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The Value of U.S. Downtowns and Center Cities

AN IDA PILOT STUDY CALCULATING THE
VALUE OF DOWNTOWN **EXECUTIVE SUMMARY**

A STRONG DOWNTOWN IS CRITICAL FOR A SUCCESSFUL CITY AND REGION.

The Value of U.S. Downtowns and Center Cities project focuses on demonstrating the impact and benefits American downtowns and center cities provide all citizens in the community. Informed by IDA's award-winning project, *The Value of Investing in Canadian Downtowns*, this study:

- Establishes a replicable, accessible, standard methodology for IDA to calculate the value of an American downtown.
- Articulates the unique contributions, importance, and multiple benefits of downtown investment for a broad range of relevant stakeholders and audiences.
- Benchmarks the performance of American downtowns and creates a baseline for future data collection.

The study identified five key principles— economy, inclusion, vibrancy, identity, and resilience—and analyzed more than 100 key data points within the principles to quantify the value of a given U.S. downtown. The study relied on both public and proprietary data sources, defining the commercial downtown beyond the boundaries of a downtown development authority or business improvement district. Metrics were calculated by change over time, by square mile, and by share of city value, allowing IDA to begin measuring each downtown against its respective city and region.

Thirteen broadly representative downtown urban place-management organizations across the U.S. participated in testing this new industry standard, including Baltimore, Charlotte, Grand Rapids, Lancaster, Miami, Norfolk, Pittsburgh, Sacramento, San Antonio, San Francisco, Santa Monica, Seattle, and Wichita. Our analysis of this pilot group of downtowns opened a window on just how much impact downtowns truly have, not only on those who live and work downtown, but also on their respective cities and regions. The findings reveal that each downtown functions as a leading economic driver in each city and region. While small in physical size, downtowns are immensely valuable, diverse, efficient, inclusive, and resilient on multiple levels.

Economy: Thanks to density of economic activity, downtown investment provides a higher level of return per dollar invested than other parts of the city. The findings from the pilot downtowns highlight the economic role that downtowns play as centers of tax-revenue generation, employment, and commercial real estate. Given their relatively small size (on average, just three percent of all citywide land), downtowns in this study deliver anywhere from 13% to 64% of the citywide tax revenue, 11% of the assessed land value, 30% of the citywide employment housed in 40% of the cities office space. Downtowns represent economic opportunity and have a built environment that supports future growth. The mix of uses, coupled with ample commercial real estate (75% of all commercial uses), positions both downtown and city for continued office, job, and residential growth.

Inclusion: Downtowns and center cities provide access to opportunities and essential services for diverse users, positioning them as highly inclusive urban nodes. The pilot downtowns exhibited marked demographic diversity with significant share of their city's foreign-born (13%), non-white (35%), middle-income (30%) and millennial populations (14%) compared to their small geographic size.

Vibrancy: Due to their higher density and expansive user base, downtowns support a vibrant variety of retail, infrastructure, and institutional uses which offer mutually-reinforcing benefits to the region. The pilot downtowns accounted for 38% of the citywide residential growth[i], 44% of the hotels, and 16% share of all retail sales and retail offerings.

Identity: Downtowns have intrinsic cultural significance, defining the region's brand by offering historical assets, culture, recreation, entertainment, and participation in civic activities. A blend of old and new, downtowns provide a high quality of life that attracts employers, investment, visitors, and residents. On average, the pilot downtowns contain 20 civic and community places, 9 museums, 72 public art installations and 71 historic structures. The average pilot downtown has 30 hotels within the smaller area "downtown" footprint, providing visitors the opportunity to experience the rich set of cultural activities a city's center offers.

Resilience: The mixed-use nature of a downtown allows for residential uses alongside commercial, connected by a variety of mobility options. Downtowns in this study consistently and significantly rank higher than their city in Walk Score (90

i Between 2010 to 2015.

downtown, 57 city), Transit Score (85 downtown, 52 city), and Bike Score (82 downtown, 57 city). The average pilot downtown contains 6 parks per square mile, providing a multitude of health, environmental, well-being and sustainability benefits. The diversity and density of resources and services in downtown make it inherently better able to rebound from economic, social, and environmental shocks and stresses than other parts of the city and region. For instance, if one area of the market is in decline, the downtown can continue growing in other market areas.

Downtown Typologies: Based on the 13 pilot downtowns, three tiers of downtowns emerged based on average growth in employment, density, population, and assessed value.

- Established Downtowns are 4.2% of the city's land area, holding 40% of citywide jobs, 36% of citywide knowledge jobs, 48% of citywide creative jobs, 49% of citywide office space, 19% of citywide millennials, 7% of the citywide population, 21-49% of citywide tax revenue, 40% of citywide hotels, and a 98 Walk Score.
- Growing Downtowns are 4.3% of the city's land area, holding 29% of citywide jobs, 32% of citywide knowledge jobs, 38% of citywide creative jobs, 44% of citywide office space, 15% of citywide millennials, 6% of the citywide population, 15-52% of citywide tax revenue, 43% of citywide hotels, and a 90 Walk Score.
- Emerging Downtowns are 1.9% of the city's land area, holding 26% of citywide jobs, 27% of citywide knowledge jobs, 28% of citywide creative jobs, 31% of citywide office space, 11% of citywide millennials, 3% of the citywide population, 5-33% of citywide tax revenue, 41% of citywide hotels, and an 85 Walk Score.

OPPORTUNITIES FOR DOWNTOWNS

Investment: Continued public investment in downtown will benefit current infrastructure, residents, and firms, but also generate outsized returns to the greater community. Because of downtown's economic productivity, every dollar invested has the potential to produce much greater returns than investment in less productive areas. To maintain downtown's economic impact, cities will need to continue investing in these areas where the tax revenues support the entire city. With shrinking federal funding, cities will be increasingly reliant on the local economic engines which are increasingly found in the downtown.

Quality of Life as a Factor in Talent Recruitment and Retention: As downtown job markets shift even more heavily toward knowledge workers and technology professionals, place-management organizations can play a crucial role in attracting and retaining talent by making sure its downtown has the amenities, qualities of place, and mix of uses these businesses increasingly seek out. The relatively recent jobs-follow-employees model hinges on quality of place and more specifically the quality of walkable urban places where talented knowledge workers are choosing to live. Municipalities have a ready-made vehicle for investing walkable urban places by partnering with their downtown management organization. Not only can they activate public spaces, place-management organizations can also champion adaptive reuse of older industrial structures, help transform office spaces for other uses, and help keep pace with the evolving marketplace.

Equity: Downtown priorities need to include equitable development and growth that does not displace residents nor exclude workforce opportunities. While place-management organizations don't typically set out to address these issues, increasingly they are organizing workforce-training programs, collaborating across sectors to improve offerings for all socioeconomic levels, or they are working to diversify a downtown's tenant mix to provide goods and services for all households. Place-management organizations should seize the opportunity to embrace a collaborative approach, engaging community cooperation, public and private leadership, thoughtful planning, and a regulatory climate that encourages strategic, place-based development designed to build community wealth, inclusion and accessibility.

Access: As downtowns strive to be inclusive homes for diverse residents and employers, they'll want to consider several questions: How can they attract more diversity and make it easier for all kinds of people to live, work, and belong? What workforce and middle-income employment and housing strategies have proved most successful? How can they encourage more transportation access, immigrants in the workforce, and jobs at all levels? Downtowns should continue work to welcome everyone within and outside the community.

CONCLUSION

Downtowns – and their place-management organizations – can bring clarifying leadership to these issues, turning challenges into opportunities. We undertook this study with the goal of creating a product that would empower local leaders to work with the public and private sectors at all levels to encourage investment in and support for downtowns. This report makes it clear, investing in downtown delivers powerful benefits for the city and region.