

# CITY WORKS

Community Development Case Study

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## INTRODUCTION

Over the course of time, community development has evolved into a multi-faceted movement in lower-income communities. “Community development involves changing the relationships between ordinary people and people in positions of power, so that everyone can take part in the issues that affect their lives. It starts from the principle that within any community there is a wealth of knowledge and experience which, if used in creative ways, can be channeled into collective action to achieve the communities' desired goals. Community Development is a long-term value based process which aims to address imbalances in power and bring about change founded on social justice, equality and inclusion” (CDX, 2009).

While many community development corporations focus their attention on developing housing facilities or providing social services, the CityWorks Corporation found that there was still a void in many communities. Founded in 2004, CityWorks is a 501(c)3 nonprofit organization that was created to “assist non-profit organizations in developing commercial and other non-residential real estate projects in economically-distressed neighborhoods throughout New Jersey” (CityWorks, 2007). Based in Trenton, CityWorks’ focus spans throughout New Jersey’s inner cities in order to spur economic development that provides jobs, goods and services, and economic vitality to distressed areas. They partner with many different community stakeholders, such as “non-profit organizations, public and private financing agencies, the real estate community and businesses with an interest in the inner city” to bring their ideas and visions to life (CityWorks, 2007).

## BACKGROUND OF RECENT ECONOMIC DEVELOPMENT

The Institute for a Competitive Inner City (ICIC) and Boston Consulting Group found in a 1998 report that inner cities have roughly \$85 billion in annual spending power that is untapped (CityWorks, 2007). As a result, numerous community development corporations, as well as other non-profits and for-profit businesses, have begun to focus a significant proportion of their focus on inner cities. The Local Initiatives Support Corporation (LISC) reported a tenfold increase from 2004-2007 in lending for commercial development projects.

In 2001, the United States Congress passed the New Markets Tax Credit, which provided over \$15 billion to economic and commercial development projects. New Jersey has also begun to provide funding and incentives for economic development through funds from “LISC, the New Jersey Community Loan Fund, the Housing and Community Development Network's SEED Loan Program, smaller loan funds such as TBAC and CBAC, and the New Jersey Economic Development Authority's (EDA) Fund for Community Economic Development” (CityWorks, 2007). In 2003, the State's Department of Community Affairs (DCA) and LISC announced \$500,000 in grants to “increase the capacity of community development corporations to carry out community economic development activities” (CityWorks, 2007). Also, the Revitalization Tax Credit brought \$20 million to New Jersey “community development corporations with DCA-approved neighborhood revitalization plans” (CityWorks, 2007).

Despite increases in funding from the federal and state government, economic development in New Jersey has not become a large focus of community development corporations. The U.S. Economic Development Administration reported that of the “\$35 million allocated for low-interest loans to non-profit-sponsored economic development projects, only \$8-\$9 million had been committed in over seven years” (CityWorks, 2007).

For economic development to be successful, it requires a high level of skill and experience for those working in the field. The lack of economic development in inner cities can be also attributed to a few problems:

- the absence of a standardized, ‘cookie cutter’ approach to financing, unlike the situation in the housing market; each deal requires its own multi-layered mix of debt and equity financing;
- the complex process of property acquisition, often involving public disposition, eminent domain, the assembling of multiple parcels, and, at times, environmental remediation; assembly of commercial properties requires a high level of experience and sophistication;
- and a strong market orientation is required for commercial development, including an ability to assess market conditions, to determine appropriate uses of property, and to speak the language of business to attract tenants”(CityWorks, 2007).

## CITYWORKS MISSION

While CityWorks’ role in economic development varies with the client and project, they focus mainly on retail and light industry, with a limited focus on community health, education, and social services. They wear many hats such as a consultant to a developer, adviser to a non-profit's project management staff, and manager of projects on a turnkey basis. CityWorks offers many services to non-profits such as “financial plan development, project viability market research, architectural, engineering, and project management consultant services,

site planning, property acquisition, tenant recruitment, and providing a pre-development funding pool to allow quick response in jump-starting a viable project” (CityWorks, 2007).

## FUNDING

Local foundations and public sources support CityWorks with a three-year budget of approximately \$3 million. Also, funding from the New Jersey Economic Development Authority, the Fund for New Jersey, the Garfield Foundation, and the Surdna Foundation contribute to the finances of CityWorks

“To accomplish its mission, CityWorks will also control a pool of funds for pre-development costs, including property options, environmental assessments, architectural, legal and planning costs, and other up-front cash needs. CityWorks' pre-development funds will be invested on a matching basis along with pre-development funds from New Jersey LISC and the New Jersey Community Loan Fund. In its first three years, CityWorks was supported by grant funds from local foundations and public sources. Over time, the organization supported a portion of its costs through developer consulting fees built into project development budgets” (CityWorks, 2007).

In an interview with the CityWorks Executive Director Tom Clark, he believes that funding is not as stable as a result of the current recession. The grant community has been hit hard by the financial meltdown. Endowments have decreased by 20-30 percent. Personally, he believes that this is the time they [the grant community] should be providing the most funding. Clark has noticed that overtime as directors and board members for grant organizations has changed, so has their focus and preferences. Shifts from brick and mortar projects to legislative activities have been a result of the recession. However, he has confidence in the good relationships the CityWorks has formed with various financial institutions and grant-distributing organizations. While not feasible at the moment, Clark feels that with more funding, CityWorks can do more in the areas of predevelopment, acquisition, and acquirement of properties (Clark, 2010).

## GOVERNANCE

CityWorks was formed by group of developers who wanted to create an organization that would bring commercial and retail to economically-distressed areas in order to supplement and coordinate with the production of low-income housing in New Jersey.

CityWorks benefits from the wealth of experience and knowledge brought by Executive Director Tom Clark. Clark’s work is extensive in property and construction project management, with roles as the Senior Director of Operations of the pharmaceutical research firm PTC Therapeutics, a partner and property manager for real estate management firm St. George’s Dragons, and Vice President and National Sales Manager for rubber manufacturer Unirubber. He was the “founding chairman of New Brunswick City Market, a non-profit organization promoting downtown New Brunswick, as well as Chairman of the New Brunswick Housing Authority. He also was a partner in the Atlantic Group, a consulting firm for communities operating under Special Improvement District legislation” (CityWorks, 2007). He volunteers with Downtown New Jersey, Vote, New Brunswick!, and Elijah’s Promise Soup Kitchen in New



The CityWorks Board of Trustees, Source: <http://www.ecityworks.com/pic10.html>

Brunswick. The board of trustees consists of six individuals, including Clark, who hold executive positions within public, private, and non-profit organizations. They bring a wealth of knowledge to the table, with an expertise in finance, development, and marketing of inner city commercial properties. The board consists of Board President Christiana Foglio, founder and CEO of Community Investment Strategies, Inc.; Board Treasurer Ronald Berman, founder of R. Berman Development Co.; Trustee Mark Murphy, executive director of The Fund for New Jersey; Trustee David M. Scheck, executive director of New Jersey Community Capital; Trustee Preston D. Pinkett III, senior vice president of programs for the New Jersey Economic Development Authority; and Trustee C. Sean Closkey, executive vice president for residential real estate at The Reinvestment Fund in Philadelphia (CityWorks, 2007).

Unlike other community development corporations, CityWorks' board is not representative of the communities they serve. Their board is more similar to that of a foundation in that their members represent business and government. The lack of local representatives and

stakeholders on the board is most likely a result of the corporation not having a specific community it serves. While based in Trenton, CityWorks serves communities all across New Jersey.

While CityWorks only employs two staff members, Executive Director Tom Clark believes members need to be very educated in non-profits, how they function, and how they define their mission. A familiarity with the alphabet soup of organizations associated with non-profits, government and funding sources also proves helpful. Staff members excel at building relationships with the community and take a passion in attempting to lift up fortune of individuals (Clark, 2010).

## WEST LAKE AVENUE URBAN REDEVELOPMENT, NEPTUNE, NJ

In the short time since CityWorks founding, they have worked on four projects: a commercial revitalization of West Lake Avenue in Neptune Township, NJ; residential construction on Ridge Avenue in Neptune Township, NJ; Elijah's Promise, a soup kitchen, culinary training, and catering service, in New Brunswick, NJ; and the East Trenton Planning Initiative.

Neptune Township, NJ, named after the Roman God of the Sea, was formed in 1879. Located in Monmouth County, this eight square mile town is described as the "Crossroads of the Jersey Shore" because of the many transportation corridors that pass through it, such as the Garden State Parkway, State Highways 18, 33, 35, 66 and 71, as well as NJ Transit trains (Community, 2010).

CityWorks' focus for revitalization was in the Midtown neighborhood in Neptune Township, specifically along West Lake Avenue. West Lake Avenue was once a thriving commercial strip with many restaurants, churches, and retail stores, such as "Bill's Dry Cleaners, Little Wonders, Chicks' Fish & Chips, Sharpes' Army/Navy, Nahans' Shoes and Mr. Raven's Deli drew customers" (Mid Town, 2010). The historic Carver Hotel hosted many famous African-America celebrities. The population was segregated and had mostly blue-collar families. Riots following the assassination of Martin Luther King, Jr. were not just limited to large cities. Riots affected Neptune and neighboring town Asbury Park where many of the homes and businesses were subject to arson and vandalism. As a result, many residents and businesses left Neptune, especially in the Midtown neighborhood (Mid Town, 2010). For many years afterword, the once thriving West Lake Avenue sat deserted.

The Midtown Neighborhood Empowerment Council (MNEC), later to become known as the Midtown Urban Renaissance Corporation (MURC), was formed in 1998 to revitalize the Midtown neighborhood in Neptune. MURC's mission is "to empower the residents of Midtown by enhancing their day-to-day quality of life through neighborhood revitalization, affordable housing, safe streets, education, and employment opportunities"(About, 2010). MURC worked with the New Jersey Redevelopment Association and the Neptune Economic Development Council to work towards their goal (West, 2005). However, frustrations and inexperience mounted in getting the project off the ground. MURC then partnered with CityWorks to help bring the West Lake Avenue revitalization plan to fruition.

The plan for the urban redevelopment of West Lake Avenue called for a series of commercial and residential buildings. A family health center, retail stores, office space, senior housing, off street parking, and a park were all included in the development plans. The project became known as the Midtown Commons and was expected to create over 370 construction jobs and 100 new full time jobs.

## COMMUNITY OUTREACH OF WEST LAKE AVENUE URBAN REDEVELOPMENT

Initially, CityWorks commissioned a market research study to identify economic advantages of the Midtown area. CityWorks put a significant amount of outreach to the community. CityWorks and MURC opened an informational center to keep residents informed of the progress and details of the project. The center was manned with volunteers from MURC and provided residents with pamphlets and conceptual drawings. More importantly, it helped establish a presence in the area and created a dialogue between community members. "We have very high hopes for this project because we know we're going to have the Township, the local redevelopment corporation and local residents on the same page," said Tom Clark, Executive



CityWorks' and MURC's Information Center, Source: <http://neptune.ecityworks.com/OGR%20February%202006.pdf>

Director of CityWorks. "We look forward to working closely with all involved to create a thriving commercial and residential center on West Lake Avenue" (West, 2005).

The project began on July 11, 2005 with the demolition of a dilapidated building at the intersection of West Lake Avenue and Myrtle Avenue. The township and CityWorks avoided using eminent domain in the project, only using it as a last resort. It was the township's desire to work with existing property owners. Lester Goldberg, owner of a janitorial equipment and supply company, was able to negotiate with Neptune and CityWorks. "It seems like they're trying to treat me fairly," he said. "I'm willing to move, as long as we get equal to what we have now. They're trying to relocate us within Neptune" (Sahn, 2006).

## FUNDING OF WEST LAKE AVENUE URBAN REDEVELOPMENT

Funding for the West Lake Avenue revitalization received a huge booster shot when the New Jersey Economic Development Authority (EDA) approved a \$20 million loan for construction of mixed-use buildings. The loan came from the New Markets Tax Credits program, a federal program administered by the EDA in New Jersey. The New Markets Tax Credits program provides low-interest loans to finance commercial development in low-income areas (NJ, 2006).

## PROJECT DETAILS OF WEST LAKE AVENUE REDEVELOPMENT

CityWorks partnered with A. Nelesen Associates to be the architect and planner for the project. Funds from the NJ EDA were used to construct a series of three story buildings. Initially, over 51,000 square feet of office space and 16 residential units were planned, totaling roughly \$18.5 million. Construction costs of condominium units were financed by separate loans from different lenders. The Midtown Commons secured two large office tenants. The Family Health Center became the principal tenant. It relocated from the nearby Jersey Shore Medical Center campus to a 30,000 square foot space in the Midtown Commons. The move increased the Family Health Center's building capacity by 35 percent and accounted for 50 permanent professional and administrative jobs. The center sees on average 40,000 visits a year. The other large tenant was the New Jersey Division of Taxation, occupying 15,000 square feet and providing 75 permanent jobs to the community. Ninety-seven additional residential units are planned in later construction phases with 49 of the units being devoted to affordable housing. The Midtown Commons also will include a daycare and a .75 acre public park (Midtown, 2010).



CityWorks press conference on West Lake Avenue, Source: <http://neptune.ecityworks.com/eda%20press%20release%202006.pdf>

The Midtown Commons project in the West Lake Avenue redevelopment was one of six projects honored with the 2010 Smart Growth Award from New Jersey Future, a nonprofit smart growth research and advocacy group. Peter Kasabach, Executive Director of New Jersey Future, applauded the project as setting an example for other municipalities to follow. "The winners of these awards demonstrate how New Jersey, the nation's most developed state, can sustain a robust economy and a healthy environment through smart growth and redevelopment in the 21<sup>st</sup> century" (Midtown, 2010).

## CHALLENGES OF WEST LAKE AVENUE URBAN REDEVELOPMENT

CityWorks did run into a few challenges during their work in redevelopment. They faced issues with property acquisition and eminent domain. They found themselves paying a premium to acquire certain commercial properties. CityWorks also faced bureaucratic red tape in getting the project to push through. Within the site, CityWorks ran into a large environmental situation. An existing building was once a dry cleaner. Unfortunately, the dry cleaner was dumping toxic chemicals for years. This was before any environmental regulations existed. While unknowing of the situation until CityWorks purchased the building, the Environmental Protection Agency made CityWorks responsible for the cleanup. As a result, construction fell two months behind schedule while the soil was replenished (Clark, 2010).

## REFLECTIONS OF CITYWORKS AND CONCLUSION

During its six years of existence, CityWorks Executive Director Tom Clark felt that the corporation learned a lot. In talking with Clark, he expressed many things he learned along the way. In asking for a loan, Clark believes it does not make a difference between being a

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nonprofit or a for-profit company. Also, nobody believed that CityWorks 'could do what they did with the West Lake Avenue project'. The board and he had to tackle a steep learning curve on financing.

He found that working within government structures can be 'acceptable, yet debilitating' as one can take a step forward, but then take two steps back. However, establishing good relations with municipal governments is an important dynamic. Also, Clark found that when working in urban areas, extraordinary legal advice helps projects go more smoothly. It is essential to keep loyalties in place and to form alliances. In working on construction projects, it is also important to pick right the construction project manager.

Significant outreach to the community is a necessity in forming good relations with them. Planning is a process that should involve all the stakeholders within the community. The community needs to be involved in order for the project to be successful. While it may be a tiring and frustrating process, it is totally necessary.

In defining community, Clark found it to be a combination of the strengths of the physical, social, and economic fabric of an area. Community cannot be defined without incorporating its residents. Clark believes that CityWorks is halfway there with it. They have worked with nonprofits to expand their social service network and have moved more into planning to improve quality of life. In order to function, CityWorks finds it necessary to broaden its grasp.

While the recent recession has impacted CityWorks reach, they sit at a unique point. With a successful record in bringing commercial and residential development to low-income areas, CityWorks has a good evidence to help it further its mission. The board of trustees holds a very high level of skill and experience in working in low-income communities. This will allow them to more easily navigate the structures of government, business, and foundations in continuing to bring change to low-income areas in New Jersey.

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