



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

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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 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 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 non-profit 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."

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