

Canal Street Revisited

Stimulating Sustainable Economic Development Along New Orleans' Great Wide Way

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A stroll down New Orleans' iconic Canal Street from the Mississippi River to Rampart Street takes one past a mix of businesses catering mostly to the tourist population: chain hotels, souvenir and discount camera shops, inexpensive eateries lining the street and clothing shops dominate. A glance at the upper stories of the buildings—among them an abundance of breathtaking 19th Century architectural styles-- will reveal low occupancy and little activity above the street level retail businesses.

Today, Canal Street is confronted with a cultural and economic dilemma over how to market itself as a vibrant destination for residents, among them newcomers attracted to the live-work-play lifestyle that mixed-use corridors like Canal Street naturally offer. The key to redeveloping Canal Street is to place emphasis on local economic vitality over ephemeral development fads and imported business.

Canal Street's History:

An observer of the corridor's sub-optimized present-day activity who are unfamiliar with Canal Street's history might have difficulty imagining the longstanding economic, cultural, and social significance that it occupied for more than a century. Yet, since its modest beginnings shortly after the Louisiana Purchase, the Canal Street corridor has had a vivid history that has captured the attention of the region and at times even the nation. In 1807, the United States ceded the property of what became modern-day Canal Street to New Orleans, under the condition that the city would build a navigation canal that would connect the Mississippi River to Lake Pontchartrain. As history would have it, the plans for the canal were never realized and by the middle of the nineteenth century, Canal Street began its transformation into one of America's great commercial thoroughfares.

By 1840, New Orleans had grown to become the fourth largest city in the United States. With its ties to French culture and its emerging wealth, the city bred one of the most popular fashion industries in the nation and Canal Street was central to its role. While most commerce in the early nineteenth century was conducted out of small, specialty retailers concentrated along Chartres and Royal Street, trends in the international retail market would change this landscape by the 1840s. By then, larger, less specialized stores emerged in New York and other major cities and, in 1849, DH Holmes Department Store introduced this trend to New Orleans by expanding

to a larger location on Canal Street. Over the latter half of the nineteenth century, multiple other retailers and businesses followed suit, giving Canal Street its status as a destination retail hub that attracted shoppers from near and far.

Once an established commercial corridor formed, Canal Street's social importance began to take shape. It grew to become a popular meeting place for citizens who gathered there for both formal and informal reasons. Due in part to its proximity to the historic French Quarter, the more modern American Central Business District, and many African-American neighborhoods, Canal Street has revealed differing nationalistic, racial, economic, and cultural visions since the nineteenth century. Canal Street has been the site of notable demonstrations, such as the Battle of September 14, 1874 in which members of the White League took on the black police, and the boycotts, sit-ins and marches during the Civil Rights era.

Throughout its history, Canal Street has also undergone several physical and functional transformations. As the economic climate of certain blocks along Canal Street shifted, what might have been a bustling corner of retail activity during one decade could quickly deteriorate into a downtrodden area due to changes in the market. Godchaux's, for example, occupied three different locations on Canal Street between the late nineteenth century and the store's closing in 1982. Facades of buildings along Canal Street also changed frequently, exposing multiple changes in architectural trends—from Tudor Gothic, to terra cotta, to shopping-mall modern—in order for retail tenants to keep up appearances of being modern and fashionable and compete with newer, suburban shopping centers:

Until the early twentieth century, lacy ironwork galleries and balconies were as much a part of Canal Street as they were in the French Quarter. By the end of the nineteenth century, such embellishments were going out of fashion, and even considered provincial looking when compared to the architecture of other large cities. Ironwork was slowly pulled off buildings along Canal Street. Finally, in 1930, the last remaining ironwork was ordered removed by city ordinance as part of a street beautification project. [Recently,] in a return to the past, some contemporary buildings, including the Astor Crown Plaza Hotel, have included cast iron in their designs, giving a glimpse of what late nineteenth-century Canal Street looked like¹.

¹ Peggy Scott Laborde and John Magill, Canal Street: New Orleans' Great Wide Way. (Singapore: Pelican, 2006) Page 100.

Overall, competition from suburban retail centers, changing trends, and a lack of a centralized planning strategy led to turnover and waste. The shopping destination thrived into the 1980s. However, nation-wide economic trends of the 1980s and 1990s resulted in the acquisitions, relocations and closures of many popular stores. Meanwhile, hotels began developing on large properties along Canal Street and in the adjacent area. Since the late 1980s, Canal Street has hosted a wave of smaller retailers selling inexpensive products, such as tee shirts and electronics, aimed at the tourist market.

Today, many buildings along the once-thriving retail corridor stand vacant. To many, Canal Street seems to offer little more than empty historic architecture and a booming tourist population. However, the rich cultural history and equally rich potential that this street embodies render it an important focal point for developers, planners, and civically engaged individuals.

Planning Sustainably: A Modern Revitalization Strategy

This report underscores the importance of organically reflecting the unique character of New Orleans in development plans to ensure sustainability.

To do so, the report suggests policies and land use considerations that will facilitate the presence and success of local retailers, and attract a creative and talented population interested in harnessing and building upon the city's existing strengths. In order to formulate these suggestions, The Urban Conservancy consulted best practices from The American Independent Business Alliance (*amiba*), a consortium of over 70 communities with strong local retail representations, to better understand what policies and infrastructure could help create a functional mix of national and local retailers along Canal Street. Additionally, The Urban Conservancy conducted interviews with local independent business owners regarding foreseen barriers to, concerns regarding, and opportunities for development along Canal Street. These businesses consisted of:

- A popular t-shirt shop featuring graphic designs that reference local New Orleans culture.
- A bookstore that boasts a large section of books on New Orleans.
- A family-owned sporting goods store with four locations in the New Orleans/Baton Rouge areas.

Current Challenges: Economic Development

Plans to redevelop Canal Street have gained momentum in recent years, largely due to the efforts of the Downtown Development District (DDD), a public-private partnership funded by assessments on downtown properties. The DDD's current redevelopment strategy for Canal Street consists of two main goals: physical improvements and economic development². Many of the physical improvements are already underway.

² Canal Street Vision and Development Strategy. Downtown Development District and Canal Street Development Corporation, May 2011 <<http://www.neworleansdowntown.com/theplan/table.php>>

They include keeping sidewalks clean by providing additional sanitation measures to those the city already carries out³, installing historic streetlamps, and facilitating the restoration of the historic facades of individual buildings through the provision of grants⁴.

The DDD's economic development goals include attracting a mix of national, regional and local retailers to Canal Street. According to its current vision, the retail corridor will exist to serve a larger, more regional population, not just local residents, making New Orleans a shopping destination for tourists on day trips and for those staying in nearby hotels. To achieve this goal, the DDD works with current building owners and potential tenants to help them re-envision new retail offerings along Canal Street that are worth traveling to. In practice, realizing a mix of national, regional, and local retailers is challenging, as high rents prohibit many local retailers from considering opening stores there. Although the DDD offers several incentives to national brands considering opening storefronts in downtown New Orleans⁵, they do not offer these same incentives to local retailers.

As previous studies have proven, local retailers produce between two and three times as many returns to the local economy as the average national chain⁶. Local retailers often have strong ties to their communities and are therefore less likely to chase attractive development incentives in other regions and relocate, and are more likely to reopen after a major disaster, such as a storm. When looking to open a new store, national retailers tend to target areas with a strong market, demonstrated by the presence and success of already existing local retailers. National retailers tend to be followers, not leaders.

³ Under the Downtown Development Sidewalk Matching Grants, the DDD can help business owners pay for up to 50 percent of the cost of improvement of city sidewalks near their storefronts.

⁴ Under the Downtown Development District Façade Improvement Grant, the DDD provides a 50 percent matching grant up to \$20,000 for exterior improvements and restoration or a mini grant up to \$6,000 that will assist in signage and storefronts.

⁵ DDD Incentives, 2009, Downtown Development District, May 2011 <<http://www.neworleansdowntown.com/site19.php>>

In addition to the incentives listed on their website, including the New Markets and Federal and State Historic Tax Credits, the DDD and the New Orleans Business Alliance offer their own incentives: "Once a suitable site has been identified, the DDD will work with the developer/retailer to maximize the federal and state incentives available. In addition, the DDD and the NOLA Business Alliance/City of New Orleans will consider options to customize other incentives to assist the developer/retailer in its expansion to New Orleans." This language comes from a document that the DDD distributes to retailers it recruits. Suggested here is the notion that the businesses eligible are from outside New Orleans and are at the discretion of the City. This written language echoes that of DDD staff in interviews.

⁶ Thinking Outside the Box, Dana Eness and Dan Houston, September 2009, The Urban Conservancy and Civic Economics, May 2011 <staylocal.org/pdf/info/ThinkingOutsidetheBox_1.pdf>

According to this same study, "if New Orleans businesses were to shift just 10 percent of all retail activity from chains to local merchants, the result would be equivalent to injecting an additional \$60 Million annually into the local economy."

Successful strategies for economic development would include growing the downtown residential population, increasing density, and expanding the number of educated, young professionals within downtown. A pressing concern for the City of New Orleans is increasing its downtown residential population, which is prime real estate given its proximity to jobs and cultural offerings, as well as the resistance to flooding of many of the properties, which are situated on high ground. Newcomers to the city, whether tourists or prospective residents, are looking for visual indicators of what distinguishes New Orleans as a place; they are not attracted to the city because it offers the same chains that they left behind in their former hometowns. Unique, local retail could service this potentially growing population of creatively minded people.

Given the future of US labor markets, US cities are under increasing pressure to attract young, educated talent will that drive the information- and knowledge-based economy⁷. In the knowledge economy,

It is the creativity and talent inherent in a city's workforce that will shape its economic opportunities... Prosperity now depends less and less on access to physical resources...and more and more on the ability to create economically useful new ideas. And ideas, unlike natural resources, are not simply discovered or inherited; they are created—created by people. In a global economy, physical inputs and outputs and financial capital can easily be moved to places where they may be most productively used. Talented people obey a different calculus, choosing places to live based not solely on productive considerations, but on amenities and consumption opportunities, community, social and family considerations⁸.

Specifically, cities are looking to attract people between ages 25 and 35, who are proven to be the most mobile population in the US. This young adult population bases its settlement decisions on cities' "assets, ethos, and opportunities⁹." It is a city's uniqueness—its "super creative core and places"—that attracts relatively large numbers

⁷ The Young and Restless in a Knowledge Economy. Joseph Cortright, 2005, CEO's for Cities, Page 3, March 2011, <http://www.ceosforcities.org/work/young_and_the_restless>

⁸ Cortright, Page 3-9.

⁹ Cortright, Page 3.

of talented young adults¹⁰.

Independently owned businesses are crucial to building a healthy local economy, establishing commercial offerings to potential downtown residents, and reflecting New Orleans' distinctive sense of place. Superficial improvements to Canal Street's appearance alone will not achieve sustainable economic development and neighborhood revitalization.

Current Challenges: Land Use

According to a report published in 2004, approximately 25% of the total upper-story space available on Canal Street (or 2 million of the 8.2 million total square feet) was vacant¹¹. Of the 6.2 million square feet occupied along Canal Street, hotels used 73%, or approximately 4.5 million square feet. Other commercial uses (including offices, restaurants, and retail shopping) comprised approximately 1.7 million square feet of upper-story space along Canal Street. Therefore, just 46% of the total upper-story space not used by hotels along Canal Street (1.7 million of 3.7 million) was occupied, while 54% of this space was vacant in 2004. Little has changed since then.

The existing infrastructure along Canal Street presents challenges to redeveloping many of the properties in their entireties, including:

- Combining buildings: the average building along Canal Street contains about 2,000 square feet total¹². Redeveloping these properties for larger commercial or residential use would require combining buildings, which presents physical and other practical obstacles, including floor levels in many adjacent buildings that do not line up. Additionally, buildings on Canal Street are owned by many different individuals, rendering the task of merging them complex.
- Interior lighting: many buildings on Canal Street lack back alleyways and therefore only contain windows on their street-facing façades. Redeveloping such spaces to ensure proper lighting may require creative solutions, such as open floor plans or the creation of a central interior light well.
- Fire codes: the international fire code requires two points of egress from functional upper-stories of buildings. This means that in addition to an internal fire-rated stairwell, buildings must have an external fire escape. Because many of Canal Street's historic buildings lack back alleyways, owners interested in redeveloping upper-stories would need to attach external fire escapes to their buildings' street-facing facades, which could detract from the buildings'

¹⁰ Cortright, Page 12.

¹¹ Canal Street Vision and Development Strategy, Downtown Development District and Canal Street Development Corporation, Page 9, May 2011 <<http://www.neworleansdowntown.com/theplan/table.php>>

¹² The average local retail store is between 300 and 700 square feet, rendering the existing spaces on Canal Street suitable as they exist.

integrities¹³.

However, these obstacles are not insurmountable and the adaptive reuse of Canal Street's upper-stories will undoubtedly add vitality to the area.

According to the DDD's strategy, Canal Street retail would exist to serve a larger population than just local residents, making downtown New Orleans a shopping destination for tourists on day trips and staying in nearby hotels. This vision highlights additional land use considerations, including how to deal with increased traffic and parking demands. The DDD has discussed constructing a parking structure near the theaters at Canal and Rampart Streets, but no concrete plan exists. This concept also exposes a contradiction in the larger plans that the City is putting forth. On the one hand, the City is considering two measures that advocate an urban landscape conducive to alternate modes of transit to cars and more green space, including a proposal to reroute the Interstate Highway and taking practical steps towards advancing the vision for the Lafitte Greenway. On the other hand, the DDD is discussing introducing a plan whose success would rely on an influx of regional commuters arriving daily by car. These two city visions seem to serve different purposes and perhaps expose a larger question—is the revitalization of downtown happening in silos, without an overarching vision?

Successful strategies to land use redevelopment along historic Canal Street would include better coordination between business and property owners to overcome physical barriers to achieving critical mass of space for economic development; better design for new development to avail itself of existing building stock that addresses lighting and floor plan challenges; better building code modeled after the New Jersey subcode that encourages adaptive reuse of historic buildings; and parking and transportation planning that supports increased density downtown, as well as the city-wide vision for transit.

Policy Considerations:

When asked about the prospect of expanding to Canal Street, the local business owners involved in this survey voiced concern about the high cost of rent for these properties. Creating viable development opportunities for local retailers would require establishing affordable rents. This could come from a variety of sources that would provide development capital, including non-governmental or governmental entities interested in stimulating local economic development. The capital could come in the form of a loan for or equity in the project. Other tax credits that exist to help stimulate small business development, such as Revolving Loan Funds and tax abatements, could help subsidize

¹³ In 1998, the State of New Jersey adopted the Rehabilitation Subcode, which is a means of code compliance for existing structures that is less rigid than the International Code. Most importantly, the New Jersey Rehabilitation Subcode allows for buildings to have just one point of egress, the internal fire-rated stairwell.

Rehabilitation Subcode, 2011, State of New Jersey Department of Community Affairs, March 2011 <<http://www.state.nj.us/dca/divisions/codes/offices/rehab.html>>

development of small local retailers on Canal Street.

Additionally, instead of offering incentives to all national chains to develop along Canal Street, the New Orleans City government might consider being discriminating in its decisions about which national chains to attract and incentivize to come to the city. For example, some big box retailers pay higher wages and offer better benefits to employees, and donate more to the local communities in which they operate than others. Such retailers impose fewer costs on the host community at large than their counterparts that do not compensate their employees sufficiently to be able to survive without additional public subsidies. The City should consider how potential national retailers do business before creating agreements with them that could result in the local community subsidizing labor costs for them¹⁴.

New Orleans might also consider looking for best practices from its neighbor, Austin, Texas, which is in the process of developing a retail corridor along Congress Street that hosts a mix of national and local retailers and has historically emphasized the city's unique sense of place in development projects. While the city planning commission in Austin is not against including national chains on Congress Street, there are constraints on new developments to limit their sizes and maintain a sense of a smaller-scale development there. The Downtown Austin Alliance (which is referred to as the DAA and is similar in nature to the New Orleans Downtown Development District) has also provided incentives to local businesses, including subsidized rents and a government-sponsored parking structure, which offers free parking to consumers with a validation from a purchase of any amount at neighboring stores. Additionally, the Austin government has invested in some of the commercial blocks near City Hall under the conditions that the project managers would create a mixed-use and mixed-income residential development. This created a built-in consumer population for nearby stores.

Austin implemented a set of policies and plans to achieve its development goals in an attempt to bring residents back to downtown Austin. To do so, they knew they needed to offer attractions that differed from those existent in the suburbs. In conjunction with the Austin Independent Business Alliance (AIBA), the DAA plans to redevelop downtown since 2000 have sought to safeguard and promote the city's uniqueness. This promotion resulted in the formation of the campaign, "Keep Austin Weird," which has since grown into a well-known brand. Regarding the key role that local businesses play in drawing visitors, Rebecca Melancon, of the AIBA states:

Travelers are looking for new experiences and local flavor. This is especially true for vacationing tourists but business travelers as well. If not for experiencing different cultures, sights and flavors, we would stay home and not explore the world around us. In Austin, the Austin Independent Business Alliance (AIBA) and the Austin Convention & Visitors Bureau (ACVB) both work to show tourists what's unique about

¹⁴ [Big Box Retail and Austin: An Independent Review](http://www.liveablecity.org/bigbox/Big_Box_Review_Final.pdf). Dan Houston, December 2002, Civic Economics, Page 18, April 2011 <www.liveablecity.org/bigbox/Big_Box_Review_Final.pdf>

Austin and introduce them to our local culture. What brings people here is what they don't have at home. The ACVB Visitor's Center offers a wall of pamphlets, booklets and maps about Austin. The two pieces picked up the most are AIBA's member magazine, IndieAustin and our IBIZ District brochure. In fact both are popular with hotel concierges because guests are always asking "Where do the locals go¹⁵?"

Melancon, who is originally from New Orleans, goes on to explain, "New Orleans has a rich heritage and culture seldom found in the US. You have a more unique 'localness' than most cities. It's what people come there for... Local businesses provide those local flavors¹⁶."

Other Strategies

The Independent Traveler: A Missed Marketing Opportunity?

While the DDD's current strategy is to market Canal Street to potential tourists, it excludes a demographic that is commonly drawn to New Orleans: the independent traveler. The independent traveler seeks an authentic experience found off the beaten path. This traveler is interested in cultural heritage tourism, and Canal Street could serve as a hub for this type of exploration. Aside from the wealth of history that Canal Street, the French Quarter, and the adjacent communities boast, Canal Street is also situated at the junction of the St. Charles and Canal Street streetcar lines, within a short distance from the ferry dock to Algiers, and close to bus stops, and therefore serves as a potential launching point from which the independent traveler could assemble his adventure. This demographic of tourists would also provide a strong client base for independent, local businesses on Canal Street and in the surrounding area.

While Canal Street contains a number of large hotel chains, the independent traveler would likely be more attracted to the prospect of staying in a hostel. Canal Street's existing stock of hotels charge about \$100 per room per night during the off-peak travel season and at least three times this amount during major festivals such as Mardi Gras and Jazz Festival. Additionally, they cater to specific social and economic demographics that can afford these prices and choose the hotel culture and experience. Hostels often appeal to a different type of cultural explorer in that they offer affordable accommodation and tend to be staffed by similarly minded people, essentially housing a community of adventurers. While other hostels exist in New Orleans, an internationally recognized grade of hostel, such as Hostelling International, might appeal to a wider range of independent travelers. Because of its trusted and long-standing brand, it is accessible to a vast network of seasoned international travelers and maintains certain standards. It also appeals to diverse age groups.

¹⁵ Rebecca Melancon, June 22, 2011.

¹⁶ Melancon.

Creating Economic Development through a Local Merchants Co-op:

If rent subsidies were available to prospective local business along Canal Street, one approach to integrating local businesses into the larger retail mix would be to create a co-op of multiple local retailers in one building. Subsidies for the redevelopment of the building could come in part from foundation funding. An average redeveloped commercial space along Canal Street between North Peters and Rampart Streets rents for approximately \$40 per square foot per year. If an average building contains about 2,000 square feet, then the annual market rate for rent on a building here totals about \$80,000. An average small local retail store is about 300 square feet, so divided between seven businesses, the rent would be about \$12,000 per year (\$1,000 per month). Foundation funding for the redevelopment of such a building initially could translate into lower rents for local businesses if the correct stipulations were put on the redevelopment grants.

Conclusion:

Historically, Canal Street has developed without a robust strategy and in response to the ebbs and flows of passing trends. There is currently great opportunity to approach this development through an inclusive and holistic process. Larger economic development agencies, such as the New Orleans Business Alliance, the new public-private partnership, and the City's economic development office, have the potential to aid such a process if it accurately represents the voices and needs of small businesses, which could be channeled through an entity such as Stay Local! If executed strategically and thoughtfully, the regeneration of Canal Street could introduce enormous benefits to the city and the parish, including sustained economic development and a distinctive brand for downtown New Orleans. However, such sustained success relies on a creative approach, not a derivative of what exists in "Anywhere, USA." To continue drawing newcomers, future development projects should capitalize on New Orleans' greatest asset—its existing, authentic identity.

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