



INSPIRED LEADERS
SHAPING CITIES

The Value of U.S. Downtowns and Center Cities

AN IDA STUDY CALCULATING THE VALUE OF DOWNTOWN
COMPENDIUM – THIRD EDITION

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 and regional value, allowing IDA to begin measuring each downtown against its respective city and region.

Thirty-three urban place management organizations across the U.S. have participated in the study to-date, informing this new industry standard. 2019 districts included Boise, Cleveland, Hollywood, Huntsville, Spartanburg, Tampa, Tempe, Toledo and Waikiki. Our analysis of three years 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 the 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, about three percent of all citywide land), downtowns in this study deliver an average of 17% of the citywide property tax revenue, 38% of hotel tax revenue, and 13% of sales tax revenue. Downtowns contain 11% of the citywide assessed land value, 24% of total employment, and 38% of the city's 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, positions both downtown and its 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 downtowns exhibited marked demographic diversity with residents from a wide range of backgrounds. On average, downtown residents are 47% non-white, 15% foreign-born, 34% middle-income, and 47% hold a bachelor's degree or higher. In most downtowns, those between the ages of 18-34, the millennial population, accounted for the largest age group, averaging 46% of residents.

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. Study downtowns outpaced their cities in residential growth between 2000 and 2017, growing an average of 27% against the citywide average of 13%. Downtowns are also regional shopping, nightlife, and entertainment centers. The average study downtown contains 11% of all citywide retail, food and beverage businesses, 33% of all hotel rooms, and generates \$613 in retail sales per square mile (seven times the citywide average).

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 study downtowns contain 23 event venues, 11 museums, 76 public art installations and 125 historic structures.

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 (86 downtown, 49 city), Transit Score (72 downtown, 42 city), and Bike Score (77 downtown, 52 city). The average pilot downtown contains 5.5 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: Each downtown in the study has its own unique context, and is at different stages of development. Based on the 33 study downtowns, three tiers of downtowns emerged based on average growth in employment, density, population, and assessed value. The charts on the next page show different trends across all five principles in each tier.

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. As this study makes clear, investing in downtown delivers powerful benefits for the city and region.

Downtown Typologies

Based on the data collected for this study, we identified three tiers of development among the downtowns studied. Criteria included citywide share of residents and jobs; density of residents and jobs; assessed value per square mile; and the rate of growth in residents and jobs, 2000-2017. Downtowns with the greatest density and share of citywide resources made up the *established* tier. Other downtowns fell into *growing* or *emerging* tiers based on how quickly they were moving toward the *established* level.

Generally, as a downtown moves from *emerging* to *growing* to *established*, figures across all categories rise. For example, *established* downtowns have a higher percentage of citywide land area, boast higher assessed values, generate a higher proportion of city tax revenues, and house a higher percentage of city residents. While *growing* downtowns average a higher number of hotels, the percentage of citywide hotel rooms in *established* downtowns remains more than twice that of *growing* or *emerging* downtowns.

Growing downtowns buck this generalization on growth metrics, outpacing *established* downtowns in both population and job growth. Most *growing* downtowns start from a smaller base of population and employment, making growth percentages look especially dramatic.

While the average study downtown in any tier had a lower median household income than its entire city, this gap narrows along the spectrum from *emerging* to *growing* to *established*. This trend suggests that downtowns become wealthier as they reach the *established* stage of development, but stakeholders should remain conscious of the need to keep downtowns affordable for residents, existing and new.

In addition, the Diversity Index shows that downtowns generally have less racial and ethnic diversity than their cities overall—except *established* downtowns, where the scores essentially track each other. Looking at tier averages, diversity falls as downtowns develop—*emerging* districts score best, followed by *growing*, then *established* ones. Again, this suggests that stakeholders must consciously work to keep downtowns open to all residents as performance improves in other areas.

Established Downtowns

- ANN ARBOR
- BALTIMORE
- MIAMI
- MINNEAPOLIS
- PITTSBURGH
- SANTA MONICA
- SEATTLE
- WAIKIKI

- 5.4% OF CITYWIDE LAND AREA
- \$17.6B AVG. ASSESSED VALUE OF DOWNTOWN
- 23% CITY'S TOTAL ASSESSED VALUE
- 28% CITYWIDE PROPERTY TAX REVENUE
- 51% CITYWIDE HOTEL TAX REVENUE
- 9.3% CITYWIDE POPULATION
- 13.4% CITYWIDE MILLENNIALS

| | DOWNTOWN | CITYWIDE |
|--|-------------------------------------|----------|
|  RESIDENTIAL | GROWTH AVG. 2000 – 2017 27% | 6% |
| | DENSITY RESIDENTS / ACRE 24.2 | 12.2 |
| | INCOME MEDIAN HOUSEHOLD \$57K | \$59K |
| | DIVERSITY INDEX 62 | 61 |



EMPLOYMENT

- 12% GROWTH (2002–2017)*
- 37% CITYWIDE JOBS
- 37% CITYWIDE KNOWLEDGE JOBS
- 42% CITYWIDE CREATIVE JOBS

*Employment growth for established districts omits Ann Arbor because of unreliable jobs data in the district.



- 35 HOTELS
- 8,453 HOTEL ROOMS
- 52% CITYWIDE HOTEL ROOMS



DOWNTOWN SUSTAINABLE COMMUTE

- DOWNTOWN 53%
- CITY 37%

WALK SCORE



- DOWNTOWN 93
- CITY 69

BIKE SCORE



- DOWNTOWN 79
- CITY 63

TRANSIT SCORE



- DOWNTOWN 87
- CITY 56

Growing Downtowns

- ATLANTA
- CLEVELAND
- SACRAMENTO
- AUSTIN
- DALLAS
- UNION SQUARE, SAN FRANCISCO
- BOISE
- INDIANAPOLIS
- TEMPE
- CHARLOTTE
- NORFOLK

2.5% OF CITYWIDE LAND AREA
\$7.9B AVG. ASSESSED VALUE OF DOWNTOWN
11% CITY'S TOTAL ASSESSED VALUE
21% CITYWIDE PROPERTY TAX REVENUE
41% CITYWIDE HOTEL TAX REVENUE
3.8% CITYWIDE POPULATION
5.3% CITYWIDE MILLENNIALS

Emerging Downtowns

- DURHAM
- HUNTSVILLE
- TAMPA
- EL PASO
- LANCASTER
- TOLEDO
- GRAND RAPIDS
- OKLAHOMA CITY
- TUCSON
- GREENSBORO
- SAN ANTONIO
- WICHITA
- HOLLYWOOD
- SPARTANBURG

2.1% OF CITYWIDE LAND AREA
\$1.6B AVG. ASSESSED VALUE OF DOWNTOWN
5.8% CITY'S TOTAL ASSESSED VALUE
6% CITYWIDE PROPERTY TAX REVENUE
23% CITYWIDE HOTEL TAX REVENUE
3.1% CITYWIDE POPULATION
4.5% CITYWIDE MILLENNIALS



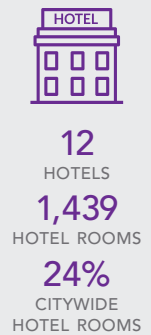
EMPLOYMENT

31% GROWTH (2002-2017)
24% CITYWIDE JOBS
28% CITYWIDE KNOWLEDGE JOBS
35% CITYWIDE CREATIVE JOBS



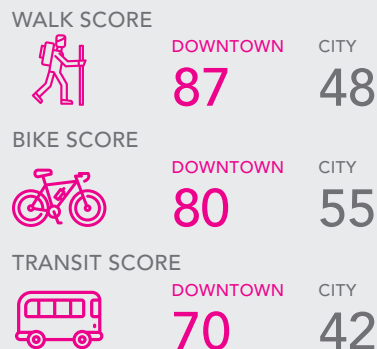
EMPLOYMENT

2.1% GROWTH (2002-2017)
15% CITYWIDE JOBS
18% CITYWIDE KNOWLEDGE JOBS
18% CITYWIDE CREATIVE JOBS



DOWNTOWN SUSTAINABLE COMMUTE

40%
DOWNTOWN
CITY
25%



DOWNTOWN SUSTAINABLE COMMUTE

29%
DOWNTOWN
CITY
17%

