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Destruction of Place: Policy Diffusion and Schenectady's Urban Redevelopment

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Destruction of Place:
Policy Diffusion and Schenectady's Urban Redevelopment

By

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ABSTRACT

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Cities search for solutions to local problems in other cities and on national policy menus. This process results in many cities relying on the same solution to the same problem. Usually this diffusion of policy across multiple cities produces positive results as environmental protection, water treatment, and other city services are expanded. However in urban redevelopment policy diffusion cannot be successful as redevelopment relies on providing unique, and sometimes competitive, projects to distressed downtowns. The writings by Jane Jacobs, Gratz and Mintz, and Richard Florida result in a group of methods that can be used to determine the potential success or failure of various redevelopment projects. These methods are applied to the history of Schenectady, New York; the city has experienced both diffused redevelopment and non-diffused redevelopment and thus serves as a useful point of comparison between successful and unsuccessful redevelopment efforts. In Schenectady policy diffusion resulted in an increasingly distressed downtown, while non-diffused policy has produced positive results. Urban redevelopers should search for unique, and avoid diffused, solutions to urban redevelopment problems.

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CHAPTER ONE

POLICY DIFFUSION AND URBAN REDEVELOPMENT STRATEGY

Section One: What is Policy Diffusion?

Policy diffusion is generally a positive force for the public good. Through policy diffusion cities are able to locate systems that work well in other locales, or are recommended by the federal government, and implement those same systems in their own city. This spreading of various standards and programs has been integral to the standard of living that the American public now enjoys; in short policy diffusion "... is a good idea because it seems to work - copying another city's pollution control statute, social welfare program, or other policy innovation often produces the same positive result for the copiers as it does for the idea's originator." (Gilman, 2001, 174) Indeed competition amongst cities to attract or retain residents guarantees the eventual diffusion of popular policies across many municipalities. In order to remain an attractive city to potential residents a city must offer similar services to competing services, which produces a continuously increasing standard of city services.

This process of adopting other city's popular programs locally only improves a city if it is non-competitive. Since most of the projects inspired by policy diffusion are strict public goods this distinction rarely matters, but in the case of urban redevelopment cities enter into less strictly defined areas. All cities can enjoy pollution control, but building an additional aquarium does not increase the number of residents who wish to go to one. Since urban redevelopment usually attempts to revitalize a city through both

public and private means, the application of diffused policy in this case will produce poor results as cities replicate existing projects and see only diminishing returns. Urban redevelopers are capable of supplying public goods, like street improvement and beautification. However larger redevelopment projects will begin to incorporate private elements, and this produces negative results as "... cities can replicate most successful policy ideas almost indefinitely because they are not competitive in nature, solutions to urban decline tend to exist in competition with policies in other cities. Overreplication of a good idea produces diminishing returns for all those implementing the program even for the innovator of the idea." (Gilman, 2001, 5)

The same competitive redevelopment project cannot be successful in all cities; every municipality cannot have an aquarium, theme park, or conference center and expect to see the same levels of interest at all locations. The law of diminishing return applies to many redevelopment projects. Unfortunately in many cities urban decay is countered by the same techniques that the city uses to approach other problems, "Cities everywhere deal with urban decline much as they deal with other problems they face: they identify the problem and then search for a solution. Often that solution is copied from another community that has dealt with the same problem or from national policy menus." (Gilman, 2001, 5) Since city governments are comfortable copying techniques from other cities diffused urban redevelopment is assured.

Cities in the U.S. are particularly susceptible to policy diffusion as federal policy encourages cities to select urban redevelopment projects from a national menu; "Given the U.S. tradition of home rule on land-use issues, the national government is inhibited

from issuing restrictions. Instead it subsidizes entrepreneurs or local governments to pursue a given development pattern.” (Logan and Molotch, 1987, 166)

Federal funding often provides the vital portion of the funding required for urban redevelopment projects to proceed. The federal government must attempt to select projects that are viable and likely to succeed; unfortunately the bureaucratic and non-competitive aspects of these funding sources lead cities towards policy diffusion. Federal urban redevelopment programs have to decide which projects to fund and which to reject’ the criteria of spending capital in a reasonable manner, and the basis of need within the city inform federal decision-making. Thus it is far easier to present a plan similar to those submitted by other cities that have been approved for funding than it is to receive funding for a wholly original project. Federal involvement in urban redevelopment encourages cities to proceed with large projects that are similar to those already in existence in nearby and competing municipalities. (Gilman, 2001, 15)

Policy diffusion is further engrained in urban redevelopment by the role played by consultants. Urban redevelopment consultants are hired by cities to provide valuable knowledge gleaned from their experiences in other cities working on a multitude of different projects; in reality consultants gain reputation for their ability to successfully complete similar types of projects. Consultants are heavily incentivized to convince their employers to proceed with projects similar to the ones they have successfully completed in other cities; the consultant stands to gain the most from the repetition of a previously completed project as this will allow the consultant to specialize in completing a specific type of project. The consultant’s method of career development tends to produce diffused

urban redevelopment as consultants, “further strengthen - and are in turn supported by - the system bias toward existing policy solutions.” (Gilman, 2001, 16)

Cities are forced into policy diffusion from multiple sides. Internally cities are comfortable locating successful programs in other cities and implementing similar projects with no ill effects. Federal funding tends to flow towards diffused projects as these projects are seen as safe bets with a higher chance of success. Finally, city hired consultants suggest projects similar to the ones that they have already successfully completed elsewhere. Without significant resistance it is impossible for cities to avoid the attraction of policy diffusion.

It is vital that cities determined to fight urban decline through redevelopment avoid policy diffusion. Diffusion is an intuitive solution to many of the problems of cities, but cannot be successful in redevelopment. Unfortunately cities are surrounded by incentives to pursue diffused policy making it “difficult for cities to diverge from national goals; it is easier for localities to jump on the national bandwagon of policy offerings rather than to search for a uniquely tailored solution to their particular socioeconomic problem.” (Gilman, 2001, 10) It is these uniquely tailored solutions that have the potential to encourage real economic development within traditionally declining urban areas.

Policy diffusion is an entropic force in urban redevelopment. It requires effort to overcome, and any redevelopment that does not retain the requisite emphasis on avoiding diffusion cannot succeed. Fortunately the redevelopment theories of Jane Jacobs and Richard Florida provide valuable metrics for urban redevelopers attempting to find innovative solutions to the particular problems of a specific city. The experiences of

Schenectady, New York, also provide valuable insight into how a city can both fall victim to policy diffusion, and overcome it. By understanding the implications of these theories and history a clear strategy of project selection and eventual success in urban redevelopment can be developed. The goal of redevelopment, when avoiding policy diffusion, is to create a system that can provide specific and innovative solutions to the particular problems of an individual city.

Section Two: Jane Jacobs and Busy Streets

Redevelopment groups must be able to make decisions concerning which projects to pursue, and which to avoid in order to avoid policy diffusion. In order to do this redevelopers must understand why cities are important, how successful cities operate, and which types of projects can move a city towards vibrancy. Jane Jacobs provides an explanation of the importance of cities, and the ways in which successful cities operate, Gratz and Mintz provide a method of distinguishing between diffused and non-diffused projects, while Richard Florida describes the types of cities that attract and retain residents. The writings of all four of these authors can be used to distinguish between well planned, and poorly advised, urban redevelopment projects.

Throughout the mid 20th century the Great Depression, Second World War, and development of suburbs drew residents away from city centers or significantly damaged these urban downtowns; reversing the resulting decay of urban centers has been the central policy of many of these city's governments. Currently around 80% of the nation's population lives in urban areas, so the development of cities that function well is of importance to a large number of people. (United Nations, 2012) Not all cities are in need of redevelopment, but the benefits to run-down cities that are able to successfully

redevelop should be clear: these cities will be able to regain population and succeed economically, while those cities that are unsuccessful in their efforts will fail. Jane Jacobs, a noted urban redevelopment critic, describes the importance of active cities in terms of national importance, “Societies and civilizations in which the cities stagnate and don’t develop and flourish further. They deteriorate.” (Jacobs, 1984, 232.) The redevelopment of American cities is of vast importance.

Urban redevelopment projects are usually a collaborative effort between an urban redevelopment corporation and some combination of federal programs, local non-profits, and for-profit investors. The types of projects can be broadly categorized into two types of projects. First there are projects that are designed to produce a profit for an investor. In these projects an investor will approach the redevelopment group in order to obtain grants, loans, or tax incentives; these projects usually involve establishing, or relocating, businesses to a city. Second there are projects that are not designed to produce a profit, but will improve some other aspect of the city, usually through the introduction of additional city services, beyond the introduction of additional businesses. For-profit investment in these types of project is rare, as the investor cannot realize any profits on this sort of work; city government, federal grants, and the redevelopment group usually fund public projects. Since urban redevelopers are asked to provide funding to both types of projects, it is important that redevelopers be able to make funding decisions regarding both types of projects. Fortunately the system proposed by Jane Jacobs applies to both types of project.

The workings of older city streets provide much inspiration to Jacobs. Her writings provide a valuable decision-making tool for redevelopers, “Under the seeming

disorder of the old city, wherever the old city is working successfully, is a marvelous order for maintaining the safety of the streets and the freedom of the city. It is a complex order. Its essence is intricacy of sidewalk use, bringing with it a constant succession of eyes.” (Jacobs, 1961, 50) A healthy city street engages those around and in it; the action in the street makes the area feel safe since those watching the street will immediately notice any activity. This sense of safety further encourages interaction in the street, which in turn increases the sense of safety. Creating active streets is an important redevelopment goal, as these streets will encourage additional interaction, and business, within the city.

Of course such a self-policing system only operates while the street is in use. City streets should therefore be redeveloped with the intent of encouraging foot traffic at all times of day, “...the sidewalk must have users on it fairly continuously, both to add to the number of effective eyes on the street and to induce the people in the buildings along the street to watch the sidewalks in sufficient numbers. Nobody enjoys sitting on a stoop or looking out a window at an empty street.” (Jacobs, 1961, 34) Redevelopers can encourage the continuous use of a street by funding businesses that operate at different times of day; if this is not possible then it is important to have the street connect businesses that operate at different times of day. A street that is constantly in use will provide a constant sense of safety to its residents.

Fortunately activity creates more activity. When a street is in use it will naturally draw non-residents. Jacobs notices this tendency within her own neighborhood, “Strangers become an enormous asset on the street on which I live, and the spurs off it, particularly at night when safety assets are most needed. We are fortunate enough, on the street, to be gifted not only with a locally supported bar and another round the corner, but

also with a famous bar that draws continuous troops of strangers from adjoining neighborhoods and even from out of town.” (Jacobs, 1961, 34) The varied levels of businesses, accompanied by residential apartments, work together to create activity. By developing both residential and varied commercial opportunities, an area is more likely to be active. At the same time an active street draws more people to it, includes the residents, and feels safer than an inactive and empty street. When many of the streets in a city are active, and thus considered safe, the entire city will feel safe.

To create streets that feel safe, urban redevelopers should consider projects that draw people into the street during all times of day. Conversely this implies that redevelopers should avoid projects that make a street less commercially diverse, or that will only be used during specific times. Projects that take up entire city blocks, or that are used during times that the city is already in use should be discouraged; engaging residents and visitors in the urban environment is of critical importance. In prior years many redevelopment projects attempted to combat the rise of the suburb by producing a suburban style environment in downtowns. The projects that the suburbanization of downtown inspired could not regularly reproduce suburban results in an urban area. (Gratz and Mintz, 1998, 3) These projects that distracted from the city failed to produce active streets since suburban design discouraged exactly the type of activity that made streets enjoyable to watch in the first place. Much of suburban planning is based on creating similar environments, and this type of development may be successful in those areas, but it is impossible to hide an entire city. Redevelopment projects must engage people with the urban environment.

Projects that engage the public with the city can be varied, and do not fit any particular formula. To provide one example of the variation that is possible; in Mansfield Ohio the city constructed a carousel in an underutilized, unsafe, part of town. (Gratz and Mintz, 1998, 15) While the project was initially met with ridicule, it was eventually successful in providing a focal point for new businesses to operate around. By creating an attraction for local residents the city was able to inspire new business activity, and begin the redevelopment process. Of course every city seeking to redevelop should not immediately begin construction on a new Ferris wheel, or roller coaster, as such action would be policy diffusion, but redevelopers should not immediately dismiss projects because they have not been tried before. Innovation, when tempered by a realistic understanding of the economic condition of the city, is the key to successful redevelopment. (Gratz and Mintz, 1998, 19) A project that has not been completed elsewhere may be a much better opportunity for a city, although there is certainly some risk in attempting any new project, but continuing with policy diffusion will not produce excellent results either. Regardless of project type the production of active streets is vitally important.

Section Three: Types of Urban Redevelopers

A team of urban redevelopers, Gratz and Mintz, tackle the question of success in urban redevelopment using a different approach from Jacobs, but produce similar results. Gratz and Mintz divide project proponents into two groups of redevelopers: project planners and urban husbanders. These two types of redevelopers are distinguished by their views of the urban redevelopment and their suggested solutions. Project planners typically feel that, “a project must be big to be meaningful. ... Under this Project-based

Planning, the new is added at a large enough scale to overwhelm and alter what exists.” (Gratz and Mintz, 1998, 59) These types of redevelopers see very little of use in the existing structure of the city and attempt to construct an urban environment that bears little to no resemblance to the existing city.

The other view of urban redevelopment is found with the urban husbanders. These redevelopers “assume that assets are already in place to be reinvigorated and built onto in order to stimulate a place-based rejuvenation that adds to the long-evolving, existing strengths, instead of replacing them.” (Gratz and Mintz, 1998, 61) There are no projects typical of an urban husbander as they tend to propose projects that are either unique to an area or, like street beautification, are considered a common sense approach to redevelopment. These projects are capable of producing active and varied city streets. Gratz and Mintz favor the view of the urban husbander over that of the project planner. (Gratz and Mintz, 1998, 82)

Gratz and Mintz’ view that redevelopment should use the existing density of older city streets as an advantage corroborates Jacobs’ theory of the importance of active streets. Urban husbanders are less likely to favor large projects that require demolition instead favoring projects of any size that rejuvenate the older portions of the city. In spite of the different approach utilized by both authors Jacobs, and Gratz and Mintz arrive at similar conclusions regarding the role of active streets and utilization of existing assets around the city.

Section Four: Import Replacement in Urban Redevelopment

Cities must thrive both socially and economically. In order to attain this desired result urban redevelopment cannot focus solely on providing a pleasant and varied urban environment, but must also consider the interactions between cities and their role both nationally and internationally. Moreover from a practical standpoint an understanding of the types of businesses that allow cities to expand is useful when considering funding decisions made by urban redevelopment groups; here Jane Jacobs' concept of growth through import replacement is invaluable.

Cities are only capable of producing specific goods. Thus some goods will be produced domestically and other will have to be imported from other parts of the world. Based on a city-region view, with cities forming regions of economic influence, these city regions will develop systems for imports and exports that are similar to those of nations. Like many nations cities generally prefer to produce goods domestically as domestic production is seen as keeping capital within the city-region. Import replacement is the process by which a city begins to produce a previously imported good domestically. From a national perspective this is similar to a nation developing a domestic car manufacturer to avoid importing foreign models.

Import-replacement tends to start with basic goods. When a city is first founded it will need to produce food, building materials, and other necessities. Over time the city can begin to replace historically imported capital intense goods until with domestically produced versions. (Jacobs, 1984, 38) Eventually only luxury items need to be imported. Through this process the city continuously grows economically. This process takes place

in most cities in the United States; however not all city-regions are capable of growth through import replacement.

It may appear that import replacement will lead to a city reducing its imports over time, however import replacement does not tend to reduce imports. Instead import replacement reduces the importation of low-capital goods and shifts a city towards importing higher capital goods over time. Import replacement forces cities to expand their interaction with other city-regions in order to obtain these goods. (Jacobs, 1984, 39) Fortunately this process is self-replicating as these new imports can eventually be import-replaced, which in turn allows for further economic expansion. Import-replacement is the key to becoming a city at all, “Any settlement that becomes good at import-replacing becomes a city. And any city that repeatedly experiences, from time to time, explosive episodes of import-replacing keeps its economy up-to-date and helps keep itself capable of casting forth streams of innovative export work.” (Jacobs, 1984, 41)

Given the importance of import replacement the goal urban redevelopers should work to encourage the process. In addition businesses that replace an imported good with a domestically produced good stand a good chance of success; a business that import-replaces is sure to have a local customer base, and knows that it will produce a good that is in demand. Both of these qualities contribute to, but certainly do not guarantee, the success of the business. Beyond the success of the business itself, companies that import-replace are capable of expanding the economic influence of the city. Companies that import-replace offer additional benefits beyond those offered by the simple existence of an additional company.

Businesses that create an entirely new product do not import replace. Moreover there is an increased chance that these businesses will not be successful. The goal of urban redevelopment is to expand the economic activity of the city; redevelopers should prefer import-replacing proposals. As Jacobs describes it, “Economic life develops by grace of innovating; it expands by grace of import-replacing,” (Jacobs, 1984, 39) since redevelopers are interested in the economic expansion of the city-region they should prefer import-replacement to innovation in their funding decisions.

Earlier it was noted that not all regions are capable of growth through import-replacement. While these supply regions are not as prevalent in the United States, with the arguable exception of the Midwest during certain time periods, they do exist. Supply regions produce a vast amount of goods for export. Through the proceeds of these exports the region is then able to supply itself with what it cannot produce domestically. Thus there is no need for import replacement. Unfortunately this arrangement is incapable of producing vibrant cities; cities in supply regions do not develop their own regional influence and tend to stagnate over time. (Jacobs, 1984, 59)

In some cases a supply region will develop around a technological deficiency or a geographic advantage. In 1822 ice trade began when William Leftwich began shipping ice to London from Norway. While the initial shipment of ice managed to freeze en route to England, the ice was further insulated on later voyages, and a highly profitable industry was born. Because of Norway’s geographic advantage in ice production the region became quite wealthy and controlled a large portion of the market in the ice trade; by 1900 Norway was exporting 99% of the total ice traded globally with an annual one million tons of ice leaving the country. Through the early 20th century the refrigerator was

gaining popularity and affordability and quickly replaced Norwegian ice as the primary method of keeping food cold. By 1920 Norway was exporting just 5% of what it had exported in 1910. (Blain, Bodil, B, 2006, 2) Since Norway could no longer profitably operate as a supply region its cities were able to begin import replacement. Today Oslo is the fastest growing city in Europe. (Nina Berglund, 2012) The disappearance of a formerly active trade is not easy for a supply region, but it by no means dooms the region to being an economic backwater forever.

Section Five: Courting the Creative Class

The Creative Class, as described by Richard Florida, details the rapid growth of a previously small segment of workers. There has always been a place for the creative in society, but since the 1950s their value to businesses has grown exponentially fueling increasing numbers of people to enter into creative professions. A city that is capable of attracting these creative people is also capable of attracting their employers, but must contend with their desire for vibrant city life. From this theoretical base previously developed a broader system for successful urban redevelopment can be created; Jane Jacobs' theories are helpful when considering specific aspects of proposals, but do not contain very much advise for cities attempting to maneuver in this new creative economy.

The designation Creative Class comprises two different types of worker. First there are those in the Super-Creative Core; this group consists of the traditionally creative enterprise; artists, poets, scientists, engineers, and professors are fall into this group. The super-creative core has existed for quite some time, and while this group has been growing slowly for many decades it is the growth in the second group that is fueling the tremendous growth of the Creative Class. (Richard Florida, 2002, 75) This second group,

the Creative Professionals, consist of those working in knowledge intensive sectors; law firms, hospitals, and high tech firms. (Richard Florida, 2002, 68-69) It is growth in the Creative Professional subdivision that has contributed the rapid growth of the Creative Class.

Those in the Creative Class tend to have similar values; they usually appreciate individuality, meritocracy, diversity, and openness. Individuality, meritocracy, and openness are not within the influence of urban redevelopers, diversity can certainly be encouraged; the ability of a city to attract varieties of people indicates the degree to which the city holds the same values as the creative class. (Richard Florida, 2002, 79)

The Creative Class appreciates diversity, but it is not a particularly diverse group itself. While the class, “has opened up new avenues of advancement for women and members of ethnic minorities, its existence has certainly failed to put an end to long-standing divisions of race and gender. Within high-tech industries in particular these divisions still seem to hold.” (Richard Florida, 2002, 79-80) Since a city must be diverse in order to attract the Creative Class, and the class itself is not capable of supplying the diversity it desires, it is necessary for redevelopers attempting to develop a creative economy to consider projects designed to make their city more diverse in addition to projects designed specifically to attract the Creative Class.

The Creative Class strives to experience broadly, “They like indigenous street-level culture - a teeming blend of cafes, sidewalk musicians, and small galleries and bistros, where it is hard to draw the line between participant and observer, or between creativity and its creators. They crave creative stimulation but not escape.” (Richard Florida, 2002, 166) A street that provides this type of experience will meet the

expectations of a safe street as described by Jacobs, and moreover fits her description of an old city street quite well. Florida and Jacobs produce the same conclusions regarding the appearance and function of a street.

Those in the Creative Class tend to not follow traditional career paths. Instead of working for one company for a long period of time before possibly changing to another company, “They do not expect to stay with the same company for very long. Companies are disloyal and careers are increasingly horizontal. To be attractive, places need to offer a job market that is conducive to a horizontal career path. In other words, places have to offer a thick labor market.” (Richard Florida, 2002, 223) This changes the method that redevelopers should use when considering attracting companies to their area. Instead of focusing on attracting a single large employer to an area, urban redevelopers need to provide multiple small firms operating in creative industries. This insures that the current employees of these companies will be able to stay in the area when they decide to move on since a similar job with another company will be available within the area. Large employers are still a benefit to an area, but if there are no other creative class employers, then the revolving door of creative talent will not be able to sustain itself within the city. (Richard Florida, 2002, 283)

Employers are increasingly willing to relocate in order to employ the creative class, “The bottom line is that cities need a people climate even more than they need a business climate. This means supporting creativity across the board - in all of its various facets and dimensions - and building a community that is attractive to creative people, not just to high-tech companies.” (Richard Florida, 2002, 283) It is no longer sufficient for a region to adopt low tax rates and business friendly codes and wait for the local economy

to develop. Cultivating the Creative Class is a tricky process that requires redevelopers to consider their region from every aspect and particularly in terms of the experiences that it offers, “Instead of subsidizing companies, stadiums and retail centers, communities need to be open to diversity and invest in the kinds of lifestyle options and amenities that people really want.” (Richard Florida, 2002, 283) Redevelopment organizations need to consider projects that have the capacity to modify many aspects of the city-region in order to attract the creative class; once again projects that do not fit into the traditional garb of redevelopment can be important gateways to growth.

Attracting the Creative Class is very good for the cities that are able to do it. As of 2002 the creative class represented approximately 30% of the American workforce comprising approximately 38.3 million people; if anything this percentage has grown over the past decade. (Richard Florida, 2002, 74) Attracting the creative class does not just relocate creative jobs to a redeveloping city; creative workers require many more traditionally employed people to work in the service industries upon which the Creative Class depends. By attracting the Creative Class urban redevelopers can benefit from increased activity in more traditional sectors of the economy. Since employment will tend to follow the highly sought members of the Creative Class redevelopers can focus on developing a city capable of sustaining a Creative Class while simultaneously enjoying increased activity in all parts of the city’s economy. (Richard Florida, 2002, 215-216)

Cities have many advantages over rural areas in attracting the Creative Class. Diversity is easier to encourage in an urban setting, and the tight-knit types of businesses that creative people enjoy are easier to come by in a city. (Richard Florida, 2002, 287) In order to capitalize on the possibilities created by the expansion of the Creative Class,

urban redevelopers must depart completely from older models of redevelopment. Traditionally redevelopers, “pay lip service to the need to attract talent, but continue to pour resources into underwriting big-box retailers, subsidizing downtown malls, recruiting call centers, and squandering precious taxpayer dollars on extravagant stadium complexes.” (Richard Florida, 2002, 302-303) This strategy must be reversed in order for a city to successfully attract the Creative Class.

Suggesting that every redeveloping city attract the Creative Class may appear to be policy diffusion. Cities can all attempt to attract the Creative Class without fear of diffusing the policy. First the group is very large; approximately 30% of the workforce is part of the class, so there is certainly considerable demand for cities that will inspire creativity. Second the Creative Class do not all want to live in the same city; the same elements that inspire some will discourage others, so there is no reason to expect that a city will not be able to attract creative people with the correct infrastructure. Silicon Valley has been particularly successful in encouraging the Creative Class to settle within its limits, but not every city can, or needs to be, the next Silicon Valley. (Richard Florida, 2002, 283) There is a need for many different types of creative cities and any city can become a creative place. Attracting the Creative Class is not a diffused policy; instead it is one strategy for successful redevelopment.

Developing the infrastructure that attracts the Creative Class also attracts many other types of people and improves the city beyond the simple population growth. The Creative Class is attracted to vibrant and energetic cities; many people not employed in creative careers are drawn towards these cities as well. By developing a city with the demands of the Creative Class in mind redevelopers can consider their strategies from a

specific perspective that is capable of moving in the city in a direction that many people will appreciate. In addition to the cultural bonus associated with the Creative Class there is also a significant economic advantage; attracting the Creative Class reduces the need to convince companies to move to a particular location. Businesses seek out creative people and will be more willing to move to areas that can retain creativity. Attracting the Creative Class frees urban redevelopers to consider untested projects with the capacity to transform an urban economy.

All three of the redevelopment theories presented suggest that uniquely tailored projects will produce effective redevelopment. Unique projects avoid diffusion since they cannot be copied from other cities, and therefore cannot experience the diminishing returns associated with diffused projects. Certainly federal funding can be more difficult to obtain for unique projects, but changes to federal policy has reduced redevelopment funding so this is worth less consideration. Further unique projects allow cities to develop the distinctive urban identity that the creative class desires

DESCRIPTION OF THE MODEL

The model employed is reasonably basic. Policy diffusion in urban redevelopment necessarily produces negative results for cities; by resisting diffused policy, a city stands a better chance of redeveloping successfully. In order to establish this model a review of various, and largely independent, theories was conducted in the previous chapter. The result of these theories has shown that this model can be logically obtained through the study of any one of the theories presented. Jacobs' model of street activity, the work of Gratz and Mintz, and Florida's Creative Class all lead to the conclusion that policy diffusion has a significant and negative impact on urban redevelopment efforts.

Given this theoretical background an examination of specific redevelopment projects can be conducted. Schenectady's history is particularly applicable in this case since it contains two distinct periods. The first period, lasting from 1948 until the mid 1990s, used diffused policies in an attempt to redevelop the failing downtown area. This era was largely unsuccessful. The second period, beginning in the late 1990s and continuing to the present, has resisted the draw of policy diffusion through a new urban redevelopment agency. This agency has been successful in redeveloping certain areas of the city. Thus the historical record supports the suggestion that policy diffusion produces negative results.

In many portions of this historical discussion, and indeed in much of the prior section, imprecise terms were utilized. The use of broad terms like positive and negative is required when evaluating urban redevelopment theory and projects. Since the overall health of a city is dependent on many variables, it is impossible to produce a complete list

of all dependent variables that can be used to determine whether or not a project was successful. Thus a certain level of imprecision is introduced in any discussion of success or failure as qualitative data must be applied. Fortunately for this analysis Schenectady's redevelopment projects are either clearly successful or clearly unsuccessful; much of this imprecision is negligible. To take one example, as will be detailed in the next chapter it would be impossible to argue that Canal Square was a successful project. Through this linguistic imprecision it is possible to support the suggestion that policy diffusion necessarily produces negative results in redevelopment.

CHAPTER TWO

POLICY DIFFUSION AND SCHENECTADY'S REDEVELOPMENT

Section One: Schenectady's Early Planning

The contrasting results of diffused and undiffused redevelopment are evident in the recent history of Schenectady New York. Starting in the late 1940s, Schenectady embarked on a redevelopment program based on the theory of urban renewal, which dictated the clearing of expansive blighted areas of the city. This approach failed to produce appreciable results, and so the city began a redevelopment effort that relied heavily on the success of large-scale projects through the 70s and 80s. Both of these approaches to redevelopment were the result of diffused policy. In recent years the founding of the Metroplex Redevelopment Authority has allowed the city to begin redevelopment without policy diffusion; the results of this new redevelopment have been positive.

Schenectady benefited greatly from the industrial growth of the late 19th, and early 20th, century. The proximity of a General Electric factory to the downtown combined with the American Locomotive factory created the, "City that Lights and Hauls the World." (City of Schenectady, "Schenectady :: History") Due to the influx of new residents during the early 1900s the city began to develop plans for developing an urban area that could accommodate all of the new workers. In 1912, led by Charles P. Steinmetz, the city hired a Cambridge, Massachusetts firm to prepare a report on the

prospects for growth in the region. The report was never publicly published, but it did set the stage for future city planning. (Spencer, 2001, 52)

A second report was prepared in 1924 by Harland Bartholomew and Associates; the new city plan indicated that Schenectady, then with a population of 90,000, would grow by 25% every ten years to a population of half a million by the year 2,000. These estimates were based on a straight-line approximation of the growth trends apparent in 1924. Consequently the estimates had no base in reality and history has proven them to be resoundingly false; the actual population of Schenectady in 2,000 was only a little above 60,000. (City of Schenectady, "Schenectady :: History") Nevertheless the plan that was published in 1924 supported the widening of streets and expansion of the local streetcar system to accommodate the swaths of citizens that would soon be moving to the area. Very little of the 1924 plan was ever implemented. (Spencer, 2001, 52)

Section Two: A History of Federal Redevelopment Programs

This process of demolishing began during the 1930s and accelerated through the 1940s. Cities increasingly cleared slums and other blighted areas and sold the land to private developers in the hopes of combating the growing popularity of suburban life. (Gotham and Hutchinson, 2001, 7) These federally established programs were unable to combat the decay experienced by cities, and so during the Great Depression and throughout the 1940s many urban leaders called for expanded federal programs to help cities revitalize their failing downtowns. (Gotham and Hutchinson, 2001, 6) The Housing Act of 1949 allowed cities to create urban redevelopment authorities designed to designate and clear blighted areas of the cities. Earlier Housing Acts had focused entirely

on housing and not on redevelopment. The 1949 act also expanded urban renewal programs, enabling many cities to follow New Orleans and Detroit.

The urban redevelopment programs of the mid 20th century found their root in much earlier reform efforts. Housing reformers of the late 19th and early 20th century heavily influenced early urban redevelopment efforts through their insistence on the detrimental effects of slums and the need to establish public housing options. These reformers concluded that the dismal housing conditions experienced by the urban poor must have a proportional impact on the resident's morality and health. In order to rectify this situation, reformers attempted to establish building codes, housing projects, and sanitation regulations. In Europe many countries were able to begin development of housing projects, but efforts in the United States were severely delayed due to the arrival of the Great Depression. (Hoffman, 2000, 300)

These reformers succeeded in producing new regulations in many cities, but these regulations were not effective in preventing the spread of the slums. The Great Depression moved responsibility for redevelopment to the federal level. The Depression limited the financial ability of cities to act against slums and prevented the development of additional regulations, but the new deal created a political climate in which the federal government could develop a national housing program to combat the growth of slums. In a time when many Americans struggled to keep their houses, the concept of an enormous federally funded rental housing program was deemed sensible. Thus the National Housing Act of 1934 established the Federal Housing Administration, which provided insurance on housing and a secondary market for mortgages. This marked the entrance of

the federal government into the housing system, but later developments would produce much greater effects. (Hoffman, 2000, 301)

Cities also benefited from the funding available through the New Deal. In Kansas City a few skyscrapers, a courthouse, city hall, a baseball stadium, and a convention center were all built using funds and labor provided by these federal programs. While later redevelopment relied on the passage of Housing Acts to expand the power of redevelopment groups, the New Deal financed a few large-scale projects as well. The practice of clearing of large areas of land to remove blight from cities also began during the depression. The Housing Act of 1937 allowed cities to establish housing authorities with the power of eminent domain; Detroit and New Orleans, with the help of the Works Progress Administration both established housing authorities that allowed the city to seize and raise blighted areas. (Gotham and Hutchinson, 2001, 6)

As the Great Depression continued, many urban leaders noted that many wealthy residents were moving out of the city and into the suburbs. Concerned that this movement of wealthy citizens from the city combined with the continuing growth of the slums would eventually destroy the city, these leaders began to consider urban redevelopment programs that would clear the slums, and provide better infrastructure for wealthier residents to return to. In 1941 these leaders, through the National Association of Real Estate Boards, popularized the suggestion that cities actively pursue redevelopment through metropolitan land commissions with the power to seize slums through eminent domain. Since many landowners were unwilling to sell their deteriorating apartments due to their sustained profitability, additional legal powers were considered necessary to produce the desired demolition. Between 1941 and 1948, 25 states created redevelopment

programs based on the association's plan. Demolishing blighted areas became the default system of urban redevelopment with very little discussion of other potential methods.

(Hoffman, 2000, 304)

The housing issue was largely tabled during the Second World War as the nation's attention was focused on other issues, but the return of soldiers prompted a renewed discussion on housing. After expanding a few provisions of the Federal Housing Administration, congress began considering a new housing act for 1949. On its eventual passage the bill contained a two important provisions. First the bill provided one billion dollars for cities to purchase and clear slums. Second the bill restarted federal housing programs by providing federal loans for low-rent housing. These houses were to be built at low cost and provide housing for 20% below the general market price for low-rent housing. (Hoffman, 2000, 310)

Many cities expressed interest in undergoing urban redevelopment, but few began demolition, "More than 200 local governments wanted to use urban redevelopment funds, but only 60 had begun to acquire land and a mere half-dozen had started to rebuild."

(Hoffman, 2000, 313) Meanwhile the Housing Act of 1954 replaced urban redevelopment with urban renewal. The new terminology expressed changes to the law, which allowed cities to redevelop blighted and potentially blighted areas in addition to the slums already included in the 1949 law. The changes to the housing act were designed to move away from the demolition heavy approach favored in the 1949 law, and support rehabilitation of existing infrastructure as well as the enforcement of building codes.

(Hoffman, 2000, 313-14)

Much of the criticism of urban renewal stems from the long development time and questionable nature of the projects in general. City residents grew increasingly frustrated by vacant lots and few signs of progress, “According to the National Commission on Urban Problems, almost a third of urban renewal projects took 6 to 9 years to complete; more than a third took from 9 to 15 years.” At the same time some of the funded projects took place in areas that were not blighted or slums. In New York City the Columbus Circle area, consisting of around 2% slum real estate, was cleared to make way for the New York Coliseum. (Hoffman, 2000, 317)

By the 1970s the interest in urban renewal had dwindled, but the problems created by the large demolitions had vastly inhibited the ability of cities to redevelop effectively. The urban renewal approach had not helped to revitalize distressed downtowns but had, in fact, increased the rate of decay of urban centers across the United States. Redevelopers had been reluctant to rebuild on the sites provided by the mass clearances and many shovel-ready locations became vacant lots for decades rather than an improvement on the original structure. It had also been assumed that residents of blighted areas would support the mass seizing of their homes in the name of progress; predictably this assumption was discovered to be false as city residents opposed the creation of shovel-ready sites due to their destabilizing and segregating effects. Residents also found fault in the allocation of federal resources for large institutions like hospitals and universities while failing to provide, as the Housing Acts of 1949 and 1954 stated, “a decent home for every American.” (Gotham and Hutchinson, 2001, 11)

In 1973 President Nixon declared a moratorium on all federal housing projects; the Housing and Community Development Act of 1974 followed quickly. This act

encouraged the preservation of existing structures for historic and aesthetic reasons as well as providing funds for a larger variety of redevelopment projects. In many cities the funds were distributed across the city to multiple projects instead of concentrating on a single large project. During this period urban redevelopment funding became discretionary for city governments with federal funds available with fewer stipulations. (Hoffman, 2000, 322)

Two pieces of legislation attempted to fix the problems caused by the urban renewal program by giving more control of the allocation of federal funding to cities. First in 1974 the Community Development Block Grant Program, which operated with the same residential intent as earlier federally sponsored urban redevelopment programs, replaced the urban renewal program. (Gotham and Hutchinson, 2001, 11) Second the 1977 Housing and Urban Development Act provided funding for specific projects in distressed areas with the express intent of attracting private capital through the availability of Urban Development Action Grants to allow cities to redevelop their commercial cores with federally provided incentives. A major stipulation for receiving an Urban Development Action Grant required that cities locate private capital to compliment the public contribution. (Biles, 2011, 232) Over a ten-year period the program provided 3,000 projects with \$4.5 billion dollars of funding in 1,180 cities but the results never materialized. In many cases the funding was used enhance city infrastructure around private businesses, which directly benefitted these private enterprises without helping needy residents of the city. (Gotham and Hutchinson, 2001, 12)

The public-private requirements of the grants proved unable to counteract the problems that plagued cities at the time, “The strategy was to use federal money to

leverage still greater investments from the private sector. By subsidizing a hotel ‘anchor’ here, a trendy shopping promenade there, the federal grant would stimulate entrepreneurs to invest in projects they would otherwise avoid.” (Logan and Molotch, 1987, 170) Tying redevelopment funds to profitability and entrepreneurs meant that these funds were always directed towards profitable areas of the cities; federal aid was spent in areas that were not distressed; simultaneously the lack of focus on low-rent housing produced serious social problems as urban unemployment and poverty rates increased. (Biles, 2011, 249)

Later administrations took a much more hands off approach to urban redevelopment; instead choosing to place the onus for redevelopment on the cities. The Reagan Administration held that, “there is no better federal program than an expanding economy,” (Biles, 2011, 252) and federal policy has largely perpetuated this line of thinking since. Cities were forced to consider individual programs that would produce growth independent of most federal funding.

Section Three: Urban Renewal In Schenectady

In 1947 the Town of Tomorrow Committee began agitating for an urban renewal program in Schenectady in order to clear and redevelop what were considered blighted sections of the city. The necessity of the Town of Tomorrow project is unclear as there is no clear evidence that the Schenectady downtown was particularly troubled prior to the implementation of the urban renewal program in the city. (Spencer, 2001, 76) Speeches, posters, radio campaigns, and newspaper articles were all used to inform the Schenectady

residents about the plan which promised to turn Schenectady into “the metropolis of the Mohawk Valley.”

The Town of Tomorrow promised to combat the economic issues confronting the city through three projects. First the committee proposed constructing an additional 2,500 housing units. Second the committee considered clearing a 22-block area around city hall to create an area that a redeveloper would presumably step in to build on. Third transportation plans included street widening, including the removal of streetcar lines, and the construction of a transportation hub designed to serve the entire capital region. (Spencer, 2001 53-54) This demolition plan constitutes policy diffusion as it is motivated directly by the existence of federal programs; Schenectady selected its urban redevelopment technique from a menu of policy options provided by the federal government.

The clearance and housing programs were eventually completed, and the notion of a transportation hub continues in the public consciousness into the present. Meanwhile the razing of 22-blocks around city hall has proven to be particularly problematic for the city. The shovel ready site failed to attract developers; the dramatic reduction in housing available near the downtown reduced the amount of foot traffic in the downtown area. The lack of foot traffic in the downtown area created an unsafe feeling that further compounded the problem.

It is entirely possible that the 22-block area was not a slum at all. The term blighted is vague and evidence suggests that the demolition was encouraged for personal gain rather than due to any major problems with the neighborhood as in many cities “...urban elites promoted redevelopment to reorganize urban areas and to protect and

enhance their real estate investments.” (Pritchett, 2003, 4) The specter of urban blight allowed city leaders to create and expand these urban renewal authorities, “By elevating blight into a disease that would destroy the city, renewal advocates broadened the application of the Public Use Clause and at the same time brought about a re-conceptualization of property rights.” (Pritchett, 2003, 3) In Minneapolis Mayor Hubert H. Humphrey on the vastness of the problem that faced American cities proclaimed,

Slums, Rotten broken down areas, are the ulcers, which may develop into the cancer that will consume the physical and economic structure of the industrial city. Slum areas are extravagances that eat up our revenues and destroy our strength. Either we lick the slums or the slums will destroy the city. (Spencer, 2001, 55)

Thus across the nation, the eminent domain powers of urban renewal groups was expanded; many cities razed sections of supposedly blighted neighborhoods to create shovel ready projects that developers would flock to. In practice the creation of shovel ready areas destroyed large sections of downtowns, but developers were not as interested in developing the renewed sections as redevelopers claimed.

In Schenectady it is not clear that the 22-block area was different from any of the other neighborhoods in the city. “People’s recollections of the neighborhood that encompassed the 22 Block area varies, with those who recall it from the late 1940s more likely to refer to it as “a real nice neighborhood” while those who recollections are from much later tend to describe it as a “run-down” section of the city.” (Spencer, 2001, 74) Despite evidence to the contrary the area was deemed blighted and was demolished during the 1950’s. The cleared parcel failed to attract a major developer, and was eventually built on one lot at a time. A plan originally touted as capable of increasing the

city's tax revenue reduced a former neighborhood and failed to replace it with anything of value.

Section Four: Background on City Decision-Making

The case of urban renewal in Schenectady is not unique; local governments are not necessarily capable of evaluating and taking the best course of action for their cities. In most cases local leaders have motivations that are in direct opposition to the public good. Despite all of the general disagreements among local politicians, "With rare exceptions, one issue consistently generates consensus among local elite groups and separates them from people who use the city principally as a place to live and work: the issue of growth. For those who count, the city is a growth machine, one that can increase aggregate rents and trap related wealth for those in the right position to benefit." (Logan and Molotch, 1987, 50) The growth of cities produces advantages for those who are in a position to profit from said growth; this does not mean that growth is necessarily good for the entire population of a city. Note that Logan and Molotch use growth to mean the transfer of resources to a city, while Jacobs and Florida both employ different definitions.

Because local leaders can all agree on growth as the primary goal of cities they must successfully reduce opposition to growth-only tactics, "Although they may differ on which particular strategy will best succeed, elites use their growth consensus to eliminate any alternative vision of the purpose of local government or the meaning of community." (Logan and Molotch, 1987, 51) Thus local policy is shaped with very little consideration for the costs and benefits of growth in general since the city residents accept the goodness of growth as though it were axiomatic.

Since growth produces benefits for specific city residents, it is these residents that express an interest in politics. Logan and Molotch find evidence for this saying, “The people who use their time and money to participate in local affairs are the ones who - in vast disproportion to their representation in the population - have the most to gain or lose in land-use decision.” (Logan and Molotch, 1987, 62) Since those who profit from growth are usually the most involved in local government cities will tend to adopt policies that are very favorable towards growth without consideration for the broader effects.

These pro-growth policies of many western cities during the 18th and 19th century provide evidence for this trend. Many areas experienced rapid growth throughout the period as, “cities competed to attract federal land offices, colleges and academies, or installations such as arsenals and prisons as a means of stimulating development. These projects were, for many places, ‘the only factor that permitted them to outdistance less favored rivals with equivalent natural or geographic endowments.’” (Logan and Molotch, 1987, 53) Through a growth-favoring policy certain cities were able to attract facilities, many federally financed, which proved invaluable to the city’s future position.

This competition was highly dependent on government decision-making particularly and is notably famous for its impact on transportation. Access to federally funded transportation provided cities better access to raw materials and markets. The advantage for cities that were capable of attracting canal and railroad terminals was marked and desired by cities across the country. (Logan and Molotch, 1987, 53) Indeed in Los Angeles city leaders convinced the federal government to spend millions to construct the largest artificial port in the world in order to best San Deigo and San

Francisco. The competition for access for transportation continued into modern times as many cities fought for access to the interstate highway system. (Logan and Molotch, 1987, 56) The focus on access to the transportation network continues in Schenectady as proposals for a consolidated bus and train station persist.

When it comes to urban redevelopment the mantra, 'growth is good,' produces poor results, "...for many places and times, growth is at best a mixed blessing and the growth machine's claims are merely legitimating ideology, not accurate descriptions of reality. Residents of declining cities, as well as people living in more dynamic areas, are often deceived by the extravagant claims that growth solves problems." (Logan and Molotch, 1987, 85) The area of housing tends to produce losses for local government as the services that new residents require often cost more than the additional tax revenue that their presence provides. Simultaneously cities in possession of 'unused capacities,' underutilized schools and other city infrastructure, can save some money through the additional use of these resources. Unsurprisingly providing housing to the wealthy is more lucrative than housing for the poor. (Logan and Molotch, 1987, 86)

Even in the area of job creation simply creating growth is incapable of adding to the total job supply. The United States has a consistent unemployment rate of between 4 and 11 percent. Attempts to attract new jobs simply transfers employment from other cities without necessarily producing anything new, "A game of musical chairs is being played at all times, with workers circulating around the country, hoping to land in an empty position when the music stops. Redistributing the stock of jobs among places may move the chairs around, but it does not alter the number of chairs available." (Logan and Molotch, 1987, 91) Increasing urban growth rates also tends to produce negative effects

for social cohesion, particularly in terms of segregation and inequality, as well as negatively impacting the environment. (Logan and Molotch, 1987, 93-95)

Expecting local government to consistently choose the course of action that is best for the general population is unrealistic. In urban redevelopment, particularly in the urban renewal era, the close proximity of city leaders, with vested interest in land use decisions, created perverse incentives that allowed leaders to gain financially from decisions that were not best for the city on the whole. Renewal, long lobbied for its ability to produce increased low-cost housing, disproportionately removed housing options for cities poor residents. As projects that did not engage in slum clearance or housing construction began to apply, and receive, renewal funding business leaders were able to contact city leaders and have an influence on policy far in excess of other community leaders. (Logan and Molotch, 1987, 168) Since these politicians often have incentives that do not correspond with the best interest of the city, it is wise to insulate redevelopment decision-making from the political sphere. Creating a redevelopment organization with little to no publicly appointed leaders is often advantageous.

Section Five: Later Redevelopment of the Federal Era

This new era of urban redevelopment forced cities to cease their urban renewal programs, and focus on slightly smaller projects instead. (Spencer, 2001, 81) While the lack of funds stopped the razing of large areas, buildings could still be demolished one at a time and Schenectady adopted this practice with zeal. The theory at the time held that a lack of parking in the downtown was holding back the commercial potential of the area; the solution to this problem was to demolish disused buildings and install parking lots.

Within Schenectady movie theaters, office buildings, high schools, and a railroad station were all demolished to make way for more parking.

As it happens many of the redevelopment plans employed by Schenectady mentioned the importance of making the downtown accessible for cars. The 1924 city plan called for street widening and while little of the plan was carried out the Town of Tomorrow planners was finally able to address the issue. The city needed to combat the increasing suburbanization of the surrounding area. Unfortunately the suggested solution to suburbanization was to redevelop the downtown into an area with a suburban feel; essential to this plan was parking available near stores. During the urban renewal period many downtown stores had mall style facades over the original stone and brick facades in order to attract shoppers that were used to a suburban style experience. These facades were designed to give the area a more attractive and welcoming feeling but in practice removed much of the character of the older the downtown. These suburban style facades were eventually removed during the 1980s when the original buildings regained popularity. (Spencer, 2001, 24-26)

The new federal focus on large public-private partnerships caused significant changes in Schenectady's redevelopment strategy during the late 1970s. The city turned to multiple large projects designed to provide single solutions to the large numbers of problems causing urban decline. Many projects of this type were proposed and constructed in the city, but the construction of City Center and Canal Square are particularly notable examples of both the types of projects that the changes in urban redevelopment thinking inspired, and the problems with this large project approach to redevelopment.

The City Center project was supposed to provide Schenectady with a destination that would draw residents back into the downtown. The project was designed in a suburban style and included an ice-skating rink, an exhibition hall, and shopping center; the ice-skating rink was included mostly because federal funding was available for projects that included ice-skating rinks. City Center cost the local and federal government a combined \$3.3 million and was well over budget by the time the project opened in 1979. Meanwhile poor architecture meant that the ice-skating rink, which was not quite regulation size, had seating available around only half of the rink; many of the available seats had their view of the ice blocked by support beams. As the project opened, the businesses that were slated to move into the shopping center portion of the project failed to materialize and the project slid into bankruptcy. (Spencer, 2001, 88-89)

After one year of operation it was unclear if the city government would be able to continue to pay the utility bills for the building. The city manager remarked, "...the project, was never intended to show a profit. The object was to draw people downtown where they would spend money in private businesses." (Spencer, 2001, 89) Even if this was the case, Schenectady residents were not drawn back into the downtown by the project. Finally by the 1990s, after many years of little to no use, the ice-skating rink had been thawed and was being rented to a local soccer league. (Spencer, 2001, 88-89) Today the building has been refurbished and is home to a location of the Capital District YMCA as well as various offices including the offices of the Metroplex Development Authority.

The Canal Square project was designed by Washington based architect Arthur Cotton Moore in 1978. The project was supposed to link several of the businesses on the 400 block of State Street, all painted dark brown with mustard trim for visual uniformity,

through both an internal walkway and an external walkway behind the buildings. The external passage would face an artificial canal. Customers would then be able to park on one side of the canal and reach the shops on the other side using either a bridge or a courtesy paddleboat. By the time the project opened it was already \$2 million over budget; the developer faced foreclosure a few days after the project opened. If the financial difficulties were not enough, the architect had not taken the rather cold Schenectady winters into account when designing the square; the bridge linking the parking lot and stores became dangerously slippery during the winter, and only one year after construction the new canal began to leak into a basement of a surrounding building. After few years the project was foreclosed the canal was later filled in. (Spencer, 2001, 90-91)

The Canal Square and City Center projects both constitute policy diffusion. Schenectady once again selected a redevelopment technique based on federal funding options. As with the Town of Tomorrow these federal programs failed to revitalize Schenectady's downtown.

Schenectady's redevelopment has been fraught with problems, and had produced little. Development by project planners does not necessarily doom projects but in both the urban renewal, and later redevelopment projects, the negative results produced by the planned approach can be seen. The 22-block urban renewal plan dramatically reduced a large portion of the city to rubble. This dramatically reduced the amount of foot traffic in the downtown.

The failure of Schenectady's early urban redevelopment programs to produce the reawakening of the city's economy is explained by the theory already discussed. Many of

the projects, whether through design or oversight, removed people from the street and therefore reduced the potential for interaction and safety in the downtown. The Town of Tomorrow program eliminated much of the housing available near the downtown. The City Center project was designed to be a single project solution in which people would spend time and hopefully money. Meanwhile the Canal Square project physically isolated shoppers with a completely separate means of approaching the shops and, once shoppers successfully navigated the slippery bridge, contained an internal walkway to prevent people from leaving the development and spending time on the street. In both cases these projects attempted to operate independently of Schenectady and distract people from the downtown. Independent of the funding problems experienced by both developments, even if they had been successfully constructed, both projects still would have failed in their goal to revitalize the downtown based on their inability to inspire interaction within the downtown. The failure of these projects is compounded as precious redevelopment capital was wasted, rather than producing gains.

Here it is inappropriate to discuss the creative class. The introduction of the creative class as a basis for urban redevelopment is a more recent, if essential, portion of redevelopment. Over time the percentage of the population in the class has increased, so actions taken to attract the creative class have greater effect over time. Efforts to attract the Creative Class are more likely to succeed in the modern day than in the 1940s.

Changes in the availability of federal funds through the 1980s impacted cities redevelopment plans. Federal funding for urban redevelopment shrank rapidly during the 1980s, and as a result cities were forced to focus on smaller and more manageable redevelopment projects, or provide funding for large projects themselves. Without

adjusting for inflation federal funding dropped from \$6.2 billion in 1980 to \$2.8 billion in 1990. The change in federal funding was supported by many of the following presidential administrations. During the Carter administration one aide stated, “Cities can adapt and change in response to economic and social forces and this process of adaptation can be encouraged, but not altered, by the federal government.” (Gotham and Hutchinson, 2001, 13) Rather than fighting suburbanization and other challenges, cities were forced to adapt and produce their own solutions to decline. Some of these solutions have relied on more diffused projects, while others have not.

Schenectady’s urban redevelopment program relied heavily on diffused policy. The city entered into redevelopment during the urban renewal period starting with the Town of Tomorrow committee. A series of laws passed during the late 1940s allowed cities to establish renewal groups that could seize land and create shovel-ready projects for redevelopers. Schenectady entered into its own renewal project energetically, and eventually demolished a 22-block area around city hall. The impact of this demolition was entirely negative; a developer for the area never surfaced, and the lack of housing in the downtown dramatically reduced the foot traffic into the downtown. While the downtown may not have been particularly troubled before the demolition it was certainly going downhill by its completion.

Later changes to redevelopment laws ceased the urban renewal practice of encouraging large-scale demolition, and changed focus to providing support for large redevelopment projects. Both the City Center and Canal Square projects of the late 1970s are indicative of this process. These projects chose designs from a national menu of redevelopment possibilities, and failed to produce much of note. Fortunately another

refocus in federal strategy put redevelopment squarely in the hands of the cities themselves.

Many city governments focused on providing a competitive business environment rather than on providing city services to residents. This local focus on providing a favorable environment for businesses has, “weakened democratic processes and safeguards, strengthened the power of private capital in both private and public life, and ‘depoliticized’ local decision-making and policy implementation.” (Gotham and Hutchinson, 2001, 15) While cities may have increased their attractiveness for capital investment they have not become better places to live. In these cities support for public services has declined dramatically as funding has been reallocated to business incentives or the creation of tourist economies. This process has been accompanied by a decline of the tax base of these cities and increased demand for city services and welfare programs.

CHAPTER 3

METROPLEX AND NON-DIFFUSED REDEVELOPMENT

Section One: Creation and Contrast

While the prevailing urban redevelopment theories of the mid 20th century failed to improve Schenectady, a more recent approach has produced a program that has been quite successful in redeveloping the area. The Schenectady Metroplex Development Authority has successfully implemented a non-diffused approach to redevelopment. Under this new authority redevelopment funds are directed towards specific parts of the city through both public and private channels. While the authority is a publicly owned corporation, it retains a degree of autonomy well beyond that enjoyed by other types of redevelopment organizations. The high degree of autonomy at Metroplex gives the authority license to consider non-traditional redevelopment projects. By working with both public and private sectors, Metroplex has been able to create sections of the city in which businesses want to operate, and customers want to be. The process is by no means complete; large sections of the city remain underutilized or completely unused, but the sections of the city that have been focused on by the authority have seen rapid change over the last 15 years of redevelopment.

Metroplex was created as a follow up to an earlier redevelopment group Schenectady 2000. This earlier effort was supposed to redevelop the entrances to the city by improving the decaying streets. (Spencer, 2001, 127) Schenectady 2000 was mostly

unable to accomplish many of its larger goals with its volunteer support and so Metroplex was conceived as an, “IDA on steroids.” (Lewis, 2014) The New York State Legislature passed the enabling act in 1998, which guaranteed many legal authorities to Metroplex, as well as a continuing source of revenue. The reaction to changes in federal policy is clear; since federal funding was no longer available for the types of redevelopment projects that Schenectady wanted to engage in, a local option had to be created. Metroplex is supposed to improve on both the Industrial Development Agency model and the community development corporation model used by Schenectady 2000.

The Industrial Development Agency attempts to improve a city by providing incentives for businesses to locate themselves in the city. These agencies have been a very popular redevelopment technique in New York State, but have not been particularly successful; these New York State IDA’s have been tasked with improving the state economy, not just their specific cities. Since 1969, when the IDA model became an option, over 177 agencies have come into being. Industrial Development Agencies operate by issuing bonds in order to purchase property for redevelopers. The IDA’s property is then rented to a redeveloper with the rent used to repay the principal and interest on the issued bonds. After the bonds are repaid the property is sold to the redeveloper for a nominal sum. This arrangement provides a subsidy to the developer through tax breaks since the city cannot collect taxes on the property, as it is publicly owned. (Lynch, Fishgold, and Blackwood, 1996, 58)

It is unclear if IDA’s are successful in convincing firms to relocate in New York. Between 1977 and 1986 only 23 of the firms that received IDA support were relocating to the state, and most of these firms reported that they would have relocated without IDA

support. Generally the reduction in property taxes is offset by the other costs of operating and moving a company. The benefits provided to a company by IDA support are minimal, however the impact on local tax revenue is significant. (Lynch, Fishgold, and Blackwood, 1996, 62)

Many of the effects of Industrial Development Agencies produce no benefit for the state or city. Many IDA's will pirate firms by incentivizing a firm to move to a municipality from another city in in the state. This maneuver produces no net benefit to the state, and only serves to benefit the IDA's particular municipality; this constitutes failure since IDA's were created expressly to produce a net increase in business in New York. In addition many IDA's support retail projects; additional retail opportunities are ineffective in increasing economic opportunity. Consider the case in of supermarkets: the construction of one additional market cannot increase the amount of food consumed; thus supermarket employees are redistributed from one store to another, but the project does not produce any new opportunities. (Lynch, Fishgold, and Blackwood, 1996, 64) While IDA's are not able to effectively incentivize companies to move to New York State, it is possible that these groups help to retain existing companies. Metroplex improves on the IDA model of urban redevelopment by providing incentives to businesses well in excess of what a traditional IDA can offer. The implicit tax cuts offered by an IDA create a small incentive to settle in a city, while the larger benefits provided by Metroplex provide a much larger incentive to set up shop in Schenectady.

The community development corporation model dates back to the mid 1960s and the urban renewal era. These corporations are grassroots, volunteer initiatives to by city neighborhoods to improve themselves. (Stoecker, 1997, 2) Schenectady 2000, with its

goal of improving the entire city of Schenectady is a large CDC, but most CDC's operate in much larger cities. The goal of these organizations is to attract new businesses to the neighborhoods in which they operate. Unfortunately CDC's are unsuccessful in this effort for two reasons. First broadly improving a city neighborhood requires experience in zoning, architecture, and finance, and the community-oriented nature of these corporations often requires that these organizations work within their community, and these communities generally do not have the expertise to advise the corporation adequately. (Stoecker, 1997, 6) Second since community development corporations tend to operate in particularly poor areas, their grassroots requires that the corporation be limited to the capital readily available in the area. Thus community development corporations face the unenviable choice of either tackling small issues in the hopes that more capital arrives from an external source, or actively seeking the required capital, which often requires the loss of much of the community input. (Stoecker, 1997, 2)

Metroplex improves on the CDC system in two ways. First Metroplex avoids the funding problems experienced by many CDC's by funding itself through a small percentage of county sales tax. ("Schenectady Metroplex Development Authority :: Frequently Asked Questions,") Second since Metroplex was established by state, rather than by local initiative alone, the authority is not a grassroots organization; unlike CDC's Metroplex is capable of pursuing any redevelopment project, or consult with outside experts, without abandoning its original intent.

The authority also enjoys additional power of eminent domain, which are not found in either the IDA or CDC model. Unlike many earlier urban housing initiatives the interests of property owners unwilling to sell do not restrict the authority. Of course these

prior groups acted with abandon in demolishing swaths of cities. When Metroplex was founded the Stockade District, a historic portion of the city, was specifically excluded from the authority's control. Since then the authority has proven itself to be judicious in its use of the power, and so the Stockade is now under its control. (Dave Hogenkamp, 2013) Metroplex enjoys significantly better funding and legal power, which allows the authority to overcome the drawbacks of both the community development corporation and the industrial development agency.

The politically insulated nature of the Metroplex board also avoids many of the problems discussed by Logan and Molotch. The eleven members of the board are political appointees, but the mayors and supervisors of nearby towns as well as members of the county legislature appoint them. (Schenectady Metroplex Development Authority Act as Amended, § 2563) Separating appointment power between various politicians avoids some of the draw of policy diffusion since it is harder to pack the board.

Section Two: Examples of Metroplex Projects

Initial reports of Metroplex projects were not all positive. In 2001 it was unclear if the authority would pursue a non-diffused approach; the authority convinced Time Warner to relocate nearly 300 jobs 10 miles away from its previous location by spending \$2.45 million. (Spencer, 2001, 121) A government official familiar, who does not wish to be cited, states that difficulty in negotiating with town planners prompted Time Warner to search for a new location. Fortunately a new management team took over operation of the authority and has pursued a non-diffused approach with great success. Three project proposals describe the scope and ability of Metroplex to pursue this diffusion free approach.

Proctor's Theater is now a fixture of the Schenectady downtown. However the importance of on the street interaction to both economic growth and safety would seem to prohibit a project with clear requirement that almost all of the time spent at the project requires being physically in the project. The details that distinguish a theater from these other projects are simple. A theater draws people into the city at night when the streets would otherwise be empty, and the theater requires a large support industry of restaurants. A trip to the theater regularly includes dinner before the show. In Schenectady's case this allowed Metroplex to simultaneously create a theater, and create interest in new restaurants within walking distance of the theater. The operation of a successful theater is a form of import replacement, as residents no longer have to travel to other cities for entertainment. Theaters also have a certain draw for the Creative Class, which the nascent restaurant scene would encourage. (Schenectady Metroplex Development Authority, *Proctor's Theater Expansion*)

Proctor's Theater was not a new sight in Schenectady, and its redevelopment significantly uplifted many other underutilized buildings. The adjacent Carl Company was founded in 1891 as a dry goods store. The company was initially quite successful, and soon Charles W. Carl, Sr. quickly opened many branches across the capitol region before building a new flagship store in Schenectady at 256 State Street in 1916. Through the mid 1900's the company was successful both at its main Schenectady location, and also at its many branch locations in the region. Success continued through the early urban renewal efforts; in 1954 the Carl Company became the first locally owned department store to open a branch location at the Mayfair Shopping Center. The later 20th century was not as kind to the company, which was eventually sold in 1984 to an investment-

banking group, the General Atlantic Corporation, before being closed entirely in 1991. (Schenectady County Historical Society, *Guide to the Carl Company Records*)

The former home of the Carl Company had been vacant for almost 13 years when the Proctors Theater project promised to renovate the vacant Carl Company store on State Street. The project eventually turned the former department store into administrative offices, dressing rooms, a set shop to support the theaters newly renovated main stage, and a 450 seat black box theater. The return to prominence of two buildings so important to the former glory of the city certainly bolstered interest in the project.

The renovation also significantly increased the number, and quality, of shows Proctor's Theater could accommodate. Touring Broadway shows had traditionally avoided Proctor's due to an inadequate backstage area; 60 percent of the shows that did choose to play at Proctor's left some portion of their sets in trucks. In order to remedy this problem the project proposed a larger, and taller, backstage combined with three easy-on/easy-off truck docks to enable traveling shows to fully utilize the location.

Funding the redevelopment of Proctor's Theater eventually cost 22.3 million dollars. Metroplex was initially asked to provide 9.5 million dollars. In response the authority released 1.5 million dollars to the redevelopers, while stipulating that the further \$8 million be matched by private fundraising or by securing a loan of adequate size in order to cover the construction. A successful capital campaign, public donations, and grants from Schenectady County were able to match the required \$8 million, and provide funding for the rest of the project. (Schenectady Metroplex Development Authority, *Proctor's Theater Expansion*)

The redevelopment at Proctor's provided short-term benefits to the city as well. Construction provided 112 short-term jobs, while the longer-term operation of the theater created 22 new jobs. In addition the theater required the creation of 105 new jobs in other businesses in order to support the theater. Over the three years following construction the project was projected to bring approximately \$47 million into the Schenectady downtown while the construction would bring approximately \$32 million. The Proctor's project offered a lot of economic gain for the region for a sizeable investment from Metroplex of \$9.5 million in addition to the less direct benefits to the city. (Schenectady Metroplex Development Authority, *Proctor's Theater Expansion*) Through non-diffused redevelopment a city is capable of producing local anchors. By avoiding the federally driven approval process espoused by programs like the Urban Development Action Grants, cities can produce solvent, and successful, anchors for their communities.

The redevelopment project at Proctor's Theater does not constitute policy diffusion. The project renovated and repurposed existing city buildings without the help of federal programs, and was not motivated by the success of similar projects in other cities. Thus the project was designed to provide a unique solution to the problems confronting Schenectady's downtown.

During the many years of economic stagnation in Schenectady many downtown property owners had ceased investing in the maintenance of their properties; many of the downtown buildings were deteriorating. While these buildings are a huge asset for the city, they require significant restoration in order to be fully utilized and desirable storefronts, offices, and apartments. In order to remedy this situation Metroplex has worked with private developers to provide funding for such restoration. The authority

only works in specific areas of the city at any one time, so projects of this nature are sometimes denied due to being in a location not under active redevelopment.

One of these projects began in December 2011 when Metroplex approved a plan by DHA Properties to renovate a former Planned Parenthood location at 414 Union Street between Union College and Erie Boulevard. The Metroplex contribution consisted of a \$30,000 façade grant; the entire renovation was projected to cost \$337,500. By keeping its own involvement in projects small, Metroplex is able to encourage private investment, limit its risk profile, and maintain a larger pool of funding for other proposed projects. Improving the façade at 414 Union Street does not constitute policy diffusion. Once again the project was not motivated by success in other cities or the availability of federal funding.

Following completion of the renovation project DHA Properties had already identified possible tenants. DHA Holdings, the parent company of the redeveloper, planned to base its corporate headquarters out of the property. In addition Innogen Business Incubator, a group that “identifies and educates high-tech entrepreneurs on organization leadership, business plan development and strategic business growth,” (Schenectady Metroplex Development Authority, *414 Union Street Façade Project*) planned to operate out of the building. Five apartments were also constructed on the second floor of the building. The apartment space found its occupants through both the Union College graduate school, and Innogen program participants. Both DHA Holdings and Innogen cited the decreased operating costs associated with 414 Union Street, as well as additional space for business expansion. The authority’s limited involvement in this type of project allows businesses to relocate to the Schenectady area.

The various tenants of the property provide benefits to the surrounding city. DHA Properties and Innogen Business Incubator are similar organizations; DHA Holdings is an investment and holding company that invests in small businesses, while Innogen Business Incubator works to educate potential entrepreneurs on the specifics of running a successful company. Both groups help to foster new business, which in turn produces greater opportunities in the Schenectady area. Metroplex involvement in this project increases the economic viability of the city on the whole through the benefits each company provides to other companies. The ready availability of capital for business investments certainly makes the area more attractive to the entrepreneurs found within the creative class. (Schenectady Metroplex Development Authority, *414 Union Street Façade Project*)

Metroplex is engaged in many projects that differ in both size and scale. While redevelopment projects like Proctor's Theater are central to the Schenectady downtown, such projects, "...effectively and efficiently develop, renovate, and optimize the economic and social activities [within the Schenectady area]." (Schenectady Metroplex Development Authority, *Five Year Capital Project Plan*) The city infrastructure must be improved to accommodate projects of this type. During the Proctor's renovation the area of State Street surrounding the theater was heavily improved; now the section of State Street between Erie Boulevard and North Church Street is undergoing redevelopment.

The Lower State Street Revitalization Project aims, "to promote safe and attractive pedestrian uses; encourage more housing, business and visitors to this area of the downtown; and boost redevelopment and rehabilitation with a physically consistent and uniform appearance, especially sidewalks and curb cuts that have decayed badly in

recent years.” (Schenectady Metroplex Development Authority, *Lower State Street Revitalization Project*) Most vibrant cities try to maintain well kept entrances, so the development of Schenectady’s entrances is certainly based on diffused policy. However city beautification is a public good, so in this case the negative effects of policy diffusion seen throughout urban redevelopment will not be noticeable. In most areas of city government policy diffusion is helpful. The project has replaced decaying waterlines, replaced and recut cracking sidewalks, planted trees, removed old city lighting and replaced them with a more attractive option. In many cases this work is complicated by older architectural standards, particularly the older coal cellars underneath the sidewalk. These basements used to provide easy access to coal shipments on the street, but now create an uneven sidewalk due to a lack of structural integrity in some of the cellars.

The majority of the funding for the Lower State Street Revitalization project comes from Metroplex. The total cost of the project is 2.2 million dollars. Of that the City of Schenectady Water Fund provided \$500,000, while Metroplex provided \$1.7 million through its bond issuance authority. The authority’s ability to issue bonds plays a major role in assisting the city itself to improve its own infrastructure.

All three of these projects represent the large variation of projects that Metroplex is capable of pursuing. Proctor’s Theater is one of the largest projects undertaken by the authority, while the renovation of 414 Union Street is on the small side. Of course the Lower State Street Revitalization project is a combination of city and Metroplex resources, while the other two projects involve only private companies. Both the authority’s non-diffused approach to redevelopment and the aspects of its structure encourage successful redevelopment in Schenectady.

All three of these projects are representative of other projects completed by the authority. By working with both public and private groups across various scales of projects Metroplex is capable of pursuing its own redevelopment agenda. Application of its political power and funding, with an eye towards avoiding policy diffusion, has successfully redeveloped portions of the Schenectady downtown. (Schenectady Metroplex Development Authority, *Lower State Street Revitalization Project*)

Section Three: Lessons on Redevelopment

Many cities in the United States experienced significant declines over the course of the 20th century. While the initial root of this decline may rest with any number of causes, the Great Depression, suburbanization, or the rise of the automobile, the solutions created to combat urban decline significantly injured these already battered downtowns. The slum clearance program that was developed during the later years of the depression was unleashed upon downtowns as city leaders seized upon large-scale demolitions as the path towards economic revival. In reality these attempts to combat blight reduced foot traffic to downtowns and amplified the effects of the initial decline. Later attempts to combat decline relied on large public-private projects that funneled federal resources towards already active parts of cities, or into large projects with too many facets to function properly. The diffused policy approach to urban redevelopment failed to revitalize urban economies.

Policy diffusion is heavily utilized and heavily incentivized in city leaders. In most areas of city government, searching for existing solutions to local problems in other cities, or from federal policy menus, results in effective programs in many cities. Unfortunately in urban redevelopment cities still favor a diffused approach. City leaders

tend to be those with a vested interest in land use decisions, and thus may favor policy diffusion for personal gain; federal funding played an incredibly important role in financing redevelopment projects, and these funds were only available to specific types of projects. These projects proved unsuccessful.

In Schenectady, New York, a diffused approach to redevelopment substantially wounded a potentially active downtown. While the downtown may have been slightly distressed in 1948 when the Town of Tomorrow Committee suggested leveling a 22-block area, the downtown was certainly in trouble following demolition. Later projects, like City Center and Canal Square, produced projects that distracted from the urban setting. These projects, inspired by funding from Urban Development Action Grants, produced shoddy structures incapable of financial success. Both City Center and Canal Square quickly slid into bankruptcy following construction. In both periods of urban redevelopment the city favored policy diffusion as the downtown became increasingly distressed.

Fortunately the Schenectady Metroplex Development Authority has proven to be capable of initiating non-diffused redevelopment. Integral to this success is the structural makeup of Metroplex. County sales tax revenue, political separation, and eminent domain allow the authority to pursue an independent and conscious redevelopment program. Moreover the authority's structure is a response to the shortcomings of both the Industrial Development Agency and the Community Development Corporation model, and these improvements remove some of the potential pitfalls of redevelopment organizations.

The authority's ability to pursue non-diffused redevelopment is evident in the projects it chooses to pursue. Due to its organizational structure authority is capable of

engaging in both large and small-scale projects, and of cooperating with both public agencies and private investors. Moreover all three of the projects reviewed were approved based on their ability to encourage economic activity within Schenectady, and not for their success in other cities or for the availability of federal funds for such projects. The non-diffused approach employed by Metroplex has induced economic activity within the Schenectady downtown.

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