


Reinvesting in Dallas' Southern Sector

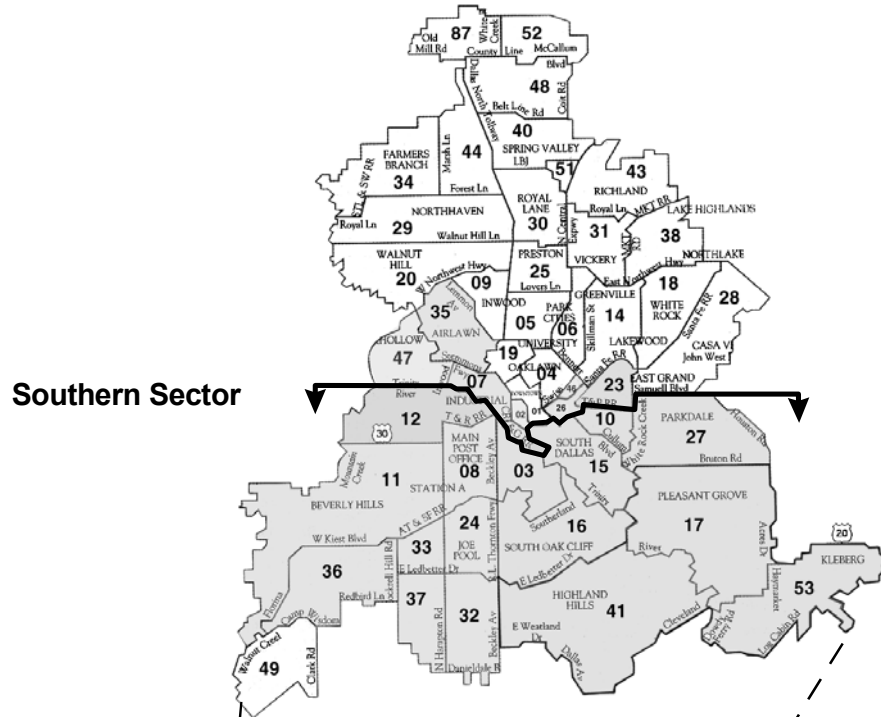
SOUTHERN DALLAS INITIATIVE

Report to the Dallas Together Forum and the
Greater Dallas Chamber of Commerce

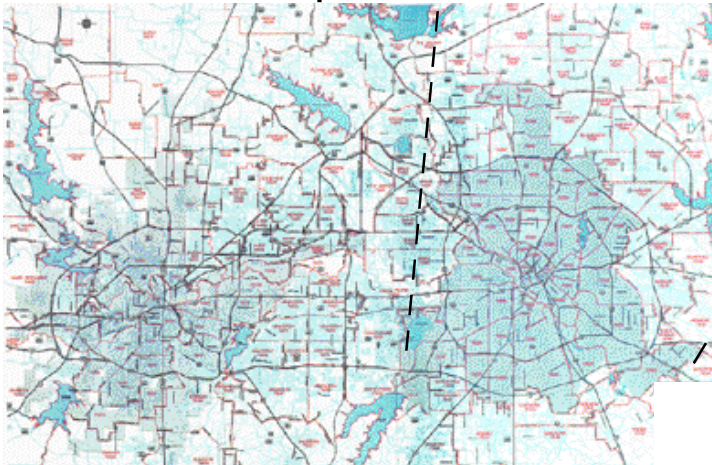
November, 1997

ECONOMIC POLARIZATION OF THE CITY

 Zip codes* with per capita incomes below national average



Dallas/Ft. Worth Metroplex



* All zip codes in city of Dallas begin with 752; last two digits are displayed in appropriate regions
 Source: CACI Marketing Systems – Sourcebook of Zip Code Demographics; MAPSCO

Reinvesting in Dallas' Southern Sector

Dallas Together Forum and the Greater Dallas Chamber of Commerce

On many measures, Dallas is flourishing. The City has enjoyed sensational growth during the past decade. Companies contemplating relocation put Dallas high on the list of cities they consider. Unemployment is below 4 percent. Average household income is 16 percent higher than the national average. The cost-of-living index remains highly competitive.

For Dallas to reach its full potential, however, it must have a broad economic base, one which includes a large percentage of the city's neighborhoods, communities, and citizens. Today this is not the case.

In the summer of 1997, the Greater Dallas Chamber of Commerce and the Dallas Together Forum initiated an examination of Southern Sector reinvestment opportunities. Under their leadership, McKinsey & Company, Inc., conducted a pro bono study with a dual purpose:

Determine whether there were strong economic incentives for mid-size and large private companies to invest and operate in the Southern Sector (as defined by the Dallas Plan and approved by the Dallas City Council to include the area south of I-30 on the east and the Trinity River on the west).

Identify management best practices employed by companies operating successfully in the Southern Sector.

Put another way, the Greater Dallas Chamber and the Dallas Together Forum believed it was vitally important to develop a fact-based view of the opportunities in the Southern Sector and to understand how companies were making money there. Armed with this information, companies could make more thoughtful decisions about investing in the Sector and – potentially – accelerate the Sector's revitalization and its long-term economic prospects. As a result, the McKinsey team agreed to focus its efforts on these priority areas.

To develop the findings and conclusions presented in this report, we collected and analyzed data on the Southern Sector's labor, real estate, and consumer markets. In addition, we reviewed articles and books, descriptions of other cities' improvement programs, past studies of economic development in the Southern Sector, and Dallas' current improvement programs and plans.

Supplementing these sources, we conducted interviews, site visits, and roundtable discussions with more than 100 business, civic and community leaders and economic development experts. We also met with leaders of small and large companies who are already doing business in Southern Dallas and those who have yet to make a substantial investment in the Sector. In addition, we talked with members of community development corporations (CDCs), Chambers of Commerce, workforce training organizations, real estate brokerage and development firms, city and county government representatives, and other community organizations.

The following outlines the major conclusions from the work that are described in more detail in the rest of the report:

1. Economic development is critical to the revitalization of the Southern Sector. The Southern Sector and its 460,000 residents face many challenges similar to those of other less advantaged parts of large cities throughout the country. Per capita income is \$11,350, sixty percent less than in Dallas' northern half and well below the national average of \$16,700. Crime rates are improving and better than in many other urban centers, but are higher than elsewhere in the City. Compared to other areas of the City, many Southern Sector communities also have lower educational levels and higher incidences of substance abuse.

In isolation, these demographic data are disheartening. Considered in the larger context of the Dallas economy, however, they create a compelling case for change. The Southern Sector accounts for 41 percent of Dallas' population and 47 percent of its land area, but contributes only 16 percent of the City's tax base. If nothing is done to change the trend, one half of the Dallas community will bear the other's steadily increasing financial burden.

Many private and public sector organizations are making progress in reducing crime and substance abuse, stabilizing families, and dealing with educational attainment. These efforts will not fully succeed, however, unless there is significant economic development that creates more jobs and real economic opportunity for Sector residents.

2. Few companies have targeted the Southern Sector for capital investment due to pervasive misperceptions or lack of knowledge about the region. All of the team's fact-finding and interviews point out the importance – and the difficulty – of providing an accurate view of the Southern Sector and its competitive position relative to other locations in the Metroplex. Many people echoed the sentiments of one commercial real estate broker, who said: "I'm embarrassed to admit it, but I've been active in the Dallas real estate market for over 15 years and, until very recently, the Southern Sector might as well have been in Alaska as far as I was concerned." Others we interviewed were concerned that the very publication of this study would reinforce people's negative stereotypes of the Southern Sector.

What the study reveals, in fact, is the Southern Sector's diversity. Within its 180 square mile area, the Southern Sector encompasses a wide variety of communities and neighborhoods, each of which presents very specific opportunities and challenges for investors. The communities in South Dallas/Fair Park, Oak Cliff, West Dallas, and Mountain Creek share some, but not all, of their economic resources and needs. Generalizations about the Southern Sector are often misleading, and companies considering investments within the region should focus on the facts pertaining to the specific location under review.

Finally, many of the findings and conclusions in this report may be broadly applicable not just to the Southern Sector but to other lower-income areas in the Metroplex (and likely to similar parts of other cities). By outlining the Southern Sector's real economic potential, we hope this report can help guide informed discussion and cooperative action among key constituencies throughout the city and the metropolitan region.

3. Many companies evaluating expansion options should seriously consider investing in the Southern Sector of Dallas.

Among its many resources, the Southern Sector offers investors a large and under-served consumer market, and a large, stable labor pool. Equally important strengths include cost-effective locations strategically located near uncongested transportation arteries, downtown Dallas, and institutions ranging from Fair Park to the Methodist Medical Center. Sustained economic development and proposed projects such as the Trinity River Corridor development would further augment the region's competitiveness.

The Southern Sector retail market is currently under-served relative to its aggregate buying power. This market imbalance creates an opportunity for smart retailers and service providers to earn competitive returns by offering Southern Sector residents higher quality purchasing alternatives at more convenient locations.

The Southern Sector also merits inclusion on many firms' short lists as they consider alternative sites for facility locations or other capital investments. The relative attractiveness of Southern Sector cost structures and operating environments will depend upon the specifics of each investment decision; but for a range of labor-intensive manufacturing, distribution and business services industries, a Southern Sector site should prove competitive.

Although the basics of sound management do not change because an operation is located south of I-30, tailored management practices can lead to improve performance. Such "tailoring" typically requires raising – not lowering – expectations and standards.

Both small firms and large investors face critical challenges relating to public safety, workforce readiness, government services, and negative perceptions. By working together to address these and other concerns, the public and private sectors can create a "virtuous cycle" that will accelerate the economic development of Southern Dallas.

In summary, we find that well-run businesses, especially those with management practices matching the area's specific resources and needs, can earn attractive returns by addressing under-served consumer markets, tapping a large, diverse labor force, and acquiring strategically valuable cost-competitive locations. Having evaluated the region's strengths and weaknesses and having conducted interviews with more than 100 civic, nonprofit, and business leaders, we conclude that there are good business opportunities within the Southern Sector for a wide range of firms.

DRIVERS OF THE SOUTHERN SECTOR OPPORTUNITY

Our analysis of the Southern Sector's competitiveness begins with an examination of the resources and strengths that together shape the region's business climate. For purposes of clarity, we group the majority of these factors into two categories: those that are primarily labor-related and those that are primarily location- or land-related.

Labor and human resources

The Southern Sector (also "Southern Dallas) offers potential investors and employers access to a large, stable, and diverse pool of labor. While many entry-level jobs go unfilled throughout the Dallas/Fort Worth (D/FW) area, the unemployment rate within the Southern Sector exceeds 10 percent, approximately three times the rate for the remainder of the Metroplex. Many Southern Dallas residents depend on public transportation and must travel long distances to jobs located throughout other parts of the city. Average commute times for Southern Dallas residents are significantly longer than for those who live in northern Dallas. Consequently, employers located closer to this supply of available labor enjoy a recruiting advantage. In addition, businesses located within the Southern Sector may attract employees from growing communities south of the city limits such as Duncanville, DeSoto, and Lancaster.

Contrary to the perceptions of many, most of the businesses we talked to have few problems attracting adequately qualified employees from within the Southern Sector. Commented the manager of a customer service operation, "I don't think we could have grown as quickly if it weren't for our location. Our lobby is full of applicants almost every day, most from the surrounding neighborhoods or with easy access on DART. Yes, we reject a lot of applications, but if we were in Addison I'd have 20 operations just like mine competing for the same set of employees." Nearly all of the companies interviewed echoed similar points of view.

Complementing the availability of labor within the Southern Sector are lower average wage rates. Although wage rate differences between regions can be limited by factors including labor mobility and corporate compensation policies, wage rates for nonprofessional employees are generally lower within Southern Dallas than in other parts of the city. A 1995 Towers Perrin survey of Greater Dallas compensation and benefits patterns found that blue collar labor is approximately 11 percent less expensive within Southern Dallas and its adjacent suburbs than in the remainder of the Metroplex.

Finally, our interviews indicate that some Southern Dallas businesses benefit from low labor turnover rates. Several companies cited the ability to retain qualified employees as a key advantage to their Southern Sector location, although many noted high rates of attrition during the first weeks of employment. "We have a strong presence in this neighborhood and do our best to treat our people right. Most of our new hires are referrals, and except for a few people just not ready for the workforce, we've had great luck. I'd bet our average tenure is seven or eight years," claimed the owner of a manufacturing facility employing approximately 350 people.

Location and land-based factors

The Southern Sector offers potential investors several location-dependent advantages. Undeveloped land within the Southern Sector is readily available. With over one third of its land vacant, the Southern Sector contains approximately 65 percent of the city's remaining undeveloped space. Relatively inexpensive, this land sells on average for slightly over \$2.00 per square foot, less than one third the price in northern Dallas. Although little vacant commercial space can be found within the Southern Sector, rents are approximately 20 percent lower than the remainder of the Metroplex*. Claimed the owner of a building component manufacturer, "As far as my business is concerned, dirt is dirt as long as you can find good employees. I pay a fraction of what I would pay in rent elsewhere, and the majority of our shop workers can walk to work."

Adding to these location strengths is the excellent North-South and East-West freeway access enjoyed by many parts of the Southern Sector – especially along the I-20 and I-45 corridors. Southern Dallas' transportation network is much less congested than that of the northern half of the city. As growth within northern suburbs tests the limits of the region's transportation infrastructure over the next decade, this advantage will be amplified. The emergence of I-35 as a NAFTA superhighway should further augment these transportation access advantages.

The continued expansion of the DART light rail system also supports economic development initiatives within Southern Dallas. DART projects a daily ridership of 15,000 in the South Oak Cliff and West Oak Cliff corridors by 2010. The existing network is already making a difference by creating real estate development opportunities adjacent to stations and by better connecting potential employees with employers. Planned extensions to the network will create new development opportunities and will likely increase the value of those locations currently near a DART station.

Finally, some businesses may be able to take advantage of the Southern Sector's proximity to downtown and to other assets such as the Dallas Zoo, Fair Park, and the Methodist and VA hospitals. Planned or potential developments, especially those involving the Trinity River and the Redbird Airport, will further augment the location strength of the Southern Sector. Early phases of the Trinity Parkway project, for example, will facilitate traffic flow between downtown and West Dallas and will improve transportation access throughout much of the Southern Sector.

Other resources

The Southern Sector's competitive strengths do not end with labor and location factors. When evaluating Southern Dallas opportunities, potential investors should also consider:

- 1. Tax incentives:** A variety of tax incentives are available to companies investing capital in and/or creating jobs within Southern Dallas; both the city and county governments participate in these programs. The tax abatement eligibility requirements for Southern

* Land and rest costs depend on the specific location and use considered.

Dallas projects are typically lower than those for other parts of the city. For example, a 10-year, 90 percent abatement for real property taxes may be available to firms creating as few as 25 jobs or investing as little as \$5.5 million. Significant portions of the Southern Sector receive Enterprise Zone status, and eligibility requirements are even lower for projects located within these areas. High impact projects or investments related to target industries may qualify for further incentives.

2. Network of community-based organizations: In addition to the various Chambers of Commerce, institutions such as the Southern Dallas Development Corporation, the Dallas Business Development Corporation, and neighborhood associations can provide potential investors insights into specific community's resources and needs. These and other community-based development agencies can also serve as valuable members of public-private partnerships formed to pursue commercial development opportunities in Southern Dallas.

3. Community college system: The Bill J. Priest Institute (operated by the Dallas County Community College District), along with other educational institutions such as Paul Quinn College, provide private sector businesses with job training services specialized to meet firms' specific needs. These programs, for example, range from English as a Second Language (ESL) courses to Total Quality Management seminars. The proposed establishment of a major education center in the McCommas Bluff area will add to these resources.

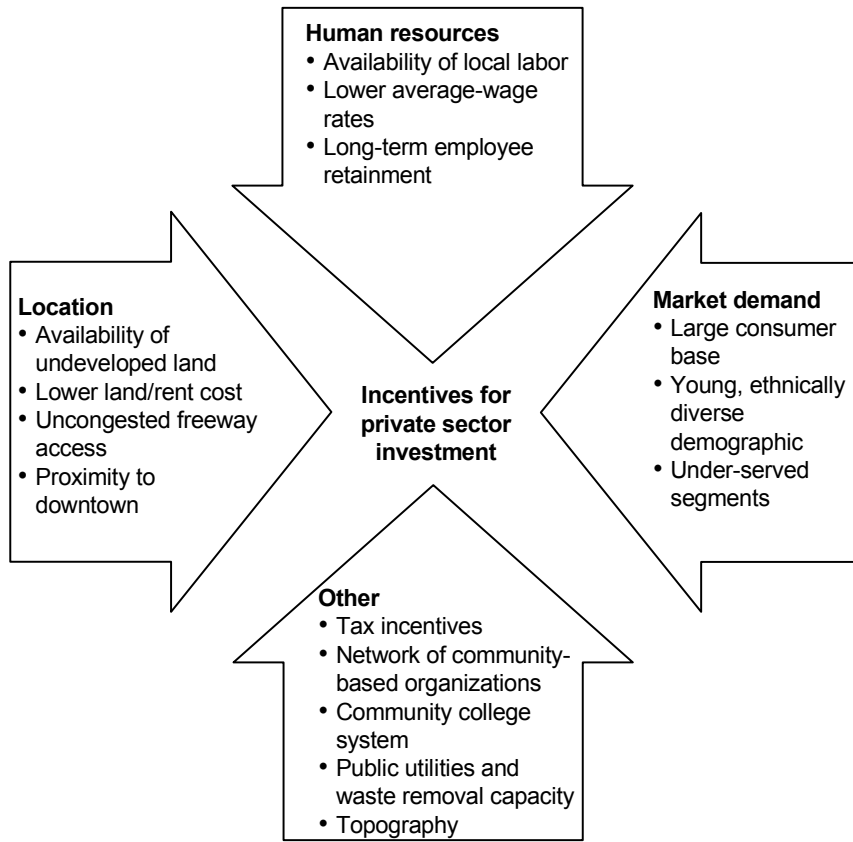
4. Public utilities and waste removal capacity: Along with the rest of the city, Southern Dallas can offer investors competitive public utility rates. Water rates for the City of Dallas, for example, are 40 percent lower than in Fort Worth and 60 percent lower than in Houston. Southern Dallas can also offer excellent solid waste disposal and water treatment capacity.

5. Topography: The Southern Sector, which boasts some of the city's more dramatic topography, is bisected by the Trinity River and the 8,400 acre hardwood forest along its banks. The Mountain Creek region in particular, with elevation changes of 300 feet, offers visually attractive sites for business park and residential development.

* * *

Across its nearly 200 square miles, the Southern Sector offers many resources to potential investors (see Exhibit 1). Among these competitive strengths are a stable, underutilized labor supply and strategically attractive, cost-advantaged locations. The Southern Sector also enjoys proximity to downtown, institutions ranging from Fair Park to the Methodist Medical Center, and access to critical, uncongested transportation nodes. Although generally underappreciated, these strengths combine to make the Southern Sector a competitive location alternative for many types of businesses.

OVERVIEW OF SOUTHERN SECTOR RESOURCES



A SIGNIFICANT RETAIL OPPORTUNITY

One important Southern Sector resource not mentioned previously is the collective consumer demand of the region's residents. Although per capita and household incomes are relatively low, the total income of the large number of people living in Southern Dallas is approximately \$6.7 billion. The Southern Sector retail market, despite its aggregate buying power, is currently under-served. The residents of Southern Dallas spend more than 35 percent of their retail dollars outside the region. This market imbalance creates an opportunity for smart retailers and other service providers to earn competitive returns by offering the residents of Southern Dallas high quality purchase experiences at convenient locations.

Large, young, and diverse consumer base

The Southern Sector, with more than 460,000 residents, is home to 41 percent of the City of Dallas' population. If it were its own city, Southern Dallas would rank in the top 30 in the U.S. in terms of population*. Southern Sector residents spend an estimated \$3.1 billion for retail goods and services annually, and this spending is concentrated within a few categories of basic goods and services (see Exhibit 2). Southern Sector residents, for example, spend approximately \$1 billion annually on food for meals both at and away from home. These figures do not reflect the region's unreported cash economy, estimated by researchers to be as much as 17 percent of total spending for other similar lower-income, urban environments. "You don't have to be a rocket scientist to figure out that the people here buy groceries and clothes and other goods. What doesn't make sense is that they pay higher prices for worse service," argued the leader of one CDC. Furthermore, the picture is improving with Southern Sector per capita incomes growing at a 3.8 percent annual rate since 1990.

Many retailers will find the age and ethnicity profiles of Southern Sector consumers to be attractive. The average Southern Sector consumer is relatively young when compared to her northern Dallas counterpart with over 40 percent of the Southern Sector population below the age of 24. For retailers seeking growth opportunities serving minorities, the area's largely Hispanic and African-American consumer base matches those demographic segments. Minorities within the U.S. already account for over 25 percent of the population and are expected to increase to nearly 35 percent by the year 2010, accounting for most of the U.S. population growth during that period. As an April 1997 article from *Progressive Grocer* claims, "The future of retailing in the United States will be painted less in bold strokes of red, white, and blue and more and more in shades of yellow, brown, and black." Those retailers who invest now in serving these communities will position themselves well for future growth in Dallas and other urban markets.

Finally, retailers located near DART stations and assets such as Fair Park, the Dallas Zoo, and the VA and Methodist Hospitals also benefit from the consumer spending of those visiting the region. The Zoo attracts over half a million visitors annually, and Fair Park

* Including populations within the city limits, not MSAs.

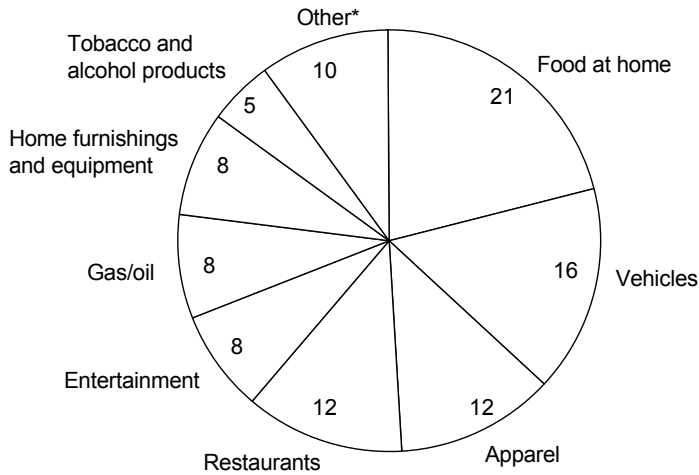
brings in 3.5 million people for the State Fair alone. Southwest Center, by way of example, attracts the majority of its shoppers from outside the Southern Sector.

Exhibit 2

SOUTHERN SECTOR RETAIL DEMAND
Percent of total

ESTIMATE

100% = \$3.1 billion



* Includes drugs and medical supplies, housekeeping supplies, personal care products, and reading

Source: CACI Marketing Systems – Sourcebook of Zip Code Demographics; National Decision Systems; U.S. Department of Labor – Consumer Expenditure Survey, 1992-93

Southern Sector consumers are currently under-served

Despite figures such as these, the Southern Sector has relatively few retail stores. While Northern Dallas has more than 5,700 retail establishments, Southern Dallas has approximately 1,400 (see Exhibit 3). The Southern Sector has approximately half as many stores per household and approximately 65 percent fewer stores per capita than the northern half of the city. Examining store size differentials further illustrates the degree to which this market is under-served: the Southern Sector contains only 21 percent of the city’s total retail square footage. Southern Dallas enjoys 61 percent fewer square feet of retail space per capita and 13 percent less per dollar of income than the remainder of the city. Fifteen out of 17 Southern Sector zip codes have less than 60 percent of the city’s average per capita retail space (see Exhibit 4).

Although store quality is difficult to measure quantitatively, our interviews and previous surveys of Southern Dallas community needs consistently highlight the demand for improved retail services. In a 1995 Community Needs Assessment survey, residents in Southern Dallas districts were seven times more likely than other Dallas respondents to identify access to quality shopping as a major neighborhood problem. We also conducted informal store visits to over 30 establishments within the Southern Sector. By no means a scientific study, this preliminary assessment finds that most, but not all, retail establishments within Southern Dallas offer a less attractive physical plant, a more limited assortment of

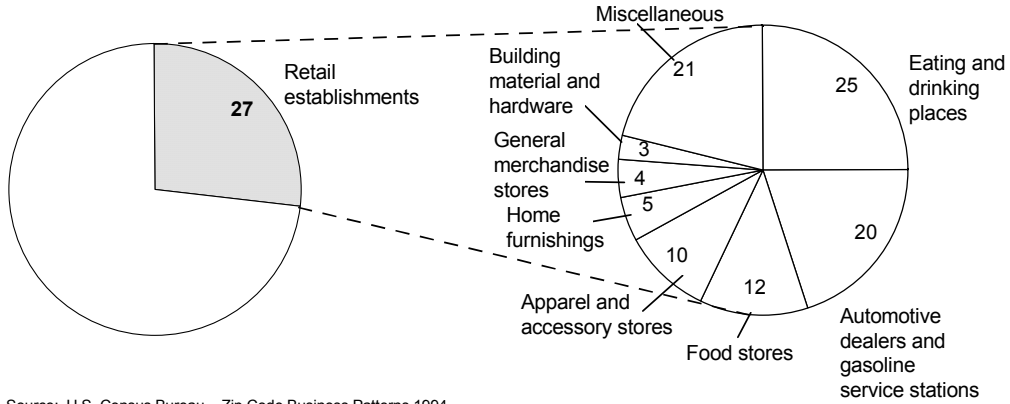
goods, and a lower level of customer service than comparable or same chain stores in other sections of the city.

Exhibit 3

RETAIL ESTABLISHMENTS IN SOUTHERN SECTOR

Total establishments
100% = 5,225

Retail establishments
100% = 1,397



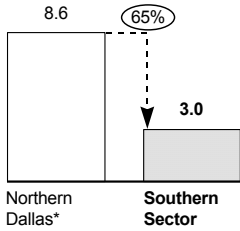
Source: U.S. Census Bureau – Zip Code Business Patterns 1994

Exhibit 4

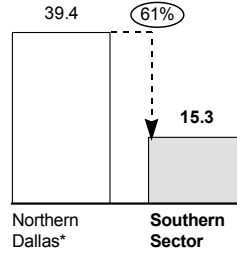
SOUTHERN SECTOR CONSUMERS ARE UNDERSERVED

ESTIMATE

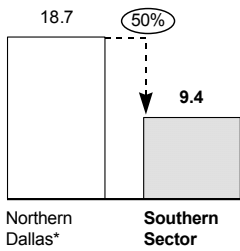
Number of retail establishments
Per 1,000 persons



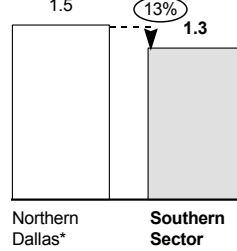
Square feet of retail space
Per capita



Per 1,000 households



Per \$1 thousand of income



* Includes Park Cities and excludes Central Business District (75201, 75202)

Source: CACI Marketing Systems – Sourcebook of Zip Code Demographics; Jamison Research; U.S. Census Bureau – Zip Code Business Patterns 1994

Retail reinvestment can make a difference

Given these differences in store quantity and quality, it is not surprising that Southern Dallas residents spend a significant portion of their retail budget outside the area. Increased retail investment within Southern Dallas would benefit the area's residents by offering them higher quality goods and services at more convenient locations and at more competitive prices. We estimate that approximately \$1.1 billion in consumer spending by Southern Sector residents leaves the region annually (see Exhibit 5). By retaining a larger portion of this spending within the community, retail investments create jobs, expand the local tax base, and make the region more attractive to both current residents and other potential investors. Although many entry-level retail positions are not real living wage jobs, they do provide residents with another opportunity to enter the workforce and to build job skills. In fact, approximately four out of every ten working Americans' first job was in retailing.

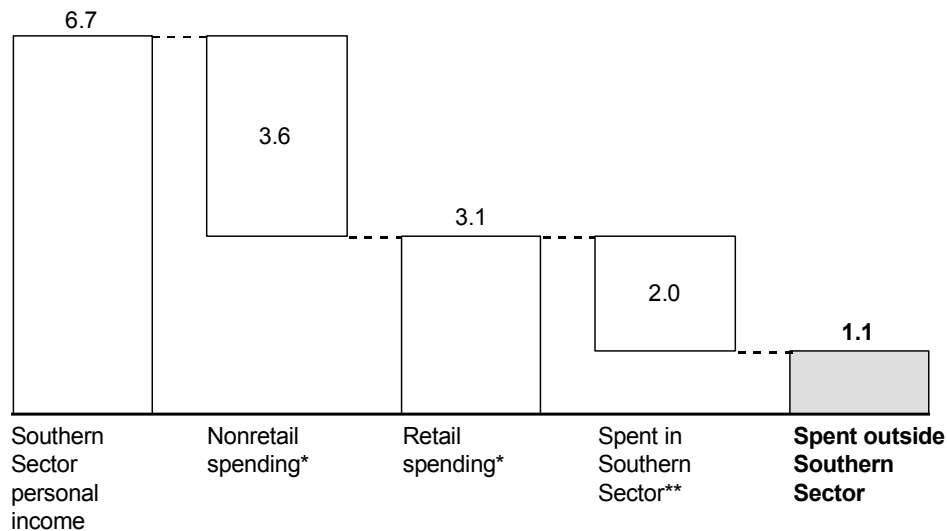
Improved retail services alone will not drive Southern Dallas' economic revitalization, but it constitutes a move in the right direction. Because retail profit margins are relatively low, retail businesses – even those owned by outside entities – typically transfer wealth into the communities in which they are located. If built and operated well, a large retail establishment can have a positive, stabilizing impact on the surrounding neighborhood. In addition, retail franchising can provide an important vehicle for local wealth creation.

Exhibit 5

SOUTHERN SECTOR RETAIL TRADE DEFICIT

ESTIMATE

\$ Billions



* Ratio based on national weighted average spending patterns of similar income groups

** Actual retail sales in Southern Sector minus suburban shopper spending at Southwest Center

Source: CACI Marketing Systems – Sourcebook of Zip Code Demographics; National Decision Systems; U.S. Department of Labor – Consumer Expenditure Survey, 1992-93; Texas Comptroller of Public Accounts; Interviews

Why have retailers not responded to this opportunity?

In an effort to better understand the current perspectives and perceptions of Dallas' retail businesses, we conducted an anonymous survey of the Greater Dallas Chamber of Commerce's retail membership. The respondents include companies with and without experience serving Southern Dallas consumers; a comparison of answers reveals some important insights.

Along a number of dimensions, the responses of those with and without firsthand Southern Dallas experience are quite similar. Both groups consider the Southern Sector to be under-served, believe that the real estate brokerage community does not effectively understand or promote opportunities within the region, and agree that the quality of retail establishments is significantly higher throughout other sections of the Metroplex. As noted previously, these views correlate with the findings from our data analysis, store visits, and interviews.

Perhaps more interesting are the following two basic perceptions that varied significantly depending on whether or not the respondent has experience operating within the Southern Sector.

Firms currently operating within the Southern Sector are much more likely to consider locations within the region for new store openings and to believe that sufficient demand exists to support additional establishments of their type.

Retailers within Southern Dallas rated crime rates in the region (both overall and violent) *slightly worse* while those companies without firsthand experience believe Southern Sector crime rates are *nearly twice as bad*.

This last finding must not be overlooked. Although the Southern Sector does face important public safety challenges, widely held misperceptions regarding Southern Sector crime patterns inhibit both retail and industrial reinvestment. Illustrating the importance of public perceptions, a concerned business person recounted, "People see a police car at North Park and say, 'aren't they doing a good job patrolling the mall.' The same person sees a police car at Red Bird Mall [now Southwest Center] and says, 'I wonder who got robbed.'" Our interview and survey findings indicate that fear and uncertainty concerning crime and its associated costs prevent many retailers from pursuing Southern Sector opportunities despite the widely held view that the area is *under-stored*.

These misperceptions can be particularly detrimental because traditional retailer methodologies for evaluating trade areas typically underestimate the purchasing power of inner city and lower-income consumers. One difficulty faced by retailers is the lack of reliable data – the now out-dated 1990 census is the primary source for small-area median household income information. Another challenge involves gauging the impact of both the unrecorded cash economy and the changes to welfare eligibility and payment schemes. These obstacles and uncertainties, when combined with overestimates of crime rates and operating costs, lead many retailers to "wait and watch" rather than act on under-served inner city markets. Noted one grocer, "If we didn't already have a store there we might not have been willing to build this last one. Even with years of experience in the area we significantly underestimated the traffic and sales our new store would generate. Looking back, we should have built it much sooner."

Smart retailers can and do earn attractive returns

To further examine the attractiveness of Southern Dallas retail markets we analyzed comparative store performance data provided by a set of retail companies managing both Southern Dallas and Northern Dallas locations. We also investigated how retailers across the country are performing in similar environments.

In retail locations across the country, most chains experience considerable variability in performance by store. These differences are due to: 1) macro-location characteristics such as the demographics of the surrounding trade area; 2) micro-location issues including traffic flows, ease of access, and proximity of competition; and 3) store management practices. The results in Southern Dallas show similar patterns of variability, with some stores performing relatively well and others performing relatively poorly. On average, the retail chains we examined earn returns in the Southern Sector comparable to those earned elsewhere, with the best sites doing quite well. The following cases demonstrate that retailers, especially those offering basic goods and services, can and do succeed within Southern Dallas.

1. Gasoline/convenience stores: A national chain of gasoline/convenience stores with more than 20 locations throughout D/FW finds Southern Dallas central to its local strategy. In fact, the company's Southern Sector locations are approximately twice as profitable – on a per store basis – as others within the Metroplex. Although only 17 percent of the company's D/FW locations are within the Southern Sector, these storefronts generate approximately 30 percent of the firm's regional profits.

2. Full-service grocery: The newer Southern Sector locations of a leading grocery chain post higher sales per square foot than comparable stores from the remainder of the Metroplex (comparing stores of similar size, age, and range of services). In fact, the sales per square foot posted by the Southern Sector locations are higher than the national average for grocery stores of similar size. Counterbalancing these higher volumes, however, are higher security costs (including shrinkage) and a mix of sales that results in lower gross margins.

3. Restaurant and entertainment: The newer Southern Sector locations of a leading grocery chain post higher sales per square foot than comparable stores from the remainder of the Metroplex (comparing stores of similar size, age, and range of services). In fact, the sales per square foot posted by the Southern Sector locations are higher than the national average for grocery stores of similar size. Counterbalancing these higher volumes, however, are higher security costs (including shrinkage) and a mix of sales that results in lower gross margins.

4. Apparel/department store: Of course, not every Southern Sector retail location outperforms same-chain averages. One department store executive described the results posted by his company's largest Southern Sector asset as, "Not the worst, but certainly disappointing." An examination of this company's numbers reveals that the Southern Dallas location of this retailer lags behind both D/FW and chain-wide benchmarks but remains well above the worst quartile. Although gross margins are only slightly below average, lower than average sales per square foot and sales per employee result in operating margins approximately 45 percent below the chain-wide mean.

Nationally, the momentum behind inner-city retailing is strong, and many retailers are aggressively moving to serve lower income areas similar to Dallas' southern half. With

suburban markets saturated, firms that looked overseas in the past for growth are now recognizing the potential inherent in domestic inner city and lower income markets. Recent headlines from the *New York Times* herald “Harlem’s Retail Renaissance.” A review of recent headlines confirms this trend:

- “Shunned no more, New York’s Harlem entices big chains seeking fresh turf” – *The Wall Street Journal*
- “Value of Inner City rediscovered” – *Chicago Tribune*
- “Supermarkets return to these mean streets” – *Business Week*
- “National retailers cashing in on inner cities” – *USA Today*
- “The inner city and ethnic consumers represent the next – and perhaps last growth area for U.S. retailers. But are they ready?” – *Progressive Grocer*

Companies ranging from Sears to Delray Farms, a rapidly expanding grocer active in inner city Chicago, now consider lower-income, urban markets central to their overall strategies. Sears, in fact, recently disclosed that its newer urban locations average between \$75 and \$100 million in annual sales, nearly triple the chain-wide average.

Best practices for inner city retail management

These retailers and others are profiting from efforts to serve previously untapped markets. However, as the CEO of a retailer heavily committed to inner city markets explains, “We don’t do it because it’s easy.” Many retailers will find it necessary to refine certain management practices and tactics to fit the unique demands of these markets. Highlighted below is a selected set of “best practices” derived from our interviews, store visits, and research.

1. Basic requirements remain the same. Before outlining the dimensions along which retailers may need to tailor their management strategies and tactics to fit the Southern Dallas market, we note that the basic requirements for retail success do not change simply because the location under consideration is found within a lower-income neighborhood. Southern Dallas consumers demand high quality shopping experiences, and they often commute to other parts of the city to get them. In the words of a Southern Sector shopping center manager, “Urban shoppers are not uneducated shoppers. They demand the same quality and service that is offered elsewhere. If we don’t meet their expectations here, including having the right stores, they have no problem driving to another mall.” Under-investment in facilities, merchandising, and personnel typically lead to a cycle of poor performance, retrenchment, and decline.

Our interviews suggest that the more successful retailers drive toward higher quality service, not simply lower costs, for their inner city locations. Explained one owner with years of experience serving Southern Dallas customers, “By replacing our older, out-of-date store with a new full-service location, we’ve tapped into a set of local customers we never knew we had been missing. Our only mistake is that we didn’t build it even bigger.” A local resident and community leader described the challenge facing inner city retailers as follows:

“The task before these merchants is to raise the bar, not lower it. The establishments that are most successful hold their employees and customers to a higher standard and in return demand the same of themselves.” A department store manager revealed, “We ignored this location for a long time and lost a lot of customers. Since our remodeling, sales are up over 60 percent.”

The benefits of this approach are not limited to higher sales productivity, but may also include reduced shrinkage, lower employee turnover, and improved community relations. Responded a manager with responsibility for several convenience store locations, “We have substantially less difficulty with graffiti, shop lifting, and loitering at our new or refurbished store fronts. It may be as simple as better lighting, I don’t know, but we have better sales with fewer problems.” Explained another retailer with significant experience serving inner city markets, “We work hard to set an example by making our stores safe, clean, and comfortable for both our employees and our customers. We want our stores to stand-out as something the community can be proud of. I think that’s why we have almost no serious problems with crime or vandalism.”

Finally, crime, customer service, and community relations concerns are by no means unique to inner city locations. One executive told us, “Public security is a concern everywhere these days. We’re upgrading our security systems and installing new parking lot lights across all of our stores. That’s not just a Southern Dallas issue.” Another store manager explained, “You’d be very surprised by which of our stores have the highest shrinkage.” Concerning employee hiring and training requirements, several retailers commented that these are common, industry-wide challenges associated with entry-level positions.

2. But inner city retailing is not simply business as usual. Many of the retailers with whom we have spoken have successfully tailored their management practices to meet the specific requirements of the communities in which they are located. Although approaches vary from location to location and retailer to retailer, our research consistently notes the following practices.

Profit from positive community relations. “The biggest mistake a business can make is to underestimate the importance of community to the people here. This isn’t a faceless suburb where people come and go. Most of us grew up here and have family here. There is a lot of history here. That’s why it is not as simple as opening up a shiny new store and expecting everyone to say thank you.” These words, spoken by the leader of a Southern Dallas CDC, begin to reveal the powerful sense of community that characterizes many Southern Dallas neighborhoods. Although some retailers may find his words alarming or even threatening, our interviews and research suggest that the community spirit to which he refers creates important opportunities.

More than simply the *price of entry* – as some claim, investing in community relationships can lead to improved store performance. As the marketing director of one retailer told us, “Working with the community is an integral part of our strategy. It allows us to better understand the local market, to build customer loyalty, and to attract good employees. It is one way we distinguish ourselves from competitors.” Another company describes its approach by saying, “Many of the communities in which we locate have been economically or socially isolated from the rest of the city. With that in mind, we try and make each store opening a community celebration, not a company celebration. For example, we might

sponsor a parade through the neighborhood streets. They don't teach that in marketing seminars, but believe me, it works."

Finally, a grocer focusing on inner city markets reveals the rationale behind his firm's community investments as follows: "For us, investing in the community is simply good business. We win big if our store can anchor further commercial development, and we win big as the community revitalizes in other ways." Profitability – built on social responsibility – drives the community relations strategies of these and other successful urban retailers. Those firms able to build strong links with inner city communities may enjoy a material competitive advantage.

Forge alliances early. Building community ties is easier said than done; especially for retailers without experience in similar markets. Although no single model will work for all companies, our interviewees agreed on one recommendation: start the process early. "We try and establish a dialogue with community leaders right up front, even before we've completed our basic market analysis. Discussing our intentions early allows us to avoid some stupid mistakes, and at the end of the day it makes the whole process go faster," commented a location manager for a retailer active in inner city Los Angeles. According to the leader of a local CDC, "The earlier discussions get started, the more cooperative they seem to be. There can be a lot of tough issues to work through, especially with respect to displacing local merchants. Working together, there is a chance to get to a better answer – not just debate the pros and cons of some decision that has already been made."

Determining which community representatives to approach can be difficult, and again no single answer applies to all situations. Complained one frustrated business person, "There were so many voices claiming to speak for the local residents, so many different agendas, that we didn't know where to begin." Private sector firms can begin to address this uncertainty by working closely with the various Chambers of Commerce and other economic development intermediaries such as the Dallas Business Development Corporation and local CDCs. Reflecting on his company's experience in other inner city markets, one retail executive said, "I think a lot of companies should look at entering inner city markets like they would look at overseas markets. Nobody thinks it's easy, so if you consider building relationships with the local communities to be nothing more than a hassle, you won't get very far. If you look at it as an investment in a new business opportunity, you've got a chance to build a strong foundation for future growth."

Emphasize local hiring and tailor human resource practices. Hiring local residents pays off in many ways. Noted one store manager, "Hiring locally connects us with the community. We are more responsive to our customers, and our store is a more comfortable place to shop." Agreeing with this position, another retailer told us, "I think one of the best things we did was hold a couple of open houses at neighborhood high schools. We had a chance to discuss community concerns directly, and we kicked off a successful recruiting drive." Other interviewees highlighted the security benefits associated with local hiring. As one Southern Dallas businessperson argued, "Hiring from the surrounding area would make sense anyway, but I also think it reduces our crime risk and shrinkage costs . . . I might even go so far as to call it our first line of defense against shoplifting and vandalism."

Most of the retailers with whom we have spoken find the local labor pool meets their needs. One executive elaborated on this point by saying, "We may screen a thousand applications

to find one hundred employees, but overall we have an easier time filling entry-level positions in Southern Dallas than in some of the northern suburbs.“ Other managers, however, have cited a need to be more flexible with respect to certain human resource practices. “I’d say we probably invest a little more in training, especially around customer service issues. But the biggest difference is in whom we are willing to give a chance. Once in the door, however, our termination policies are very strict.”

Some inner city retailers have found it valuable to invest very heavily in employee training. Smart & Final, a California based retailer of bulk food service items, has altered its strategy to take advantage of its primarily urban locations. Believing that the convenience of its locations could constitute a meaningful advantage vs. suburban club stores, Smart & Final refurbished its stores, extended its hours of operations, and more than doubled its SKUs. In conjunction with these concept renewal efforts, the company created “Smart & Final University,” a program to train its front-line employees. According to an equity analyst who covers the company, “Given how nimble they needed to be, they had to raise the basic skills of their staff. It has also helped reduce turnover and, therefore, costs. They blamed themselves for having a relatively low-skilled workforce because they had never demanded much from them.” Smart & Final, with sales growing at nearly 17 percent annually, now sells spaces in its training programs to other retailers.

Adjust the marketing mix. Most retailers are familiar with adjusting the merchandising and marketing mix to fit the needs of a specific trade area. The challenge, therefore, is to apply these same skills to lower-income, urban markets like Southern Dallas. The appropriate tactics will depend on both store type and store location. While some retailers may address a specific market segment, others will deliver a broad assortment of goods to customers from many different socioeconomic groups. A Southwest Center department store and a West Dallas grocer, for example, may modify their products, prices, and promotions in very different ways. One real estate broker highlighted this distinction, saying, “Most retailers looking at Southern Dallas will face a choice between edge strategies and niche strategies.”

All retailers, however, should recognize that household incomes are not the only factor distinguishing Southern Sector consumers from the general marketplace. Remarked the marketing manager for a successful inner city retail chain, “I think we simply invest more in understanding our customers than does our competition. We try not to make assumptions about what they want or don’t want. We ask them.” As noted above, responding to lower-income markets by simply offering lower quality goods and services – even if prices are very competitive – constitutes an uninformed and self-defeating strategy. In order to capture the full potential value of Southern Dallas’ consumer markets, retailers will need to better understand differences in values, interpersonal relations, language preferences, and consequent patterns of media consumption, as well as shopping and spending behaviors.

For many store locations, small changes to marketing, merchandising, and customer service practices may result in higher customer loyalty and increased sales productivity. As the adage goes, “retail is detail.” One store manager with whom we visited explained that allowing the store’s security guard to walk customers to their cars made a big difference. Another noted small adjustments to Spanish language advertisements and in store promotions made to match the specific national heritage (in this case Salvadoran) of the

store's Hispanic customers. Retailers must always balance the benefits of these specialized tactics against the assumed cost advantages of a more uniform and standardized approach.

Commit the organization. As noted above, successfully serving inner city markets will require many firms to adjust management practices and to overcome long-held beliefs about lower-income consumers. Consequently, clearly demonstrated, top-down commitment to the effort can prove critical. "The strategic decision to tap these markets has been made at the top. Consequently, it is much easier for the front-line staff to do what it takes to be successful," claimed one retailing executive. Adjusting the marketing mix to reflect local consumer preferences may also require some retailers to allow individual store managers greater autonomy. Finally, it is important to communicate externally the organization's commitment to serving these markets. Having witnessed the flight of retailers to the suburbs over the past three decades, inner city residents are concerned that new investors will be quick to leave if success is not immediate.

* * *

Many retailers and service providers can find attractive business opportunities within Southern Dallas. Southern Sector consumer demand exceeds three billion dollars, and the market is significantly under-served in terms of the number, size, and quality of retail establishments. Consequently, Southern Dallas consumers spend over one third of their retail dollars outside the region, a trade deficit that inhibits the expansion of neighborhood economies. Data from retailers currently active within Southern Dallas and similar urban markets provides further evidence that inner city locations can generate attractive returns. Although the basics of retail management hold constant, adjustments to selected practices can lead to improved performance. Those retailers who today invest in the development of inner city retailing skills may create an important advantage for tomorrow.

A RANGE OF OTHER INDUSTRIES ALSO FIT WELL WITH SOUTHERN DALLAS' CURRENT STRENGTHS AND WEAKNESSES

In no way limited to the retailing opportunity described above, the Southern Sector merits inclusion on many firms' short list as they consider alternative sites for facility locations or other capital investments. In evaluating alternative locations, companies examine transportation access, tax codes, labor supply, crime rates, operating expenses, proximity to customers and suppliers, the quality of public services, options for expansion, and a variety of other factors. The relative attractiveness of Southern Sector cost structures and operating environments will depend on the specifics of each investment decision; but for a range of labor-intensive manufacturing, distribution and business services industries, Southern Dallas should on average prove quite competitive.

Within the Metroplex and northern Texas, the Southern Sector faces tough competitors for new business investment, and, consequently, not every Southern Sector resource constitutes a true competitive advantage. Undeveloped land, for example, is an important Southern Sector resource, but one that other Metroplex competitors share. However, our review of the region's *combined* resources and strengths, as well as its current weaknesses, argues that many businesses should consider Southern Dallas investment opportunities much more seriously. The Southern Sector will not be the best choice for all businesses, but if considered on the facts, it will win some investment competitions with other regions on straight-up economic grounds.

Current strengths and weaknesses

Southern Dallas possesses many resources of value to new investors (see Exhibit 1, p. ____). Southern Sector locations offer advantaged access to a diverse pool of entry-level and semiskilled labor, including the ability to draw employees from neighboring suburbs. According to the manager of a manufacturing plant in Oak Cliff, for example, "I'd say about two-thirds of our employees come from within a five mile radius of the plant, and we usually hire through internal referrals. But some of our staff, including a couple of our quality control specialists, come from as far away as Arlington. For most of us the commute is not very long because we're going against traffic." Citing labor turnover advantages, another manufacturing manager claimed, "I think we are able to keep good people partially because we maintain a good working environment and partially because the nearby population is very stable. Not many of our employees move away to other cities or even to other parts of Dallas."

Other managers have highlighted the area's location-based benefits, as explained by the owner of a distribution and office services firm. "Many of my customers office downtown, so being less than 10 minutes away is a real advantage. No one realizes it, but we're only about 20 minutes from D/FW Airport. We can afford to expand at this site and our trucks are on the freeway almost from the moment they leave our lot." The owner of a metal fabrication business told us, "We ship products all over the country, with about 10 percent of our sales going overseas. For us it is a real advantage to be in a low cost location yet still be in a big city that all our customers can recognize by name," and the owner of health

services firm warned, “Don’t underestimate the importance of being able to provide adequate parking.”

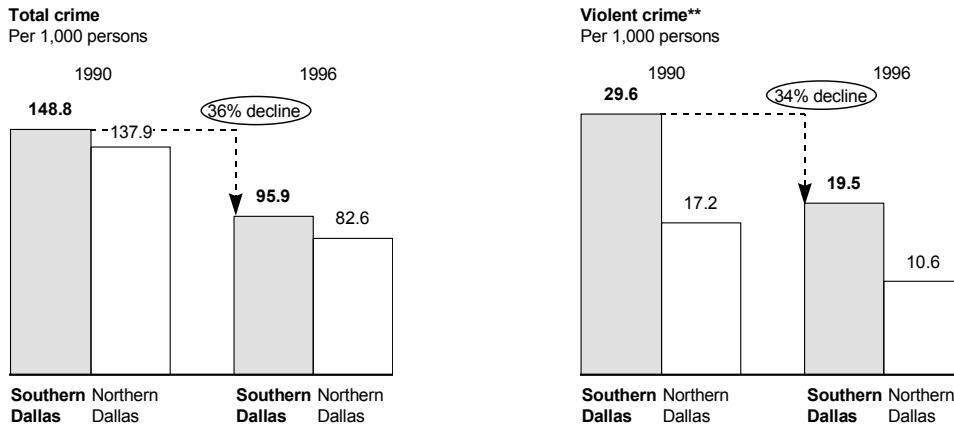
Although many businesses are able to thrive within Southern Dallas, the region is not without weaknesses. Public perceptions often exaggerate these difficulties, but the underlying problems are real and materially impact the types of businesses that should consider Southern Dallas locations in the very near term. These issues include:

- 1. Shortage of developed commercial space available for rent.** Little speculative property development has occurred within Southern Dallas in recent years. Businesses seeking build-to-suit sites will find attractive options, but those desiring turnkey office park space, especially those requiring more than 50,000 square feet, will find few choices.
- 2. Difficulty attracting highly educated, specialist labor.** Over 40 percent of Southern Dallas residents over the age of 25 do not hold a high school degree, more than double the percentage for the remainder of the Metroplex. Commented the owner of a very successful Southern Dallas manufacturing business, “Our employees are our greatest asset, but most of what we do requires dedication and teamwork, not a college degree.” Other Southern Dallas business owners noted difficulties in attracting back-office staff to the area. “We draw back-office and specialist staff from all over the Metroplex, and the commute is not usually a problem. I think everyone has a hard time recruiting good people these days, but we’re fighting the fact that some salaried employees are just afraid to work here.”
- 3. Poor public image.** “Our customers are impressed by the quality of our product, not the prestige of our office space. If this were a sales office instead of a manufacturing facility, we’d have a harder time of it,” claimed one plant manager. Explained another Southern Dallas business person, “I don’t think it is right, but we are always fighting against our customers’ negative perceptions of this area. We even fight it within our own company.”
- 4. Higher incidents of violent crime and crimes against business.** Although declining and lower than many comparable urban centers, overall Southern Dallas crime rates, as measured by incidents per 100,000 persons, are approximately 12 percent higher than northern Dallas figures. Rates for violent crimes and crimes against businesses are significantly higher within the Southern Sector (see Exhibit 6a and 6b).
- 5. Competing, triple-freeport tax packages.** A number of valuable tax incentives are offered to businesses committing capital to Southern Dallas; however, competing locations such as Alliance present even more aggressive packages. The lack of a triple freeport or an economically developed foreign-trade zone clearly places the Southern Sector at a cost disadvantage for businesses carrying high value-added inventory.
- 6. Site acquisition challenges.** Many brokers and Southern Sector executives argue that assembling parcels, acquiring permits and negotiating zoning variances can be more difficult and time consuming within the city limits generally and the Southern Sector in particular. According to one retail space developer, “I know of some very attractive locations in Southern Dallas that are screaming for a shopping center project, but either the zoning gets too complicated or some absentee landlord is just sitting on the property without any intention of developing it.”

Over the longer term the economic revitalization of Southern Dallas should weaken some of these constraints. In the near-term, however, these issues cause businesses either to target more carefully the types of investments for which Southern Dallas locations are considered or, as will be discussed further below, to adjust local management practices to mitigate these shortfalls.

Exhibit 6a

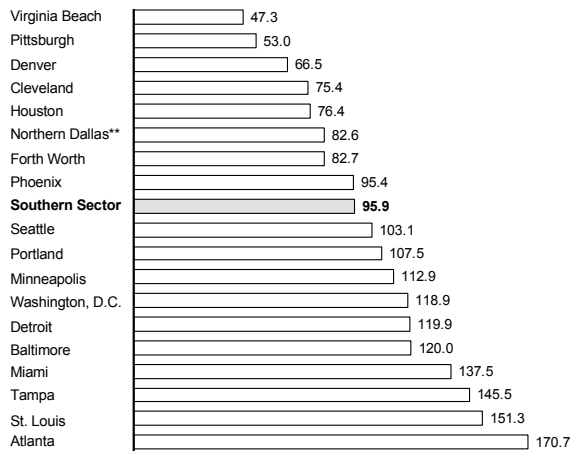
CRIME COMPARISON
Southern Sector vs. Northern Dallas*



* Includes Park Cities and excludes Central Business District (75201,75202)
 ** Includes murder, rape, robbery, and aggravated assault
 Source: Dallas Police Department – Statistical Reports; CACI Marketing Systems – Sourcebook of Zip Code Demographics; Federal Bureau of Investigation – Uniform Crime Report

Exhibit 6b

SOUTHERN SECTOR CRIME COMPARES FAVORABLY WITH PEER* CITIES
 Number of crimes per 1,000 population 1996



* Primary cities within growing metropolitan areas that are similar in size to Dallas' metropolitan area (±50%)
 ** Includes Park Cities and excludes Central Business District (75201, 75202)
 Source: Federal Bureau of Investigation – Uniform Crime Report; Dallas Police Department – Statistical Reports; CACI Marketing Systems – Sourcebook of Zip Code Demographics

High-fit, high-potential industry sectors

So which industries fit well with the Southern Sectors' current resources, strengths, needs, and weaknesses? The answer to this question highlights those businesses and functional sectors that should consider Southern Sector options more seriously *today*. If economic development objectives are met over time, Southern Dallas will become increasingly competitive and able to attract investments relating to a wider range of industries and business functions. In addition, planned or proposed public sector actions could create additional opportunities for specific industries in the near to medium term. For example, the city government has recently discussed the development of a large-scale industrial science and technology park to catalyze Southern Sector reinvestment. In addition, the proposed Trinity River Corridor project could create several business opportunities within the tourism and recreation sectors. Once further developed, the Southern Sector's currently underutilized resources will attract investment from a larger portion of the economy.

With the above qualifications in mind, we have identified a broad set of businesses whose requirements match well with the Southern Sector's current strengths and weaknesses. These businesses, in turn, may be grouped into three categories (see Exhibit 7).

Exhibit 7

HIGH-POTENTIAL INDUSTRIES AND FUNCTIONS

Labor-intensive industries	Distribution	Business and commercial services***
<ul style="list-style-type: none"> • Food processing • Textile production • Wood products • Furniture • Paper products • Chemicals* • Construction materials • Rubber and plastic products • Leather items • Fabricated metal products • Commercial machinery* • Light assembly • Recycling • Printing and publishing • Other light industrial* 	<ul style="list-style-type: none"> • Transportation (motor freight/trucking) • Warehousing** • Nondurable wholesale/distribution <ul style="list-style-type: none"> – Paper products – Textiles – Apparel** – Groceries – Chemicals** – Plastics – Other nondurable goods** • Durable wholesale/distribution <ul style="list-style-type: none"> – Construction materials – Furniture/home furnishings – Office equipment** – Other durable goods** 	<ul style="list-style-type: none"> • Printing/copying • Secretarial and word processing services • Data entry • Bookkeeping • Billing • Collection • Payroll • Temporary personnel services • Call center/customer service • Other administrative business services • Building maintenance and cleaning • Catering/food service • Equipment rental and leasing • Records and equipment storage • Office supplies • Security services • Convention services • Medical supplies • Other physical business services

* If high proportion of low- or semiskilled labor

** Especially good with a low dollar value/cubic foot or space-intensive goods

*** These services can be performed as a back-office function of a large firm or as a separate outsourcing business

Source: Standard Industrial Classification Manual

1. Labor intensive, light industrial. This category includes, for example, food processing, textiles, wood and furniture products, rubber and plastic products, fabricated metal products, commercial machinery, recycling, and light assembly. Many firms within these industry classifications require build-to-suit sites and rely heavily on nonprofessional or semiskilled

labor, needs that match well with the Southern Sector's strengths. These operations also typically consume large amounts of electricity and water, inputs that Dallas provides on a cost competitive basis. Many of these businesses mitigate public safety concerns by operating 24-hours-a-day, designing facilities for enhanced security, or simply by producing products that are unattractive for theft.

2. Distribution and logistics. Specific sectors include transportation (e.g., motor freight), warehousing, and the wholesale distribution of durable (e.g., office equipment) and nondurable (e.g., groceries and apparel) goods. Low land and rent costs are critical to these space-intensive businesses, as are freeway access, minimal traffic congestion, and proximity to downtown. Neither highly educated labor nor prestigious sites are very important. Although competing triple-freeport zones remain a severe competitive problem for the Southern Sector, the proposed development of Redbird Airport, the construction of the Trinity Parkway, and the emergence of I-35 as a NAFTA superhighway could make the Southern Sector an even more attractive location for distribution related businesses.

3. Commercial services. This category is primarily comprised of businesses that provide various back-office functions for others on a contractual and/or outsourced basis. Specific examples include: printing/copying, data entry, billing and bookkeeping, and customer service/call centers. Also considered are services such as building maintenance, catering, equipment rental, records storage, security services, and convention services. These businesses, necessarily very cost focused, can tap the local labor supply plus benefit from lower rent and overhead costs. Because employee training efforts are often time consuming and expensive, lower labor turnover rates are an important factor. Proximity to downtown clients and institutions such as the Methodist and VA Hospitals add significant value to the subset of these companies offering time-sensitive business services (e.g., printing/copying).

Comparative economics

These industries and business functions share an ability to take advantage of the Southern Sector's human resource and location strengths without being excessively penalized by the area's current challenges. The Southern Sector will not prove to be the best choice for every firm in these industries, just as these are not the only types of firms that can succeed within Southern Dallas. For each specific investment decision, the Southern Sector's competitiveness will depend primarily on how the enterprise's projected economics vary from one location alternative to another. To illustrate this point, we use the cost structure of a national food processing firm to compare two hypothetical plant locations: one in Alliance and one in Southern Dallas (see Exhibit 8).

Under this set of assumptions, the Southern Sector offers the hypothetical investor a more profitable location choice. Lower rent, labor, and utility rates are able to offset a higher tax burden for this labor-intensive operation*. Our interviews with facility location decision makers and real estate brokers suggest that attracting additional corporate investment dollars to the Southern Sector will require demonstrating the area's competitiveness along these cost

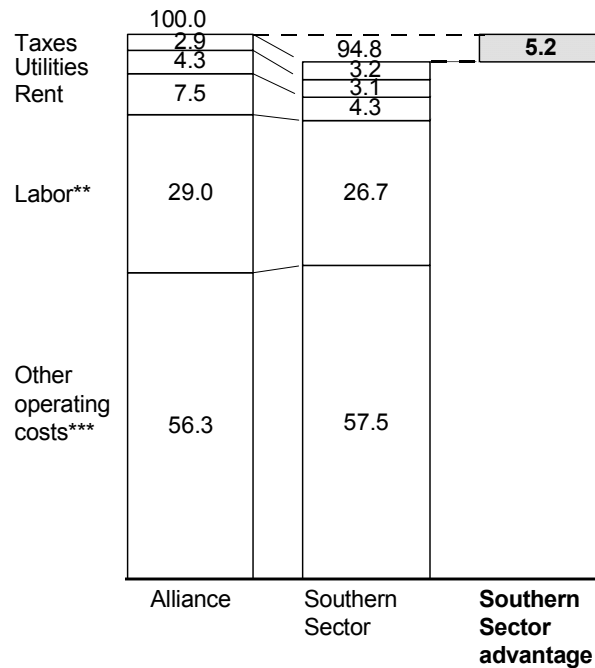
* This illustrative example does not address differences in up-front capital costs between the two alternatives.

dimensions. Of course many other factors enter into capital investment decisions of this type, including perceived risks to long-term real estate values. These risks, both real and perceived, should be reduced if the momentum behind economic development builds over time.

Exhibit 8

MANUFACTURING COST COMPARISON*
Alliance costs indexed to 100

*ILLUSTRATIVE
FOOD PROCESSING EXAMPLE*



* Illustrative case example based upon given cost structure for one food processing facility

** Assumes 70% blue collar, 20% clerical, and 10% white-collar employees

*** Includes raw materials, distribution, and security; Southern Sector security costs assumed to be higher by 1% of sales

Source: 1996 M/PF Research; 1995 Greater Dallas Compensation and Benefits Survey (Towers Perrin); Trammel Crow; Pulse Mark Benchmarks for Manufacturing Productivity; Interviews

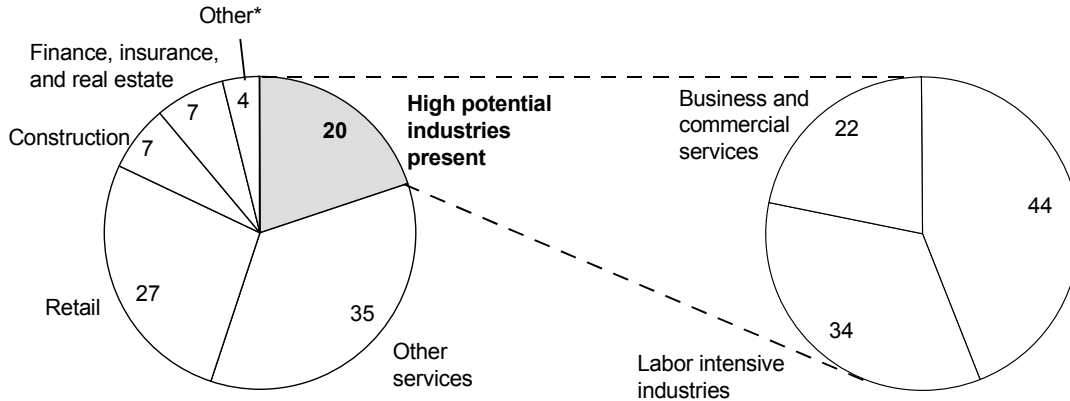
Evidence of success

Companies successfully operating within the region today best illustrate the economic viability of Southern Dallas. As demonstrated in Exhibit 9, the high-potential industry sectors noted above constitute a significant portion of the current Southern Sector economy. We have visited with businesses of many types and from many parts of the Southern Sector and have witnessed firsthand their responses to the opportunities and challenges associated with their locations. The listing below represents a sampling of Southern Dallas companies we have met and is followed by a summary of the lessons we learned from our interviews and plant tours.

BREAKDOWN OF SOUTHERN SECTOR ESTABLISHMENTS

Total establishments
100% = 5,225

High-potential industries present
100% = 1,033



* Includes other transportation and public utilities, other manufacturing, and agriculture
Source: U.S. Census Bureau – Zip Code Business Patterns 1994

1. Customer call center. Having grown rapidly since its 1996 launch, this facility now employees over 300 individuals. The location offers space for parking and expansion, Enterprise Zone status, and access to a large pool of potential employees. Although comparisons are made difficult by the different clients and functions handled in each center, the call handling statistics for the Southern Dallas location are ‘very comparable, maybe better’ than the firm’s other sites. Asked to note the keys to his facility’s success, the manager explained, “To get a better product, the bar must be raised. We provide a first-class working environment and demand first-class service. No call center has better equipment than we do.”

The vast majority of the staff live within five miles of the center, and to date the operation has been able to rely on referrals and word-of-mouth to source applicants. Describing the appeal of his business to potential employees, the facility’s manager told us: “Yes, these are entry-level jobs. But we sell opportunity. We emphasize that our business is the business of our clients [for whom they outsource this customer service function]. We develop skills that they can go on and apply in other environments.”

2. Metal fabrication plant. This business, located just south of downtown, fabricates low-value metal parts for sale to customers in all 50 states and 12 foreign countries. A winner of numerous quality competition and business recognition awards, the firm is ISO-9002 certified and employs a diverse workforce of approximately 65 individuals. Total revenue has more than doubled over the past five years while productivity more than quadrupled.

The company's owner noted, "The workforce here is ideal for us. We hire on attitude, not education. Only about 60 percent of our employees have high school diplomas, yet 90 percent of our managers have been promoted from within." Further explaining what he sees as a human resource advantage, the owner argued, "Blaming the local labor supply for poor performance is just an excuse for bad management. I know, because we used to be guilty of it. But now we've made some changes that have allowed us to achieve both higher quality and productivity than any of our competitors."

The company has taken many steps during the past decade to improve productivity, and according to the owner, "The gains we've made have resulted in a 60 percent increase in our average hourly wage." Complementing rigorous quality control efforts, the firm instituted a gain-sharing program under which the average employee takes home more than an extra week's worth of pay each quarter. The company also funds an on-site GED program. As a result of these and other measures, "We don't have to do anything special to manage – our employees mostly manage themselves." Employee turnover is very low: more than half of the employees have been with the firm for over five years, and approximately one third for more than 10 years.

Located in "what has to be a fairly high crime rate area," the company proactively responded by installing an alarm system, external lighting and security cameras. They also work to keep the plant and the surrounding blocks clean of graffiti and trash. "We put up a fence, but we also try to make the plant a showplace for the immediate neighborhood. Now, we haven't had any major crime or break-ins for at least 10 years."

3. Home healthcare services provider. Currently working with over 250 registered nurses and home health aides on a contract job basis, this company links healthcare professionals with hospitals and home care opportunities. The company, which serves customers across the Metroplex, focuses the majority of its home care business on the Southern Sector. The company's owner has found business opportunities plentiful within the region. "This area is under-served, so there isn't much competition. I can dictate how much business I do here, but up north I have to use more innovative and aggressive marketing strategies." Expanding on this market imbalance, she revealed, "Home care clients here are just amazed by the services I provide, but they don't realize that what I'm offering is the standard in northern Dallas."

The company finds a large supply of potential employees within the Southern Sector. Many of the home care nurses employed by the firm live in the area and worked at the VA hospital. Home health aides (non-RNs) are often recruited through the owner's church affiliations. "I try and select people who have a high moral character and a good work ethic. With training, they can do anything. I've probably sent 50 or 60 people through the [three month] training program, and those graduates can make \$15-\$17 an hour in home health care." She also cited transportation-related benefits of her Southern Dallas location: "I need to be in an area with good transportation access because my nurses come here to pick up supplies, and this location has worked out well. I'd estimate that 80 percent of our business is within a 20 to 30 minute drive."

4. Food processor. The company, a maker of fast food items for sale to convenience stores, vending machines, and mobile catering facilities, has been very successful during its more than 30 years in Southern Dallas. Over the past decade, sales have grown rapidly and

staffing has increased to over 120 employees serving 800 accounts. However, this food processing firm recently decided to move a portion of its operations to a neighboring suburb due to concerns about crime, real estate values, and the time required for building permits and zoning changes.

Although management heralded the area's labor availability and land cost advantages, crime remains a concern. Describing the benefits of their location, the company owners remarked, "Most of our production people live within walking distance . . . we have great highway access . . . and I could buy more land across the street for \$1.50 a square foot." But crime issues detract from these strengths. "[Crime] is exactly why we're moving the bulk of our operations to [suburb]. I can't tell you how many times our building and our trucks have been vandalized and broken into. You wouldn't believe what is going on in front of this building when we open at 3 a.m."

With respect to city services, the management team expressed mixed views. "We haven't really had problems with the city, and we did consider expanding our plant here. But there was just so much red tape, and it was going to take two to three months to get a hearing on a variance we needed," commented one owner. Expanding upon this point, another manager noted, "We should have planned ahead better on our end, so we can't really blame the city. That said, if they had been able to rush things through it might have made a big difference in our decision."

Our interviews included three companies located within two miles of this food processor's Southern Dallas facility. Indicative of how crime and the overall business climate can vary from location to location, none of these nearby firms cited crime as a major concern. This case also exhibits the importance of supporting and retaining those companies currently operating within Southern Dallas.

5. Rubber and plastics manufacturer. This 70,000 square foot industrial facility produces approximately \$20 million worth of product each year and employs nearly 250 people. Labor availability, utility costs, and adequate waste disposal capacity initially attracted the company. Payroll is the company's most significant cost. According to the plant manager, the facility's performance on quality and cost measures is "above average on most, but not the best on many" in comparison to similar operations in the Midwest, California, and Canada.

Approximately 85 percent of the plant's employees earn hourly wages, and the firm draws the majority of this staff from surrounding neighborhoods. Although pleased with the performance of his current employees, the plant manager has recently found it more difficult to attract qualified workers. "Up until a year or two ago, we had no trouble recruiting employees as we grew and our labor costs were very competitive. Lately, however, I've begun to worry that all of the employable people already have jobs."

In response to these labor challenges, the plant's management has begun to utilize a variety of job training resources. In addition to working with the Bill J. Priest Institute and other Dallas Community College District institutions, the facility has been involved extensively in the state-funded Smart Jobs program. In exchange for subsidized ESL, math, and quality control classes, the plant agrees to pay course graduates a specified hourly wage (approximately \$8). "We've sent more than 50 people through the program in the last year

and a half, and I hope to send another 50 this year. We are trying to implement a total quality management initiative, and this training is invaluable.”

6. Textile goods manufacturer. This company, struggling to grow as fast as its customers would like, designs and manufactures specialty textile goods for large retailers. Based in a 75,000 square foot facility, it aims to reach \$25 million in sales by the year 2000. The company has been able to compete against much larger firms due to its ability to cost effectively manage a broad range of products and perform smaller production runs. The company employs over 150 people.

Due to its rapid growth, the company has relocated six times during its 13-year history and has always remained in Southern Dallas. The firm’s founder, a native of Southern Dallas, evaluated Northern Dallas options but continually found better labor availability and lower rent within the Southern Sector. “At our current location, about half of our employees live within walking distance. Labor availability for the cut and sew trade is great, especially since the city’s textile industry has downsized.” He went on to add, “The Industrial Boulevard/Market Center area would be a natural place for a business like mine to locate, but I’m able to tap more labor and keep my costs lower here.”

The business faces few security problems. “Being familiar with the area, I knew that this particular location is in a relatively low crime spot. Only looking at the aggregate crime statistics can be very misleading, because it can vary almost from block to block.” Crime concerns are further reduced by the fact that the facility is located on a busy street and runs two shifts.

Management strategies: lessons learned

A review of the management practices employed by the Southern Sector industrial businesses with which we spoke yields important ideas concerning how inner city enterprises can increase their odds for success. The basic elements of sound business management do not vary with an enterprise’s physical business location. As one manager put it, “I can’t think of anything we’ve done differently, other than maybe lower our costs, because of our location. We do the same thing for the same customers with the same equipment.” Other businesses, however, may need to adjust certain tactics to better match the region’s competitive strengths. Highlighted below are the suggestions and recommendations repeated most frequently, the majority of which relate to human resource management and crime prevention strategies.

1. Employee recruitment: A number of practices enable firms to more efficiently and effectively access the Southern Sector’s labor pool. The most often repeated suggestion is to work with community-based organizations to identify and screen potential employees. As a CDC leader explained, “No one knows the community like the community itself. Traditional hiring screens only tell part of the story. And if a person gets a job through his church or some other organization, he’ll then feel accountable to two sets of people for his performance.” Job fairs at local high schools and community colleges and the extensive use of employee referrals also allow businesses to access a portion of the labor pool that may not respond well to print advertising or other recruiting techniques. Remarkd one Southern Dallas business owner, “It’s great being able to fill our job openings, even as we grow, with

referrals. If you create a positive and supportive work environment, your current employees won't allow new hires to mess it up." Finally, inadequate or unaffordable child care services inhibit many Southern Dallas residents from entering the workforce. Partnering with local community organizations for the provision of these services is yet another way to expand the effective labor supply.

2. Local hiring: An emphasis on local hiring can yield many benefits, including improved community relations, lower labor turnover, and reduced crime risks. Many Southern Dallas businesses chose the location for the express purpose of tapping the area's labor supply. Some businesses take this practice one step further, as described by the owner of a distribution and logistics businesses: "Even though we didn't have any openings when we first moved to this location, we sent a letter to the local residents to introduce ourselves and to invite them to interview for positions should they come open in the future. That's how we met two of the employees you've spoken with today."

3. Managing employees: Consistent with the views of leading inner city retailers, many industrial and services firms emphasize the need to raise, not lower, performance expectations and standards. "It may sound corny, but I give a speech to each group of new hires explaining that to be the best you have to demand the best. I promise to deliver the best possible working environment and to provide the best training, and make it clear that in turn I expect their best efforts," explained the manager of an office services center. To create the "best possible working environment," many employers invest heavily in the quality of the physical plant and in employee training programs. These firms also give notice to details which at first pass may seem insignificant. Examples we have seen include: adding name badges to employee uniforms, hiring a local artist to paint a mural on the break room wall, addressing staff with "Mr. and Ms.," and recognizing relatively brief tenure achievements (e.g., three months).

Successfully managing an inner city business is not only about creating a "kinder and gentler" working environment. In fact, many of our interviews suggest that the opposite may be true. Although some companies adopt more flexible hiring practices (hiring, for example, job applicants with criminal records), the more successful firms strictly enforce termination policies. Remarked the manager of a West Dallas manufacturing facility, "We recognize the need to take a few chances and they usually work out well, but we are very careful to not let any bad apples drag everybody else down." Reinforcing this position, the founder of a firm specializing in job training services for the city's more disadvantaged residents described his company's policy with the phrase, "Grace first, zero tolerance forward." Another manager described his company's experience by saying, "We lose a lot of people in the first month because we can't tolerate tardiness or no-shows and because a few hires just lack some basic life skills – and that's not very different from other places. But for those who make it, the results are excellent. Our overall labor turnover is really very low."

4. Utilizing job training resources: A number of Southern Dallas firms benefit from job training programs available through the community college system and other organizations, and many companies claim these investments in skill development result in both higher labor productivity and lower labor turnover. The range of resources available is broad, and many initiatives are subsidized by state and federal funds. While one manufacturer sends line managers to Spanish language classes, another places employees in total quality management seminars. In other instances, consortia of similar companies sponsor training

courses tailored to their specific needs. The Bill Priest Institute, for example, has designed and managed job-training programs to meet the needs of multiple telecommunications firms.

5. Proactively managing public safety risks: The crime-related experiences of the Southern Dallas businesses we interviewed differed dramatically. While some companies highlighted public safety as the Southern Sector’s biggest challenge, others saw no threat and felt their location was relatively safe. One lesson to be taken away is that crime patterns vary substantially from one location to another. As a police department official told us, “Yes, there are some bad spots. But there are also areas with almost no crime at all. From our perspective, Southern Dallas is really like a quilt with each patch having its own patterns and problems.” Careful location selection can alleviate many public safety concerns.

Another lesson to be learned is that, regardless of their specific location choice, companies can proactively manage safety risks. Argued one interviewee, “Of course crime is a serious concern, but it is one that individual companies can do something about. We cleaned up our lot, painted the building across the street, added lighting and an alarm system, and with our neighbors hired a security firm to patrol the parking lot. It was a little bit of a hassle, but our problems went away.” Because it is more difficult for them to afford steps like these, smaller, locally owned establishments can be more vulnerable to crime than larger facilities built by outside investors.

Companies can also work cooperatively with police to reduce public safety risks. As evidenced by its recent community policing initiatives, the police department understands that creating jobs, reducing poverty, and stabilizing families are integral to reducing crime rates over the longer term. The police department makes valuable crime prevention resources available to businesses at no cost. One such resource is the Crime Prevention through Environmental Design (CPTED) initiative, a program that seeks to reduce crime risks through more thoughtful facility planning. Another resource is simply the opportunity for investors considering a Southern Dallas location to walk the local beat with a community policing officer, meet local residents, and evaluate public safety issues firsthand.

Location, location, location

Just as the balance between the Southern Sector’s strengths and weaknesses shifts depending on the industry under consideration, so does the balance shift from one specific location to another. The opportunities and challenges facing a business in West Dallas will vary significantly from those facing a business located along the I-20 corridor, and investors must carefully consider the merits of the specific locations under consideration. Treating the Southern Sector as a homogenous whole risks masking the competitiveness of one location as well as the needs of another. In the words of one civic leader, “The Southern Sector faces two distinct economic development challenges, one for the area outside Loop 12 and one for the area inside Loop 12.”

Exhibit 10 further indicates the diversity of Southern Sector investment opportunities. While recognizing that our four geographic designations are somewhat arbitrary, important distinctions emerge even at this level of aggregation. Per capita incomes vary, for example, from approximately \$16,000 in the Southwestern region (95 percent of the national average) to below \$10,000 for the Eastern region. Crime rates, racial compositions, and the

availability of undeveloped real estate also vary significantly from region to region. In general, the Western and Eastern regions, more densely populated and with lower per capita incomes, better match traditional definitions of inner city environments.

Exhibit 10

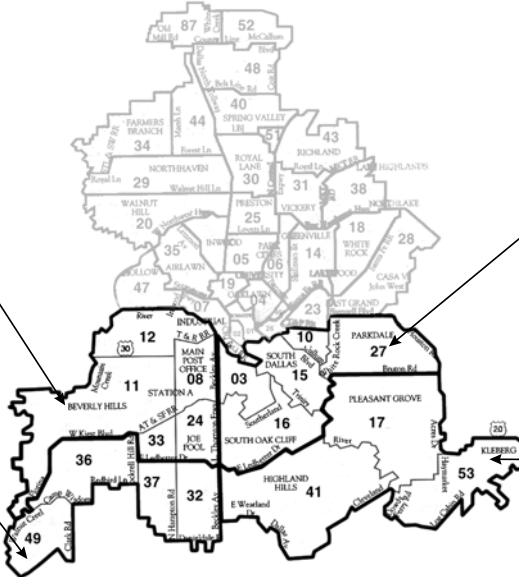
SOUTHERN SECTOR REGIONAL DIFFERENCES

Western region	
• Population	152,439
• Per capita income \$11,165	
• Indexed crime*	78.9
• Race (percent)**	
– Black	26.2
– White	37.2
– Hispanic origin	52.3

Eastern region	
• Population	147,974
• Per capita income \$9,840	
• Indexed crime*	116.9
• Race (percent)**	
– Black	67.8
– White	19.2
– Hispanic origin	17.8

Southwestern region	
• Population	61,137
• Per capita income \$15,859	
• Indexed crime*	94.5
• Race (percent)**	
– Black	65.8
– White	26.9
– Hispanic origin	9.2

Southeastern region	
• Population	96,876
• Per capita income \$11,103	
• Indexed crime*	91.5
• Race (percent)**	
– Black	48.1
– White	38.6
– Hispanic origin	20.2



* Offenses per 1,000 residents

** Hispanic refers to ethnicity, since persons of Hispanic origin may be of any race

Source: Dallas Police Department – Statistical Reports; CACI Marketing Systems – Sourcebook of Zip Code Demographics

* * *

Many businesses can be found thriving throughout Southern Dallas communities. These companies profit from advantaged access to a large, stable labor supply. In addition, these firms benefit from cost-effective locations offering proximity to downtown and critical transportation nodes. Many other companies should examine the opportunities created by the Southern Sector’s underutilized resources. Firms within labor-intensive industrial, distribution and logistics, and commercial services industry segments are especially likely to find attractive location alternatives within Southern Dallas. Although businesses within the Southern Sector face important challenges, adjusting certain management practices can mitigate these difficulties and enable companies more fully to take advantage of the region’s competitive strengths.

ADDRESSING KEY PUBLIC POLICY ISSUES WOULD ACCELERATE ECONOMIC GROWTH

The central objective of this study has been to identify economic incentives for private investment by midsize and larger companies within the Southern Sector. The objective is not to specify root causes of income disparities or to recommend fundamental changes in public policy. We focused on the profit-driven strategies of private sector firms and understand that investment and management practices of these companies comprise only one piece of a complex economic development puzzle. During the course of our interviews and investigations, however, we were presented a multitude of ideas concerning actions the public and nonprofit sectors could take to accelerate the economic development of the city's southern half.

Public safety

With respect to Southern Dallas public safety concerns, the community faces a two-fold challenge: reducing the real incidence of crime and communicating that success to potential investors. As noted previously, crime rates within Southern Dallas, although declining, remain higher than those for the remainder of the city. Reducing this disparity is fundamental to improving the Southern Sector business climate and is, of course, critical to overall community revitalization efforts. The challenge does not stop here, however. As one business leader told us, "It is the *perceived* threat to employees and customers that drives away investors, and all the crime statistics in the world might not change that."

In urban centers across the country, corporate decision-makers have cited crime as the number one concern inhibiting inner city reinvestment. Although not a scientific sampling, our informal polls reveal that over 50 percent of the business leaders we interviewed believe crime in Southern Dallas to be more than *twice* as prevalent than in rest of the city. In reality, overall crime rates are approximately 12 percent higher within Southern Dallas, with significant variation from neighborhood to neighborhood. Addressing these misperceptions and detailing the role businesses themselves can play in reducing the incidence of crime could substantially increase the flow of private investment dollars into Southern Sector communities.

Workforce readiness

The majority of Southern Sector firms interviewed cite access to a qualified, local labor pool as one of the region's primary advantages. One challenge facing the Southern Sector is to better market the strength of its human resource asset. However, if the availability of labor is to remain one of the Southern Sector's competitive strengths, then investments in job training and human resource development must continue. Too many Southern Sector residents lack basic job skills, and if not addressed, workforce readiness concerns may limit the region's economic growth potential. As one plant manager ominously voiced, "Two years ago I would have told you that access to labor was the biggest benefit to our location."

Although we are very pleased with our current staff, we are finding it increasingly difficult to find good people.” The economic expansion of the Southern Sector will require a larger percentage of the population to participate in the workforce.

Many positive efforts are under way to enable more Southern Dallas residents to meet the needs of today’s employers and to link those residents with job opportunities, yet approximately 35 percent of the area’s population is neither employed nor actively seeking employment. Effective job training requires real employment opportunities, and businesses will need to be active participants in workforce development programs to ensure the necessary relevance, rigor and responsiveness. Finally, interviewees from nonprofit organizations, training organizations, and Southern Dallas businesses have repeatedly noted that no single model or “quick fix” can meet the region’s workforce development needs.

City and county services

More than half the companies interviewed cited concerns about the quality of city and county services. Many of these same interviewees admitted that city and county governments “are easy targets and sometimes scapegoats,” and still others claimed that their firms receive “pretty fair value given our low tax burden.” We have not attempted to independently assess the quality of government services or to identify disparities between segments of the city. We believe, however, these are important issues and deserve mention in an analysis of the Southern Sector’s ability to attract additional private investment.

Explained one Southern Dallas business owner, “Whether or not the trash gets cleaned up across the street from our building may not have the biggest impact on my bottom line, but I’m telling you it is one of things that I care most about. We finally got tired of complaining and now we just take care of it ourselves. I get angry just talking about it.” In the words of another corporate decision-maker, “The quality of our experiences with local government officials is a key determinant in our facility location decisions, and I’m not just talking about tax incentives. My job requires me to be somewhat risk averse, and if I see evidence suggesting that the local government might not hold up its end of the bargain, most of the time we’ll move on to the next alternative.”

We were surprised by the passion and regularity with which interviewees expressed their opinions concerning the quality of government services ranging from code enforcement to infrastructure maintenance to tax administration. As with public safety concerns, addressing perceptions (e.g., marketing the city’s commitment to Southern Sector development) will prove critical. There appears to be little doubt that the effective provision of these services is critical to long-term competitiveness of the county, city, and Southern Sector.

Communication between segments of the community

Our interviews highlighted an unfortunate lack of communication, trust, and cooperation among various segments of the Dallas community. According to one leader of a successful community-based organization, “Dallas is in many ways the most segregated city you will ever see. Many people will see your study as just another instance of northern Dallas people

trying to figure out what's wrong with folks in Southern Dallas. Don't forget that you and your neighbors may very well be part of the problem.”

Although the causes of the current economic disparities are complex and debatable, mistrust and miscommunication clearly adversely impact investment flows into the city's more disadvantaged areas. A senior executive from a leading retailer commented, “We tried to open a store in Southern Dallas, and we've been successful in many other similar environments in other cities, but in this case we just couldn't get through all the noise. It may be a long time before we try again.”

As discussed above, successful inner city businesses often are those that have learned to work effectively with multiple neighborhood constituencies. These firms are then able to evaluate an inner city opportunity as they would any other business decision. However, the economic competitiveness of a specific region can be materially improved if its leaders from the public, private, and nonprofit sectors are able to develop and communicate a consensus about what types of businesses the community desires and can support.

Marketing the Southern Dallas opportunity

Competition for new business investment involves not only the underlying value of a region's economic resources but also how effectively those assets are marketed. For Southern Dallas the marketing requirement is particularly acute. Negative perceptions concerning the Southern Sector's prospects must be addressed, and potential investors must become much more familiar with the area's competitive strengths and site-specific opportunities. Public sector and non-profit institutions must expand those efforts already underway to identify and communicate untapped opportunities for profitable investment within the Southern Sector. These initiatives should be focused on both the brokerage community and those firms whose business requirements fit well with the Southern Sector's resources.

Interviews and roundtable discussions with brokers and corporate decision-makers indicate that tours of the region are one of the more effective marketing tools. “Only by spending half a day touring the area was I able to understand the range of opportunities available in Southern Dallas. Most of us just don't understand what's there,” explained a broker active in D/FW real estate markets for over a decade. Many have suggested that the police department participate in these events, affording potential investors firsthand access to relevant public safety information.

Effectively marketing the Southern Sector opportunity will also demand streamlining the investment and property development process. Several brokers and developers claimed that development efforts within the city limits involve longer lead times and greater uncertainty than similar projects elsewhere. Argued one interviewee, “It's really easy to stay focused on Plano or Los Colinas, areas I'm already familiar with. For Southern Dallas to compete, investing there can't be both new and more difficult.” Claimed a developer with more direct Southern Sector experience, “Site acquisition can be a real problem, often because multiple parcels have to be assembled and sometimes because of zoning requirements. Anything the city or county or local community can do to make things move faster would be a big plus.”

Integration of Southern Dallas firms into the regional economy

The long-term economic revitalization of the Southern Sector will ultimately depend on the retention and growth of the thousands of small businesses currently operating within the region. As throughout the overall economy, small businesses will drive the majority of job and wealth creation. For these smaller businesses to reach their full potential, they must participate more fully in the economic activity of the entire region. Mechanisms to more efficiently connect potential customers and suppliers across the artificial I-30/Trinity River boundary will benefit the Dallas economy as a whole while accelerating the economic development of the city's southern half.

* * *

If the Southern Sector is to reach its full economic potential, factors inhibiting its longer-term competitiveness must be addressed. Although the private sector must actively support these initiatives, public sector leadership is required. In conjunction with outside private investment and local entrepreneurship, public sector efforts to address crime, workforce readiness, infrastructure, and site acquisition issues would accelerate the Southern Sector's economic revitalization.

MAKING THE VISION A REALITY

The income gaps and other economic disparities that divide Dallas today emerged over several decades and will take time to resolve. Improving Southern Dallas' public image and making the region's resources and strengths more apparent to potential investors requires cooperation and sustained action. And, of course, meeting the needs of Southern Dallas communities demands that the communities themselves be an integral part of the revitalization process.

Our interviews with brokers, developers and corporate decision-makers suggest that further investments by the city and county governments would significantly advance the reinvestment cycle. The managers responsible for investment decisions of the type considered in this report are generally risk averse, especially with respect to an area with which they are unfamiliar. Expressing the *safety-in-numbers* view held by many of those we interviewed, one executive explained, "It is one thing for me to understand that there are good locations in Southern Dallas, it is quite another for me to be the first to invest there." Another broker commented, "Major investment capital will not go into Southern Dallas ahead of user demand, but users are looking for developed office-park inventory. If the city backed a high-quality development, the brokerage community would react favorably."

Despite these hurdles there is much positive momentum upon which to build. Several city-wide organizations from the public and private sectors are committed to the economic and social revitalization of Southern Dallas, joining the long-standing efforts of the region's Chambers of Commerce, CDCs, and neighborhood associations. The Dallas Plan, approved by the City Council, establishes Southern Sector revitalization as a core objective of the municipal government. Planned or proposed developments such as the Trinity River Corridor Project stand to augment the region's current resources and strengths. The City Council created and funded the Dallas Business Development Corporation, which was established to facilitate real estate development, primarily within the Southern Sector. Southwest Center, formerly Red Bird Mall, is under new ownership with plans for significant capital improvements. Community policing initiatives are driving crime rates lower. Both the Methodist Medical Center and the Dallas Veterans Affairs Medical Center are expanding. The Dallas Zoo and Fair Park are considering major facility investments. Efforts are under way to improve frontage road access along the I-20 corridor. The expansion of DART anchors several new development opportunities.

A strong and sustained period of economic growth in the D/FW economy combines with the positive trends noted above to create a unique opportunity for the Dallas community to tap the underdeveloped economic potential of Southern Sector neighborhoods. With unemployment rates at 24- year lows and shareholders demanding continued growth, businesses across the country are beginning to recognize that inner-city communities represent a significant business opportunity.

* * *

The Southern Sector presents potential investors an underdeveloped market of significant economic potential. Although the region will not win every competition for new site locations and other capital investments, its current resources fit well with a range of industrial, distribution, and services industries, as well as with many types of retail stores. Today the area receives too little attention from brokers, developers, and corporations

considering investments in the D/FW region. The Southern Sector merits more consistent inclusion in the consideration set of location choices simply because it will offer many investors the most attractive, for-profit business opportunity.

Economic polarization threatens the continued prosperity of Dallas. If current trends are not reversed, over 40 percent of the city's population will contribute increasingly little to the tax base while placing higher demands on the public budget; one half of the Dallas community will carry the burden of the other. Fortunately, the private sector can help avoid this scenario by simply doing what it does best: identifying market opportunities, creating jobs, and making profits.