing for the commercial side."[4] In addition to this viewpoint, which was shared by many of Kruetz's counterparts in the other suburban communities, development directors for the urban neighborhoods often found that the limited number of market-analysis reports available to them provided recommendations that ran counter to the objectives for the community. "A market analysis generated for Park DuValle showed that this neighborhood would be a good place to locate a liquor store. Because of the stigma attached to this type of business, and negative connotation in the community, we weren't going to do this," stated Willie Jones, Vice President of the Community Builders Development Corporation.[5] In general, the most pressing challenge in building the commercial sector in both of the redevelopment communities examined related to fighting against the "crime-ridden" neighborhood image.

Development directors for both Duneland Village and Park DuValle were very cognizant of this negative perception and subsequently worked to attract businesses with a more positive image so other businesses would be more likely to follow. Parking issues were considered secondary concerns in contrast to problems with marketing reports (or lack thereof). Nonetheless, most of the key informants involved in planning the commercial sectors reported that some businesses were reluctant to open shop in a new urbanist community as a result of the lack of parking spaces available to their prospective customers. In many ways, this concern is a double-edged sword. One of the most appealing aspects of living in a neo-traditional community for many residents is the emphasis placed on walking and biking. It's logistically difficult, as well as not favorable to most residents, to develop ample parking spaces for a limited number of potential businesses that may desire this "amenity." Essentially, this so-called amenity to some businesses is an eyesore to many residents who choose to live in new urbanist communities. Fortunately, all of the communities examined feature neighborhood plans that favor the pedestrian and the resident over the motorized vehicle.

CHAINS, FRANCHISES, AND INDEPENDENTS

In tandem with the village-within-the-city ideal that traditional town developers aspire to attain, key informants interviewed were generally more amenable to independently owned businesses locating within or in close proximity to their particular communities. That being said, individuals involved in the fostering of business growth in the redevelopment communities examined spoke in very favorable terms about corporately owned businesses selecting their neighborhoods for commercial activities. Subsequently, Community Builder's Willie Jones spoke in very favorable terms about Kentucky Fried Chicken opening a restaurant a block away from Park DuValle. "This neighborhood has not been able to support any businesses for a long time, since it was too crime-ridden. Now that the crime rate has gone down since the Villages of Park

DuValle were built, they want to locate here," stated Jones.[5] In light of past problems with fostering any sort of legal commercial venture in the two redevelopment sites examined, it's no wonder that debate over the virtues of independent businesses over corporate ones is virtually nonexistent. What is more surprising is the prevalence of corporate-owned businesses in the suburban neighborhoods included in this study. The closing of a locally owned coffeeshop only to be replaced by a Starbucks, as well as the imposing presence of a Morgan Stanley office and a Marriott hotel, indicates that corporate America is alive and well in Celebration. This growing presence of corporate America at the expense of a shrinking number of independently or locally owned businesses in Celebration prompted a colleague to refer to this Disney community as "Celibation." This absence of sex appeal that the colleague found in Celebration as a result of the growing presence of commercial chains is also evident in communities such as the Village of WestClay, where the planned opening of a CVS pharmacy in the neighborhood "forced" the neighborhood grocery store out of business, according to the store's former owner. Although colleagues may beg to differ, chains and independents can coexist in new urbanist communities, as witnessed by the intermingling of locally owned and corporate entities in historic neighborhoods for decades. Subsequently, neighborhood planning and local zoning boards have ensured that these chains conform to traditional design patterns. For example, the WestClay CVS is designed in art deco style and actually looks more like an old movie theater than a bland suburban pharmacy.

Celebration's Bohemian Hotel, as an example of Marriot's new "signature line" hotels, looks more like a vintage downtown hotel than the typical strip-mall Marriot. If anything, corporate-owned businesses possess greater resources and subsequently are more apt to take risks by investing in new urbanist communities than are many local entrepreneurs, especially in a lackluster economy; thus, a certain number of chain businesses in neo-traditional communities may actually enhance the vibrancy of commercial activity.

CONCLUSIONS AND RECOMMENDATIONS

A thriving commercial sector is an essential component of any neo-traditional community. Like the myriad stores, shops, and taverns that have been a part of both rural and urban communities for more than a millennia, new urbanist developments need to foster sustainable environments for business. The dearth of studies and market reports available to developers and public officials alike to design and plan commercial sectors for neo-traditional communities has made this process difficult for individuals such as those interviewed for this study, who have attempted to cultivate vibrant commercial sectors in their developments. This analysis of five new urbanist communities, although limited in scope, seeks to provide much-needed insight and recommendations for fostering successful business climates in traditionally planned neighborhoods. In general, all of the communities examined have been able to build viable commercial sectors, whether they consist of redevelopment sites or new suburban developments.

This study has shown that professional and financial services, as well as medical establishments, exhibit the highest success rates in these communities. Unfortunately, it appears from our analysis that redevelopment sites may be able to sustain only a limited number of the former types of businesses. Together with previous studies that address challenges encountered by inner-city areas with regard to access to capital for commercial ventures (e.g., Bates, Porter, Rubin), this study also found that, similar to other businesses operating in underserved areas, access to capital is a central problem for business development in redevelopment sites. In building upon the work of both Bates (1997) and Rubin (2012), this analysis found that the public sector, in the form of governmentally funded nonprofit development corporations, tax incentives, and other types of public institutions, resources, and inducements, play a pivotal role in the creation of commercial sectors in both redevelopment sites examined. This study also found that local officials, including mayors, housing authority directors, and nonprofit economic development groups played key roles in leveraging federal dollars to commence revitalization projects, as well as inducing local business leaders to invest within these communities. The central role played by local officials in galvanizing support for new urbanist development, especially with regard to commercial-sector development, cannot be underestimated.

Despite the relatively greater impediments encountered by commercial operations in these two redevelopment sites, this study found that certain types of businesses were less likely to sustain their operations, regardless of their service area. Subsequently, businesses that have lower survival rates, such as restaurants and grocery stores, need to consider issues such as visibility and access in their marketing strategies, as well as aggressive catering to local residents. This appears to be the case for business owners in both suburban and redevelopment communities. In addition to proprietary businesses, commercial-sector planners need to consider market demand for nonprofit healthcare, wellness, and educational enterprises. As in medieval villages that sustained intergenerational populations while existing in relative isolation from neighboring towns, these agencies can provide services to young families and aging adults alike. In contrast to conventional suburbs, whose sole focus is the young family, neo-traditional developments feature a diverse array of businesses and services for residents of all stages of life. This study shows that retirement homes and a wide range of health care-related businesses and nonprofits are a viable part of neo-traditional communities, regardless of neighborhood median family income. Although communities that are more affluent have the luxury of being able to support a host of independently owned businesses, health care-related businesses, both proprietary and nonprofit, are able to sustain themselves within both suburban and redevelopment communities.

Developers and public officials spearheading redevelopment communities probably need to be more cognizant than their suburban counterparts of the types of businesses that exhibit the highest levels of sustainability. Redevelopment sites in cities such as Louisville have partnered with local universities (in this case, the University of Louisville) in the use of market analysis to determine the best types and combinations of businesses for particular communities, based upon community demographics and potential demand for certain services. In sum, cradle-to-grave services can and should be provided to residents in traditionally planned communities through a rich mix of for-profit, nonprofit, and governmental entities.

ENDNOTES

1. Tom Huston and Willie Jones, interviews with Karl Besel, 2009.
2. Lisa Baird, interview with Karl Besel, 2011.
3. Drew Baird, interview with Karl Besel, 2011.
4. Jose Kruetz, interview with Karl Besel, 2009.
5. Willie Jones, interview with Karl Besel, 2009.

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