The Value of U.S. Downtowns and Center Cities

AN IDA STUDY CALCULATING THE VALUE OF DOWNTOWN

2020 EXECUTIVE SUMMARY

INSPIRED LEADERS SHAPING CITIES

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. This study articulates the unique contributions, importance, and multiple benefits of downtown investment for a broad range of relevant stakeholders and audiences. It also benchmarks the performance of American downtowns and creates a baseline for future data collection and comparisons to other downtowns nationwide.

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-seven urban place management organizations across the U.S. have participated in the study to-date, informing this industry standard. 2020 districts included Fort Lauderdale, Lexington, Richmond, and Tulsa. Our analysis of four 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. Data in this update all reflect pre-pandemic effects.

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 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, 43% of hotel tax revenue, and 12% of sales tax revenue. Downtowns contain 12% of the citywide assessed land value, 25% 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 46% non-white, 18% foreign-born, and 48% hold a bachelor's degree or higher. In most downtowns a large share of the population is between the ages of 18-34, on average accounting for 41% 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 2018, growing an average of 40% against the citywide average of 15%. Downtowns are also regional shopping, nightlife, and entertainment centers. The average study downtown accounts for 12% of all citywide retail sales dollars, 32% of all hotel rooms, and generates $452m in retail sales per square mile (over five 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 live entertainment venues, 11 museums, 75 public art installations and 140 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 (61 downtown, 35 city), and Bike Score (77 downtown, 52 city). The average 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 37 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

In 2020 the coronavirus pandemic delivered a severe and prolonged disruption to daily life in urban places. While we do not yet have the data to show the full depth of the impact, we know that many downtowns have greatly struggled. Job density is not as meaningful a statement of value when a large proportion of workers are still working from home. A concentration of hotels downtown is less of an asset when tourism, especially any international tourism is still heavily curtailed. Nevertheless, the long-term prospects of downtowns remain optimistic. In many communities, construction did not stop as new developments come online. Some small businesses closed, but others opened. Residents near and far continued to seek out downtown as a place of gathering for important social movements. Furthermore, temporary improvements to public space gained popularity due to the pandemic. These are but a few of the opportunities downtowns now have momentum to capitalize on to make positive changes in their districts.

Residential Growth: With the decline of daily workers and other visitors downtown, the presence of downtown residents became critical to the survival of small businesses and community in dense urban districts. This further underscored the value of mixed-use downtown environments and how the traditional, office-segregated central business district model may no longer be sustainable.

Equity: In light of the national reckoning on racial injustice in 2020, equity and inclusion in downtowns have been prioritized like never before. The question of who are we building place for, and whose voices are heard in creating a place are imperative, and downtowns can be central to addressing these long-standing issues. Downtown priorities need to include equitable development and growth that does not displace residents nor exclude workforce opportunities. Downtowns should also strive to have a diverse tenant mix to provide goods and services for households across all socioeconomic levels.

Outdoor Space: The pandemic threw into sharp relief the need for easily accessible and high-quality outdoors spaces. These include green and park spaces for recreation, as well as outdoor dining and retail opportunities on sidewalks, plazas, and even parking lots. Prior to the pandemic, it was challenging to get the necessary permits to implement these ideas, but outdoor dining, parklets, and pedestrian and cycling-friendly streets have seen unprecedented popularity, accelerating trends favoring walkable, urban communities. Downtowns have the opportunity to facilitate changes to the regulatory process and improve public spaces permanently.

UPMO Advocacy: Urban place management organizations became more trusted partners through the pandemic, as they continued their clean and safe operations, cut through the noise to provide essential information, and became vocal advocates for their small businesses and districts. UPMOs now have the opportunity to build upon their wider public recognition to increase awareness of the value of their district, continue advocacy, and make lasting change.

CONCLUSION

Downtowns—and their place management organizations—can bring clarifying leadership to these issues, turning challenges into opportunities, especially when confronted with severe challenges like the pandemic. It remains to be seen what long-term changes will persist following the pandemic, but fortunately, downtowns and center cities have a long history of evolving to adapt to changing times and market preferences. The value of downtowns may shift, along with the ways we use and evaluate them, but downtowns' resilience across economic, social, and environmental measures positions them well to lead citywide recovery. Downtowns have emerged from past crises even stronger, and there's no reason to think they won't this time. 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 the *Value of U.S. Downtowns and Center Cities* study, IDA identified three tiers of downtowns. 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 over the past two decades. 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 boast higher assessed values, generate a higher proportion of city tax revenues, and house a higher percentage of city residents and jobs.

Growing downtowns buck this generalization on growth metrics, with a population and job growth rate nearly twice that of *established* downtowns, and three times that of *emerging* downtowns, which have on average seen a loss in jobs since 2002. Most *growing* downtowns start from a smaller base of population and employment, making growth percentages look especially dramatic. The median household income in the average *growing* downtown is higher than that of its city, however, which suggests that the extremely fast pace of population and job growth may be increasing downtown cost of living for existing residents.

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. This suggests that stakeholders must consciously work to keep downtowns open to all residents as performance improves in other areas.

For mobility, *established* downtowns offer the most options, scoring the highest on Walk, Transit, and Bike scores, and half of residents used a sustainable mode to commute. *Growing* and *emerging* downtowns performed similarly on these metrics. While *growing* and *emerging* downtowns outpace their cities on mobility metrics, continued improvement in these areas will make these areas even stronger centers of activity.

Established Downtowns

- ANN ARBOR
- BALTIMORE
- FORT LAUDERDALE
- MIAMI
- MINNEAPOLIS
- PITTSBURGH
- RICHMOND
- SAN FRANCISCO
- SANTA MONICA
- SEATTLE
- WAIKIKI

5.2%	OF CITYWIDE LAND AREA
$15.4B	AVG. ASSESSED VALUE OF DOWNTOWN
22%	CITY'S TOTAL ASSESSED VALUE
24%	CITYWIDE PROPERTY TAX REVENUE (MEDIAN)
42%	CITYWIDE HOTEL TAX REVENUE (MEDIAN)
9%	CITYWIDE POPULATION
13%	CITYWIDE 18-TO-34-YEAR-OLDS

RESIDENTIAL

	DOWNTOWN	CITYWIDE
GROWTH AVG. 2000 – 2018	35%	9%
DENSITY RESIDENTS / ACRE	25	13
INCOME MEDIAN HOUSEHOLD	$59.4K	$64.3K
DIVERSITY INDEX	63.1	63.3

EMPLOYMENT

17%	GROWTH (2002–2017)
40%	CITYWIDE JOBS
41%	CITYWIDE KNOWLEDGE JOBS
41%	CITYWIDE CREATIVE JOBS

HOTEL

30 HOTELS

7,100 HOTEL ROOMS

49% CITYWIDE HOTEL ROOMS

DOWNTOWN SUSTAINABLE COMMUTE

DOWNTOWN 51%

CITY 37%

	DOWNTOWN	CITY
WALK SCORE	93	68
BIKE SCORE	77	62
TRANSIT SCORE	76	52

Growing Downtowns

- AUSTIN
- BOISE
- CHARLOTTE
- CLEVELAND
- DALLAS
- DURHAM
- HUNTSVILLE
- INDIANAPOLIS
- LEXINGTON
- NORFOLK
- SACRAMENTO
- TEMPE

2.4%	OF CITYWIDE LAND AREA
$7.5B	AVG. ASSESSED VALUE OF DOWNTOWN
12%	CITY'S TOTAL ASSESSED VALUE
9%	CITYWIDE PROPERTY TAX REVENUE (MEDIAN)
44%	CITYWIDE HOTEL TAX REVENUE (MEDIAN)
4%	CITYWIDE POPULATION
6.4%	CITYWIDE 18-TO-34-YEAR-OLDS

RESIDENTIAL

	DOWNTOWN	CITYWIDE
GROWTH AVG. 2000 – 2018	67%	21%
DENSITY RESIDENTS / ACRE	7	5
INCOME MEDIAN HOUSEHOLD	$55.4K	$53.1K
DIVERSITY INDEX	58.1	68

EMPLOYMENT

30%	GROWTH (2002–2017)
24%	CITYWIDE JOBS
28%	CITYWIDE KNOWLEDGE JOBS
34%	CITYWIDE CREATIVE JOBS

HOTEL

20 HOTELS

3,250 HOTEL ROOMS

23% CITYWIDE HOTEL ROOMS

DOWNTOWN SUSTAINABLE COMMUTE

DOWNTOWN 33%

CITY 19%

	DOWNTOWN	CITY
WALK SCORE	85	40
BIKE SCORE	78	50
TRANSIT SCORE	63	34

Emerging Downtowns

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

1.8%	OF CITYWIDE LAND AREA
$1.4B	AVG. ASSESSED VALUE OF DOWNTOWN
6%	CITY'S TOTAL ASSESSED VALUE
4%	CITYWIDE PROPERTY TAX REVENUE (MEDIAN)
28%	CITYWIDE HOTEL TAX REVENUE (MEDIAN)
2%	CITYWIDE POPULATION
3.5%	CITYWIDE 18-TO-34-YEAR-OLDS

RESIDENTIAL

	DOWNTOWN	CITYWIDE
GROWTH AVG. 2000 – 2018	21%	14%
DENSITY RESIDENTS / ACRE	6	5
INCOME MEDIAN HOUSEHOLD	$36.3K	$48.3K
DIVERSITY INDEX	64.3	70.4

EMPLOYMENT

-6%	GROWTH (2002–2017)
8%	CITYWIDE JOBS
18%	CITYWIDE KNOWLEDGE JOBS
17%	CITYWIDE CREATIVE JOBS

HOTEL

13 HOTELS

2,210 HOTEL ROOMS

24% CITYWIDE HOTEL ROOMS

DOWNTOWN SUSTAINABLE COMMUTE

DOWNTOWN 31%

CITY 18%

	DOWNTOWN	CITY
WALK SCORE	81	41
BIKE SCORE	75	24
TRANSIT SCORE	60	24

