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### **Abstract**

This project examines the ways in which the Upper Manhattan Empowerment Zone, through the attraction of capital investment, has facilitated the process of gentrification in Harlem. My study attempts to determine whether dramatic demographic and social changes in Harlem can be attributed to, at least in part, to the policies and programs of UMEZ. In addition, it presents the concerns of the Harlem community about gentrification and UMEZ priorities through the discourse and activities of grassroots organizations within Harlem.

**The Role of the Upper Manhattan Empowerment Zone  
In the Gentrification of Harlem**

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**Thesis submitted for review by the faculty of the Politics**

**Department**

**In fulfillment of the degree of Bachelor of Arts with Honors**

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## INTRODUCTION

I've lived in Harlem since I was 8 years old I am now 22. Harlem has always been dear to my heart because of its rich cultural history and presence. It is not uncommon to hear "merengue" playing in the streets or African drumming walking up 125<sup>th</sup> street. Small business owners selling everything from custom made jewelry to perfume line the streets. However, over the years I have witnessed drastic changes in Harlem's landscape. Never would I have imagined a Starbucks on the corner of Lenox or a big-box retail center usually seen in the suburbs across from my apartment building. Mostly educated outside of Harlem, I've always desired to give back to my community with my education. As a student at Mount Holyoke College my ultimate academic goal was to use the resources given to me at such a prestigious institution to give a voice to the marginalized population of Harlem.

Such an opportunity was presented to me in 2008 when I was awarded the Weed Fellowship, a competitive fellowship that grants minority students a chance to pursue an independent research project. My first encounter with the Upper Manhattan Empowerment Zone (UMEZ) was during the summer of 2008 when I researched the impact of gentrification on Harlem residents. While interviewing community activist Jose Rivera, he explained his role as a former employee of UMEZ in which he monitored UMEZ activity in the media. After this conversation a number of questions emerged that motivated me to do further research about the Upper Manhattan Empowerment Zone. What exactly was the Upper Manhattan Empowerment Zone and how was it responsible for new establishments in Harlem such as the Starbucks on Lenox? I had no prior

knowledge of UMEZ nor did I expect my research to lead me to the conclusion that UMEZ has played a significant role in the gentrification of Harlem.

Gentrification has various definitions based on factors such as one's cultural position and political context. However, the definition I use in the case of Harlem is the process of renewal and rebuilding, accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents.<sup>1</sup> The gentrification of Harlem has been a pervasive topic in the field of academia, community organizing and politics. Gentrification attracts attention, both popular and scholarly, in part because of its visible form; in one place there will be "white painting" in others, old buildings demolished and replaced as high-rent apartments or condominiums.<sup>2</sup> Much has been documented concerning the impact of gentrification on the Harlem community. However, this study is an attempt to analyze the political forces responsible for the gentrification in Harlem. Specifically, I examine the role of the Upper Manhattan Empowerment Zone in the gentrification of Harlem.

This project examines the ways in which the Upper Manhattan Empowerment Zone, through the attraction of capital investment, has facilitated the process of gentrification in Harlem. Through case studies in chapters three and four of two major retail developments: Harlem USA and the East River Plaza, I demonstrate how such capital investment projects have contributed to the revitalization of Harlem. I will explain Harvey Molotch's "urban growth machine" in which political pro-business alliances

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<sup>1</sup> "gentrification" Merriam-Webster Online Dictionary. 2010: <http://www.merriam-Webster.com> (September 2009).

<sup>2</sup> Duncan, James, and David Ley. Place/culture/representation. London: Routledge, 1993.

perpetuate growth in a city to illuminate the impact of these retail investments on the Harlem community.

While it's clear UMEZ is not solely or mainly responsible for gentrification, especially in terms of real estate development, it is partly responsible. Certainly, UMEZ is responsible for gentrifying spaces with their retail development investments. I do not argue that UMEZ has explicitly caused gentrification but rather I do argue that UMEZ has played a facilitating role in the gentrification of Harlem. Large-scale gentrification does not happen without the active assistance of government. Federal, state and municipal government funded UMEZ in order to bring economic development to Harlem. In chapter one I provide a detailed history of the Empowerment Zone Initiative, how it is organized and the manner in which money is granted to the Harlem community through the Upper Manhattan Empowerment Zone.

My study also attempts to determine the extent to which dramatic demographic and social changes in Harlem can be attributed to the policies and programs of UMEZ. I also provide a social economic and demographic profile of Harlem in chapter one that highlights such patterns as shifts in unemployment and such demographic information poses the issue of racial change as evidence of gentrification. Furthermore, I argue that there is not clear evidence that UMEZ's policies have benefited local residents. And to the extent that poor and working-class African Americans can no longer afford to live in Harlem, I argue that UMEZ has taken some of the responsibility for this scenario.

Lastly, my study attempts to present the concerns of the Harlem community about gentrification and UMEZ's priorities through the discourse and activities of its

grassroots community-based organizations. UMEZ and community-based organizations like the Harlem Tenants Council have different visions for Harlem. UMEZ believes that attracting capital investment to Harlem is the best way to create jobs and stimulate urban revitalization while Harlem Tenants Council believes such attraction of capital investment is not in the best interest of the Harlem community.

UMEZ is not only in support of private investment but also in forming business partnerships with community organizations whose mission reflects the mission of UMEZ, which is to sustain the economic revitalization of Harlem. I provide information in chapter two on the how the Upper Manhattan's Empowerment Zone's funding of such partnerships encourages the urban revitalization of Harlem through the promotion of increased entrepreneurship and small business assistance. The organizations funded by UMEZ differ drastically from community-based organizations such as the Harlem Tenants Council who are skeptical whether UMEZ initiatives will eventually create living wage jobs and wonder who will benefit from all this public and private investment.

## CHAPTER ONE

### **History of the Empowerment Zone Initiative**

The Empowerment Zone Initiative is a federal policy signed into legislation under the Clinton administration to help revitalize the American economy and promote economic growth through the creation of 10 empowerment zones and 100 enterprise communities.<sup>3</sup> The Empowerment Zone (EZ)/Enterprise Community program was solidified in the fall of 1993 under the Economic Empowerment Act and represented the core strategy of the Clinton administration's community revitalization strategy. However, the idea of empowerment zones/enterprise communities began dozens of years before the Clinton administration. Clinton was the third president to have it on his domestic policy agenda. Local empowerment zones administered by the state consisted of public-private partnerships directed to the revitalization and economic development of hundreds of urban and rural communities across the nation.

While the previous Reagan and Bush administrations were strongly opposed to any governmental presence in the zones—as best typified by former HUD secretary Jack Kemp's unrelenting attack on the “zone czar” and on using EZs as target areas for existing federal programs -- the current visions of EZs recognizes that the federal government may indeed be the only institution with the resources, the expertise, and the commitment to overcome some severe barriers to the economic rebirth of the nation's

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<sup>3</sup> The Administration's Empowerment Zone and Enterprise Community Proposal. Serial No. 103-33. Washington: U.S. Government Printing Office, 1993.

most distressed communities.<sup>4</sup> In fact, the Economic Enterprise Act of 1993 is one of the first substantive indications that the new Clinton administration viewed the federal government not as the nation's main problem, but as a key part of the solution.<sup>5</sup> The Economic Act of 1993 was designed to empower communities to develop job creation strategies that would address the rampant unemployment and poverty in some of the nations' most depressed rural and urban areas. The guiding principle for the initiative is that private capital will create enough economic activity that will produce jobs and small businesses which will lead to the revitalization of America's inner cities and depressed rural areas.

In order to be designated as an empowerment zone, a community had to meet a series of eligibility criteria based on its level of economic distress and its development potential.<sup>6</sup> For instance, a community had to show the capacity to improve its dire economic condition with the strategic use of the designated governmental funds. A community applied for consideration by submitting a detailed strategic plan outlining the coordinated public and private efforts that would contribute to its renewal and growth.<sup>7</sup> Five hundred urban and rural communities applied and competed for a limited amount of \$3.8 billion in government funding by the June 1994 deadline.<sup>8</sup> Nine communities were selected as either rural or urban empowerment zones. One of the urban empowerment zones is located in Harlem, New York and is called the Upper Manhattan Empowerment

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<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> James, Jeffrey K. "Empowerment Zones, Enterprise Communities, and Rural Development Investment Areas". CPA Journal. July 1994

<sup>7</sup> Ibid

<sup>8</sup> Ibid

Zone (UMEZ). Congressman Charles B. Rangel was instrumental in compiling a strategic development plan for Harlem as well as using his considerable political capital with the Clinton administration to ensure that Harlem would be selected as an empowerment zone. The zone covers neighborhoods in Central, East and West Harlem, Washington Heights and Inwood. UMEZ's mission is to "sustain the economic revitalization of all the communities of Upper Manhattan through job creation, corporate alliances, strategic investments and small business assistance".<sup>9</sup> The Empowerment Zone's board of directors grants funding to selective non-profit organizations and grants loans and bond allocations to businesses for commercial development projects. The current CEO Kenneth J. Knuckles is a prominent business and civic leader from the Bronx who has distinguished himself over the past two decades as an attorney and public servant.<sup>10</sup> Prior to becoming the Chief Executive Officer and President of UMEZ a position he has held since January 2003, Mr. Knuckles serves on UMEZ's board of directors.<sup>11</sup>

The current board of directors consists of 23 members including Chairman, Mario L. Baeza who oversees the board of directors. Mario L. Baeza, is the founder and current shareholder of Baeza & Co. as well as Chairman of TCW/Latin America's Partners, L.L.C. Baeza and Co. was formed in 1995 to create the first U.S. Hispanic owned

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<sup>9</sup> "Our Mission". *Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, Web. 12 Sept 2009. <<http://www.umez.org/>>.

<sup>10</sup> "Kenneth J. Knuckles, President and CEO". *Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, Web. 12 Sept 2009. <<http://www.umez.org/>>.

<sup>11</sup> Ibid

merchant banking firm focusing on the Pan-Hispanic region.<sup>12</sup> Both Knuckles and Baeza have distinguished credentials to lead the Upper Manhattan Empowerment Zone Development Corporation.

As a federally designated empowerment zone UMEZ had a specific funding plan. In 1994 UMEZ's initial 10-year strategic plan included investing \$100 million in federal grants to create jobs and attract private development to the Upper Manhattan area. Both the then Governor of New York State, Charles Pataki and the city's mayor at the time, Rudolph Giuliani matched the federal funds creating a total pool of \$300 million over a 10-year span. In 2000, federal legislation extended empowerment zone funding to December 2009 permitting the empowerment zone board to continue to act as a key player in the movement to reinvest in the Harlem community through such efforts as strengthening business investments.

### **UMEZ and Business Investments**

The Upper Manhattan Empowerment Zone offers financial aid to businesses through three programs: The Business Resource and Investment Center, the Business Investments Fund, and the Cultural Industries Fund. Assistance is provided in areas such as start-up or expansion loans and tax abatements are given to qualified businesses.

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<sup>12</sup> "Mario L. Baeza". Kenneth J. Knuckles, President and CEO". *Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, Web. 12 Sept 2009. <<http://www.umez.org/>>.

### *Business Resource and Investment Center*

The Business Resource and Investment Center (BRIC) typically grant loans that ranges from \$50,000 to \$250,000. It is a fixed rate loan and competitive with market prices and a maximum 7 year maturity. There is no job creation requirement. It is used for start-up financing, business expansion, machinery and equipment purchase, leasehold improvements, refinancing, acquisitions and working capital.<sup>13</sup> BRIC also offers technical assistance to UMEZ community partners: The Audubon Partnership for Economic Development, The New York Women's Chamber of Commerce, The Harlem Business Alliance, and The East Harlem Business Capital Corporation. Technical assistance involves an array of services including access to the Business Information Center (BIC), a self-help center with printed and video material on how to start and run a successful business.<sup>14</sup> Such resources are possible because of the millions of dollars poured into the business investment sector.

In 2006 the Empowerment Zone board, under the leadership of Chairman Mario L. Baeza and President and CEO Kenneth J. Knuckles made some unique investments in the community. Such investments include the Harlem Bowling Center (Harlem Lanes) and Big Apple Jazz lounge retail store and café. Most notable is the Harlem Bowling Center, the first state of the art bowling center above 42<sup>nd</sup> street in Manhattan. UMEZ loaned \$350,000 to Harlem Bowling Center for buildout costs, new equipment, and

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<sup>13</sup> "Annual Reports". *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2007. Web. Sept 2009. <<http://www.umez.org>>

<sup>14</sup> "Annual Reports". *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

working capital.<sup>15</sup> The center is especially important for hosting networking events and birthday parties featuring amenities such as a high end sound system, fully equipped sports bar, a quick-service café and arcade room.

UMEZ also awarded a \$100,000 BRIC loan to Big Apple Jazz, LLC. to help finance Big Apple Jazz's new jazz-themed retail store with a jazz café, that offers live music with no cover and no minimum drink daily until 2 p.m.<sup>16</sup> Big Apple Jazz has been successful at attracting groups locally, nationally, and internationally from corporations, tour operators, school and church groups, families, and individuals through its highly visible and popular internet website.<sup>17</sup> It is seen as an asset to the community especially to jazz scholars and musicians who lead educational programs utilized by the public. In the fiscal year 2008, over \$25 million in loans were granted to small businesses through the BRIC. La Pregunta Arts Café, a 1,400 square foot café art center located in West Harlem across from City College was given a \$130,000 BRIC loan.<sup>18</sup> The cafe is a beautiful community space where students and faculty of City College enjoy affordable, authentic Latin American meals and beverages in a comfortable creative atmosphere.<sup>19</sup> Mamajuana, a highly successful 75 seat restaurant located in Inwood and serves Taino food was given \$188,792.<sup>20</sup> Fisher's of Men II located on 145<sup>th</sup> street and well known for its unique fish batter recipe, received a \$150,000 loan to purchase its lease and for

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<sup>15</sup> "Annual Reports". *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2006. Web. Sept 2009. <<http://www.umez.org>>

<sup>16</sup> Ibid

<sup>17</sup> Ibid

<sup>18</sup> "Annual Reports". *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

<sup>19</sup> Ibid

<sup>20</sup> "Annual Reports". *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

working capital.<sup>21</sup> These restaurants add to the culture and vitality of Upper Manhattan and are gladly funded projects of UMEZ.

### *Business Investments*

Loan amounts for business investments are on average \$250,000, and have a fixed rate that is competitive with conventional loan products.<sup>22</sup> The loan term is typically five to seven years for commercial loans and up to ten years for real estate loans.<sup>23</sup>

Businesses that receive the loans must have an experienced management team, a business plan and meaningful equity contribution and create a minimum of five-full time equivalent jobs.<sup>24</sup> Business investment loans fall into two categories: Commercial Business loans and Commercial Real Estate Development loans. Commercial Business loans are aimed at small business investments and generating local wealth within the Upper Manhattan Empowerment Zone. In 2008 UMEZ granted \$1,486,000 to small businesses representing 43% of their total business investments in fiscal year 2008.<sup>25</sup>

Business investments also include large-scale investments such as real estate and commercial development projects. Real estate development loans are aimed at commercial developments that can serve as catalysts for job creation and transform the physical landscape of certain blighted areas.<sup>26</sup> The loan term for commercial real estate

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<sup>21</sup> Ibid

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> Ibid

<sup>25</sup> "Annual Reports". *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

<sup>26</sup> "Investment Guidelines". *The Upper Manhattan Empowerment Zone Development Corporation*. Web. Sept 2009. <<http://www.umez.org>>

loans is up to ten years.<sup>27</sup> Larger capital loans in the fiscal year of 2006 include the investment of \$15 million and issuance of a \$40 million triple-tax exempt bond to the development of the East River Plaza Mall, a mega-box retail center located in East Harlem, which I will discuss in further detail as a case study later in this project.<sup>28</sup> Although UMEZ has invested heavily in the business sector there has been notable investments in culture and art projects within Harlem.

#### *Cultural Industries Investment Fund (CIIF)*

The Cultural Industries Investment Fund (CIIF) aims at investing in the arts and culture projects of Upper Manhattan. Unlike the business sector, investments are in the form of grants not loans and usually vary a great deal in size. A grant term is typically one to three years. The CIIF is used for activities such as the redevelopment of cultural historic sites, service organizations that support emerging art groups, and strengthening long-term cultural institutions. In 2008 88% or \$6.2 million of UMEZ non-profit sector funding went into arts and culture.<sup>29</sup> For example, UMEZ awarded the Manhattan Neighborhood Network (MNN), an organization whose mission is to use television and media as mediums for community members to address issues of concern to them, \$500,000 to help with the renovation of a new facility and to buy broadcasting and

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<sup>27</sup> Ibid

<sup>28</sup> “Annual Reports”. *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2006. Web. Sept 2009. <<http://www.umez.org>>

<sup>29</sup> “Annual Reports”. *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

editing equipment for the new facility.<sup>30</sup> Such funding is possible by meeting a number of requirements.

Nonprofit arts and cultural organizations are eligible for consideration provided they are tax exempt under Internal Revenue Service Code Section 501(c)(3) and either (i) located within the Upper Manhattan Empowerment Zone (the “Zone”), (ii) planning to locate to the Zone or (iii) can demonstrate a service population comprised of at least 70% Zone residents.<sup>31</sup> UMEZ also has restrictions to funding that include not funding various activities such as street fairs, education or youth programs, health and social service programs, and cultural programs that are rehabilitative.

#### *The Grant and Loan Approval Process*

UMEZ has strict eligibility guidelines in order to receive a loan or a grant. Applicants must meet with an empowerment zone lending officer to see if they qualify for a loan or grant before completing an application. Organizations must have been in existence for more than 3 years and grant requests may not exceed 50% of an organization’s annual operational budget.<sup>32</sup> Applicants must also complete a variety of Business Entity and Principal Vendex Questionnaire forms as required by the city of New York. CIIF applicants must also complete a rigorous pre-application process that includes a letter of inquiry and careful examination that a particular project fits the goal of the empowerment zone community. UMEZ directors call for an assessment meeting if a

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<sup>30</sup> Ibid

<sup>31</sup> “Eligibility”. *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone. Web. Sept 2009. <<http://www.umez.org>>

<sup>32</sup> Ibid

particular proposal is deemed desirable for UMEZ funding. UMEZ reviews proposals based on a series of requirements and considerations that include long-term sustainability after UMEZ funding has ended and the possible formation of strategic alliances with public or private organizations.

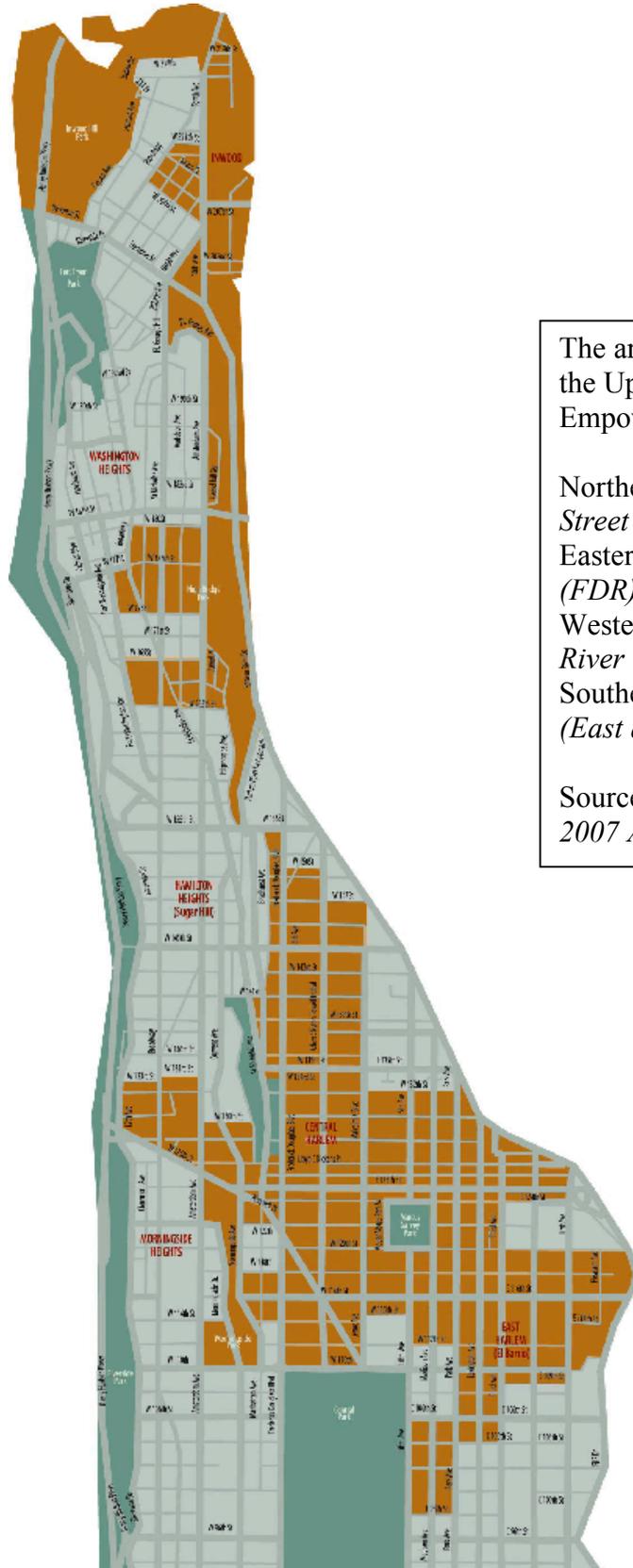
### **Upper Manhattan: Demographic and Social Economic Profile**

Upper Manhattan includes Central, East and West Harlem, Washington Heights and Inwood. It encompasses four Community Districts- 9, 10, 11 and 12. Upper Manhattan is approximately 7.3 miles long and has a population of approximately 584,033.<sup>33</sup> Harlem includes Central, West and East Harlem. However, there is often a distinction made between Harlem and East Harlem. The difference lies in the racial composition of each neighborhood. The northern portion of East Harlem (above 125<sup>th</sup>) has a predominantly black population, while the southern portion, known as “El Barrio” has a predominantly Latino population<sup>34</sup>. These areas are principal communities included in the Upper Manhattan Empowerment Zone policies and programs.

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<sup>33</sup> Annual Reports." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

<sup>34</sup> Rivera, Jose. "East Harlem.com." *Demographic & Social Economic Profile*. Web. Oct 2009. <<http://www.east-harlem.com>>



The areas in orange represent the Upper Manhattan Empowerment Zone.

Northern Boundary: *West 220<sup>th</sup> Street and the Harlem River*  
Eastern Boundary: *East River (FDR)*  
Western Boundary: *Hudson River (Riverside Drive)*  
Southern Boundary: *96 Street (East and West)*

Source: *www.umez.org, UMEZ 2007 Annual Report.*

East Harlem has a current population of 10,508 according to the 2000 Census. In the early 1980s East Harlem experienced a shift in population from mainly black to predominantly Latino. By 1990 Latinos became the dominant portion of the population with 53 percent while blacks constituted only 39 percent.<sup>35</sup> Although district-wide Census data describes East Harlem's diverse ethnicity, US Census tract data reveals population concentrations within the district. According to a 2006 report from the American Community survey, a Census Bureau nationwide survey designed to provide annual demographic updates Upper Manhattan is 30% Black, 50% Latino, 15% white and 4% other.<sup>36</sup> The median income for Upper Manhattan is just a little under \$30,000.<sup>37</sup> In the year 2008, approximately 22% percent of Upper Manhattan residents taken from a population of 25 years old and over had a high school diploma, while approximately 14% of this population held a bachelor's degree.<sup>38</sup>

The widespread decrease in manufacturing jobs caused by structural shifts in the national economy during the period of 1970 to 1990 affected all of New York City. However, this trend was especially severe in East Harlem where a greater proportion of workers were employed in "blue collar" work.<sup>39</sup> According to the 1990 US Census, 48 percent of workers in East Harlem worked in the service sector. Most service sector jobs were in hospitals and in other health institutions such as community health clinics and

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<sup>35</sup> Rivera, Jose. "East Harlem.com." *Demographic & Social Economic Profile*. Web. Oct 2009. <<http://www.east-harlem.com>>

<sup>36</sup> Ibid

<sup>37</sup> Annual Reports." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2008. Web. Sept 2009. <<http://www.umez.org>>

<sup>38</sup> Ibid

<sup>39</sup> Rivera, Jose. "East Harlem.com." *Demographic & Social Economic Profile*. Web. Oct 2009. <<http://www.east-harlem.com>>

home health aid agencies. Retail trade, which represents the second largest industry in Harlem, dropped from 12.6% to 11.7% of all workers in 1990.<sup>40</sup> In 1990 the manufacturing sector employed 11.3% of East Harlem workers.<sup>41</sup>

Moreover, according to New York City Department of City Planning's 197-A plan for East Harlem the unemployment rate in 1999 for the district was 16 percent, which was twice the rate of Manhattan's 8 percent unemployment. Males were unemployed at a much higher percentage, 18 percent, compared to 13 percent for females. Nearly one-third of East Harlem's youth were unemployed --- a rate more than three times greater than that of the city.<sup>42</sup> Nearly 1.4 percent, of young people aged 16 to 19 were either not in school, not high school graduates or did not work.<sup>43</sup> East Harlem's struggle with unemployment reflected the experience of much of Upper Manhattan during the 1990s.

Despite its status as an international icon, Harlem like much of Upper Manhattan in 1990s also bore the evidence of three difficult decades.<sup>44</sup> Like most inner cities around the nation, Harlem has been scarred by the transition from an industrial to a service economy. From the early 1960s to the late 1980s Upper Manhattan experienced unprecedented levels of population loss, concentrated poverty, and crime.<sup>45</sup> As businesses followed the middle class migration to the suburbs, jobs, basic shopping amenities, and

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<sup>40</sup> Ibid

<sup>41</sup> Ibid

<sup>42</sup> Ibid

<sup>43</sup> Ibid

<sup>44</sup> Annual Reports." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 1996. Web. Sept 2009. <<http://www.umez.org>>

<sup>45</sup> Ibid

private investment in housing and other real estate declined precipitously.<sup>46</sup> In the midst of such a dire economic condition, the hope of the implementation of Upper Manhattan Empowerment Zone programs in 1996 was to generate an economic growth boom to create jobs and revitalize Harlem.

However, employment patterns for example, have been sporadic in Harlem and call into question UMEZ's ability to reduce unemployment. In 2002 15% of workers 16 and over in Congressional District 15 (Upper Manhattan) were unemployed.<sup>47</sup> The unemployment rate has fluctuated in the ensuing years. While it decreased to 10.3% in 2006 it soared to 15.4% in 2007.<sup>48</sup> According to the New York State Department of Labor, the citywide unemployment rate rose from 5.3 percent to 7.3 percent from January 2008 to January 2009.<sup>49</sup> Typically, Harlem's unemployment rate is double the city's average; reaching 18.7 percent in Community Districts 9 and 10 and 17.1 percent in District 11 in 2008.<sup>50</sup>

Similar to the rest of the nation, in 2008, the U.S. Labor Department stated that U.S. unemployment rates surged to 5.5% in May from 5% in April, the steepest monthly increase in 22 years.<sup>51</sup> The Labor Department also revealed that 49,000 jobs were lost nationwide in May, part of 324,000 lost jobs.<sup>52</sup> New York State lost 209,000 private sector jobs since June 2008 most coming from trade, transportation and the utilities

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<sup>46</sup> Ibid

<sup>47</sup> U.S. Census. *American Fact Finder: Congressional District 15.*, 2002. Web. 1 Mar 2010.

<sup>48</sup> U.S. Census. *American Fact Finder: Congressional District 15.* 2006&2007. Web. 1 Mar 2010.

<sup>49</sup> Levin, Sam. "Harlem hit hard by rising unemployment rates." *Columbia Spectator* 31 March 2009: Web. 29 Nov 2009. <<http://columbiaspectator.com>>.

<sup>50</sup> Ibid

<sup>51</sup> Smith, Aaron. "There's no TGIF at the job center." *CNNMoney* (2008): Web. Nov 2009. <<http://money.cnn.com>>

<sup>52</sup> Ibid

sector. A 2009 study by the Fiscal Policy Institute illuminates how unemployment rates varied widely in different parts of Manhattan from 5.1 percent on the Upper East Side to more than 13 percent in Harlem and the rest of Manhattan.<sup>53</sup> James Parrot, the institutes' chief economist, said the figures hint at troubling developments beneath the city's 10 percent unemployment rate. Parrot also stated, "In a gentrifying neighborhood such as Harlem, where whites are joining longtime black residents, many people are still in desperate financial straits".<sup>54</sup> Upper Manhattan, home to the UMEZ, which has poured millions of dollars in capital investment in Harlem over the past decade, still has some of the highest, if not the worse, unemployment rates in New York City. As Parrot suggested, Harlem is gentrified but residents are still suffering financially due to high unemployment rates.

It is dubious whether UMEZ has done enough to reduce the unemployment picture. While it would be difficult to reduce unemployment in the current economic climate, UMEZ policies for the past 10 years were not able to arrest high unemployment before the current economic crisis. This leads to the question, have UMEZ policies benefited the low-income, minority population of Harlem or have the policies solely accommodated the new emergent white population? To answer this question, in chapters three and four I will draw attention to two case studies of retail investment. I contend that capital investment has not benefited residents of the Harlem community to the extent

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<sup>53</sup> Schuppe, Jon. "Study Shows Harlem and Washington Heights with City's Highest Unemployment." *DNAinfo* (2009): Web. Dec 2009. <<http://dnainfo.com>>

<sup>54</sup> *Ibid*

desired but rather has facilitated gentrification and the accommodation of a new affluent population.

## CHAPTER TWO

### **The Upper Manhattan Empowerment Zone and Business-Community Partnerships**

Although, the use of government subsidies to attract private capital is one method of facilitating urban revitalization, numerous local community development organizations have helped residents make use of government funding to improve their community.<sup>55</sup> The Business-Community Partnership model was developed to improve economic self-sufficiency, attract more businesses and reduce unemployment through increased job opportunities and the development of job training programs. Community Development Financial Institutions (CDFI's) help to promote access to capital and local economic growth in urban low-income communities. These organizations have become the second tier, per se, to finance capital investments in disadvantaged communities.<sup>56</sup> Both models have been utilized by the Upper Manhattan Empowerment Zone to increase access to funding within the Harlem community and promote its mission of the revitalization of Harlem. Such partnerships are distinctly different from community-based organizations that usually oppose gentrification on even the most basic levels.

The Upper Manhattan Empowerment Zone has invested in partnering with community organizations whose mission coincides with their goals of the stimulation of economic development within Harlem. According to the Upper Manhattan Empowerment Zone's website, UMEZ has granted more than \$4 million to three community

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<sup>55</sup> *Business Alliance: Planning for Business and Community Partnerships*. Monograph. Washington, DC: U.S. Department of Justice, 1994.

<sup>56</sup> *Business Alliance: Planning for Business and Community Partnerships*. Monograph. Washington, DC: U.S. Department of Justice, 1994.

organizations whose missions are to stimulate grass-roots entrepreneurship at the local level.<sup>57</sup> The organizations are the East Harlem Business Alliance, New York Women's Chamber of Commerce and Audubon Partnership for Economic Development. The decision to invest \$4 million in these community organizations suggests there are certain benefits to forming such community partnerships. A major benefit is that these partnerships facilitate the continued economic revitalization of Harlem, which is the overall vision of UMEZ. Furthermore, such benefits can best be explained with the capacity building model.

#### *Business-Community Partnerships and Capacity Building*

Collaborations and partnerships between business and community organizations are increasing in number because such partnerships create an enabling environment and provide a win-win solution to both sectors.<sup>58</sup> Through partnerships with the community services sector, businesses can expand their knowledge and understanding of the range of capacity building imperatives of that sector and consequently, can signpost the most appropriate contributions that the partnership can make to community capacity building.<sup>59</sup> The partnership can tap both the corporation and the community organization into a wide range of information sources as well as produce innovative enterprises and programs.<sup>60</sup>

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<sup>57</sup> "Community Partners." *The Upper Manhattan Development Corporation*. Upper Manhattan Empowerment Zone, Web. Sept 2009. <<http://umez.org>>.

<sup>58</sup> Loza, Jehan. "Business-Community Partnerships: The Case for Community Organization Capacity Building." *Journal of Business Ethics* 53.3 (2004): 297-311. Web. Nov 2009.

<sup>59</sup> Ibid

<sup>60</sup> Ibid

For business this brings many benefits. A collaborative and partnership approach can help minimize operating, project and management risk.<sup>61</sup> This is because community organizations act as external stakeholders to core corporate structure and, consequently, can provide an early warning sign to potential problems caused by corporate activities.<sup>62</sup> By building relationships with the community sector, criticism and distrust is reduced. Where distrust of corporations exists, community organizations can often act as intermediaries; thereby facilitate the corporations' entry into the community. What would be considered exploitive or unethical under sole corporate control is more likely to be a civil process to gain access to wider market resources under collaboration and partnership with a community organization.<sup>63</sup>

On a local and global level, globalization processes have meant that business-community organization partnerships are becoming critical as corporations are forced to turn to low-income and other disadvantaged communities to support their businesses.<sup>64</sup> There are a variety of advantages to businesses partnering within the community service sector. Businesses can improve their reputation or sign post certain initiatives as it pertains to the community. Indeed, businesses can also remain well informed of the issues that are prevalent in the community and execute strategic partnerships to protect their reputation. Globalization has been a major force in igniting the effect of business-community partnerships. Businesses no longer view themselves as separate entities from the community but now recognize community organizations as vehicles of business

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<sup>61</sup> Ibid

<sup>62</sup> Ibid

<sup>63</sup> Ibid

<sup>64</sup> Ibid

success. However, business cannot partner with just any community organizations; the organizations must mirror the efforts of the business and believe in its mission statement to create the most effective partnership.

According to the Bureau of Community Justice, community partnerships are a voluntary union of individuals and businesses that band together to promote the commercial, financial, economic and civic interest of the community.<sup>65</sup> The notion of a business alliance was formulated to help disadvantaged communities improve economic self-sufficiency and stimulate entrepreneurship. Any business or individual sharing a common interest in community improvement is eligible for membership in such an alliance.<sup>66</sup> The ultimate goal of a business-community partnership is to ensure that both the private sector and the neighborhood benefit from the partnership:

Any community involved in planning for revitalization efforts can benefit from the business alliance concept, however such planning must ensure that neighborhoods provide safe environments in which businesses can be reestablished. The Business Alliance Program takes advantage of the flexibility of the private sector and provides a way for the community to develop mutually beneficial partnerships. Their partnerships reflect the unique characteristics of a business community and the perspectives of business owners who are most directly affected by revitalization efforts and whose participation and cooperation are critical. The Business Alliance brings together public and private groups and individuals who are enthusiastic about fostering real economic change in their communities.<sup>67</sup>

The community is viewed as an independent economic unit capable of revitalization through such partnerships. Furthermore, these partnerships are highly selective and well-thought analysis and evaluation of the communities' power structure.

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<sup>65</sup> *Business Alliance: Planning for Business and Community Partnerships*. Monograph. Washington, DC: U.S. Department of Justice, 1994.

<sup>66</sup> Ibid

<sup>67</sup> Ibid

Steps include listing influential political leaders in groups, identifying successful and failed community projects, and the people responsible for either the failure or success. The ultimate goal is to identify individuals whose activities are most involved with the future of the community. These partnerships are no accident but rather are strategic ways to pursue economic development through funding of capacity building initiatives.

### **East Harlem Business Capital Corporation: A Business Community Partnership**

In June 2000 The Upper Manhattan Empowerment Zone, under the leadership of Kenneth J. Knuckles chose the East Harlem Business Capital Corporation to be a community partner under its Community Revitalization Initiative (CRI). According to the business-community partnership model a company can offer a variety of capacity building services to the community organization. For instance, a business corporation can begin funding project/programs that address capacity building initiatives for the community organization. Under this partnership EHBCC has received continued funding from the UMEZ. EHBCC received a \$200,000 grant and an additional amount for the EHBCC loan fund.<sup>68</sup> In early 2003, EHBCC was awarded a two-year \$500,000 grant.<sup>69</sup> Knuckles announced that UMEZ granted EHBCC a multi-year grant of \$985,000.<sup>70</sup> The grant was for the purpose of covering operating costs for EHBCC and to provide incentive for the provision of certain technical assistance and access to capital services for small businesses in Harlem.

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<sup>68</sup> "East Harlem Business Capital Corporation." *Our History*. East Harlem Business Capital Corporation, Web. Nov 2009. <<http://www.ehbcc.org>>.

<sup>69</sup> Ibid

<sup>70</sup> Ibid

According to Knuckles, “The creation, growth and development of small businesses are one of the cornerstones of our strategy to revitalize all of Upper Manhattan, through the efforts of EHBCC we are better able to address basic business development issues that inhibit the creation and growth of small and micro businesses in East Harlem, EHBCC has demonstrated an unwavering commitment to making the East Harlem Business community better and stronger, and we are pleased to work with them in this regard”.<sup>71</sup> As this quote demonstrates, these partnerships are indeed strategic methods by the Upper Manhattan Empowerment Zone to revitalize Harlem. Such a relationship exemplifies the dynamic of the business-community partnership model in which there is a shared mission of economic development.

There are various ways a corporation can contribute to making a community partner “better and stronger”. Corporate partners can offer e-commerce facilities, intranets and interactive facilities and courses. This enables the organization to pitch itself in the global arena and improve information dissemination and networking. Thomas E. Backer claims that technical assistance can be a powerful tool for organizations to analyze and assess their strengths and weaknesses, and devise capacity building plans, monitor and evaluate their programs and ultimately empower their communities.<sup>72</sup> EHBCC assisted 25 businesses to develop their business plans to attract needed business financing.<sup>73</sup> The clients served included a range of retail and service

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<sup>71</sup> Ibid

<sup>72</sup> Loza, Jehan. "Business-Community Partnerships: The Case for Community Organization Capacity Building." *Journal of Business Ethics* 53.3 (2004): 297-311. Web. Nov 2009.

<sup>73</sup> "East Harlem Business Capital Corporation." *Our History*. East Harlem Business Capital Corporation, Web. Nov 2009. <<http://www.ehbcc.org>>.

businesses, including two restaurants (Creole Restaurant and Sabor Hispano), a local Laundromat (Saenid Laundromat) and local print shop (Printfast), among others.

In total, EHBCC helped raised over \$300,000 for local entrepreneurs, as well as assisted entrepreneurs through the *BusinessWise* entrepreneurial training program and other courses offered by EHBCC.<sup>74</sup> The \$985,000 multi-year grant was used to cover a portion of EHBCC's operating costs and to provide an incentive for the provision of various services for small businesses in East Harlem, including technology training in *Word, Excel and QuickBooks*, business plan development, acquisition of proper certificates and licenses to legally operate business and start-up business training through the organization's *BusinessWise* entrepreneurial training program.<sup>75</sup>

**Audubon Partnership for Economic Development (APED): Community Development Financial Institution (CDFI)**

The Upper Manhattan Empowerment Zone formed its partnership with Audubon in 1998. Under the leadership of Kenneth Knuckles, UMEZ has given more than \$1.8 million to the partnership since 1998. On October 6, 2006 the UMEZ completed a deal that awarded \$320,000 to the Audubon Partnership for Economic Development to provide technical assistance to businesses and entrepreneurs in Washington Heights and

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<sup>74</sup> Ibid

<sup>75</sup> "Empowerment Zone Awards \$985,000 Multi-Year Grant to the East Harlem Business Capital Corporation." *Upper Manhattan Empowerment Zone Development Corporation* 21 Aug: Web. Feb 2010. <<http://umez.org>>.

Inwood for one year.<sup>76</sup> At the inception of this grant the Audubon Partnership planned to help 25 local businesses or entrepreneurs in obtaining loans from financial institutions, provide 1,400 training slots in Word, Excel and other business applications for local business owners and employees, assist in obtaining at least 130 business permits, licenses or minority/women business certifications and provide 12 workshops on Empowerment Zone Tax Credits, business operations, food handling and health code certification.<sup>77</sup>

Walther G. Delgado, Executive Director of the Audubon Partnership stated: “The funds from the Empowerment Zone expand our ability to support the needs of local businesses and entrepreneurs”.<sup>78</sup> In June 2008 UMEZ granted the partnership a \$920,000 multi-year grant to continue access to capital and technical development. I wondered to what extent was the Audubon Partnership for Economic Development was successful in implement funds from the Empowerment Zone to spearhead these goals.

One is example is the Digital Technology Cable Contracting Corp. who received much-needed assistance in developing a business plan from APED. APED also facilitated meetings between the DTCCC’s CEO, Jesus Grullard, and banking institutions. Mr. Grullard believes that it was APED’s involvement that led to his company obtaining a contract with Cablevision and a pending contract with Time Warner Cable. Grullard states that “APED has been an invaluable ally in all our efforts to continually grow in a

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<sup>76</sup> "Empowerment Zone Gives \$320,000 To Serve Entrepreneurs In Washington Heights And Inwood." *Upper Manhattan Empowerment Zone Development Corporation* 6 Oct 2004: Web. Feb 2010. <<http://umez.org>>.

<sup>77</sup> Ibid

<sup>78</sup> Ibid

field that is especially competitive and always changing".<sup>79</sup> The Upper Manhattan Empowerment Zone's funding of these institutions has proved to be instrumental in expanding capital and economic growth within Upper Manhattan.

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<sup>79</sup> "Empowerment Zone Awards \$920,000 Multi-year Grant to Washington Height's Audubon Partnership." *Upper Manhattan Empowerment Zone Development Corporation* 8 June 2006: Web. Feb 2010. <<http://umez.org>>.

## CHAPTER THREE

### *A Case Study*

### **Harlem USA**

### **The Beginning of Gentrification in Harlem**

Economic development in minority communities revolves around revitalizing “blighted” neighborhoods. Many minority communities in the inner city are viewed to be in social decay: facing high patterns of rapid unemployment, high crime and depopulation. One major revitalization strategy is to drastically transform the physical landscape of a blighted community. Indeed, abandoned buildings, empty parking lots and visible signs of homelessness are all signifiers of a community in urban decay.

In fact, as a young child growing up in Harlem, I remembered tons of empty lots and dilapidated buildings. If I wanted to shop in a retail store or a latte from Starbucks I’d have to make a trip to midtown. Moreover, I only saw luxury condominiums in downtown Manhattan, not in Harlem. However, that all changed with the development of Harlem USA, a large-scale retail complex center that opened on 125<sup>th</sup> Street in 2000. Harlem USA, the first major project of the Upper Manhattan Empowerment Zone ignited the process of gentrification in Harlem, leading to a proliferation of small business and other large-scale retail investments to accommodate an influx of white and black elites and criticisms from community organizations.

### **Harlem USA: Establishing the Viability of Large Scale Retail on 125th**

Harlem USA, a 275,000 square foot retail complex was the first major retail project of the Upper Manhattan Empowerment Zone. At the time of its opening in 2000,

it was the most significant commercial development that Harlem had seen in decades. It drastically changed the landscape of 125<sup>th</sup> street. What had previously been a few stores and a large empty lot was now a vibrant commercial center. The following images show the construction site of Harlem USA before and after the development of the project.



*The Harlem  
USA site before  
Construction  
Source: 1996-  
1999 Annual  
Report*



*Harlem USA  
after  
construction:  
2000  
Source:  
Harlem  
USA.com*

The new development boasted such tenants as Magic Johnson Theatres and Old Navy. The development, which has been in the works since 1992, is the result of a vision shared between Drew Greenwald, president of Grid Properties, and Barbara Norris, president of Commonwealth Local Development, a local non-profit economic development corporation that contributed 10% in equity to the project.<sup>80</sup> This revitalization was made possible by Chase Manhattan, who provided a construction loan of \$47 million to the project.<sup>81</sup> The Upper Manhattan Empowerment Zone under the leadership of President Terry C. Lane and Chairman Richard D. Parsons provided a

<sup>80</sup> DeSimone, Elaine. "Harlem USA Proves Neighborhood Is Seeing the Light." *Retail Traffic* Nov 1 1999: Web. Dec 2009. <<http://retailtrafficmag.com>>.

<sup>81</sup> Ibid

subordinated loan of \$11.2 million, or 17% of the total financing a \$65 million project.<sup>82</sup>

UMEZ's goal was to establish the viability of a large-scale retail center on 125<sup>th</sup> Street by attracting high-end companies:

Attracting leading companies in high-growth industries is a critical component of re-connecting Upper Manhattan to New York City's larger economic engine. Recruiting companies in growing industries creates jobs in volume, attracts private investment and creates opportunities to export goods and services beyond Upper Manhattans geographic boundaries. Our strategy is to utilize our capital, and federal and other public tax incentives to energize new markets, making the lead investments required to attract mainstream capital.<sup>83</sup>

Re-connecting Upper Manhattan to New York City's larger economic "engine" involved transforming Harlem to look like the rest of New York City; images of Times Square with bright lights and excitement are our cultural signifiers of New York City. This project didn't go unnoticed; the media cited Harlem USA as a new "Renaissance" and explained just how drastic Harlem USA was to Harlem. Also, in an article by Elaine DeSimone, entitled "Harlem USA Proves Neighborhood is Seeing the Light" the opening paragraph proves quite telling: "If you had walked through its urban streets 15 years ago, most buildings would have been boarded up. But today, homes and businesses are being renovated, crime is decreasing and the economy is thriving. Harlem - historically one of the most depressed areas of Manhattan - is now ripe for retail".<sup>84</sup>

DeSimone's assertion that Harlem was ripe for detail was indeed correct. The visible signs of retail began to sprout up not too long after the development of Harlem

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<sup>82</sup> Ibid

<sup>83</sup> "Annual Report." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 1996-1999. Web. Sept 2009. <<http://www.umez.org>>

<sup>84</sup> DeSimone, Elaine. "Harlem USA Proves Neighborhood Is Seeing the Light." *Retail Traffic* Nov 1 1999: Web. Dec 2009. <<http://retailtrafficmag.com>>.

USA. Here I mean retail stores such as H&M, Marshall's and Staples, typically seen in downtown Manhattan, were now located on 125<sup>th</sup> Street. Initially, I was excited to shop at an H&M up the street from my house as opposed to one train ride away. One of the many goals of the Upper Manhattan Empowerment Zone was to provide quality capital goods for Harlem residents because 70% of Harlem residents did their shopping elsewhere.<sup>85</sup>

Furthermore, UMEZ made it easier to attract retail investment to Harlem through a number of business incentives. For example, the Employer Wage Credit allows employers to claim credit for employees who are Empowerment Zone residents. Other benefits including Increased Section 179 Deduction are also available to businesses located in the EZ, which may deduct thousands of the cost of depreciable property in the year the property is placed into service.<sup>86</sup> The benefit of Tax Exempt Bond Financing is available for qualified business to facilitate financing of new facilities and renovation or expansion of existing facilities. Private activity bonds in amounts of up to \$3 million per zone business may be issued.<sup>87</sup> These numerous tax advantages have made it more possible to attract retail investment.

This influx of retail investment also encouraged the influx of a new population of white elites and a proliferation of small businesses adding to the changing landscape-or rather the gentrification of Harlem. There are very specific social, demographic and residential shifts that suggest that gentrification is taking place. Our symbolic representations of gentrification usually reflect some visible manifestations of class-

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<sup>85</sup> "Annual Report." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 1996-1999. Web. Sept 2009. <<http://www.umez.org>>

<sup>86</sup> Annual Reports." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 1996-1999. Web. Sept 2009. <<http://www.umez.org>>

<sup>87</sup> Ibid

making and racial restructuring in the community. Here I mean the new presence of a large and growing population of whites in a predominately minority neighborhood usually suggests fundamental social and economic change in that neighborhood. I want to be cautious not to equate gentrification with “whiteness” but that is the dominant form of discourse in discussions of gentrification and it is also the population that has made its way to Harlem. Although not a major focus of my study there has been a presence of black elites who have made their way to Harlem.

In my opinion the black elites act as intermediaries within the Harlem community. What I mean is to the one extreme black elites are seen as part of the “bourgeoisie” and do not understand the “black” struggle. The other extreme is that black elites are also seen as beneficial as they can most likely relate to the key players of the Upper Manhattan Empowerment Zone whose board is majority elite minorities. In a study done by Sharon Zukin, entitled “New Retail Capital and Neighborhood Change: Boutiques and Gentrification in New York City” she cites that many of the new retail entrepreneurs in Harlem have college, law and graduate business degrees. The pattern of loans that Zukin and her PhD students observed suggests that UMEZ exercises a preference for the Black middle class-because unlike some lending institutions, the state agency holds potential loan applicants to fairly rigorous standards that demand a high-degree of self-financing and a history of financial stability.<sup>88</sup> Even though there is a class difference between the black middle class and the black working poor of Harlem: the common denominator is

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<sup>88</sup> Zukin, Sharon. "New Retail Capital and Neighborhood Change: Boutiques and Gentrification in New York City." *American Sociological Association* (2009): Web. Feb 2010.

race. Black elites favored by UMEZ can potentially be the voices of the black population negatively affected by gentrification of Harlem.

However, the presence whites moving into Harlem was my first observation that the process of gentrification of Harlem was underway. Harlem has been known globally as the black mecca, rich in black history and diverse cultural representations of the black community. For nearly a century Harlem has been synonymous with black urban America.<sup>89</sup>

Yet changing population demographics has challenged the racialization of Harlem's space. The majority population in Harlem is no longer black; the proportion of whites has increased such that blacks are no longer the clear majority. Since 2000, central Harlem's population has grown more than any other decade since the 1940s, from 109,000 to 126,000 but its black population- about 77,000 is smaller than other time since the 1920s.<sup>90</sup>

These changes have been especially drastic in the areas of central Harlem where blacks account for 6 in 10 residents.<sup>91</sup> In fact, since 2000 the proportion of whites living in central Harlem has more than doubled, to more than 1 in 10 residents.<sup>92</sup> The Hispanic population, which was concentrated in East Harlem, is now at an all-time high in central Harlem, up 27 percent since 2000.<sup>93</sup> In 2008, 22 percent of the white households in

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<sup>89</sup> Roberts, Sam. "No Longer Majority Black, Harlem is in Transition." *New York Times* 5 Jan 2010: Web. Feb 2010. <<http://www.nytimes.com>>.

<sup>90</sup> Ibid

<sup>91</sup> Ibid

<sup>92</sup> Ibid

<sup>93</sup> Ibid

Harlem had moved to their present homes within the previous year. By comparison, only 7 percent of the black households had.<sup>94</sup>

In addition to changes in racial demographics, also the changes in the small business environment can indicate gentrifying processes underfoot. Since the 1970s, certain types of upscale restaurants, cafes, and stores have emerged as highly visible signs of gentrification in cities all over the world.<sup>95</sup> These commercial spaces embody, serve, and represent a powerful discourse in neighborhood change.<sup>96</sup> On a basic level, the new consumption spaces supply the material needs of more affluent residents and newcomers.<sup>97</sup> In U.S. cities, low-income Black and Latino residents identify upscale consumption spaces with “white” interests, and although they may appreciate better goods and services that new stores make available, they resent the implication that the white newcomers are responsible for the improvements.<sup>98</sup> The Upper Manhattan Empowerment Zone Board has been responsible for funding for a proliferation of upscale small businesses. Instead of listing the exhaustive number of small businesses funded by UMEZ, I will highlight certain boutique and cafes that have served as cultural symbols of gentrification in Harlem.

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<sup>94</sup> Ibid

<sup>95</sup> Zukin, Sharon. "New Retail Capital and Neighborhood Change: Boutiques and Gentrification in New York City." *American Sociological Association* (2009): Web. Feb 2010.

<sup>96</sup> Ibid

<sup>97</sup> Bridge, G. "Microgeographics of Retail and Gentrification". *Australian Geographer*. 32.1 (2001): 93-107.

<sup>98</sup> Freeman, Lance. *There Goes the 'Hood: Views of Gentrification From the Ground Up*. Philadelphia, PA: Temple University Press, 2006.

Settepani, an upscale bakery received a loan of \$200,000 from the Empowerment Zone Board.<sup>99</sup> Settepani is located on Malcolm X Blvd at the corner of 120<sup>th</sup> Street. The bakery offers a very pleasing aesthetic to the block and is an obvious symbol of the changing class dynamics in Harlem. I live on 120<sup>th</sup> and Pleasant Street just a few blocks down from Settepani, however, I have yet to sit down and enjoy a treat from the bakery. Its physical appearance with posh outdoor furniture is an immediate barrier. Walking past the bakery, I usually see white businessmen enjoying a cup of coffee or young white families whose children enjoy play dates with other children. I mostly observe what seem to be middle-class whites dining there so I feel out of place with just jeans and a T-shirt and choose to visit a nearby bodega instead. My personal experience has led me to ponder a number of questions. Although I have every right to dine there, why do I feel so out of place? Although, Settepani is located in Harlem, why do I feel it's not there to serve all residents of Harlem? How can a bakery threaten one's sense of space and belonging? Are my feelings validated? Upon further inquiry, I discovered that Settepani was indeed not created for the current residents of Harlem, but to appeal to an affluent population moving to Harlem. The presence of Settepani seemed to offer a sense of satisfaction in new services provided in Harlem. Gregory Carey, a newcomer to Harlem provides his experience moving to Harlem:

“I took my laundry downtown for months” said Gregory Carey, a stand-up comedian who bought a derelict brownstone on Malcolm X Boulevard in May 2000 for \$250,000. When he moved in, prostitutes and crack dealers worked the upper floors; the boulevard had not begun its transformation. The things he took for granted in his old neighborhood on the Upper West

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<sup>99</sup> “Annual Reports.” *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2001-2002. Web. Sept 2009. <<http://www.umez.org>>

Side -- where he rented an apartment of 300 square feet -- were nonexistent unless he hopped a subway. "Seeing Settepani was a light," Mr. Carey said. "Services have improved a million percent, because there were none."<sup>100</sup>

Michael Adams, a Harlem architectural historian and preservationist also cited his observations on the changing dynamics of Harlem in a *New York Times* article. Adams continued:

For so long, living in Harlem has meant being painfully aware of what a difficult place you chose to live. People begrudgingly accepted the reality that everything it had was substandard, because there was no alternative. The miracle of Lenox is that now we have facilities in Harlem that are the finest of their type. You cannot find a better cafe and bakery than Settepani.<sup>101</sup>

As Mr. Adam's so clearly indicates, Harlem has existed as a place that has traditionally offered menial and limited services. There was no access to upscale bakeries or fine restaurants. His observation, although rather direct, illustrates a once blighted community that was "difficult" to live in because everything was of poor quality. The "miracle of Lenox" refers to the emergence of new small businesses on Lenox Avenue offering "quality" upscale services. These new commercial businesses include Native, a fusion bistro at Malcolm X Boulevard and 118th Street, and a design boutique called "Xukuma" near 119th. A new hair salon and day spa called Turning Heads is located just up the boulevard, also known as Lenox Avenue, and a clothing shop called "Harlemade"

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<sup>100</sup> Leland, John. "A New Harlem Gentry in Search of Its Latte." *New York Times* 7 Aug 2003: Web. 2 May 2010. <<http://www.nytimes.com>>.

<sup>101</sup> Ibid

further down. All have been opened in the last three years, all are projects funded by the Upper Manhattan Empowerment Zone.

These projects have greatly pleased the “newcomers” of Harlem. One common complaint was the diversity of food in Harlem, that the only food Harlem could offer was soul food. Valerie Jo Bradley, a long-time resident of Harlem welcomed the new restaurants: "I can go to Settepani on Sunday and fellowship with the neighborhood... I can go to dinner at Native and not have to apologize because the menu is not sophisticated. How many places can you have soul food? Black people eat more than soul food".<sup>102</sup> Bradley’s sentiments reflect a personal satisfaction with the new services offered in Harlem.

Furthermore, those who purchased and restored brownstones in Harlem were not initially satisfied with the atmosphere and services provided in Harlem. Georgia Boothe, who restored a brownstone in Harlem, stated "There wasn't anything in the neighborhood I wanted to buy. If I wanted a candle, I'd have to go downtown. For a while you could buy gifts at the African market on 116th Street, but that wore off. How many times can you show up with African cloth?"<sup>103</sup> Boothe was accustomed to a diverse range of “goods” that were not limited to cultural items she often saw in Harlem.

The appearance of amenities here, similarly, both reflects and facilitates the real estate boom, in which the price of a shell has risen to around \$750,000 from under \$100,000 in less than a decade.<sup>104</sup> Nicholas Burning, an architect commented on the

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<sup>102</sup> Ibid

<sup>103</sup> Ibid

<sup>104</sup> Ibid

difference commercial activity has had on the real estate market in neighborhoods like Harlem, “The difference here is that commercial is doing things. Having houses is great, but it's commercial that gives you street life and foot traffic, which are so vital”.<sup>105</sup> Glenn Rice, a real estate agent added, “It’s hard to get people to pay \$1 million for a house where they can’t go out to eat”.<sup>106</sup> Commercial activity attracts people and in turn can drastically transform a neighborhood.

Transformation suggests fundamental change, which in this case is change that includes making the community hospitable to affluent whites. It appears that the proliferation of these new businesses was not for the current residents of Harlem to enjoy, but rather for the appeasement of those who were new to the area. There is no longer a need to travel outside of Harlem to enjoy certain amenities and these businesses have bolstered Harlem’s image as a safe community. Ms. Ramcharan, a business manager for Escada talks about the change since she first moved in: “When we first moved in it was still the “Wild West”, she said. "But my friends' attitude has changed." She said her friends had gone through three stages: "danger, curious, and we'll be right up."<sup>107</sup> The sense of danger once felt by newcomers seemed to have been eased by the new commercial and small business activity.

The Upper Manhattan Empowerment Zone has not been oblivious to the impact that the presence of these upscale small businesses would have in satisfying and attracting new residents; they have focused a large portion of funding on such small

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<sup>105</sup> Ibid

<sup>106</sup> Ibid

<sup>107</sup> Ibid

businesses. Three million dollars was initially allocated for UMEZ's restaurant loan initiative but because of the high rate of return UMEZ allotted an additional \$2 million to the project.<sup>108</sup> UMEZ explains the importance of the restaurant initiative in their 2001-2002 annual reports:

Since identifying viable commercial spaces along target commercial corridors, eateries and cafes have begun to flourish in all sectors of the Upper Manhattan. Indigenous menus from vegetarian to cultural, the exotic to the familiar, can all be found with the Empowerment Zones environs. Based on this, UMEZ foresees a significant improvement in Upper Manhattan's physical environment. We believe that as the range of available good and services in the Upper Manhattan communities continues to expand, the increased variety of restaurants will also complement wide scale development projects planned for the area.<sup>109</sup>

It is important to note that these developments are taking place within the "Empowerment Zones environs". Fundamentally, large-scale retail investments coupled with the growth of upscale small businesses have facilitated the process of gentrification in Harlem.

### **Community Perspectives: Harlem USA**

While I have explained the presence of retail and small business investment revitalizing the landscape of Harlem, it's important to present community perspectives of such a project. Specifically, how have community-organizing groups responded to such retail investment? How have individuals and small business owners responded to such changes? Although there are various community activist groups fighting gentrification, I

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<sup>108</sup> "Annual Reports." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 2001-2002. Web. Sept 2009. <<http://www.umez.org>>

<sup>109</sup> Ibid

will provide perspectives of The Harlem Tenants Council whose work has been instrumental in questioning the initiatives of the Upper Manhattan Empowerment Zone.

*Harlem Tenants Council: Fighting Gentrification in Harlem*

In 1994 Community activist Nellie Hester Bailey founded The Harlem Tenants Council (HTC). HTC is a social justice organization created to “provide relief for the poor and to combat community deterioration as a result of the accelerated pace of the gentrification in Harlem”.<sup>110</sup> The organization is used as a vehicle to empower residents of Harlem to voice community concerns and influence public policy. HTC is a vibrant, multi-faceted organization that is committed to improving the living conditions of Harlem residents by preventing landlord abuse; provide services, such as free legal counseling, to strengthen low-income housing in the private and public sectors.<sup>111</sup>

Community-Based organizations like HTC provide arenas to discuss and voice community concerns about gentrification. The Harlem Tenants Council has hosted numerous neighborhood forums and rallies to combat the political forces facilitating the gentrification of Harlem. At a March 26, 2003 discussion entitled “What Will Happen to Harlem”? there was a debate of urban revitalization strategies and urban revival held in Fordham University’s Law School Amphitheater that focused on the efforts of the Upper Manhattan Empowerment Zone. Those in attendance included Kenneth Knuckles, CEO of UMEZ and Nellie Bailey founder of the HTC. The description of the discussion in a

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<sup>110</sup> "Harlem Tenants Council." *Harlem Tenants Council*. Harlem Tenants Council, Inc., Web. Feb 2010. <<http://www.harlemtenantscouncil.org>>

<sup>111</sup> Ibid

recent article captures the core question facing the Upper Manhattan Empowerment Zone initiatives:

Although, the Upper Manhattan Empowerment Zone is supposed to help stimulate Harlem's economy and job market, critics from grassroots organizations insist that McDonald's, H&M, Gap and other major corporations that have opened up branches and have profited from cheap labor forces marginalize citizens' interests. Harlem is being gentrified with all these big businesses said Patrice Jackson, chairman of Harlem Fight Back, which advocates for parity in the construction industry. And on top of the gentrification, the people who live in Harlem who are being pushed out are not even allowed to benefit from their gentrification.<sup>112</sup>

These concerns were counteracted by Mr. Knuckles who stated that the Empowerment Zone's effectiveness could be seen by anyone of UMEZ annual reports and in many of the development areas in Harlem. Knuckles took pride in the fact that UMEZ has helped to create 4,400 jobs.<sup>113</sup> He did admit the need to better communicate what the organization does and does not do.<sup>114</sup> Indeed, UMEZ annual reports do provide a wealth of information on its business endeavors. Of course, the annual reports are not just factual; they also promote the vision and ideologies of UMEZ. In any case, the Upper Manhattan Empowerment Zone Board has been responsible for an abundance of retail and entertainment establishment stores including Starbucks, H&M, Marshall's and Magic Johnson Theatres on the popular main strip of 125<sup>th</sup> Street.

As I've stated, Harlem USA was the first major retail investment made by the Upper Manhattan Empowerment Zone Board. UMEZ provided a subordinated loan of

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<sup>112</sup>Thompson, Ryan. "Inside Fordham Online." *Fordham University: The Jesuit University of New York*. Fordham University, 2003. Web. March 2010. <<http://www.fordham.edu>>.

<sup>113</sup> Ibid

<sup>114</sup> Ibid

\$11.2 million with 17% financing for the Harlem USA project a \$65 million, 275,000 square foot complex.<sup>115</sup> But the factor that sells the public on private investment is its ability to create jobs. But what does the community say on the issue of jobs? How have these retail businesses benefited the Harlem community? Nellie Bailey criticized the effectiveness and intentions of the UMEZ:

This is not a new debate here; this is an ongoing debate in Harlem with respect to who it is... that has benefited most from the subsidies of the Upper Manhattan Empowerment Zone. Many unanswered questions pertaining to UMEZ activities have made the community skeptical about the groups' effectiveness. The ugly strip mall development of 125<sup>th</sup> Street has eclipsed a history of a neighborhood of great cultural importance to the black community.<sup>116</sup>

Indeed business investments and retail stores such as Gap and H&M seem to illustrate growth. However, Nellie Bailey mentions a very important issue- the cultural preservation of Harlem. Harlem is unique in its own right, often referred to as the black mecca. UMEZ desire to tap into the economic "engine" of New York City has begun to transform Harlem to mirror the rest of Manhattan. However, as John Jackson notes in his book, *Harlem World*, Harlem is not Manhattan.<sup>117</sup> Harlem's significance as a center of African-American life and culture may very well be in jeopardy in the long run. But as these resources enter the neighborhood, the challenge of ensuring that longtime residents

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<sup>115</sup> Annual Reports." *The Upper Manhattan Empowerment Zone Development Corporation*. Upper Manhattan Empowerment Zone, 1996. Web. Sept 2009. <<http://www.umez.org>>

<sup>116</sup> Ibid

<sup>117</sup> Maurrasse, David. *Listening to Harlem: Gentrification, Community and Business*. New York, New York: Routledge, 2006.

benefit both economically and culturally rather than lose is of utmost concern.<sup>118</sup> Since the inception of UMEZ residents have feared that these new developments will contribute to rising property values that will eventually push out local residents.

Nellie Bailey says that gentrification or “urban revitalization” leads to an inflated rental market in poor neighborhoods:

Small, family owned stores are being replaced by fancy shops and modernized apartments that were once affordable. Because more affluent people looking to buy or rent in Harlem, landlords and real estate developers know that these people will pay higher rents and can afford to pay higher prices to own, so they have an interest in moving out their lower-income tenants.<sup>119</sup>

According to Nellie Bailey the city started a program to collect back real estate taxes from landlords. For the 40-60 buildings in Harlem this program covers it eliminates rent control.<sup>120</sup> This feature is problematic since the senior citizens living in these buildings cannot afford to pay higher rents. Furthermore, Bailey thinks the influx of business developments is “preposterous”. “Does 125<sup>th</sup> need Walt Disney, where a stuffed toy is from \$40-\$70? This is a community where the median income for over 55 percent of the population is \$15,000. They get less than \$6 an hour and they can’t afford the goods in the community,” Bailey stressed.<sup>121</sup>

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<sup>118</sup> Ibid

<sup>119</sup> "Moving Up: The gentrification of Harlem." *New York Amsterdam News* Oct 5 2000: 22. Web. 28 Feb 2010.

<sup>120</sup> Ibid

<sup>121</sup> "Moving Up: The gentrification of Harlem." *New York Amsterdam News* Oct 5 2000: 22. Web. 28 Feb 2010.

In a *New York Times* article entitled: “Mixed Feelings as Change Overtakes 125<sup>th</sup>” residents discuss the impact of development on their purchasing power. Glenn Walker, 55 a long time resident of Harlem stated:

The majority of the stores, the 99-cent stores, they’re gone. The Laundromat on the corner is now gone. The bodegas are gone. There’s large deli’s now. What had been two for \$1 is now one for \$3. My neighbor is a beer drinker, and he drinks inexpensive beer, Old English or Colt 45 or Coors-you can’t even buy that in the stores. The stores have been imported beers from Germany. The foods being sold- feta cheese instead of sharp cheddar cheese. That’s a whole other world.<sup>122</sup>

Small businesses have also noticed the change in culture on Harlem especially one 125<sup>th</sup> Street. Sikhulu Shange who owned the Record Shack Inc., one of the oldest black-owned small businesses along 125<sup>th</sup> street talks about Harlem being under “siege” by gentrification. For decades, the South African native has opposed the neighborhood’s gentrification, which often ousts historically black owned businesses in favor of larger stores and franchises.<sup>123</sup> “It has been very taxing to see all this erosion of community based businesses” said Shange who says the problem is so acute he doubts if he can count the actual number of black owned businesses on one hand along 125<sup>th</sup> street.<sup>124</sup> Shange discusses the dire outcome for black businesses in Harlem:

There are no prospects for community-based entrepreneurs. The future of black owned businesses is in a state of anarchy. One wonders if there is anybody out there that cares about what happens to the Black business life in Harlem. The elected officials are not responding to the crisis. It is

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<sup>122</sup> Williams, Timothy. "Mixed Feelings as Change Overtakes 125th Street." *New York Times* (2008): Web. 10 Oct 2009. <<http://www.newyorktimes.com>>.

<sup>123</sup> MFuni, Tanangachi. "Harlem small-business owner talks gentrification." *New York Amsterdam News* December 2005.

<sup>124</sup> Ibid

business casual as usual. Unlike other communities, Harlem was never afforded the opportunity to control her retail businesses and housing. The few businesses that are Black-owned are being wiped out; landlords aren't being obligated to give any reason for evicting the tenants. There is no moratorium on commercial leases. Commercial landlords are the biggest financial contributors to the political machinery that runs this nation, therefore lawmakers made sure they gave carte blanche to charge the maximum dollar from their commercial tenants.<sup>125</sup>

The Record Shack, Inc. is no longer a reality in Harlem forced out by rising rents. In my observations the only black businesses still in existence on 125<sup>th</sup> Street are those funded by UMEZ and provide "quality" services that can benefit the entire community. It is a shame that the Record Shack, Inc. where tourists have come from all over the world to visit and many college-bound youth have worked there during summers is no longer in existence due to gentrification in Harlem.

Community organizers have rallied together over the years to protest against big business. For instance, in October 2000, a "City-Wide Anti-Gentrification March and Rally" sponsored by the Citywide Tenants' Coalition- a broad coalition of community-based organizations moved across 125<sup>th</sup> Street, starting at Old Navy at Harlem USA, amidst chants of "Harlem for the needy not for the greedy!" and "Harlem is not for sale! This is our home!"<sup>126</sup> However, the protestors coexist with those who seem to welcome the changes taking place in Harlem. Valerie Jo Bradley, head of a local community improvement organization states, "There is a real need to bring in the supermarkets, bookstores, boutiques, restaurants, dry cleaners, shoe repair shop anything you can get in

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<sup>125</sup> Shange, Sikhulu. "Gentrification; Harlem under siege." *New York Amsterdam News* 98.47 (2007): Web. 30 July 2008.

<sup>126</sup> Maurrasse, David. Listening to Harlem: Gentrification, Community and Business. New York, New York: Routledge, 2006.

any other neighborhood”.<sup>127</sup> But even those who embrace such new developments have cited concern of the long-term emergence of development trends. Bradley also contends, “But I also think there’s a real willingness by ordinary people to keep Harlem on the scale that it is, and not a great desire to see this place get yupped up or see an overabundance of franchises and big corporate stores running out a lot of the small businesses. There has to be a delicate balance”.<sup>128</sup> The delicate balance lies in ensuring developments do not negatively affect local residents especially in terms of displacement.

However, not all residents of Harlem feel gentrification has been detrimental to Harlem residents. Joshua S. Bauchner, who moved to a Harlem town house in 2007 and is the only white member of Community Board 10 in central Harlem stated: “There’s a lot of new housing to allow people to come into the area without displacing people there, in Manhattan, there are only so many directions you can go. North to Harlem is one of the last options”.<sup>129</sup> While it may be true that there could be sufficient housing stock not everyone may be able to afford such housing. “Gentrification — the buying up and rehabilitation of land and buildings, whether by families or developers, occupied or abandoned — means a rising rent tide for all, leading inevitably to displacement next door, down the block, or two streets away,” said Neil Smith director of the Center for Place, Culture and Politics at the City University of New York Graduate Center.<sup>130</sup>

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<sup>127</sup> Ibid

<sup>128</sup> Ibid

<sup>129</sup> Roberts, Sam. "No Longer Majority Black, Harlem is in Transition." *New York Times* 5 Jan 2010: Web. Feb 2010. <<http://www.nytimes.com>>.

<sup>130</sup> Ibid

Many residents can no longer afford to live in Harlem. In a personal interview with Alicia Agosta, a long-time resident of Harlem maintains that she was forced to move out because she could no longer afford the rent. She had been living in an apartment in Harlem for 50 years, but now lives in Queens and commutes to work in Harlem. Agosta nostalgically states, "The culture of Harlem is gone, it's a shame that I can't live in a place I've called home for fifty years because of rising rent prices".<sup>131</sup>

Both commercial and residential rents have shot up in the neighborhood, pricing out both some long-term residents as well as business owners. Along 125th Street, for instance, commercial rental rates have doubled in the past three years, with prime space now going for \$100 per square foot.<sup>132</sup> Brownstones sell for more than \$500,000 and some apartments now rent for \$3,000 a month.<sup>133</sup> Residents feel threatened by the rising rent prices. There is definitely the sense that they are trying to price us out of our own neighborhood so that whites can move in," said 61-year-old Charles St. Clair, who has lived in Harlem all his life.<sup>134</sup> So where does that leave longtime residents who've lived in the area for 30 years or more, in bad times and worse, and pay well under \$1,000, sometimes well under \$500, in rent each month? According to Nellie Bailey:" If you're the working poor and low income the message is that you're not welcomed".<sup>135</sup>

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<sup>131</sup> Agosta, Alicia. Personal Interview by Jessica Reid. August 2008.

<sup>132</sup> "Moving Up: The gentrification of Harlem." *New York Amsterdam News* Oct 5 2000: 22. Web. 28 Feb 2010.

<sup>133</sup> Ibid

<sup>134</sup> Ibid

<sup>135</sup> Ibid

Landlords, asserts Assemblyman Ed Sullivan, do whatever they can to force out low-rent tenants so they can charge hundreds, if not thousands, more. "They seize upon a five-day-late payment in rent, they'll send thuggish people around to demand the money, 'or you're going to be evicted right now, that's reasonably common" said Sullivan.<sup>136</sup>

"There's no question that there is a lust for land and profit," contends City Councilman Bill Perkins, who wants to hold hearings about the situation.<sup>137</sup> Perkins wants to see a Harlem of mixed incomes, "That makes for a healthy community."<sup>138</sup> But, he acknowledged, "That doesn't make for great real estate sales." Those in that business want to tout the exclusivity of their communities, not the mix of welfare and Wall Street. Protestors were only a couple of hundred strong at their peak on Saturday, but one has the feeling that they are the vanguard. The flip side of Harlem's boom is only just now coming into view.

Many historians have provided their insight on the gentrification of Harlem. Mr. Dodson of the Schomburg Center speaks of the problem of homeownership.

There are people who would like to maintain Harlem as a 'black enclave,' but the only way to do that is to own it. That having been said, you can't have it both ways: You can't on the one hand say you oppose being discriminated against by others who prevent you from living where you want to, and say out of the other side of your mouth that nobody but black people can live in Harlem.<sup>139</sup>

However, Mr. Dodson could not articulate whether gentrification was beneficial or detrimental to Harlem.

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<sup>136</sup> Ibid

<sup>137</sup> Ibid

<sup>138</sup> Ibid

<sup>139</sup> Roberts, Sam. "No Longer Majority Black Harlem Is in Transition." *New York Times* (2010): Web. Feb 2010. <<http://www.nytimes.com>>

The presence of luxury condominiums seems to suggest a beneficial change. One real estate developer whose name I see repeatedly on many properties for sale is the Corcoran Group who appears to have capitalized off of Harlem's real estate market. In an advertisement Corcoran Group present Harlem's properties as affordable while having the same amenities of other Manhattan locations:

Filled with spirited bustle-from 116<sup>th</sup> street and north to the Harlem River and from the Hudson to the East Rivers-Harlem's rapid renaissance was emerging long before the arrival of Bill Clinton... There's no denying the area is hot. Buyers who would never have considered moving here five years ago are clamoring to pick up new townhouses and restored 19<sup>th</sup> century brownstones for what some say is a song. No doubt about it, these magnificent buildings need extensive renovations-but if backyards, working fireplaces, original moldings and even a driveway for not-so-exorbitant prices is what you're looking for, it's here.<sup>140</sup>

Real estate markets have taken advantage of the new commercial activity in Harlem.

The Upper Manhattan Empowerment Zone gladly welcomes this:

What happens is [that] market forces have come to the realization that Harlem is one of the last frontiers. It is centrally located. It has one of the best transportation systems in the city; you can get to anywhere in New York City from here. It has beautiful architecture and some of the best brownstones anywhere in the city.<sup>141</sup>

The consistent response to UMEZ claims is that such new developments have not been for the benefit of local black residents of Harlem. The most unsettling feeling given by a Harlem resident in which she cites that blacks are treated as disposable goods:

We have always been in a situation where we are disposable people. There was no effort to beautify Harlem when only Blacks were living here. I'm

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<sup>140</sup> "Corcoran." *Neighborhood Report*. Corcoran Real Estate Group, Web. Jan 2010.  
<<http://www.corcoran.com/>>

<sup>141</sup> "Have we lost Harlem? Harlem is renewing its reputation and landscape, and is currently the hottest piece of real Estate in New York, But at what cost? ." *Black Enterprise* June 2003: Web. Feb 2009.

angry not against the development, that's a silly argument. I'm angry because the city never felt our neighborhoods worthy of developments when we're not here.<sup>142</sup>

The Rev. Dr. Charles A. Curtis, senior pastor of Mount Olive Baptist Church maintains that people feel powerless when they see change that they believe is not intended to benefit them. Change is good, and progress is inevitable, but the feeling is, what are we going to do? Where are we going to go?<sup>143</sup> This is perhaps the most compelling revelation of community criticisms against the Upper Manhattan Empowerment Zone, the powerlessness of change that may ultimately threaten a resident's presence in a place they have called homes for many years. How can a community be expected to enjoy revitalization strategies when it has had negative impacts? The low-income, small business population of Harlem has not been able to enjoy new developments. The white upper-middle class population can surely take advantage of restoring new brownstones, upscale bakeries and retail centers but this has not been the reality for the majority of black residents of Harlem who have spent most of their time fighting for their space.

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<sup>142</sup> Williams, Timothy. "Mixed Feelings as Change Overtakes 125th Street." *New York Times* (2008): Web. 10 Oct 2009. <<http://www.newyorktimes.com>>

<sup>143</sup> Ibid

## CHAPTER FOUR

### A Case Study The East River Plaza

In recent years, the leadership of many cities in the United States has endorsed and pursued pro-growth policies as a way to realize economic development.<sup>144</sup> There has been added interest in economic development through the attraction of real estate investment to ‘revitalize’ or ‘re-new’ urban neighborhoods. The urban growth machine concept, first introduced by Sociologist and Political Economist Harvey Molotch in 1976 recognizes that there is a distinct group of well-funded and politically influential interests that tend to form a powerful pro-growth alliance: a growth machine<sup>145</sup>. The concept of an urban growth machine helps makes sense of the various political and economic constituencies that act in their common financial interest to perpetuate growth in a typical city<sup>146</sup>.

On November 12, 2009 The East River Plaza, a 500,000 square foot big-box retail center, opened its doors to the East Harlem community. The developers of the Plaza, Blumenfield Development Group, utilized the large location area to create a single floor “suburban style” location in Manhattan. As an East Harlem resident I was excited to experience a type of shopping usually found in suburban areas. My excitement soon faded as I begin to realize the impact of such a project on the East Harlem community. In this case study, I will examine the ways the East River Plaza contributes to the

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<sup>144</sup> Jennings, James. *Race, Politics and Community Development in U.S. Cities*. Thousand Oaks, California: Sage Publications, 2004.

<sup>145</sup> Fodor, Eben. *Bigger Not Better: How to take Control of Urban Growth and Improve your Community*. New Society Publishers, Canada 1999.

<sup>146</sup> Ibid

gentrification of the community by not catering to the commercial or employment needs of long-time residents.

### **Big-Box Retail: A National Community Concern**

In order to properly contextualize such a case study, it is imperative to have a thorough understanding of big-box retail and its wider affect on communities. On a national scale, big-box retail centers have had an overall detrimental impact on the economy and landscape of American suburban communities. Mega-retailers have displaced thousands of locally owned small businesses and have required a hefty amount of land for development projects. For instance, a local bookstore may take up less than one acre of land while a big-box retail center may consume over a dozen acres of land, displacing everything in its way. In Big-Box Swindle, Stacy Mitchell argues that to a scandalous degree big-box retail centers are a product of public policy, not simply consumer choice. Just like the 1950's when massive tax breaks fueled the expansion of shopping malls, in the 1990s there was an accelerated growth of big box retailers cities poured billions of dollars in development subsidies to these corporations.<sup>147</sup>

Driven by the erroneous conviction that chain retailers boost employment and expand the economy, elected officials have actively fostered and underwritten their proliferation<sup>148</sup>. Yet as Mitchell argues while a new big-box store rising on the edge of town might appear to be economic growth, it is not. The economic structure that mega-

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<sup>147</sup> Mitchell, Stacy. Big Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses. Boston Massachusetts: Beacon Press, 2006

<sup>148</sup> Ibid

retailers propagate represents a modern variation on the old European colonial system, which was designed not to build economically viable, and self-reliant communities, but to extract resources<sup>149</sup>. Mega-retailers do not have a community interest at heart, but rather they look for opportunities that will best accommodate a business agenda.

Mitchell's criticism applies to the development of the East River Plaza (ERP). Prior to the development of ERP, the notion that quintessentially suburban retailers could adjust to an urban setting had yet to be fully tested. The ERP includes mega-stores such as Marshall's, Target and Best-Buy. It is multi-level 500,000 square foot retail with an attached 1,250-space for parking all on just 6.2 acres of land. The facility spans 3 city blocks from 116<sup>th</sup> street to 119<sup>th</sup> street between Pleasant Avenue and FDR Drive. In an article written by the *New York Times*, Dan Blumenfeld, head of Blumenfeld Development Corporation, states that a project this size would encompass *at least* 40 acres of land.<sup>150</sup> Such an extreme adjustment in the community's landscape must have some ramifications on the East Harlem Community. Concerns from community residents were raised to the City Planning Commission that the ERP was entirely unsuited to the site at 116<sup>th</sup> Street and the East River Drive. The Developers claim they desired to bring a "suburban style" experience to East Harlem that residents will enjoy and benefit from retail jobs. Political support for the ERP have all focused on the idea of job creation and economic prosperity to a community that has had its fair share of urban blight. But at

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<sup>149</sup> Ibid

<sup>150</sup> Pristin, Terry. "Squeezing Big-Box Retailing into Small City Spaces." *The New York Times*. <<http://www.nytimes.com>> 6 June 2008.

what expense? I will explain how the fixation on job creation fuels gentrification in East Harlem.

### **Blumenfield Development Group**

Blumenfield Development Group (BDG) is a full service real estate development firm that specializes in developing big-box retail space. BDG's team allows for a seamless packaging of all services, including those related to leasing, acquisitions, property management, construction, permits and approvals, architectural engineering design and user operational planning.<sup>151</sup> Although self-sufficient, Blumenfield Development Group prides itself as a company that understands that connections to key community leaders are important for successful implementation of a development project. The firm has developed strong relationships not only with tenants, but also with local politicians, environmental agencies, and residents groups as well.<sup>152</sup> BDG regularly invests in local communities by redeveloping environmentally contaminated lands into viable projects helping to build better communities.<sup>153</sup>

#### *The Birth of the East River Plaza*

Indeed, the BDG prides itself in re-developing abandoned properties for the betterment of the community. The land used to construct the ERP project was once home to the Washburn Wire Factory. The building had been vacant since 1982 and was

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<sup>151</sup> "About BDG." *Blumenfield Development Group*. Blumenfield Development Group, Web. Nov 2009. <<http://www.bdg.net/about/>>.

<sup>152</sup> Ibid

<sup>153</sup> Ibid

demolished in 2002, leaving 6.2 acres of open land. In 1996, BDG partnered with Canyon Capital Real Estate Advisers and bought the site at a foreclosure auction for 3.1 million dollars. Canyon Capital Real Estate Advisers would eventually sell its share to Forest City Ratner in 2004. In order to begin construction, the BDG needed to obtain permission from the City Council. On September 7, 1999 the City Planning Commission approved the application for the ERP under the basis that “the project would revitalize a long vacant site and Harlem”.<sup>154</sup> In Bigger Not Better, Eben Fodor explains that a common myth of private investment is that it will provide an economic boost for East Harlem. In addition, the fact that it was undeveloped land apparently going to waste with no added value to the community sets up a scenario where almost *any* development would be welcomed.<sup>155</sup> In actuality, there are cultural and historic values linked to vacant sites; they are not entirely valueless. In 2003, East Harlem Resident Business Alliance filed a suit against the developers of the ERP because it violated Section 106 of The National Historical Preservation Act of 1966, which requires that any federal agency having direct or indirect jurisdiction over a development project review its activities for potentially negative impacts on historic sites. Furthermore, the federal agency takes responsibility for those impacts before receiving any grants or special permits.

Still, the Fifth Circuit ruled that in New York, economic redevelopment zone project funding does not trigger a section 106 Review under the NHPA.<sup>156</sup> Thus, the developers did not violate federal law when they did not conduct a section 106 review.

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<sup>154</sup> “The City Planning Commission Approves East River Plaza Application To Re-develop the former Washburn Site”. 1999 Web. <[www.nyc.gov](http://www.nyc.gov)>

<sup>155</sup> Fodor, Eben. Bigger Not Better. New Society Publishers: Canada 1999

<sup>156</sup> Eisenberg, Rina et. Al. “Recent Cases in Environmental Law” Tulane Environmental Law Journal. Summer 2007 [Lexis Nexis Academic Search Premier](#).

Defeated by a court ruling, East Harlem Business Alliance could only watch as the construction of the Plaza began. However, the court case raised questions about the meaning of indirect or direct involvement in big box constructions, such as the East River Plaza, since it was largely funded by the Upper Manhattan Empowerment Zone, a governmental endeavor designed to increase the social and economic vitality of neighborhoods of Upper Manhattan.

### **Local Governance and Economic Development: Upper Manhattan Empowerment Zone**

Pro-growth business interests recognize the important role local governments play in the business of land development.<sup>157</sup> Zoning codes permits, and tax incentives are directly related to the success of any development project. The involvement of local government is necessary to facilitate the profitability of local land development. For instance, local government can waive taxes on new businesses and establish tax rates that are favorable to growth. To illustrate the critical role governmental involvement play, I'll turn my attention to the Upper Manhattan Empowerment Zone's role in the development of the ERP.

The businesses that fall within the UMEZ, which stretches from East Harlem to the upper most neighborhoods of Manhattan, are eligible for a new category of tax-exempt bonds known as *EZ bonds* to facilitate constructing and financing new facilities. The EZ bonds are funded by private investors, but are issued through the New York City

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<sup>157</sup> Fodor, Eben. Bigger Not Better: How to take Control of Urban Growth and Improve your Community. New Society Publishers: Canada, 1999.

Industrial Development agency. The bonds are helpful because they lower borrowing costs more than conventional methods of financing. Prospective business owners must complete an EZ bond application and have it approved by the UMEZ. In the fall of 2005, UMEZ approved a \$15 million business investment loan and \$40 million in triple-tax exempt Empowerment Zone bonds to help construct the East River Plaza. The recipients of these bonds for the construction of the ERP must employ a minimum of 35% of East Harlem residents. The BDG stated that the ERP would provide 2,000 construction jobs and up to 2,000 retail jobs. On March 17, 2009, the Blumenfield Development Corporation and Forest Ratner Companies provided an update to the Community Board 11 about its hiring goal progress:

To date we have achieved 27% local hiring for available trades. While the developers entered into an agreement with the UMEZ to make “good faith efforts” to reach our goal of 35% local hiring a number of challenges outside of our control have prohibited us from reaching that goal thus far. The current phase of work is known as “heavy construction,” and is the most difficult and dangerous aspect of the construction process.<sup>158</sup>

In its efforts to maintain a safe work atmosphere the developers only desired to hire those they trusted excluding work prospects from the neighborhood:

To maintain a safe work environment, only the most experienced and highly skilled members of applicable trades are permitted on-site construction phase and that necessarily limits the availability of positions for less highly skilled workers. In addition to that challenge, the bulk of trades working at this time are not “available trades,” meaning that the Community Labor Exchange (CLE) has not received (or doesn’t have access to) union member applications from the community for those

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<sup>158</sup> Ratner, Bruce, and Edward Blumenfield. "TIAGO: Letter for Community Board 11." New York, New York . 17 March 2009. Address.

trades. We believe that we will be able to meet (and work toward exceeding) the 35% local hiring goal as we move into the next project phase. Fit-out construction work requires a larger variety of skill sets and trades, which increase both the number and percentage of “available trades” on site.<sup>159</sup>

As of now, it is unknown whether the developers reached their hiring goal of 35% in the second phase of construction. Although the UMEZ asked the BDG for a minimum of 35% of local hiring, the Community Board 11 ordered the BDG to hire 75%. BDG proposed it would make “good faith” efforts to reach the goal of at least 60% the first year, 70% in the second year and 75% in three years of operation.<sup>160</sup> Since Costco is the only store that is open in the East River Plaza, it is the only place that can provide permanent jobs to local residents. In order to attain this 75% goal, the BDG collaborated with a nonprofit organization, Strive National, to collect resumes for the best applicants. Strive National collected over 3000 resumes, but only 918 of those suited Costco’s employee qualifications. In early November, days before the ERP opened Angie Beaubrun-Lemite, an assistant manager at the new Costco store, declined to give any statistics on local hiring. “We hired based on qualifications only,” stated Beaubrun-Lemite, “the most qualified applicants got the job”.<sup>161</sup>

The exact percentage of local residents hired by Costco still remains a mystery. In Bigger Not Better, Fodor explains that it may be unconstitutional for local governments to restrict employment created by economic development to people living within the area.

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<sup>159</sup> Ratner, Bruce, and Edward Blumenfield. "Memorandum of Understanding Concerning Special Permit of East River Plaza Development, TIAGO." New York, New York. 17 March 2009. Address.

<sup>160</sup> Ibid

<sup>161</sup> Gallo, Bradley. "East Harlem Demands Hiring Numbers from Costco's." *Northattan* 9 November 2009: Web. 29 Nov 2009. <<http://northattan.org>>.

Retail stores, such as Costco, must accept applicants from anywhere in the country and hire the most qualified people, not the most needy which goes against the priorities of Community 11 and community-based organizations.<sup>162</sup>

However, ERP developers entered into a unique agreement with UMEZ to provide a certain percentage of jobs to the community. It is unclear whether there will be any repercussions by the UMEZ if these local hiring percentages are not met, but in the mean time, ERP developers stated that they would make a “good faith” effort to achieve these goals. It seems as if this development project has fallen short of meeting the minimum hiring standards and providing hiring statistics to the agencies that assisted with ERP’s development. Community leaders are especially outraged since East Harlem has one of the highest unemployment rates in the country; they hoped that the East River Plaza would alleviate some of the unemployment.

Economic growth is deemed necessary to create jobs, yet the real question is not whether growth creates jobs, but if it reduces unemployment.<sup>163</sup> In Harvey Molotch’s study, he examines two decades of census data comparing and contrasting growth and unemployment rates in twenty-five faster-growing and slower-growing US cities and found no statistical correlation between the two.<sup>164</sup> Faster-growing cities may be attracting new jobs, but they also are attracting outside residents seeking jobs. The faster growing city could still end up being a bigger city with new jobs, but also a large number

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<sup>162</sup> Fodor, Eben. Bigger Not Better: How to take Control of Urban Growth and Improve your Community. New Society Publishers: Canada 1999.

<sup>163</sup> Ibid

<sup>164</sup> Ibid

of people unemployed.<sup>165</sup> Local officials may have been blinded by the retail development's promise to create jobs that they failed to realize that more jobs do not necessarily mean reduced unemployment. The UMEZ was implemented in 1994 and instead of decreasing East Harlem's unemployment rate has risen over the years—in 2009 13% of residents were unemployed.

### **The Pacification of Community Concerns**

While the ERP promised jobs and support from federal officials, a project of its magnitude has bought on serious community concerns. For instance, ERP is a big-box retail center squeezed into a small city neighborhood. I will consider some of these community concerns about the ERP and how these concerns have been approached by BDG including but not limited to traffic, quality of life and the Costco dilemma showing that big-box retailers ultimately have no concern for East Harlem.

#### *Traffic*

The ERP spans over a tightly dense area and a busy bus route. The plaza will attract an estimated 7,000 cars and 120 freight trucks each week raising traffic congestion concerns. The Plaza's parking facility holds 1,248 spaces, but its high fees will cause shoppers to park on local streets, taking away residential parking. The site is also near four schools, pre-schools and playgrounds and many residents fear that outside shoppers who are unfamiliar with the neighborhood might pose a threat to children's safety. Community hearings have been held to address these concerns, but BDG did not express

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<sup>165</sup> Ibid

any concern, instead they emphasized that the East River Plaza would be a great addition to the community. Such ignorance of community concerns does not diminish the fear residents have for the safety of their children as they are forced to deal with the high-volumes of traffic.

### *Quality of Life Concerns*

In early March of 2009, BDG requested a modification to their permit to allow Costco's to make deliveries between the hours of 12a.m. and 5a.m. In a letter to Community Board 11, they stated Costco's Wholesale Warehouse Club's operational design with storage above shelves within the actual store makes it impossible for Costco to accept. Many were outraged and expressed concern that the approval of the permit would jeopardize the overall quality of life for residents in East Harlem. Fifteen semi-trucks on average would make loud noises, disrupting sleep while simultaneously spewing fumes and debris onto streets, into the air and on windows. The Community Board 11 held a meeting in which residents could voice their concerns about the pollution. Dolores Prida, a 25 -year old resident of East Harlem provides a powerful testimony of the event:

It was a strange event. Local elected officials were absent. The sound system was bad. But things perked up when about fifty swaggering workers made their grand entrance with as much huffing and puffing as a Kabuki dance. It felt as if they were there to intimidate us, to cast the proceedings into an "Us vs. Them" mold, staging a manly defense of the jobs Costco will bring to the community. This left most of the audience in the uncomfortable position of groveling between a rock and a hard place. Who can be against jobs in the middle of an economic meltdown?

Community Board 11 should vote no but dream on. As a 25 year resident, I'm fully aware that East Harlem has been mostly a silent dumping ground for unwanted facilities that other neighborhoods would not tolerate.<sup>166</sup>

Prida's testimony perfectly illustrates the apathetic attitude of a public-private partnership where job creation is of utmost importance. Community Board 11 agreed with the importance of job creation so much so that they voted 29 to 10 in Costco's favor. Frank Brija, a Community 11 Board Member asserts "This is not just about one person, this is about the community and Costco's going to create a lot jobs for the community".<sup>167</sup> With the ruling in place East Harlem residents were left to accept compensations offered by the developers. BDG offered storm or double-paned glass windows and air conditioning units to eligible residents with windows facing 116<sup>th</sup> Street between 1<sup>st</sup> and Pleasant Avenues. The developers agreed to provide one hundred vouchers that can be redeemed for local air-conditioners at a local retailer. BDG claims their trucks are 2008 models or later and the company regularly investigates new technologies to reduce emissions.

In response to the health concerns the BDG agreed to provide funding to a mutually agreed upon clinic or hospital for health programs such as childhood obesity, diabetes and asthma prevention. In one letter, community concerns were overlooked and pacified by an urban growth coalition of government and the business community whose power easily overshadows community interests. Yet the most powerful example in

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<sup>166</sup> Prida, Dolores. "Sleepless Nights in East Harlem" *The New York Daily News*. 10 Mar 2009 <<http://www.nydailynews.com>>.

<sup>167</sup> Spitz, Rebecca. "Resident's Voice Concern Over Retail Center Ruling." *CB11M East Harlem*. Community Board 11, Web. Nov 2009. <<http://www.cb11m.org>>.

which BDG disregards the community it lives can be seen in Costco's food stamp controversy.

### *The Costco Dilemma*

Costco, a wholesale warehouse where consumers can buy things in bulk, is an anchor contracting with the ERP. In a neighborhood that is heavily populated by low-income residents, a wholesale warehouse seems highly beneficial. On the other hand, there is one problem: Costco initially opted against accepting food stamps for its products. While any retail business may decide not to accept food stamps, such a choice is particularly problematic in an area like East Harlem where 30,000 people or 25% of the population are on food stamps.<sup>168</sup> So why deny food stamps when situated in a community that so desperately needs it? Costco's cites three reasons for not accepting food stamps:

1. They would not be able to qualify based on the federal government requirements
2. Adapting equipment to accept food stamps is a costly effort
3. Their annual membership fee of \$50 will discourage poor residents from shopping at the store.

The first reason is invalid. Neighborhood grocery stores accept food stamps so why not Costco? Costco receives billions of dollars in revenue each year. According to

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<sup>168</sup> Dwyer, Jim. "Neighbors Use Food Stamps. Not Costco". *The New York Times* 12 May 2009. Web Oct 2009 <<http://www.nytimes.com>>

the Agriculture Department's eligibility store requirements the business must meet two requirements. The first is that fifty percent of the total sales—food, goods and services- at the store be from the sale of eligible staple food or non junk food<sup>169</sup>. Given the diversity of services, for example photo processing that Costco offers, Costco may not qualify under this requirement.<sup>170</sup> Then again the Agricultural Department offers another requirement that a particular store offers food in at least three different varieties of food in each of the main food groups.<sup>171</sup> Costco does indeed offer food in each the main groups. Furthermore, once a store meets this basic requirement the process for approval is extremely simple. The Agriculture Department list that there are three methods in which stores can accept food stamps: paperwork, debit machinery or a phone line. The paper applications are only options for stores who do not have electricity, which does not pertain to Costco. Larger companies that average more that one hundred dollars a month in food stamp transactions receive free equipment from the federal government. All that is needed is a simple signature on an agreement form before the device can be given to a particular store. Costco is a Fortune 500 company that grosses billions of dollars in revenue each year. It is highly unlikely that they would fail to average one hundred dollars a month in food stamps transactions.

Costco believes that residents will not be able to pay the expensive annual membership fee of fifty dollars but critics believe otherwise. Joel Ber, Executive Director of the New York City Coalition Against Hunger, says that although “East Harlem is

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<sup>169</sup> Lee, Jennifer. "Why Doesn't Costco Accept Food Stamps." *New York Times* 11 Nov 2008: Web. Nov 2009. <<http://cityroom.blogs.nytimes.com>>.

<sup>170</sup> Ibid

<sup>171</sup> Ibid

mostly low-income people who are on a fixed income; they are amazingly sophisticated at making smart economic choices.<sup>172</sup> A recent survey by the Agriculture Department found that food stamps recipients spent an average of six dollars to travel for food shopping at discount stores. Surely recipients of food stamps will realize that a fifty-dollar annual fee that saves hundred on dollars on bulk items is a smart economic choice.

Yet amidst all these concerns the most startling fact is that the East River Plaza received \$55 million dollars from the Upper Manhattan Empowerment Zone Initiative, a program designed to bring jobs that would support the Harlem community. This fact alone should guarantee Costco's acceptance of food stamps. In fact, State Attorney General Andrew Cuomo wrote a letter to Costco declaring that because the company received tax breaks for the ERP, it was obligated to accept food stamps. Then, bowing to political pressure Costco's decided to accept food stamps but it would only be a temporary pilot program in which Costco's would monitor the amount of food stamps transactions for 1 year. Such a decision illustrates that Costco does not have East Harlem's best interest in mind, but rather desires to implement strategies that would preserve its "corporate culture." In a year from now Costco's could potentially decide not to accept food stamps. As for now, residents are not concerned with the future but are satisfied that they can currently use food stamps to purchase goods at Costco's.

The ERP seemed to be a promising retail center that would add to the economic vitality of the East Harlem Community. In a report statement issued by UMEZ, 70% of residents must shop outside the community due to lack of local basic goods and services.

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<sup>172</sup> Ibid

Surely, a big-box retail center with stores such as Costco would bring some relief to the community. However, a growth ideology does not cater to the community interest but instead to business concerns. Community concerns have been engulfed by a powerful pro-growth alliance of government and business—residents are forced to accept air-conditioners over air quality and health vouchers over a reduced asthma rate. They must deal with high volumes of traffic and risk their children’s safety. The construction jobs promised to ERP fell short of its minimum requirement while retail numbers have yet to be released. Even still, community concerns seem to be no match for the promise of jobs—as it is up against a growth machine that has taken its place in East Harlem.

## CONCLUSION

The Upper Manhattan Empowerment Zone in its mission to attract private investment has helped facilitate the process of gentrification in Harlem. Retail investments such as Harlem USA and the East River Plaza and an influx of high-class boutiques would not have been possible without funding from the UMEZ. The mission of sustaining economic development to create jobs has fallen short. Community criticisms have listed these jobs as low-wage, while millions go into private investment. The cultural shift in Harlem is undeniable as Harlem is no longer majority black. Displacement has run its course with the onset of private rental development and luxury rentals as local residents are being priced out. There remains one critical question that lies in this delicate balance of the gentrification debate: is the desire to revitalize an otherwise blighted community fundamentally a bad concept?

Community activist, Valerie Jo Bradley provided a crucial point in this debate: there is need to bring in boutiques, dry cleaners however, the community also has a need. That need is to preserve Harlem, and not have to deal with displacement and big corporations driving out small businesses; there has to be a delicate balance. I am not completely against gentrification, but its nature. In order to revitalize a neighborhood, the community usually suffers and does not exactly benefit from these revitalization strategies. What good is a retail investment center if local residents cannot afford to shop? What good is the ERP if it wants to appear as an organization that serves poor people by being reluctant to accept food stamps? What good is an upscale bakery, if I, a

long-term resident of Harlem feel too uncomfortable to dine there? Such exclusion only benefits those with the capital to afford services and that is the new affluent white population of Harlem. I've stated that I don't want to make it seem that gentrification is only equated with whiteness but that usually dominates the discourse of gentrification, and has certainly proved true in Harlem. How then can gentrification co-exist with the preservation of a community such as Harlem? There are certain things that can be done to ensure that the outcome of gentrification is not always detrimental to a community.

Primarily, UMEZ should have taken the initiative to have open and honest public dialogue about its efforts. These efforts were all done amongst politicians, and there was not a careful consideration of assessing community concerns. The organization's forums should have been held during the application process to obtain residents feedback. When confronted about UMEZ's negative affect on the Harlem community, CEO Kenneth Knuckles stated that UMEZ is not a "socialist" organization. It is clear that UMEZ is a politically focused organization. The intention of the organization was to create jobs and economic development and that's exactly what it has done. But at what cost? The cost of the working class and poor population in Harlem.

If private investment will be the ultimate goal there needs to be an effort to include local residents of Harlem as stakeholders and not just as cheap labor or obstacles to upgrading the area. These multi-million investment projects create minimum wage jobs and living wage jobs go to newcomers or outsiders. In the same way UMEZ provides funding for technical and entrepreneurial assistance, funding should be given to local community residents to increase their financial knowledge and access to capital.

Upper Manhattan has a large amount of public housing units. There should be concrete efforts to preserve affordable and subsidized housing. The New York City Housing Authority just received a \$23.5 million grants to help cover Section 8 vouchers that can be used anywhere in the country. Government should ensure consistent funding to preserve access to affordable housing should be implemented. Furthermore, the practice of inclusionary zoning policies in which there is a combination of market rate and affordable housing is another measure that can be taken to ease the ills of gentrification. Ensuring rent controls and caps on property taxes so the local residents aren't priced out are another viable option to preserve affordable housing.

I have highlighted numerous small businesses that have suffered because of private investment. While retail centers may add to the economic vitality of Harlem, local small business adds to its cultural vitality. Small businesses that have been in Harlem for years should not be threatened by an influx of small businesses funded by UMEZ. UMEZ should also make an investment in the preservation of these small businesses. Native businesses have had to compete with upscale bakeries, and its "soul-food products" no longer cater to a Harlem population that is no longer majority black.

Nonetheless, UMEZ today is basically in the end of its reign. Funding ended in 2009 and the last major project was the East River Plaza. According to community activist, Jose Rivera. "People see the empowerment zone as going away, it will die away. I'm glad, I'm for pro-business but I don't want anymore in Harlem, especially if residents cannot live in the area".<sup>173</sup> UMEZ funding may have expired but its involvement in

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<sup>173</sup> Rivera, Jose. Personal Interview by Jessica Reid. July 2008.

facilitating the process of gentrification has and will remain visible as the cycle of continued investment attraction continues to gentrify Harlem.

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