

OPERATION BOOTSTRAP

Fostering Economic Revitalization

Draft 104
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March 10, 2011

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The Petersburg Parks will be the
goose that lays the golden eggs.

Introduction

Operation Bootstrap was conceived and designed to provide economic revitalization to the City of Petersburg, Virginia. It calls for utilizing the city's biggest and most important resource - its long, diverse and fascinating history - by building a complex of historic theme parks to attract people into the city, the "Petersburg Parks." When complete, they will attract at least 800,000 people into the city every year. That will have an enormous impact on the economy, but the economic benefits can be considerably improved by good planning and management. The purpose of this report is to identify areas that should be addressed and suggest some ways that this can be accomplished.

Establishing the Goal

Paramount Pictures built King's Dominion for one purpose - to get money out of Virginia and to funnel it back to California. The goal of *Operation Bootstrap* is draw people and money into Petersburg from other areas, especially from other states. Once that money comes into the city then means must be found to keep as much of that money in the city as possible. The Petersburg Parks will be very profitable and the wealth must not be accumulated. Rather it needs to be diffused into the community.

The Problem

Petersburg was an extremely prosperous city for over 300 years, then our nation began to change. In the economic boom that followed World War II, families moved from cities to the suburbs. The nature of retailing changed as family-owned stores were replaced by chain stores. Downtown stores were replaced by malls. Industries moved overseas.

In 1950, Petersburg was an "All-American City." By the end of the 1960s, its downtown was a ghost town. In 1946, the U.S. Department of Commerce reported that the city contained 86 firms that had railroad sidings. Within ten years, rail traffic had dropped so drastically that the Atlantic Cost Line suspended service to the city.

Today the downtown areas of cities cannot hope to compete with malls and the large-box chain stores. In 1950, the typical family-owned hardware store or grocery store contained less than 5,000 square feet. Contemporary grocery stores contain over 100,000 square feet. Retail giants such as Home Depot and Walmart are even larger. Such stores offer a tremendous variety of merchandise, often at discount prices. They are convenient and provide an abundance of parking. No downtown retail economy can hope to compete with them.

The late 1980s saw considerably improvements to the infrastructure and economy of Petersburg's Old Towne (as discussed below) and this was largely made possible by financing provided by the city's two banks: Community Bank and Virginia First. Both have since been merged into large banking chains that are not as receptive to making loans to local businessmen as the earlier local banks. Lack of financing is a major factor in Petersburg's deteriorating economy.

Recent History

It has been said that people are not in need of teaching as much as they are of reminding, as all the great lessons of history have already been learned. Petersburg's recent history provides an excellent example of how to restore the retail economy.

In the late 1960s, almost all the stores on Sycamore Street were closed and the buildings were vacant. Old Street was the city's industrial slum.

In 1971, the Historic Petersburg Foundation purchased the Appomattox Iron Works (AIW), and later sold it to Frank Peckinpaugh, a retired engineer. The complex was in very poor condition and Frank converted the old steam engine shop into an antique store, where he began selling AIW artifacts to raise money for renovation. Woody Woodlief purchased a building on the north side of Old Street at the foot of Sycamore Street and opened an antique store. It did so well that he purchased the building next door to it, and later a third one. A few years later Harry Jones purchased another building and opened another antique store. He was followed by Billy Barfield who opened another one at the other end of the block. Over a period of about ten years, Old Street became a leading antique center, one that attracted a steady flow of customers.

This customer traffic led to specialty shops. Kay Wray established one that sold a large variety of gift wares, and specialized in custom artificial flower arrangements. Rick and Mary McCormick opened a doll shop that carried an impressive array of collectible dolls, not otherwise available in the area. Steve Bennet began selling collectible currency, coins and stamps. Retired colonel Bill Reese had a shop that made custom stained glass windows. Dorcus Cummings had a fascinating gift shop that specialized in miniatures. Diane Lapkin's store offered fine women's clothing. Each addition increased the critical mass and the drawing power of the area.

There was no place to eat so Peckinpaugh opened a snack bar in his restaurant which quickly evolved into the French Betsy Restaurant. By the late-1980s, Old Street was the only area in Petersburg enjoying any resemblance to a viable retail economy.

The Old Towne Merchants Association was formed and it did much to promote the area. It started Nostalgiafest and Old Towne Christmas celebrations and it sponsored many weekend events. It was an active and dynamic organization that did an excellent job.

* * *

In 1988, I purchased and renovated two buildings in Old Towne. I had discovered the incredible resources of the Appomattox Iron Works and saw that it had great potential as a living history museum. I planned such a project. Appreciating the value of critical mass, I purchased adjacent buildings and properties before undertaking the AIW project.

In the 1950s, Carl Holt had constructed a large modern brick warehouse across the street from the AIW and I concluded that it was the most important property on the street, as it could later be developed into a mini-mall filled with specialty stores. In the meantime, I decided to put the building on a paying basis by temporarily converting it into an antique mall, as this built on the existing customer traffic. From an even broader perspective, I wanted to establish an incubator for entrepreneurs as I foresaw that many would do well and would eventually need more space. This let me create tenants for other buildings that I had purchased and planned to

renovate. The Old Towne Antique Mall opened June 1, 1989 with all 48 stalls rented.

I next renovated the Appomattox Iron Works which opened the following summer.

During 1991 and 1992, customer traffic in Old Towne steadily increased. The incubator plan worked because five of the antique mall dealers rented buildings, four from me and one from another party. Banker Bill Patton and his First Virginia Savings Bank financed many Petersburg projects. In the Spring of 1993, his role evolved from supporter to participant when he renovated Southside Station into the Appomattox Flea Market. It opened with over 100 dealers. This not only added to the critical mass, but created another incubator.

In the summer of 1993, Old Street was booming, especially on weekends when the flea market was open. The street was literally covered with customers. This success was the result of the every-growing critical mass which made it a popular day trip destination.

On August 6, 1993, the most powerful tornado in Virginia swept down Old Street, destroying and severely damaging buildings. It looked like a war zone. The problem was compounded by insurance companies that refused to pay claims. FEMA arrived and promised help, but failed to deliver it. It was a prelude to how FEMA later handled hurricane Katrina.

Old Towne looked like it had been bombed. Customer traffic dropped to almost zero. Something drastic needed to be done to restore customer traffic so I renovated the Old Towne Antique Mall into the French Betsy's Orleans House restaurant, which was designed to also function as a meeting hall and community center, filling a long-standing need. It took almost two years to settle insurance claims, obtain FEMA loans and construct the facility.

The long delays in settling insurance claims and lack of sales had devastated the local merchants. Some relocated, but others simply closed their doors forever. Old Towne once again became a ghost town. The Orleans House had an outstanding decor and excellent unique meals, but it was too little too late. People refused to visit the severely damaged Old Towne and surrounding critical mass was gone. The French Betsy Orleans House closed after only six months. It is now the Moulin Rouge.

Today, 18 years later, Old Towne is but a shell of its former self. All the speciality shops and antique stores are gone, as is the Old Towne Merchants Association. The buildings are now used for offices and other things that do not attract retail customers. There is no critical mass.

The Lessons Learned

There were two primary reasons for the earlier success of Old Street. Americans are generally ambitious and energetic people and our nation's greatness resulted from their efforts in retailing and manufacture. All they need is an opportunity. The real estate in Old Towne was very cheap, thus providing them with that opportunity. All of the specialty shops offered merchandise that was not available in strip malls and shopping centers.

The economic collapse resulting from the tornado made me more fully appreciate that the most important resource of any community is its people. This is well demonstrated by the above, as once the entrepreneurs had abandoned Old Street, its economic fate was sealed.

Economic revitalization requires creating an environment in which entrepreneurs can flourish. Substantial effort must be devoted to creating such an environment.

Expanding the Retail Community

The American Adventure historic theme parks will draw a great many people into the Old Towne historic district. There will be no physical barriers between the parks and Old Street so most visitors will spend at least some time shopping. This will provide a tremendous boost to the local economy. There are not that many stores in Old Towne and as demand for retail space increases, they will almost surely be used to house specialty shops and restaurants.

The earlier success of Old Towne Petersburg began with the antique stores. There is a strong demand for antiques. The Oak has since been converted into an antique mall, but suffers due to lack of customer traffic. It is isolated and free-standing whereas the highly-successful Old Towne Antique Mall built on the existing critical mass and customer traffic. The Oak would greatly benefit from more antique stores as the benefit from the increased drawing power will more than offset the competition.

Antique dealers are independent businessmen and women who provide merchandise not offered in the malls. Efforts need to be taken to restore Petersburg as an antique center. The development plan calls for the east bays of Southside Station to be rebuilt to house exhibits, museums, a gift shop and a snack bar. The west bays are intact. They should be renovated into a mini-mall, which will can contain both antique stores and specialty shops. From an economic revitalization point of view, its primary purpose is to function as an incubator for entrepreneurs, who will hopefully build substantial businesses that will later require more space.

Most antique malls are run by the owners, who are highly protective of their investment. They require that all sales go through it, as they charge a commission in addition to rent. They discourage dealers from talking to one another.

The Old Towne Antique Mall took the opposite approach. It had an excellent management plan, which should be followed. The Old Towne Antique Mall charged only for the sales it made. Sales made by the dealer were not subject to commission. The rental agreement required the dealer to work two days a month for each stall rented. This eliminated the need for employees, other than a manager. These things encouraged dealers to be on site.

A mall association was formed which met monthly. The dealers established all the policies, subject to veto by management. The veto power was never used, as the dealers did a great job. This system was successful because it permitted dealers to work as much or as little as they wanted and they essentially ran everything. Most of important of all, they took mental possession of the antique mall. They ran it and it was, for all practical purposes, their mall and they devoted themselves to its success.

The existing west bays of the Southside Station contain over 16,000 square feet. (The Antique Mall contained 10,000). This space should be our incubator. It should be set up attract both antique dealers and specialty shops. It should e set up the same way as the Old Towne Antique Mall because it lets dealers get started on a part-time basis, but lets them keep their store open seven days a week.

The report "Penetrating Petersburg" sets forth a plan for getting customers up the Sycamore Street hill to Washington Street, so that information need not be repeated here.

The above provides a start, but as the parks continue to draw increasingly large crowds, more retail space will be needed. *Operation Bootstrap* calls for Main Street America to provide

such space. This is a major project in its own right, as it will extend for three blocks and will contain the equivalent of 72 retail units having an average of 2,500 square feet. Larger stores will require several of these modular units.

American Adventure will require some of the Main Street space for attractions and specific retail purposes. It should also function as a community center and have a theater and a ballroom. The bulk of it should be rented to independent stores. The entire purpose of Operation Bootstrap is economic revitalization of the downtown Petersburg economy. We want to keep money in the city, so this retail space should be rented to locally owned businesses to the extent possible. That keeps the money in the city. Chain stores send it to the home office.

The organizational relationship of the American Adventure to Main Street America has not yet been established. Each will be a major business in its own right. The latter will probably be owned by the former, but will probably operate as an independently-managed subsidiary or department. For the purposes of this report, it is treated as a separate entity.

Main Street America is the size of Southpark Mall without the department stores. That results in a lot of rental space, so the project must be built in sections and each should be rented and on a profit-making basis before the next is started. The scheduling of construction must be coordinated with Old Towne and Sycamore Street retail development, as care must be taken to ensure that Main Street does not hinder those efforts.

A key to retail success is the offering of merchandise that is not available elsewhere. It is truly amazing how many different types of products are available and how little of it is offered in the Southside area.

Atlanta, Georgia was burned to the ground during the Civil War. Although the culture of the antebellum South was gone with the wind, the city contained many ambitious and energetic businessmen. Atlanta is now the home of AmericasMart. It is the largest trade mart and trade show complex of its kind in the world. The mart's mix of gift, home furnishings and other specialty products are presented in permanent showrooms and temporary exhibit halls with 7,700,000 square feet of space. Retailers from every U.S. state and more than 80 countries worldwide attend its many shows. Its numerous buildings include the Gift Mart, a 14-story structure that covers an entire city block. The diversity and depth of products is unbelievable. For example, one floor of the gift mart is devoted to artificial flowers. There are probably close to 100 showrooms. These distributors and wholesalers offer an abundance of magnificent and incredible merchandise, a far cry from the cheap imports offered by Michaels. Another floor is devoted to glassware.

The Tri-city area is dominated by big box stores, such as Target and Walmart. They concentrate on merchandise that provides high turnover at low prices. Many people want something better. They totally ignore specialty items, which is the area in which specialty shops can excel.

For example, my wife purchased popular Fiesta Ware, Blue Delf and other collectible dinnerware for sale at the antique mall. It did extremely well. She also purchased replica food (very realistic cakes, pies, turkeys, etc) to enhance her merchandising. She had so many requests for the replicas that she began carrying the line. The mall also sold tin antique advertising signs that sold like the proverbial hot cakes. The point is there are a great many things not offered locally that will sell extremely well if offered. That is the function of specialty shops.

The annual Toy Fair trade show in New York contains tens of thousands of things not offered by Toy-R-Us. Especially impressive is the vast variety of plush (stuffed) toys, which includes such things as highly realistic, life size wild animals. The Smokey Mountains Gift show occupies the Gatlinburg, Tennessee convention center and a half-dozen other buildings. It is especially strong in merchandise suitable for tourist attractions.

There are a great many science and nature stores that sell everything from mounted collections of butterflies, to fossils, to magnificent specimens of rocks and minerals. There are none in central Virginia.

In short, there is a great deal of wonderful specialty merchandise that is not available in the Southside area. It is that diversity which offers the opportunity for viable retail in downtown Petersburg and in Main Street. The product offering is one of the most important elements in the success of a retail venture so aspiring merchants should be encouraged to fully explore the possibilities. Main Street Petersburg should focus on such specialty shops. If handled properly, it will become as big a shopping destination as the outlets around Williamsburg.

The parks project began as the Petersburg Parks and was intended to show our local history, but it soon became apparent that our history is a microcosm of American history. Everything that happened any where in the country happened in Petersburg, often on a grand scale. This resulted in the parks being repackaged as American Adventure.

The honoring of our nation's history opens up many retail opportunities. Our specialty shops can include an Amish store, like those found in Lancaster County, Pennsylvania, and an Old West store. Disney's World has a store called the Mad Hatter, which sell a wide variety of hats. The Williamsburg Virginia area became a retail shopping destination because of its many outlet malls. If Main Street America devotes itself to specialty shops that offer merchandise not available elsewhere, it will be come a shopping destination.

One of the biggest problems confronting entrepreneurs is the lack of available financing. Main Street will be in a position to help both them and itself. The Management of the American Adventure and Main Street America should strive to model itself after the Jimmy Stewart character in the Frank Capra movie, "It's a Wonderful Life," which has become a Christmastime classic. Stewart plays George Bailey, who runs the local saving and loan company started by his father. His absent-minded uncle misplaces money and, facing criminal prosecution, Stewart contemplates suicide, only to be stopped by Clarence, an angel trying to earn his wings. He shows Stewart how life in the town would have evolved if Stewart had not helped so many of its citizens over the years. The family restaurant is a sleazy bar and people live in slums rather than nice homes. Stewart realizes that he has made a very big difference. Bailey returns home on Christmas Eve. The many people he has helped over the years flock to him with money they have collected to cover the deficiency, so Stewart is no longer faces criminal prosecution. Because of his excellent effort, Clarence gets his wings.

The decisions to provide such help should be largely influenced by the ambition and energy of the entrepreneur and the viability of his or her business plan. Whatever venture is proposed must be consistent with the historic nature of the Main Street America and must enhance the visitor/customer experience. There must certainly be a market for the products that are to be offered.

The entrepreneur would be required to invest his own money in the venture. This should be sufficient to pay for the bulk of his merchandise and his start-up expenses.

Main Street America could help in several ways. First, it can provide a sliding scale rent that provides for lower payments during the critical startup period. The rent would increase as the sales of the business increases. Once the business is established then rent would revert to normal.

A major expense in starting up any business is the high cost of store fixtures. Main Street America stores should all have historic-looking store fixtures which will need to be custom made, making them more expensive than normal. Main Street America can provide such fixtures and rent them to the entrepreneur, thus saving him an enormous start-up cost. There is little risk, as the fixtures can always be used in other stores should the new venture fail.

Main Street America might even consider making cash loans. In such cases, the loans would be secured by the merchandise and other assets, such as a second deed of trust on the entrepreneur's home. If handed properly, there would be minimal risk to Main Street and it stands to gain by bringing a new business on line. This helps it, the entrepreneur and the city. It is far better to have a new business paying reduced rent, than it is to have an empty store paying no rent at all.

Concessions

Major attractions such as Kings Dominion strive to squeeze every penny possible out of their investment. Sometimes such actions may be counter-productive, as operating expenses for relatively small operations may exceed the profits they generate. This can be very true with a concession, which is defined a small product-specific operation.

For example, there is a railroad caboose located behind Southside Station. It can easily be converted into an ice-cream stand. Rather than operate it, the Petersburg Parks can simply lease it to an entrepreneur, who will be responsible for every aspect of its operation. It will be his or her own business. He or she will devote themselves into making it successful as they are the one to profit from it. The parks benefit because their management might easily become bogged down in the management of many small concessions, when it should be focusing on larger issues. Middle management is not going to be as success-driven as a private owner. Such an arrangement provides clear profit to the parks with no work on its part, while helping to launch a new business.

Operation Bootstrap calls for an Evolution of Transportation attraction. It is not a theme park in that it is not a static display centered at one location, but rather actual operating resources scattered throughout the complex. These include such things as stage coach, buggy and omnibus rides. These can also be concessions. Concessions offer the benefit of saving the Petersburg Parks money during the slow season, as it will not have to pay drivers when no rides are being sold. If independently operated, then the driver can simply go home when things are slow.

The development plans calls for canoe rentals at the Peter's Point nature center and stables that rent horses for use on the Appomattox Nature Trail. These can both be concessions. Many more opportunities for concessions will arise.

Development / Construction

American Adventure and Main Street America are major construction projects. To the extent possible, all work should be contracted to local companies.

Local Suppliers

A surprisingly large amount of the merchandise offered at the Atlanta Gift Mart and the trade shows is manufactured in North Carolina. Virtually none is made in Virginia. I don't think that this is because the Tarheels are smarter than us, but they are a lot more ambitious and energetic. This is fed by the environment. People see the success of their neighbors and this inspires them to start their own business. Such an environment does not currently exist in central Virginia.

American Adventure will consume a great many things. Whenever possible, it should be provided by local suppliers. For example, when completed, the parks will employ almost 500 people. Almost all will require period costumes. A local entrepreneur can contract to provide them to the parks and then contract the production to home-workers, thus providing income to single mothers. The parks will have many food concessions. American Adventure should focus on operations and when possible, it should purchase prepared food from local businesses.

Phase 3 call for retail stores to be constructed at all four theme parks. Each should have antique style store fixtures. These will have to be custom made. Very little is required in terms of equipment and materials. The big cost is labor. These fixtures can be made local cabinet makers. Once Main Street starts up, then there will be a very large demand for such fixtures, so this provides local entrepreneur a small job to establish operations and procedures in preparation for larger jobs to come.

The Petersburg Parks will require an ongoing supply of souvenirs and gift wares for sale by its own stores. These include such things as Confederate and Union hats, flags and other items to sell at the Battle of Petersburg Park and bows, arrows, toys tomahawks and other Indian-style merchandise to sell at Appomattox Indian Village. It would be nice to have line of Indian pottery, which would be reproductions of famous originals. These should be clearly identified as reproductions.

The Petersburg Railroads will attract a great many train fans. Plaques could be made of its locomotives. They would be similar to the half-hull models of ships. A half-locomotive could be cast of resin or other material, hand-painted, then mounted on an attractively finished wood plaque. The Petersburg Parks could offer operating scale models of its locomotives. The frame and motor can be purchased from an outside vendor so that only the actual body needs to be made locally. Brass Reproductions of locomotive bells and whistles can be made locally. The possibilities are endless. Toy trains that run on interlocking grooved wood track such as that made by Brio and Tommy Trains can be made for young children.

The biggest problems confronting a startup manufacturer is lack of distribution and of financing. The parks would order from the vendor in advance of manufacture, which would overcome the first problem. Progress payments should be established. Such an arrangement

would call for delivery to be made over a period of time and would utilize progress payments. Under such an arrangement, the vendor would receive an advance sufficient to provide the financing needed for essential equipment, materials and some labor. The vendor would promptly receive additional payments as the products are delivered. This overcomes the second problem.

It should be stressed that one purpose of such arrangements is help launch new businesses. Once they are established, they should strive to increase their product offering and broaden their customer base. This decreases their dependence on the parks and provides the opportunities for substantial growth.

Employment

A major benefit to the Petersburg economy is the creation of many new jobs. The Petersburg Park will employ a great many people, but the expanding retail economy and manufacturing capacity will require far more.

Equally important is the nature of the jobs. The primary requirement for the Petersburg Parks employees is the ability to get along with people and communicate. No special skills are needed for retail sales. The manufacturing will require a lot of hand work. None of these jobs requires higher education or special skills and such jobs are rare in today's society.

Conclusion

Fostering Economic Revitalization goes beyond simply constructing buildings and attractions. It evolves social and cultural changes and creating a suitable environment.

The Petersburg Parks can be built and operated by an outside company. If that happens, then the King's Dominion syndrome will take over. The parent company will only be concerned with its own profits and it will try to milk every dime out of the complex. There will be no incubators for entrepreneurs. There will be no privately owned stores in Main Street, as all will be company owned, as in the Disney parks, or they will be national chain stores. What should be a unique shopping experience becomes another mall. There will be no privately owned concessions and there will be no local manufacture, as souvenirs will be imported, most likely from China. The resulting profits will be funneled back to the home office. There will certainly be no Bailey Saving and Loan and Clarence will never have the opportunity to earn his wings. This defeats the entire economic revitalization effort.

The benefits described in this report can only be realized if the Petersburg Parks are locally owned and operated, preferably by a corporation owned by the City of Petersburg. It is the only way that economic development can be both controlled and encouraged.

