Some Strategies for Small Town Downtown Revitalization

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Three strategies will be discussed:

- Developing and strengthening your downtown's Central Social District (CSD) functions, especially the entertainment niche
- Attracting new residents who either do not need jobs, will bring their jobs with them or can create their own good jobs
- Strengthening the organizational capabilities and resources available to the local downtown revitalization effort

In the New Normal for downtowns…

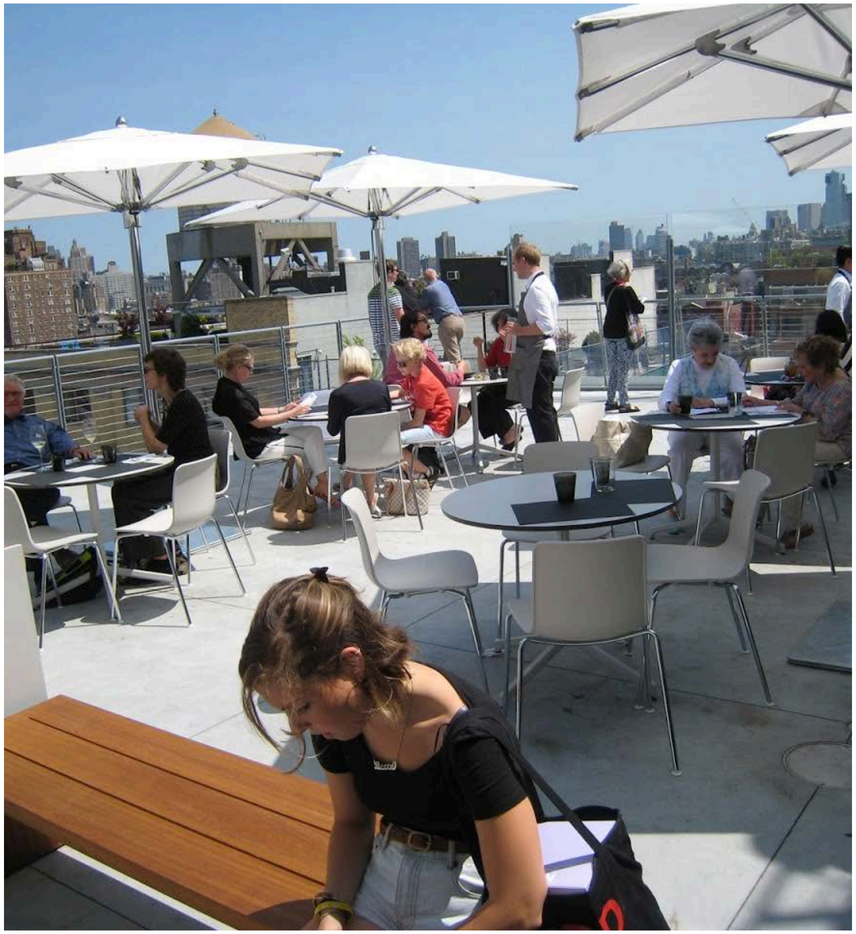
CENTRAL SOCIAL DISTRICT FUNCTIONS

ARE OFTEN BECOMING MORE IMPORTANT

THAN CBD FUNCTIONS

Your CSD is…

The downtown area with activity venues that facilitate people having enjoyable experiences with other people, usually relatives and friends, but, importantly, sometimes strangers.



Some CSD Components: (EN = entertainment niche)

- Movie theaters (EN)
- PACs (EN)
- Concert Halls(EN)
- Museums (EN)
- Art galleries (EN)
- Arenas (EN)
- Stadiums (EN)
- Senior centers, community centers (EN)
- Pamper niche venues (gyms, nail & hair salons)
- Restaurants and drinking places (EN)
- Parks/public spaces (EN)
- Ice cream parlors; pizza, hot dog sausage joints (EN)
- Places of worship
- Social clubs, (EN)
- Catering halls (EN)
- Public markets (EN)

An entertainment niche is a subset of the CSD. Three of its components should be given top priority:

- Restaurants and drinking places
- Parks and Public Spaces
- Movie Theaters

Restaurants and drinking places are vital social amenities and they can make it in small WI towns

Downtown Type	One	Two	Three
Town Populations	1,000-2,500	2,500-5,000	5,000 - 10,000
Numner of downtowns	143	60	45
Avg Total Sales of Downtown Firms	$15,215,000	$25,205,000	$39,240,000
Food -Related and Convenience Sales	$7,831,000	$13,103,000	$20,575,000
% of Total Downtown sales	51.5%	52.0%	52.4%
Restaurants	$1,520,000	$2,515,000	$5,378,000
Drinking Places	$528,000	$784,000	$1,224,000
Eating and Drinking Places Sales	$2,048,000	$3,299,000	$6,602,000
% of Total Downtown Sales	13.5%	13.1%	16.8%
Based on: Bill Ryan, Beverly Stencel, and Jangik Jin, "Retail and Service Business Mix Analysis of Wisconsin's Downtowns," Sept 2010			

Here's why…

Sherwood WI: The Trade Area Market Share Needed to Support One Store in Some Downtown Niches

Needed Entry Mkt Share	Niche
28%	Restaurant Niche
28%	Pamper Niche
167%	Apparel Niche
168%	Home & Hearth Niche

- Relatively low market share needs to be won to be viable
- Relatively low rent and labor costs
- They now account for about 13% of the annual sales in WI small downtowns – more viable than most retail
- We are now spending more on eating out than on eating at home

Biggest restaurant challenges in small towns…

- Small market area means low revenue potentials
- Low revenue potentials means quality restaurant operators and chefs probably will NOT be attracted
- High quality needed to draw customers from a larger market area – tourists don’t like what they deem is crappy food, even if locals think it is good food
- HOW CAN QUALITY BE IMPROVED?

Parks and public spaces are often far better strategic choices than formal entertainment venues* because they …

- Are usually much cheaper to build
- Are much cheaper to operate and maintain
- Draw many more visitors
- Have far fewer user frictions

*PACS, theaters, museums, arenas, stadiums, convention centers

Some relevant data…

Annual Expenditures Per Visitor of Formal and Informal Entertaimnet Venues

Type of Entertainment Venue	Annual Expenditures (Ms$s)	Annual Visitors (Ms)	Expend/Visit or ($s)
Formal Ent Venues	Avg: $121.4	Avg: 1.55	Avg: $64.11
Larger Communities	Avg: $206.1	Avg: 2.82	Avg: $82.35
Smaller Comminities	Avg: $3.51	Avg: 0.08	Avg: $42.83
Parks and Public Spaces	Avg: $11.74	Avg: 7.05	Avg: $2.00
Larger Communities	Avg: $18.50	Avg: 11.16	Avg: 2.02
Smaller Comminities	Avg: $0.48	Avg: 0.21	Avg: $1.99

Source: Downtown Curmudgeon Blog. Note: Formal venues include arenas, PACs, theaters, concert halls, museums. Study of 25 venues.

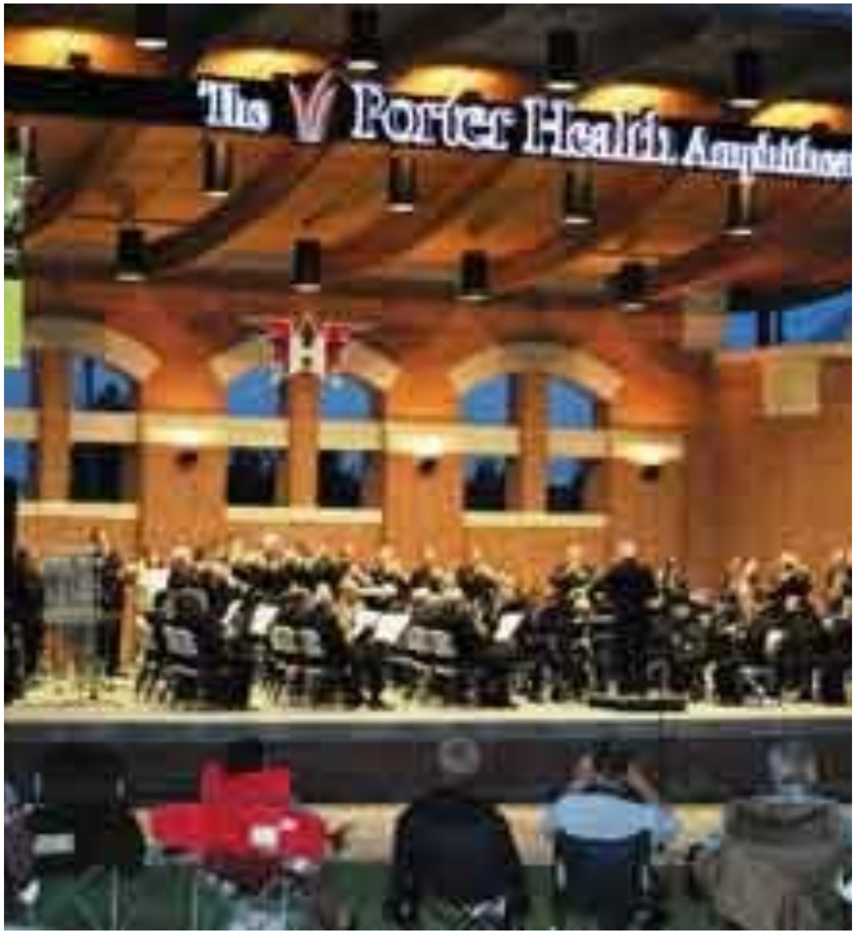
Mitchell Park in Greenport, NY – year round population 2,200

- Has a strong flow of tourists in season (many shops close in winter)
- The park has an antique carrousel, marina and winter skating rink on a waterfront location
- Cost about $14.9 million to build
- Costs about $1 million/yr to operate. Most of the costs are covered by user fees
- Reportedly gets about 390,000 visitors/yr

Division Street Plaza in Somerville, NJ – population 12,100

- Basically a 1-block long successful pedestrian mall. Unusual because about 90% of them have failed
- Cost about $675,000 to create
- Costs about $62,500/yr to operate
- Annually businesses are attracting 116,000 to 128,000 patrons and events are attracting about 100,00 visitors

Grand Central Plaza in Valparaiso, IN – population 32,000



- Park with amphitheater, ice rink and catering facility
- Cost about $3.25 million to build Phase 1; $4 million for new addition
- 2014 operating costs about $460,000/yr; $100,000 by city; $360,000 by Valparaiso Events
- Had about 130,000 visitors in 2014

The types of organizations that made these projects happen…

- <u>Greenport's Mitchell Park</u>: the Village government
- <u>Somerville's Division Street Plaza</u>: the Town government, but mostly the BID
- <u>Valparaiso's Grand Central Plaza</u>: City government and downtown biz group nonprofit

Local government action essential – those that provide for-a-fee business-like services are more likely to succeed.

How are they financed? In many ways…

- Greenport's Mitchell Park: operations covered mostly by user fees. Village spent about $4 million on its development, rest came from 25+ grants and donations.
- Somerville's Division Street Plaza: the Town government handles physical maintenance, the BID covers events, marketing, sanitation. Initial construction covered by Federal transportation program funds
- Valparaiso's Grand Central Plaza: City government handles physical maintenance; sold naming rights covers most of it. Downtown biz group applies user fees and sponsorship funds to pay for events and marketing. Private donations and TIFF funds covered $4 million expansion. TIFF funds and state and Federal grants covered most of Phase 1's construction costs.

Downtown movie theaters are treasures, but under constant threat

A closed cinema is a terrible loss!

- They draw about 50,000 patrons/yr/screen
- They are affordable
- They are open days/ evenings/weekends
- They have the fewest user frictions
- But, they provide a small part of movie studio revenues
- The marketing platform they provide is what is keeping the studios connected
- Most movies are watched at home – cinema attendance down.

The challenge is to keep the one's you have open, vibrant and profitable

- New small town cinemas impossible to get!
- Recently, in crossing the "digital divide" many communities devised viable strategies for saving their theaters:
  - Crowdfunding
  - Community owned businesses
  - Creating opportunities for patrons to make a "night a night of it" by tie-ins with nearby eateries and improved public spaces
- **A viable rescue plan should be ready to go.**

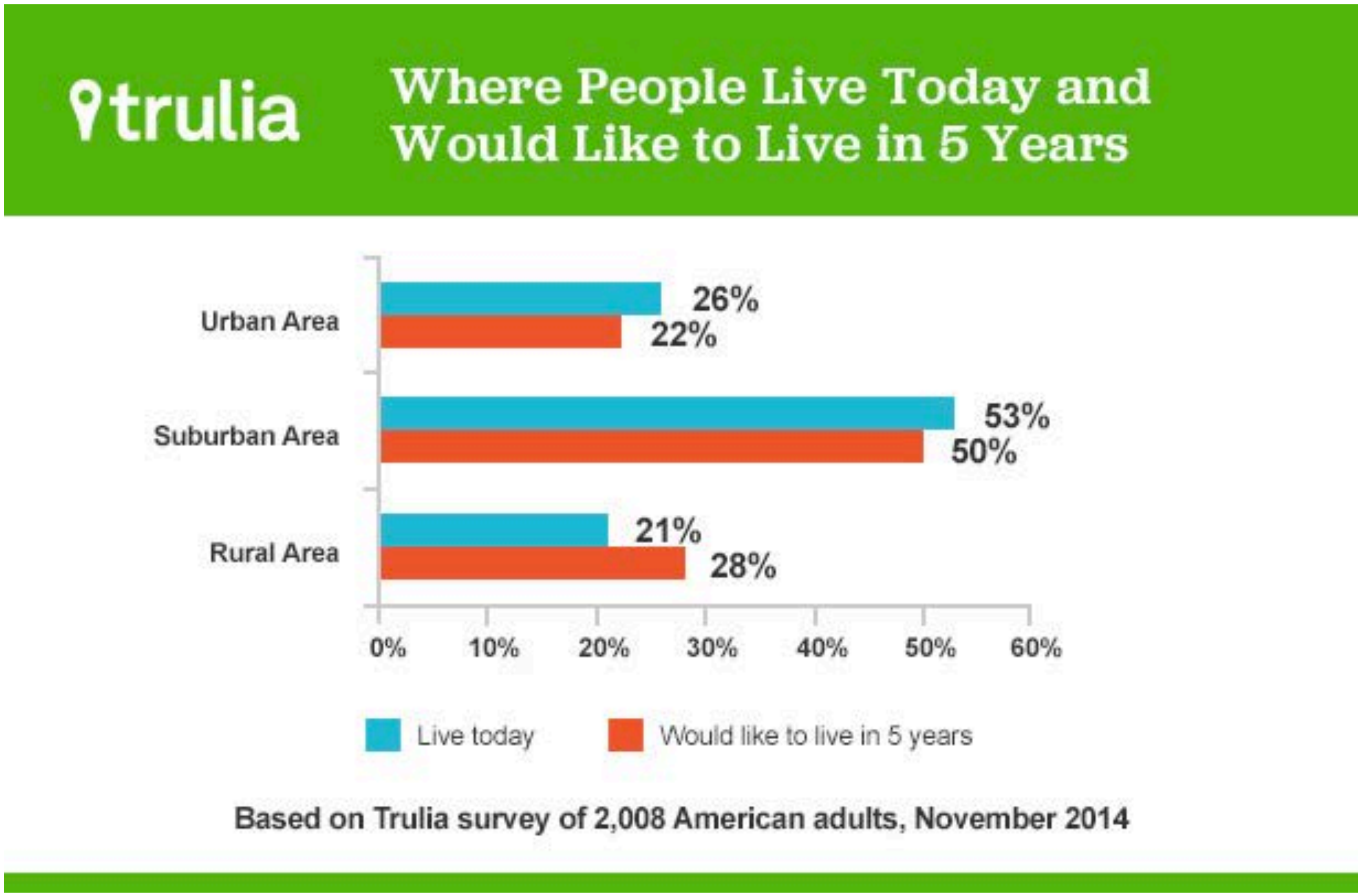
THE JOBS PROBLEM (Not Steve)

Focus on Attracting and Supporting People, Not Firms

The Pivotal Economic Challenge

- In our review of the literature, good jobs was seen as the pivotal economic problem of small and rural communities
- Without good jobs, people will neither want to stay in or move to these communities
- The favorite strategic response seemed to be to try to recruit sizeable outside firms that would bring in lots of jobs
- Our field observations suggest that this strategy too often has high costs, a low ROI and will fail in far too many small towns!

While most American adults do not want to live in a rural area, a very significant percentage do!



Extrapolating from the Trulia survey data…

- About 61 million American adults prefer living in rural areas
- That's greater than the entire populations of the UK or Italy
- About 15.5 million American adults would like to live in a rural area, but now don't
- That's greater than the entire populations of Greece, Hungary or Sweden.

Don’t count any age group out

- The preference for living in the suburbs and countryside over urban areas is strongest among Baby Boomers (seniors) and Gen Xers. They also have the most money
- But, even most Millennials now want to live in burbs and small towns. Also, 26% see themselves as rural or small town folks
- Many urban Millennials can be expected to move as the marry and have children – and as rural and small town opportunities increase.

An attempt at a rural small town residential locational assets and liabilities assessment

Probable Assets

- Lower cost of living
- Lower housing costs
- Neighborhood safety
- Parks and recreation opportunities

Probable Liabilities

- Proximity to jobs
- Proximity to good jobs
- Health care services
- Quality of housing stock
- Proximity to shopping and entertainment

It depends...

- Education
- Community character, ambience, attractiveness
- Walkability
- Broadband

To penetrate this pro rural- small town market segment, a town needs…

- Job opportunities – for those who need them
- Attractive, affordable housing (people buy on the fringe or beyond because of lower prices)
- Good quality of life amenities (schools, viable Main Streets, attractive parks and public spaces, scenic views, low crime, etc.)
- Adequate health care services
- An adequate broadband pipe (critical for job creation, health care, education, entertainment).

Some Data on Housing Cost Advantages

According to a recent Urban Land article Millennial owners paid on average for new homes:

- In newer suburbs: $356,604
- In city downtowns: $337,232
- The lowest average was $146,947 in rural areas.

One solution: Attract residents who do not need jobs, e.g.,…

- Seniors with ample retirement incomes
  - The 50+ age segment is 100 million strong, growing. They control 70% of the nation's disposable income.
  - Gering NE is attracting retired ranchers and farmers. Many of its tourists are good prospects
  - Seymour NE has attracted retired former residents
  - Meredith NH is seeing second home owners turn into full-time residents when they retire
  - Adequate healthcare services are critical
- Second home owners
  - Feasible if big metro area is within a 2.5 to 3.0 hr drive; *creatives big potential market segment*

Senior Living in Gering NE

Another solution: Attract new residents who will bring their jobs with them

- Many denizens of Kotkin's "Valhallas" (Aspen, Jackson Hole)
- Those in Central VT working in website design and services; graphics services; managing investment funds; business consulting with bosses/clients in other parts of the nation
- Those with businesses and jobs that are "location free" and rely heavily on electronic communications. For example:
  - A leather specialist who repairs well known handbags (e.g., Coach, Longchamps) for web customers; another repairer focuses on Birkenstock sandals
  - A web retailer of reenactors clothing
  - Andrew Dane and I work on projects and co-author articles though we live about 1,000 miles apart; my webmaster is 250 miles away; have clients in CA, OR, AZ, NH, VT, WI
- Needed: decent Internet pipe, UPS and Fedex services.

Solution 3: Attract people who will create their own jobs

- Rebooting Seniors – many seniors want new careers to keep busy & augment income
- Freelancers/Contingent Workers – always recreating their jobs
- Creatives looking for a slower pace and more rustic environment (many are freelancers)
- Some will do hobby related work in arts, crafts, etc.
- Some will open restaurants, bars, hotels, retail shops
- Some will seek new telecommuting based work assignments

Why the contingent, freelance, self-employed are so critical…

- They are steadily growing in number nationally, 30%+
- In WI: "(F)rom 2000 to 2010, rural wage and salary jobs decreased by over 22,000 (-2.6%). Conversely, there was a significant jump in self-employment jobs, well over 45,000 (+ 18.7%)…."
- Their earnings are well below average; BUT in Scotts Bluff County NE, the reverse is the case
- In Monroe County 14.4% of the households get their income from self-employment; 21.1% in Vernon, 3% in La Crosse. (Farmers are self-employed).

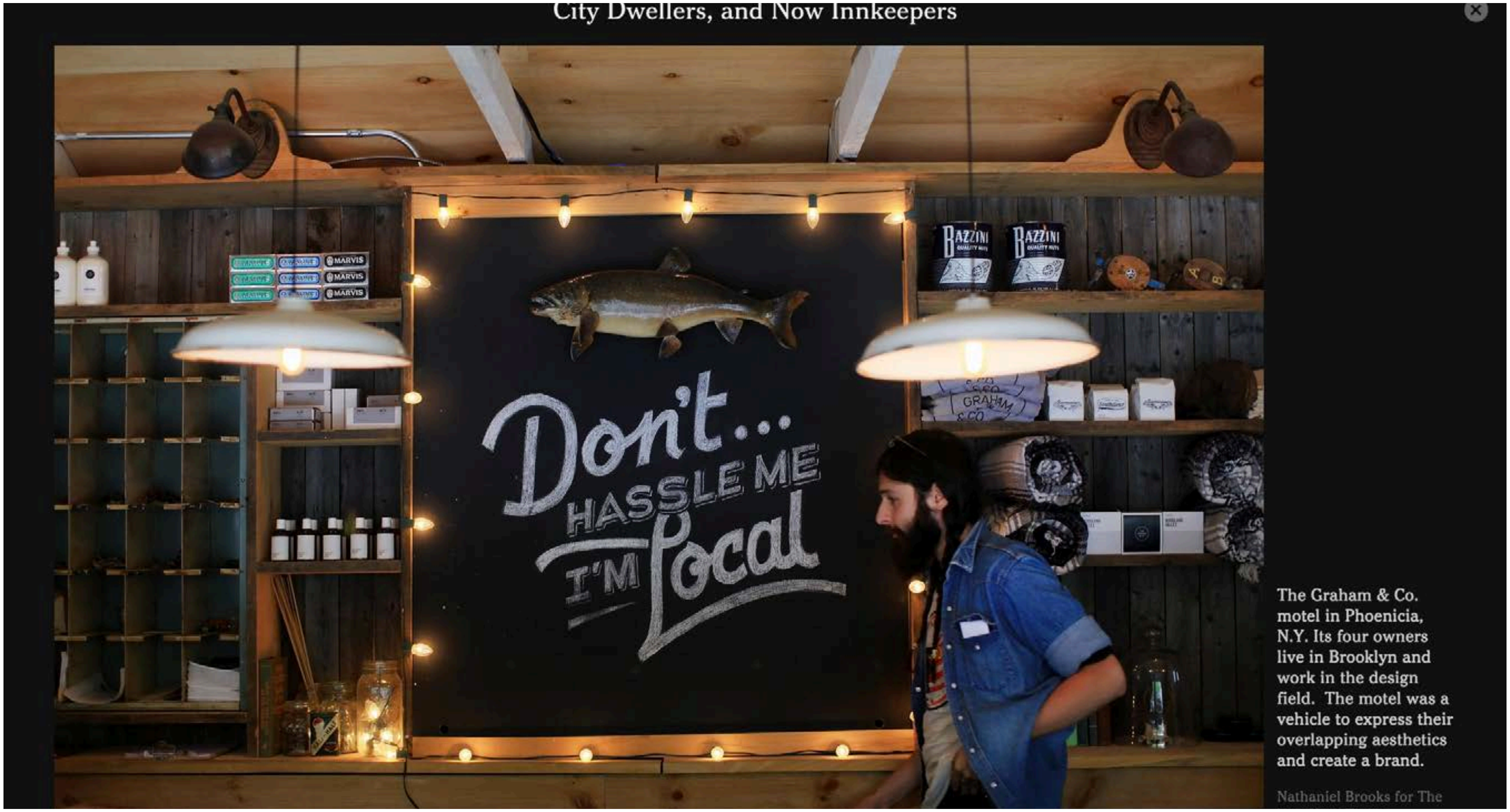
Better Use of the Internet

- Early hopes that the Internet would make more businesses “location free” and better able to thrive in rural locations have not been realized
- Three main reasons:
  - Many areas had no or poor broadband access
  - Too many small business people have not known how to effectively use the Internet – changing as youths age
  - Powerful web-based job training, telepharmacy, telemedicine, freelancer job marts, fundraising programs were not developed quickly
  - This has been changing, but the pace must quicken.

Is there a rural "creatives" problem?

- There is a lot of malarkey spouted about this
- Most creatives in NJ, for example, are "mature" and live in the suburbs, not urban cities. For decades, we've seen many creatives in numerous rural places
- Rural towns do not need all or most creatives, just enough to add thrust to their economies
- Rural towns with the needed assets can, have and do attract creatives!
- Beautiful scenery and attractive Main Streets help
- If you can get them to visit, you are more likely to make them residents. May be more important than their tourist dollars.

Four “creatives’ from Brooklyn developed The Graham & Co. motel in Upstate NY



Small Town Resources and Organizations

The Essential Regional Connection for Small Towns

Local Organizational Assets

- Local Government – essential!
- Informal groups of business and community leaders – they need to be empowered
- They need organizational exoskeletons
- BIDs, LDCs, etc. – properly adapted
  - For example: BIDs used mainly to raise program and project funds (e.g., Greenport)
  - EDOs with little or no paid staff (most downtown EDOs do not require a full-time staff!).
    - But, informal or part time staff must be competent
    - Access to outside knowledge and experience is vital

Most of the probable revitalization liabilities cannot be resolved just with local level organizations and resources!

- **County and regional programs aimed specifically at helping small downtowns revitalize are needed!**
- **There also needs to be a "plug and socket" connection between county/regional programs and each small town's revitalization effort!**

Some Examples of Needed County/ Regional Programs to Support Small Town Economic Revitalization 1

- A marketing program to attract new residents who prefer living in small rural towns and who either do not need jobs, will bring their jobs with them or are willing and able to create new jobs for themselves.
- A housing development program for small towns. In many locations this will not only involve the provision of financial assistance/incentives, but also the cultivation of developers, craftspeople and construction workers
- A program to enhance the region's healthcare, e.g. bringing its telemedicine and telepharmacy capabilities up to date. Example: TelePharm "helps establish physical pharmacies in communities without one"

Some Examples of Needed County/Regional Programs to Support Small Town Economic Revitalization 2

- A regional/county program to assure at least adequate broadband, i.e., strong enough to: a) handle websites and servers that are hosted (e.g., by Dotster et al or on Amazon, IBM and Microsoft cloud services) outside of the region in areas with big broadband pipes and b) support local telemedicine and telepharmacy operations
- A marketing program for local artists and crafts people that includes actions to target the penetration of larger, fairly distant, richer market areas (art shows, crafts fairs, guild marketing http://www.vermontfurnituremakers.com/)
- Technical support for crowd funding new businesses, business expansion and real estate projects that emerge in the small towns

Some Examples of Needed County/ Regional Programs to Support Small Town Economic Revitalization 3

- A program that can help residents – new and old – create their own telecommuting-based jobs and businesses; should especially aim at helping micro businesses and contingent workers become more successful.
  - They might look at leveraging the job training assets of local CCs and online training, e.g., from Udacity and Codeacademy.
  - Provide lists of occupations in which people can work for employers or clients located outside of their region (e.g., repairing Birkenstock sandals and Coach bags; website design and servicing; graphics services; managing investment funds; business consulting; subscription sales of cheeses and wines; sales of reenactors' clothing)
- Town revitalization programs should help link users to all the county/regional programs and provide them with assistance re permissions and approvals and networking with local business people and investors

Some Examples of Needed County/ Regional Programs to Support Small Town Economic Revitalization 4

- A program to identify, support and encourage potential "angel investors"… and then linking them to local investment opportunities
- Creating an innovation district within the region/county
- Circuit rider programs to provide economic development management support for the small towns that need or want such assistance
- A regional restaurant incubator and serious culinary arts/ restaurant administration courses at a regional university (e.g., Johnson and Wales, the CIA, Cornell's Hotel School).

Addendum

The financial tool box available for small town downtown revitalization has loads of tools proven in small communities. See our article:

Milder, N. David, and Andrew Dane. “Some More Thoughts on the Economic Revitalization of Small Town Downtowns: Financial Tools.” Economic Development Journal of Canada, November 2014. http://tinyurl.com/qcbnefh