

Reinventing the Central City as a Place to Live and Work

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Abstract

Public policies for urban development have traditionally emphasized investment in physical infrastructure, the development of large-scale commercial facilities, the construction of new housing, and the renewal of existing neighborhoods. Most efforts to revitalize central cities by building new facilities for visitors have focused on suburban commuters and tourists. At the same time, many housing initiatives in central cities have concentrated on low-income communities because outlying suburban areas have attracted traditional middle-income households.

This article argues that emerging demographic and cultural trends—combined with changes in the structure of business organizations and technological advances—provide new opportunities for cities to retain and attract middle-class households. Using gay and lesbian populations as an example, it focuses on the role that nontraditional households can play in urban redevelopment. In light of the rise of nontraditional households and the growth of self-employment and small businesses, cities should adopt policies that make them attractive places in which to live and work.

Keywords: Gentrification; Urban environment; Populations

Introduction

During the past 50 years, public policies designed to stimulate urban economic development have evolved dramatically, from the post–World War II urban renewal programs to the Clinton administration program establishing empowerment zones and “enterprise communities” (Berger 1997; Greer 1965; Wilson 1966). Even though state and federal agencies have taken a variety of approaches to renewing central cities and stimulating private investment in them, urban economic development initiatives have relied mainly on “bricks and mortar” to solve the physical and economic problems of central cities. Even when urban planners rediscovered the urban neighborhood in the 1970s, they focused most of their scholarly research on upgrading the housing stock for middle-class residents and on establishing policies to encourage reinvestment in old neighborhoods. As Phillip Clay (1980, 13) wrote, “What is commonly referred to as

'back to the city' is fundamentally a resettlement in and a renewal of older neighborhoods mainly by middle class people who are presently residents in the city in other neighborhoods as renters."

According to Kent Robertson (1995), "cities large and small tend to rely upon a familiar set of redevelopment strategies, such as pedestrianization, shopping centers, office buildings, and 'special activity generators' such as convention centers, arenas, and stadiums." For example, the Urban Development Action Grant program was established in 1977 to leverage private investment in cities (Judd and Swanstrom 1994). Federal grants were provided to support public infrastructure that would attract commercial and residential development, and federal funds were also used to build aquariums, retail complexes, hotels, and convention centers. Redevelopment strategies increasingly use public investment in cultural centers and celebrity halls of fame, as well as promotional campaigns to foster tourism and spending in central cities (Robertson 1995). In fact, an industry consisting of consultants, conferences, books, and glossy brochures now exists to help public officials "sell or market their city" (Ashworth and Voogd 1990).

Admittedly, some researchers argue that there is neither sufficient demand for new office space nor systematic evidence of positive economic gains to warrant investment in large-scale physical projects (Nelson 1996). In some cities, projects intended to replicate the economic development success of other urban areas have failed because they ignored unique local conditions and overrated the demand for facilities serving a single market. While there is a regional market for aquariums, there is also a limit to the number of potential visitors willing to spend time and money to look at sea life, no matter how spectacular the setting. Even successful downtown baseball stadiums do not necessarily contribute to the overall economic and social conditions of a city. Many municipal governments act as if sports facilities are critical to urban economic development, but substantial evidence shows that sports is not an economic engine, that it will not generate a great number of jobs, and that it will not revitalize a city's economy. Even in cities that advertise themselves as "entertainment centers," sports spending and related spending at hotels and restaurants are never the largest component of their economy (Rosentraub 1997).

Public policy and urban development

The Clinton administration's empowerment zone program elaborates and expands on the "enterprise zone" concept that British geographer Peter Hall proposed in 1977 as a way to salvage the decaying areas of England's inner cities. British conservatives designed the enterprise zone hoping to attract private investment by eliminating government regulations and taxes in the worst areas of central cities. The Clinton administration program, passed as part of the Omnibus Budget Reconciliation Act of 1993, represents a considerable departure from such a market-driven approach to urban development. The federal government designated six urban empowerment zones that each receive \$100 million in block grants and three rural empowerment zones that each receive \$40 million in block grants. Private firms investing in these zones are eligible for tax credits and increased deductions for business expenses when they hire local residents. In addition to the six urban empowerment zones, "supplemental zones" were established in six other cities, and 91 communities won designation as enterprise communities, which brings \$3 million in federal funds to each community, plus greater flexibility in the sale of tax-exempt bonds. The federal government has allowed each city to formulate its own approach to using the empowerment zone funds and powers; the outcome of this initiative is not yet known.

Michael Porter has put forth another approach to revitalizing cities. He argues that cities should build on their "comparative advantages," such as location, proximity to regional markets, and human resources. Government, according to Porter (1995, 67), should support "the private sector in new economic initiatives" rather than invest in public programs concerned with ameliorating social problems. Fainstein and Gray (1996, 1) provide a useful counterpoint when they state that "Porter's argument starts with an incorrect premise—that the problems with inner-city revitalization programs lie in a failure to nurture the private sector." They also note that federal programs concerned with reinvigorating the inner city, "commencing with the federal Housing and Urban Development Act of 1949 and culminating most recently in the establishment of empowerment zones, have contained one constant element—their basis in an unswerving faith that the private sector holds the key to urban revitalization. Thus, although the forms of governmental program have changed and levels of subsidy have gyrated wildly, their purpose has always been the same—to renew the interest of private investors in places from which capital has fled" (p. 1).

This article challenges the conventional wisdom that urban development policy should build on private sector interest in real estate and the power of special attractions to lure visitors to cities. Several scholars have emphasized the need for cities to invest in neighborhood-based infrastructure rather than large-scale projects designed to strengthen the central business districts of cities. But these scholars share with traditional policy makers a concern for physical investment and infrastructure (Mier 1995). This article goes beyond that focus. It emphasizes the social and technological forces that are shaping the future of cities and points out the need for public officials to incorporate those trends into urban development policy.

The fundamental challenge for urban development policy in the 21st century is to understand the social functions that cities serve and how the size and density of a city affect its capacity to support the different subcultures that contribute to the development of distinct subgroups within the city or region. “Cities provide the critical mass necessary for a viable subculture and the clashes that accentuate that subculture. With size comes ‘community’—even if it is a community of thieves, counterculture experimenters, avant-garde intellectuals, or other unconventional persons” (Fischer 1975, 1328–29). More than 20 years ago, sociologist Claude Fischer set forth a series of propositions concerning how urban size and density have independent effects, such as fostering unconventional groups. Fischer argued that larger or more urban places were more supportive of unconventional behavior and groups.

Fischer’s analysis of cities provides the conceptual framework for a new approach to urban development that builds on social, cultural, and technological trends rather than on market forces and local political priorities. Public officials and private developers must recognize that emerging demographic and cultural trends—combined with changes in the structure of business organizations and technological advances—provide new opportunities for stimulating economic development by attracting and retaining middle-class households. The principal characteristics of suburban communities—the physical separation of work and home, proximity to high-quality local school systems, and family-centered social networks—were powerful lures for most Americans in the post–World War II era. Cities were hard pressed to compete with the suburban lifestyle that catered to traditional middle-class households. But the rise of nontraditional households and the growth of self-employment put cities in a stronger position to attract residents and businesses during the coming decades.

Urban development strategies for the next century must build on demographic trends, technological forces, and organizational structures rather than focus on physical projects and real estate development. Doing so will require new conceptual approaches and empirical techniques to guide public policy for cities. Fortunately, the availability of new empirical techniques, such as “geodemography,” makes it possible to identify households with distinct preferences for urban life. As Robert Lang and his colleagues suggest, “we propose that cities dedicate themselves to cultivating a unique and marketable urbanism by identifying those who love cities and catering to their often nonmainstream needs” (Lang, Hughes, and Danielsen 1997).

Demographic change and urban culture

The long-term flow of America’s population from central cities to suburban areas is the result of numerous forces: racial and ethnic bias, the construction of high-speed freeways, crime, the decline of urban public schools, and the cultural appeal of low-density, single-family housing. According to Frey and Fielding (1995, 33), these forces and recent demographic trends have reinforced “the indisputable dominance of the suburbs as the primary focus of activity for new urban economic development and the growth of the nation’s white middle class.”

Cities have not fared well as locations of choice among American households and businesses despite the impressive work of community development corporations, the widespread use of tax incentives for commercial development in cities, and the varied success of festival marketplaces and other economic development mechanisms. As a recent study by the U.S. Office of Technology Assessment (1995, 77) states, “Of the 196 central cities in the United States with more than 100,000 residents in 1990, 65 lost population since 1970.... The share of the U.S. population living in the largest 25 central cities declined from approximately 18 percent in 1950 to 13 percent in 1990.”

Much of the post–World War II suburban housing boom was fueled by the rise of the household made up of two-plus children, a male breadwinner, and a female homemaker. This traditional household was well suited to the suburban milieu in which one parent commuted to work and the other performed domestic chores and supervised the children. But that “Ozzie and Harriet” version of the American household is hard to find in the 1990s; it certainly no longer dominates the American landscape. According to American Demographics (1995), married couples with

children constituted the majority of American households in 1960, but they now make up just one-fourth of all households.

Simply put, the structure of American households is changing. From 1990 to 1995, nonfamily households, both male and female, grew by 8.9 percent, while all households grew by 6.0 percent. In 1994, there were 33.2 million elderly in the United States, and the elderly population is projected to more than double between 1994 and 2050 (U.S. Bureau of the Census 1996). A report by Fannie Mae's Office of Housing Research points out that "increased household diversification has characterized household growth during the last several decades. The share of married couples with minor children has declined substantially and has been accompanied by a shift toward nontraditional household types.... Single-person households showed the greatest growth, increasing their share of total households from 17 percent in 1970 to 25 percent in 1990" (Megbolugbe and Simmons 1995, 9). The response of state and local governments to the new demography is still unclear, but the demographic trends are undeniable.

Culture and cities

Cities provide a milieu that historically has been tolerant of cultural innovation and deviation from conventional modes of working and living. Urban planners and sociologists have devoted considerable time to exploring how different groups, such as artists, criminals, and bohemians, have settled in cities and organized distinct communities that support their economic needs and social lifestyles. As Karp and colleagues have observed, "The city fosters the development of subcultures that provide social support and a context in which nearly every imaginable human behavior can be enacted" (Karp, Stone, and Yoels 1991, 108). Several scholars have analyzed the role of creative artists in neighborhood revitalization, while others have explored how marginal groups have flourished in large cities (Kasinitz 1995; Simpson 1981; Zukin 1995).

This article looks at the concentration and role of gays and lesbians in cities in an effort to understand how different subcultures can shape neighborhood renewal and urban development. Although it is difficult to determine the size and location of gay and lesbian populations in the United States, gays and lesbians constitute a significant urban subculture—one that has too often been neglected in urban policy research. Until quite recently, gays and lesbians were a relatively vulnerable group politically, and they are still the target of hostile public policies in some

towns and states. While other population subgroups, such as immigrants and the elderly, may be larger in absolute numbers, the gay and lesbian population is becoming increasingly prominent and visible in large American cities. The urban experience of gays and lesbians demonstrates how cities serve as meccas for unconventional cultural groups.

Kath Weston (1995, 255) has described the 1970s and early 1980s as the “Great Gay Migration,” which was marked by “an influx of tens of thousands of lesbians and gay men (as well as individuals bent on exploring their sexuality) into major urban areas across the United States.” However, the presence of large gay and lesbian populations has been a reality in large cities for more than a century. In his classic book, *Gay New York*, George Chauncey (1994, 3) argues that the “complexity of the city’s social and spatial organization made it possible for gay men to construct the multiple public identities necessary for them to participate in the gay world without losing the privileges of the straight: assuming one identity at work, another in leisure; one identity before biological kin, another before gay friends.” Others argue that the rise of industrial society and the growth of cities are closely connected to the public emergence of “homosexual and lesbian identity.” As John D’Emilio (1983, 11) has written,

During the second half of the nineteenth century, the momentous shift to industrial capitalism provided the conditions for a homosexual and lesbian identity to emerge.... In place of the closely knit villages, the relatively small seaport towns, and the sprawling plantations of the preindustrial era, huge impersonal cities arose to attract an ever larger proportion of Americans. The interlocking processes of urbanization and industrialization created a social context in which an autonomous personal life could develop.... In America’s cities from the 1870s through the 1930s, there emerged a class of people who recognized their erotic interest in members of their own sex, interpreted this interest as a significant characteristic that distinguished them from the majority, and sought others like themselves.

Although the size and anonymity of cities have attracted individuals who benefit from being in proximity to one another and who might be stigmatized in small, insular communities, the attitude and policies of municipal governments toward gays and lesbians have been, with few exceptions, overtly hostile. “A wealth of scholarship and political debate about the history and

relevance of gay and lesbian experience in the city has revealed, on the one hand, extensive and systematic practices of oppression and discrimination targeting gays and lesbians as threats to the urban social order; and, on the other, a century of resistance to this oppression" (Kenney 1995, 82). Public officials have used a variety of regulatory devices, such as exclusionary zoning laws, public accommodation laws, and decency codes, to restrict activities by gays and lesbians.

Housing policies and land use regulations have often sought to prevent gay and lesbian occupancy and ownership. As Kenney (1995, 82) points out, "In some communities, zoning ordinances restricted the sale or rental of housing to a single nuclear family." Much has changed since the 1960s; today, the greater public acceptance of homosexuality in modern society has reached its pinnacle in urban neighborhoods that explicitly cater to gay and lesbian populations. Indeed, there are books, such as *Great Gay and Lesbian Places to Live*, that describe and evaluate the conditions of gays and lesbians in towns and cities throughout the United States (Dills and West 1995). While there are significant numbers of gays in suburban areas, recent research suggests that suburban gays do not express their gender preferences and cultural identity in a public way (Brekhus 1994).

Considerable attention has also been paid to lesbian communities in the United States and Britain. Some observers have argued that lesbians have been limited in their ability to develop local institutions and structures similar to those of the gay community because of "women's lack of access to capital and the fact that women are more likely to be limited by responsibilities for children" and because "lesbians share heterosexual women's fear of male sexual violence" (Valentine 1995). Advances in reproductive technology and a more tolerant attitude toward parenting have led to the growing acceptance of lesbian couples raising children. One of the best-known lesbian communities in the United States is in Northampton, MA, where there are "numerous thriving social and cultural institutions in the town that are run by or for lesbians, or which give unusual attention to lesbians' concerns" (LeVay and Nonas 1995). Northampton, a town of 35,000, is an exception to the large, urban settings within which gay and lesbian communities have thrived in recent decades.

Cities are still the focal point for gay and lesbian life, and this fact has profound implications for urban politics and development policies. In analyzing the impact of gay and lesbian households on urban land markets, Knopp (1990) states that "openly

gay and lesbian communities have achieved more of their social, cultural and political goals in the inner cities of large urban areas than elsewhere.” While the spatial pattern of gay and lesbian concentration has affected property values, there has been relatively little scholarly literature on this subject. Knopp goes on to point out that “unlike other minorities ... openly gay people often possess adequate economic resources to enter a middle-class housing market.... The issue is therefore not so much one of overcoming discrimination as it is of overcoming institutional obstacles to investment in certain parts of the city.”

There is no accurate and reliable measure of the gay and lesbian population in the United States, but according to a survey of 500,000 gays and lesbians by the marketing firm Overlooked Opinions, there are 18 “primary gay market areas” in the United States and approximately 50,000 adult gays and lesbians in each area. More than half of the gay men and slightly less than half of the lesbians who participated in the survey resided in cities. Most important, 47.7 percent of the gay men and 43.1 percent of the lesbians were homeowners. The average household size was 1.7 for gay men and 1.9 for lesbians.

Gays and lesbians may constitute only a small fraction of a large city’s population, but their concentration in distinct urban neighborhoods cannot be ignored as an indicator of urban capacity to support and nourish different subcultures that find city life attractive. For every gay household, there may be 10 or more nongay households that accept gay neighbors into their community. These tolerant nongay households of bohemians and cosmopolites form a major potential market for central cities. By studying and understanding the lifestyles of gay urbanites, cities can gain insight into the much larger nongay population that shares urban space with gays. Policies that accommodate gay households will also appeal to a general urban population that, while not gay, nonetheless seeks out alternative lifestyles. Gays are the metaphor for the “non-family-values” approach to urban redevelopment. This approach has been understood for many years but never fully articulated until now. More than a decade ago, John Kasarda (1985) said that “the competitive edge of major cities in providing cultural and leisure services offers additional opportunities for urban economic and demographic revitalization,” and he pointed to the way in which “demographic selection mechanisms based on consumer tastes and household composition” could influence urban development.

In cities across the United States, distinct communities serve the housing and social needs of gay and lesbian individuals (Adler

and Brenner 1992). New York and San Francisco are well known for their homosexual populations. Capitol Hill in Seattle; the Montrose area of Houston; Dupont Circle in Washington, DC; South Grand Street in St. Louis; the Chessman area of Denver; and Liberty Hill and the Northside area of Cincinnati are all neighborhoods that have a high concentration of homosexual populations (DeWitt 1994). Gay-oriented parades and activities are now part of the culture of most American cities. Oklahoma City, for example, now hosts events sponsored by the International Gay Bowling League and the International Gay Rodeo Association. Admittedly, urban acceptance of gay and lesbian cultural life is not universal, as demonstrated by a controversy surrounding a gay film festival in Charlotte, NC.

Housing purchases and real estate investments by gays and lesbians have led to the rejuvenation of neighborhoods and the creation of new businesses. Nowhere is this trend more apparent than in the South Beach area of Miami Beach, a community that declined when its elderly population diminished. Thanks to an increase in its gay and lesbian population, South Beach has evolved into an "international hot spot" featuring hotels, housing, nightclubs, shops, modeling agencies, and industries, such as the Latin American headquarters for both MTV and Sony (Dunlop 1995). The diminishing number of households with minor children, the aging of the population, and the growing public acceptance of nontraditional lifestyles are contributing to residential renewal in many of our major cities. Cities that were once unable to compete with suburban communities that catered to traditional families have proved quite attractive to population subgroups that prefer the services, milieu, and cultural diversity available there.

Haight-Ashbury, the San Francisco neighborhood that was the incubator for the hippies and the counterculture in the late 1960s and early 1970s, demonstrates the role of urban subcultures in building a cultural milieu supportive of tolerance and innovation. A study of neighborhood succession that documents the gentrification of Haight-Ashbury points out that "many of the most prominent beats were homosexual, and the beat and gay subcultures overlapped in both spatial and cultural terms in North Beach" (Godfrey 1988). Clearly, cities provide a setting for all types of urban subcultures to coexist in close proximity.

Gays and lesbians are increasingly regarded as important sources of human capital and creativity in business. This awareness has led to significant changes in corporate policies on health care, pensions, and personnel. Public officials at the

federal, state, and local levels should be aware of the vital role that gays and lesbians play in renewing central-city neighborhoods. Policies that encourage making mortgage loans to gay households, that prevent discrimination based on gender preference, and that explicitly recognize gay lifestyles and culture should be included in any strategy that seeks to encourage investment in central-city areas. While not all cities are large enough to support a strong gay and lesbian community, gay and lesbian communities are becoming more visible and organized in many cities.

Changes in organizations and employment

Besides recognizing how demographic shifts and lifestyle trends are influencing urban development, cities must understand how technological change and new patterns of organizational structure are influencing job creation and business formation. Although business consolidations and corporate decisions to downsize often result in the loss of jobs and the departure of “corporate citizens” from central cities, new opportunities also arise from such decisions. The private sector’s growing reliance on outsourcing offers a strategic opportunity for cities. Corporate job reductions stemming from recent mergers of banks and law firms have weakened the office market in many cities and suburbs—but they have also led to a rise in self-employment and the creation of firms that provide services, such as printing, mailing, and marketing, that were once done in house.

The large corporation is no longer considered a secure source of employment (*New York Times* 1996). Self-employment and part-time or “contingency” work are becoming the norm for many households. Self-employment as a percentage of nonagricultural employment rose nationally from 5.7 percent in 1969 to 7.7 percent in 1994. During the past quarter century, self-employment has increased by 70 percent nationwide. New business formation has also been on the rise. The U.S. Department of Commerce’s Index of Net New Business Formation increased from 115.2 in 1992 to 128 in 1995. “The birth and expansion of new firms [have] been accelerating since 1992. This has more than offset the widely publicized corporate layoffs, explaining the increase in office occupancy” (Landauer Real Estate Counselors 1996, 14).

Advances in computing and telecommunications have contributed to the importance of small and medium-sized firms. Acquiring and housing mainframe computers were once feasible only

for the largest organizations. But the reduced cost of personal computers and mobile telephones has eased the process of starting new businesses and pursuing self-employment. New technologies make it possible to operate a start-up business from the home, the hotel room—and even the automobile. As James Katz (1996, 107) states:

Wireless communication can help small and medium-sized businesses, and especially the one-person shop. In part, this is because a caller cannot readily determine a firm's size, in contrast to a visitor.... It is easy to see why wireless communication might yield advantages to the small fry. With the aid of voice mail and a mobile phone to provide "receptionist" functions, a mobile business can be established without the expense of a receptionist.

Unlike many technological innovations that were initially used by large firms and then gradually adopted by medium and small firms, mobile telephony has been most widely used by the self-employed and by small businesses. Katz points out that in 1992, a majority of British Telecom's "Cellnet users were self-employed and 25 percent were in firms with less than 100 employees" (p. 107). An executive of Bell South suggests that "cellular phones have not penetrated large businesses to a significant extent because of factors such as assigning responsibility for use, avoiding personal subordination of the technology, and even the overhead necessary to regulate and control the highly variable technology in a far-flung bureaucracy" (Katz 1996, 107).

Small business formation is increasing. Sharp reductions in the cost of computers, the ease of getting access to sophisticated databases through the Internet, and the diffusion of business service centers such as Kinko's have worked to the advantage of small businesses, no matter where they are located. The question is, will city leaders understand the potential role of small business in their future and formulate strategies to foster the growth of new entrepreneurial enclaves?

Telecommunications and urban development

Most experts have viewed cities as victims of technological advances. The interstate highway replaced the downtown railroad terminal, and the regional airport replaced the urban seaport. Similarly, computer-based communications and "telework" have allowed individuals and firms to move away from central

business districts to “edge cities,” small towns, or even offshore locations (Graham and Marvin 1996). A recent report by the U.S. Office of Technology Assessment (1995, 113) claims that “information technology and telecommunications are making the location decisions of an increasing share of the economy less dependent on face-to-face contact and close proximity with customers, suppliers, and competitors. In large part, this reduced dependence and concomitant rise in a company’s ability to be ‘footloose’ with respect to location invite speculation about the radical decentralization of jobs out of metropolitan areas.”

However, communications technology can have positive impacts on cities as well. New telecommunications technologies, in conjunction with the internationalization of services and finance, are strengthening a handful of cities such as New York, London, Tokyo, Los Angeles, and Hong Kong. These cities used to be centers for the manufacture of goods, but they are now centers for the production of information that is distributed electronically around the globe (Moss 1987). Technological change—when linked to dramatic shifts in household composition, increased rates of self-employment, and new business formation—can strengthen the economic base of central cities. Once they are redesigned, 19th-century industrial buildings that were ill suited for mass-assembly manufacturing become remarkably well suited for residential and commercial uses; they are especially attractive to small businesses that provide advanced services or produce customized products. The resurgence of the Boston waterfront and the conversion of industrial structures near downtown Chicago highlight how underused industrial space can be recycled. In the River North neighborhood of Chicago, more than 300 residential loft condominiums have been built in old factories, and another 600 are planned (Chanen 1996).

The ability to use technology to renew vacant industrial space, the breakdown of the traditional household, and the rise of small businesses provide a new basis for urban development policies. Cities must reconfigure their downtown areas as places to live and work; often the same structures can be used for both purposes. For cities to flourish, it will be necessary to change zoning rules that were established for an industrial society that had to separate polluting industries from residential areas for public health purposes. Local governments should formulate new land use policies that reflect the convergence of work and home and the blurring of the distinction between manufacturing and services. Many high-rise office buildings—designed for corporations that wanted all their staff in one place—are already obsolete because so many firms have downsized and turned to outside

contractors to handle once-critical corporate functions (Tapscott 1996).

The revitalization of lower Manhattan

Nowhere is the opportunity to implement new urban development strategies more apparent than in lower Manhattan. The area between the Hudson and East Rivers below Chambers Street occupies less than 1 percent of New York City's land area but accounts for approximately 8 percent of the city's assessed value. Once the hub of the city's legal and financial community, lower Manhattan has suffered as banks and brokerage firms have merged and as many back-office functions have been relocated to New Jersey, Delaware, Florida, and downtown Brooklyn. During the 1970s, many investment banks and law firms moved from lower Manhattan to midtown Manhattan to be closer to their corporate clients and suburban rail stations. Today, more than 22.8 million square feet of office space in lower Manhattan are vacant, a vacancy rate that exceeds 20 percent (Cushman & Wakefield 1996).

The city government has established new financial incentives to encourage firms to locate in lower Manhattan. A new business improvement district, the Alliance for Downtown New York, has been created to promote the area, improve public services, and generate new cultural and retail activity (Williams 1996). Lower Manhattan is still an international financial center. It houses the New York and American Stock Exchanges, the Federal Reserve Bank of New York, the World Trade Center, and the World Financial Center, which is located in Battery Park City—a 90-acre landfill development on the Hudson River waterfront that combines housing and commercial space that is leased to tenants such as American Express, Merrill Lynch, and Dow Jones. Lower Manhattan remains the nation's third largest office center (O'Neill 1993). But its future will be different from its past. Several studies have proposed ways to improve the area's transportation infrastructure, tourist services and facilities, and waterfront and public spaces to stimulate activity (City of New York 1993; O'Neill 1993). One academic team proposed that lower Manhattan be designated a historic district and identified 603 buildings that make up "a large historic district which includes 181 significant structures and 49 interiors worthy of individual designation" (Columbia University 1995).

Unlike SoHo or TriBeCa, two nearby areas that have been converted from low-rise industrial lofts into residential and

commercial uses, lower Manhattan's building stock contains a mix of skyscrapers and maritime warehouses as well as the city's premier waterfront complex, Battery Park City, which was launched by Nelson Rockefeller when he was governor of New York. Lower Manhattan includes architectural gems built during the early 20th century to serve as the headquarters for companies such as AT&T, Woolworth, and J. P. Morgan Guaranty Trust Company. The area also has high-rise office towers built during the 1960s to accommodate banks and brokerage firms that have been acquired by competitors, leaving many lower Manhattan buildings—new and old—vacant.

The former headquarters of Drexel Burnham, a 400,000-square-foot office building at 55 Broad Street, stood empty for five years. But Rudin Management, the owner, completely renovated the building, equipped it with advanced telecommunications systems, and named it the New York Information Technology Center. The center has its own site on the World Wide Web (www.55broadst.com). The city of New York has established a policy that encourages the owners of old office buildings in lower Manhattan to invest in new telecommunications infrastructure to attract small, high-technology firms. Fundamental changes in technology and in the organization of work have created the potential for reinventing downtown office districts such as lower Manhattan.

The heightened role of small businesses, the intense demand for housing in Manhattan, and increased interest in living and working in the same geographic area have already changed lower Manhattan. More than 20 office buildings in the area are being converted to residential uses capable of serving the growing work-at-home population (Trachtenberg 1996). Approximately 7,000 housing units are to be converted from old commercial space over the next decade, and much of this housing will be designed to accommodate self-employed people who live and work in the same space (Williams 1996). The lesson of lower Manhattan is that urban revitalization need not be based on large-scale physical development projects; new zoning techniques that encourage residential uses in commercial areas and bold strategies to attract residents to areas that were once reserved for businesses can work. A similar trend of converting industrial space to housing in Chicago highlights the potential role for a strategic approach to urban revitalization (Chanen 1996).

Conclusion

The example of lower Manhattan points to the need for new approaches to renew the downtown areas of large cities. The comparative advantage of central-city locations will not ultimately be based solely on their role as centers for work, but on their appeal as hubs that can accommodate both work and residential functions. Making cities attractive places to reside may well be the most effective way to attract new forms of business activity in the next century. This goal represents a bold departure from policies that emphasized the development of facilities to attract visitors, the construction of mass transit systems to lure commuters to downtown sites, and the creation of tax incentives to encourage the building of offices.

The challenge for city leaders and real estate developers is to recognize the profound changes that have occurred in the structure of households, the organization of work, and the character of self-employment. Central-city renewal need not depend on large-scale physical development projects. Instead, public officials should recognize the new opportunities presented by profound shifts in demographic patterns and lifestyles, especially the growth of gay and lesbian households. Taking advantage of these opportunities will require changes in land use policies, creation of new policies that actively encourage investment by gay and lesbian households, and aggressive enforcement of antidiscrimination laws.

If cities are to have a future, they must be attractive places to live and work, not just places to visit. This article has argued that emerging demographic and cultural patterns must be taken into account in building cities and designing public policies for them. The capacity of cities to absorb and accommodate diverse lifestyles may well turn out to be a locational advantage that few suburban and rural settings can match.

This article has argued for a new approach to urban development, one that is explicitly not based on attracting private investment through public investment in large-scale infrastructure or subsidizing large-scale development designed to attract commuters and tourists. As Claude Fischer (1975) has observed, the density and size of cities affect their capacity to attract and support “unconventional” activities and behaviors, an important asset given the increasing diversity of American households and the breakdown of traditional family structures. Simply put, the social milieu of a city can create the conditions for economic development. Rather than focusing on increasing the value of

urban land, policy makers would be wise to formulate strategies to market cities to groups who favor high-density urban centers and proximity to diverse lifestyles.

Advances in telecommunications should also be considered as instruments to encourage economic development in cities. Rather than viewing technological change as a threat to central business districts, it is essential to recognize that new technologies have altered the organization of work and led to opportunities for creating small businesses and new spatial arrangements that combine work and home. Just as planners and public officials need to understand the cultural and demographic shifts taking place in the United States, so they must understand the implications of telecommunications for urban development.

The evidence presented in this article highlights the need for more research on the role of gays and lesbians in urban communities and for systematic attention to policies that can make cities attractive to diverse population groups. Urban America's future will increasingly be shaped by social and technological trends, and the capacity of large cities to absorb and support unconventional and diverse lifestyles is a comparative advantage that warrants further study and analysis.

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