



Downtown Idea Exchange

Essential Information for Downtown Revitalization

Trends Analysis & Commentary

New responsibilities, new revenue sources and preparing for the rebound top concerns for 2012

In looking ahead to the New Year, David Downey, president of the International Downtown Association (IDA), wonders if we will reach a point where downtown organizations can't absorb the level of service they are being asked to deliver due to federal and state cuts that are filtering down to municipal and downtown organizations' budgets.

"One of the things we are hearing significantly is that with state budgets in such dire condition, and the federal budget certainly in dire condition, downtown management organizations are really wrestling with their municipal or state governments, which are looking to that public/private partnership to do more and more, but not necessarily with more resources," says Downey. "Where downtown organizations may have been supplementing municipal services previously, they are being asked to expand on those services or be the primary provider. Communities are still looking for great service, and vibrant places to live, work and play, and that is falling squarely on the shoulders of local municipalities and downtown organizations."

"I think funding, from a government point of view, will certainly continue to be a challenge," agrees Gary Klassen, general manager of sustainable development for the city of Edmonton, AB, Canada. "But with the value that we are now beginning to see come out of the work of

downtown organizations, there's a greater tendency for businesses and individuals in our downtown communities to contribute, and if organizations can begin that journey of having support from businesses and residents, the resources and energy needed begins to fall into place in a far more healthy way."

Tight budgets fuel search for new revenue sources

Creative ways of raising revenue will be required, according to Ben Donsky, vice president of management and operations for the Chelsea Improvement Company (CIC).

"City budgets are smaller and city governments don't have the revenue to operate and maintain existing assets like parks, never mind new ones that are coming online," says Donsky. "And real estate values have gone down, so property owners are less willing to assess themselves and contribute directly to maintain any of these projects. Retail is not as strong as it was. It's just starting to come back, so owners don't want to pass those costs on to tenants. This has forced a lot of downtown organizations to start becoming more entrepreneurial, to look for

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more innovative revenue streams, and to look for models of how to generate revenue that is not through assessments. That's something we're seeing all across the country."

The current economic environment presents opportunities for downtown organizations to explore private-sector techniques and engage consumer-oriented companies.

"Private-sector revenue is coming back so downtown organizations have opportunities to engage these companies in ways we didn't have two years ago. I'm a lot more optimistic today because we are seeing consumer-oriented companies really starting to spend revenue on public improvements again," says Donsky.

The need to find creative ways to generate revenue may also drive downtown organizations to expand their geographic boundaries.

"For example, with the Wi-Fi network that we are creating, we are going well beyond our service area, to make a better network first of all, and second, for the sponsorship opportunities. The sponsorships become more valuable and we can sell them for higher prices with a larger network," says Donsky.

David Feehan, president of Civitas Consultants LLC, is also seeing downtown organizations take on new roles to be more self-sufficient and help the city. "In some places, the city is contracting with downtown organizations to do things it can no longer afford to do itself."

Feehan says that if cities can find ways around union regulations, downtown organizations will come under increasing pressure to fill the services void, but will also see opportunities to do things that they haven't in the past "like running shuttle bus systems, and cooperating with chambers to do branding and marketing."

Jamie Licko, president of consulting firm Centro, sees the same trend.

"I think it's pretty interesting that cities that had had downtown organizations are looking at ways to expand what they do and diversify their business model," she says. "Downtown organizations are becoming more complex. Some BIDs are getting involved in community development. Organizations that may have been focused on clean and safe are getting more involved in economic development, and even

Generating revenues the creative way

One creative way that the Chelsea Improvement Company in New York City is generating funds is by providing technical support in developing new streetscape furniture.

"We just worked with New York City on the new CityBench, which will be the standard street bench in the city. The city liked our industrial design, so we worked with the department of transportation and the Public Design Commission on various designs and developed the CityBench. There will be at least 1,000 of them rolled out in the next few years. We will receive royalties because we patented the design. Over the long term that's going to generate a lot of revenue that we can put into improvements in southwest Chelsea. I think downtown management organizations rely on public funding, incentives and tax credits too much. Look to the private sector and move on from that."

development, to keep things moving in a tough economy. I think we're getting more sophisticated in how we do things. The public sector seems to be getting more trusting, more bought into the public/private partnerships.

"Hopefully, the economy will stabilize and see slow growth," says Licko. "The same is true for downtowns, as well. Organizations have been trying to hold down the fort, keep things competitive, and keep things going in their downtowns. This year, there may be some new efforts to try to differentiate in order to stay competitive, fresh and different."

Time and revenue constraints may drive new downtown district structures

"We are seeing the structure of organizations becoming a little more important," says Donsky. "People are looking to create nonprofit management entities not built just on the traditional BID template. One of the reasons people are looking beyond the traditional BID is start-up time. In most states, it takes about one-and-a-half years to create a BID. If you are not going through that formal BID process, and you are figuring out some other way property owners can organize, you can launch an organization in four to six months.

“A second reason is that in a lot of states, New York included, BIDS are not allowed to make improvements to private property, or they have to be very careful how they do it,” he says.

“The regulation is designed to prevent a major property owner from dominating the board and taking all the money to spend on his own buildings, so it’s a good regulation in principle, but we’ve found that sometimes it makes a lot of sense, in streetscape projects especially, to incorporate attractive improvements on buildings, and BIDs are often restricted from doing that. We did not go with a BID structure in Chelsea, for example, because we needed street lighting on the buildings and we would not have been able to do that on private properties as a BID.”

In-depth planning trend allows cities to seize the appropriate opportunities

Downtowns must be poised to take advantage of every opportunity, especially during challenging economic times. A trend toward in-depth planning that positions cities to move forward with opportunities that fit well-defined visions is guiding development in many North American city centers. Edmonton, AB, Canada is a city that prides itself on forward thinking, according to Klassen.

“The city has worked quite diligently with respect to downtown plans and strategies and has put a very strong policy position together,” he says, noting that similar in-depth planning is being done in many Canadian communities now. “As opportunities arrive we’re able to be very diligent in the way we facilitate them. By doing the soul searching that included a policy position on every aspect of development, and by doing a very strong due diligence process around the business side of the investigation, we were able to put compelling arguments together and make good decisions around future investment in our downtown.”

That clear vision recently allowed the city to decide to locate a new arena facility as part of a Sports & Entertainment District downtown.

Downtown has a role in sustainable environments, economies and societies

The young professionals that downtowns want to attract find walkability and a smaller carbon footprint desirable. With rising fuel costs and concerns about climate change, the dialog has evolved from whether or not development should be sustainable to how development can become more sustainable. Whether it be reducing vehicular traffic, guiding green building development, or promoting social justice, downtown organizations have something to contribute. And funding through sources like the Natural Resources Conservation Service’s Resource Enhancement and Protection Program and state forestry programs makes options like green roofs, tree-planting projects, rain gardens and permeable pavement more affordable for downtown development projects.

Downtown management organizations have a real opportunity to address water and energy usage, reduction of vehicular traffic, and to guide downtown density, Downey says.

“They have the ability to build higher density, but with buildings that have technologies that are more energy efficient. So many things can be addressed around transportation and mass transit. Bike-sharing programs are growing and becoming a hot topic in many downtowns that are looking for mobility options. Those sorts of programs are doable in very dense urban environments. And downtowns are growing as economic engines for regions. A strong city means a strong region.”

“We have talked for several years about having more walkable/bikeable cities,” says Licko. “The bikeable part in particular, I’m seeing a lot of places invest in one way or another. The B-Cycle bike sharing programs are growing by leaps and bounds. I think it’s a great thing that people seem to be finally getting excited and supportive of bikeable city concepts. It helps reduce the need to have cars for everything that we do.”

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The work downtown organizations are doing to support small business also make city centers sustainable, she says.

“We are seeing a trend towards downtown organizations working with cities and others to really incentivize small business development. The ‘grow your own’ concept is pretty strong. They are encouraging local entrepreneurs to start and grow businesses that will hopefully employ others over time. People are looking to create incentives for that in any way that they

can because having multiple small businesses gives downtowns a little bit more sustainability through tough economic times.

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