Several trends are converging to make downtowns into attractive places to live, shop, and find recreational opportunities.

Lower cost of living attracts baby boomers and millennials—the nation’s two largest generations—to relocate to small city downtowns in both suburban and rural locations.

Appeals targeted to people who don’t need jobs and people who bring their own jobs with them can attract new residents to small communities.

There are five strategies that can be used by small cities to attract growth downtown.

These strategies require strong efforts to repurpose buildings and market the downtown shopping district in new and appealing ways.

Editor’s Note: This Policy Profiles reports the encouraging results from a Center for Governmental Studies inquiry into the near-term prospects for the aging business districts in Illinois’ medium and small cities and villages. It suggests that, with strong leadership and willing local cooperation using recently developed strategies, the future for such districts is more encouraging than it has been in the last several decades.

But, while this Policy Profiles’ focus is on medium and small cities and villages, much of the information contained herein applies to Illinois’ large cities as well.

The City of Chicago ranks first in the nation in the national back to the city movement that is generating a renaissance in the downtown areas of cities in the Midwest and nationwide.

According to 2012 U.S. Census Bureau reports, Chicago gained more people within two miles of City Hall – 48,288, or 36.2 percent – than any other American city, including New York, in the first decade of the 21st century. Further, Chicago continues to hold its leadership position. Many of Chicago’s newcomers are young, ages 25 to 34. Downtown retail activity shows a similar growth: between 2001 and 2011 in the six county Chicago metropolitan region, retail sales increased 19.3 percent in the city and 10.2 percent in the region.

Such renewed interest in a vibrant downtown urban lifestyle creates opportunities for smaller cities to market themselves as an alternative urban environment for living, working, and playing. This Policy Profiles examines how smaller downtowns compare with their larger counterparts and suggests actions that these cities can take to capture some of the growth experienced in larger downtowns.

Why are downtowns becoming more attractive?

Several trends are converging to make downtowns into attractive places to live, shop, and find recreational opportunities. Highest among these trends is changing demographics. The millennial generation (defined as those born between 1980-2000) is second only to the baby boomers as the largest generation in the history of the country. This generation is remaining single longer and postponing having children. Millennials are attracted to the vibrancy of downtown with its entertainment, shopping, and cultural offerings, and they are not interested in long commutes to work. Therefore, increasingly, they are attracted to downtown living.
Older adults find the conveniences and amenities of downtowns appealing as well.iii Empty nesters who once bought second homes on the water or in the country may now choose a downtown condominium instead. Retirees looking for access to public transit, nearby shopping, medical services, and recreation may leave their larger homes for smaller, lower maintenance downtown residences. While there are conflicting findings regarding the extent to which adults age 55-74 are moving into downtowns, these locations definitely have a strong appeal for a significant number.iv

Fueling the shift is a change in the way cities themselves are perceived. In a 2011 National Association of Realtors poll, 19 percent of Americans said they wanted to live in a city, up from 13 percent in 2004. Many cities have become safer and cleaner, and as baby boomers retire later, they want to be downtown where they can often walk to work. Their kids are gone, they don’t need to worry about the quality of schools, and they don’t want large houses, observed John McIlwain, a senior resident fellow at the Urban Land Institute in Washington.v

As with the millennials, the baby boomers generation is so large that even a small percentage relocating to downtowns can have a significant impact.

What other trends are affecting downtowns?

A second trend encouraging downtown growth is the preference of many white collar industry employers for downtown locations. In order to compete for the best young employees, employers are looking for locations near where those potential employees want to live, namely downtown. Quicken Loans moved 1,700 employees from the suburbs into downtown Detroit. Quicken CEO Bill Emerson explained:

There is an opportunity cost of not being in an urban environment. The youth of America, when they graduate, they’re looking to go to an urban environment. Top recruits wanted somewhere they could work, live and play, and meet other young people. An asphalt parking lot is not necessarily the best way to do that.vi

IBM relocated 700 employees to downtown Dubuque, Iowa. Zappos is building a new headquarters in downtown Las Vegas while Amazon is locating in downtown Seattle and Facebook is building housing for its employees in downtown Menlo Park, California.viii Chicago also is attracting major employers with Motorola Mobility, Continental Holdings, Inc., and Hillshire Brands Co. relocating downtown.ix

Changes in consumer tastes are also attracting more people to downtowns. The fascination with large homes on large lots seems to have faded with a realization of the difficulties of establishing a sense of community in such a setting. Even in those suburbs still experiencing new residential and commercial growth, planning concepts employing compact, walkable communities with a mix of uses are being employed to create neighborhoods more urban in feel with small lots, front porches, and sidewalks.ix Some shopping centers have become lifestyle centers built to resemble traditional downtown retail streets. An example is a large mall that suburban Lakewood, Colorado, converted from a 100-acre super block into 22 walkable blocks with retail and residences. “It’s the downtown that Lakewood never had before,” says Ellen Dunham-Jones, author of Retrofitting Suburbia.x

Finally, downtowns are also being made more physically attractive. Older buildings with attractive architecture can be repurposed to meet current needs. Small buildings that once limited business growth are now an asset for retailers focused on specialized or custom markets. Retailers trying to reduce costs find that smaller spaces meet their needs in these more specialized or custom markets. Shoppers find the character of older buildings appealing. Additionally, many cities have invested in their downtown streetscapes and parking, making their downtowns attractive to neighborhood residents as well as those coming by car to shop.

Do downtowns in smaller cities fit in this picture?

Small cities can capitalize on the trends towards downtown growth in two ways. The first is by offering many of the same amenities as the large cities, but on a smaller scale. The second is by providing an option that overcomes some downsides of living in a big city downtown. Fifty-five percent of millennials and 44 percent of baby boomers expect to move in the next five years.x Small downtowns can be positioned to capture some of these changes with much of the focus on residential improvements.

Downtown housing offers numerous benefits to both residents and communities. The city tax base expands and property owners gain additional income, which increases property values. The new residents make up a consumer group to anchor businesses, such as restaurants and stores. Encouraging affordable downtown housing can also help businesses by providing lower-paid service workers with nearby housing options. In addition, upper-story housing allows people to more easily walk, bike, or take transit.xi
How can small downtowns become more enticing?

Smaller cities are often the cultural and entertainment centers of their regions. Art galleries, performing arts venues, restaurants, museums, and libraries locate downtown for access to the largest population base. While these institutions may not rival those in large cities, they are nonetheless attractive to residents in the region. In addition, the arts, entertainment, shopping, and restaurants are often more affordable in smaller cities. A search for arts and entertainment businesses in Illinois cities excluding Chicago found that 52 already had a number of such businesses located in the center of the community. Thus, the foundation for providing these amenities often is in place and needs only further development.

What other advantages do smaller cities offer?

More than 80 percent of millennials and baby boomers say that cost of living is an important factor in choice of residence. When the cost of living in Chicago was compared to that in several smaller Illinois cities, the smaller cities were a third to half less expensive for housing, ten to 14 percent less for groceries, and 18-23 percent less for transportation.

It is unclear whether younger adults currently living in big city downtowns will remain there if they start a family. Resources found in or near small downtowns that may attract young families looking to relocate include:

- High quality public schools
- Single family housing
- Recreation and open space

Small cities are better positioned to respond to these needs than large cities. School districts often have better quality programs. Approximately two-thirds of Chicago public school students score below the national average in math and reading, while in many smaller Illinois cities a majority of students score above the national average in both subjects. Charter schools, which sometimes perform better than traditional public schools, can be an attractive option for families where they are available – usually in big cities such as Chicago and Rockford – but even then space is limited, admissions are determined by lottery, and parents have no assurance that they can enroll their children in such schools. Thus, the availability of higher quality public schools can be a significant advantage for smaller cities and villages seeking to attract new residents.

Downtowns in smaller cities often have the housing in place to meet the demands of millennials. With a stated preference for a mix of housing types within walking distance of shops, entertainment, and other activities, the older residential neighborhoods in small towns, located just blocks from the main street, are ripe for renovation.

But what about jobs?

Proximity to work is also one of the main attractions for downtown living. While downtowns in smaller cities are unlikely to offer large-scale employment opportunities, this possible difficulty can be offset by a targeted appeal to potential residents who:

- Do not need jobs,
- Bring their jobs with them or are self-employed, or
- Create new jobs through entrepreneurial efforts.

Smaller city downtowns often have the mix of housing, including single- and multi-family housing, within walking distance of shops, recreation, and businesses that younger families with children are seeking.
The following paragraphs describe the kinds of people to whom a targeted appeal can be made.

**Retirees.** Many retirees, for example, do not require jobs or want only part-time employment. A significant number of them, seeking to downsize their housing and improve their financial situation, relocate to smaller and lower cost communities. Communities outside large cities and metropolitan regions are particularly attractive to such retirees. According to Global Workplace Analytics:

*The increasing popularity of the short-distance move may be a result of the many advantages the strategy offers: Retirees who stay an hour or two from where they worked and raised their children can cut their costs while staying near their friends, cultural events, major airports and medical facilities. Moving outside the metro area means they don’t have to compete on housing prices with people who need to be closer to the city for their jobs.*

*Depending on local real estate values, it’s a move that can allow seniors to extract substantial equity from the real estate portion of their assets. Many bought their homes decades ago at prices far below even today’s depressed market—and they are the most likely age group to be mortgage-free: 65 percent of home owners over age 65 were mortgage-free in 2009, according to the Census Bureau...a 40-mile move from Highland Park, Illinois (median home price: $542,000) to nearby Woodstock ($205,800) would generate around $336,000 in extracted equity."xx*

In addition to improving their financial situation, some people in the 55-74 age cohorts want smaller, lower maintenance homes in a well-established neighborhood. They also are attracted to the convenience of a downtown location with entertainment, restaurants, and public transit.

Many retirees are also looking to escape from the heavy traffic congestion characteristic of larger urban settings. Add in the even lower living costs in more rural areas and many retirees can be attracted to life in smaller communities located far from urban areas.

The downtowns of near-by, very small towns may also appeal to older adults living in rural settings and struggling to maintain a large property or dealing with isolation. They may welcome an opportunity to remain in their community by moving into the downtown of a nearby small town that serves their rural area.

Small city downtowns can deliver much of this kind of lifestyle.

**People who bring their job with them.** Telecommuting makes it possible for some potential residents to bring their jobs with them, and enjoy the lifestyle of small city downtown living, while maintaining a connection with a big city employer.

An estimated 2.6 percent of the U.S. workforce (3.3 million people, not including self-employed or unpaid volunteers) worked primarily at home in 2013. This number increased by nearly 80 percent between 2005 and 2012. While the rate of growth slowed in recent years, the telecommuting workforce continued to grow even while the total workforce declined from 2011 to 2012. Estimates of the number of workers who work at home on a part-time basis vary widely. However, one analysis puts the figure at about 25 million.xxx

Others can also work independently of location. The list of such people includes writers, artists, craftsmen, and others who can pursue their craft more economically in small cities.

**Entrepreneurs and others who create their own jobs.** The third group attracted to downtown living includes those who create their own jobs. Entrepreneurs find that downtowns can be well-suited for start-ups. Older buildings often have smaller spaces suitable for their enterprises. Larger spaces, such as old industrial buildings, can be subdivided and turned

*Small city downtowns can offer older people a lower maintenance life style and easier access to desired services and social opportunities.*
into business incubators and work co-ops. Proximity to other small businesses that provide supportive services offers convenience. The ease of networking with other local entrepreneurs is also attractive. Government incentives are sometimes available for rehabbing older buildings. Live-work options can exist in buildings that have a traditional configuration of commercial first floors and residential upper stories.

**What can smaller cities do to promote such growth downtown?**

Cities of all sizes can take many steps to expand and realize the revenue potential associated with downtown growth. These steps include:

1. Updating zoning codes
2. Expanding the availability of public amenities
3. Growing strong retailers
4. Encouraging quality housing in or near downtown
5. Developing strong leadership and collaboration

Each of these is discussed below.

**Updating zoning codes.** Successful retail is part of a well-balanced downtown that includes a variety of retail, residential, cultural, and other non-retail employment uses. Attracting more people to downtown areas for non-retail purposes means more people spending money in downtown stores. That, in turn, makes downtown a more attractive place to live and work.

A modern, well-balanced downtown has buildings that work for a variety of uses.

Most cities utilize traditional zoning codes based on the separation of uses into distinct zones. This approach was practical when cities contained concentrations of heavy industry and, therefore, had to separate uses for the health and safety of the population. But now this form of zoning can sometimes be an obstacle to new development and the efficient use of existing buildings.

*Form-based code,* an alternative zoning system, was developed to address the shortcomings of traditional zoning. The new codes regulate the built environment rather than uses. They are based on the premise that if the built environment is composed of elements that relate to each other in a complementary way, uses will be able to coexist with less segregation. This approach allows more flexible development with more options for reusing existing buildings.

Form-based codes make it easier to develop a cohesive neighborhood with multiple uses. Residents, employees, and business owners all share the same neighborhood space, but use neighborhood buildings in different ways. The buildings themselves are oriented to the street and create a pleasing, efficient, safe, and mutually supportive streetscape. A downtown relying on a form-based code should be able to create an environment supportive of retail, but flexible enough to make the adjustment needed over time to retain residential and business populations as demographics and the economy change. A hybrid of traditional zoning and form-based code may be a positive step for many downtowns.

**Encouraging public amenities.** The public sector controls many of the amenities that make an area attractive, including libraries, parks, recreation centers, and cultural and performing arts facilities. The public sector also controls the infrastructure needed to move people into and about downtowns, such as sidewalks, streets, and parking. A city seeking to develop a strong, well-balanced downtown must do what it can to provide these amenities and infrastructure for residents, visitors, and employees. Cities must incorporate these spaces into downtown planning, support them financially when possible, and provide a high level of maintenance to keep them attractive and safe.

While local governments exert a great deal of influence over the location of public amenities, this influence is shared by other public organizations, private, non-profit organizations, and for-profit businesses. City governments must work collaboratively with libraries, park and

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**Traditional Zoning versus Form Based Code**

*Traditional zoning encourage buildings to be built in designated areas of the city based on their intended use.*

*Form based codes encourage development based on characteristics of the built environment and how buildings relate to each other and the street.*

( Diagram modified from Smart Growth Tactics by the Michigan Association of Planning)
school districts, arts organizations, YMCAs and other non-profit organizations, sports teams, and performing arts groups, for example, to relocate or retain their offices and facilities downtown.

Growing strong retailers. A city can encourage the development of a supportive retail environment through flexible regulations and public facilities, but retailers and other businesses must be skillful managers. Often, independent retailers bring a desired local flavor to the downtown.

However, some retailers may lack the skills needed for long-term success. A survey of local retailer capabilities and needs is a starting point for a technical assistance program.

While city governments do not usually provide direct technical support, they can be clearinghouses for services provided by other organizations. Cities also can streamline review processes, consolidate information on local regulations into a single source, and provide staff to help businesses comply.

The Main Street Approach, a downtown revitalization program coordinated by the National Trust for Historic Preservation and implemented through locally led non-profit organizations, has had considerable success in strengthening downtown retailers in participating communities. Techniques employed include creating a unique downtown identity, coordinating advertising, staging public events, and offering technical assistance.

Data show that downtowns in Illinois with local Main Street organizations have higher retail sales than those without. A regression analysis of retail sales per capita in 47 Illinois cities outside the Chicago metropolitan area, conducted by Northern Illinois University’s Center for Governmental Studies, indicated that participation in the Illinois Main Street Program is positively and significantly correlated with sales per capita. xxii

Using the internet to promote downtown retail activity. The internet is a relatively untapped source of growth for small retailers. Shoppers making an occasional visit to small bricks and mortar stores can continue to support those businesses by shopping online for certain types of merchandise. Most importantly, the internet also provides a vehicle through which small, local businesses – especially those with specialty products – can reach a much broader, world-wide market.

Smaller businesses can also use the internet to tailor their inventories more closely to demand.

So while many bricks and mortar businesses may lose sales to the internet, independent retailers may have some upside potential to mitigate the losses. Indeed, sales online may even allow merchants, who will never draw enough walk-in customers, to stay in business.

Many small retailers have yet to even attempt to leverage online resources for sales. As 2014 began, just over half of small businesses (53 percent) had a website. xxiii Among those with websites, only 30 percent actually conducted sales online. Most use the website to provide general information about their business. The main reason given for not having a website was the belief that it was not needed (41 percent) followed by cost (19 percent) and lack of time (16 percent). xxiv

Providing technical assistance to establish websites could go a long way towards increasing online sales of small retailers and thereby strengthening sales in small city downtowns. Local merchants should be encouraged to develop internet shopping capabilities.

Encouraging quality housing in or near downtown. New shops, restaurants, and entertainment are hallmarks of successful downtowns. While these uses are critical, residential development has received less attention. A 2013 survey of Illinois Main Street communities disclosed that only 46.8 percent had undertaken a residential project during the previous year. Thus, there is greater potential for even more such development in Illinois’ smaller communities. xxv

Nashville developed a successful downtown housing initiative applicable to many cities of all sizes with the following components: xxvi

- Market and promote downtown as a distinctive residential area.
- Create a vital and well-integrated downtown residential population by promoting social and economic diversity.
- Assist with new construction and adaptive reuse of existing non-residential buildings.
- Apply the full range of incentives available to assist in the development of additional downtown housing, including public improvements, financial assistance, land assembly, and structured parking.
- Develop distinctive downtown neighborhoods by insisting upon design excellence and by assisting in the development of high quality public improvements, open space, and convenience retail.
- Support changes to existing state laws and local ordinances in order to encourage downtown residential development.

Developing strong leadership. All of the strategies described to develop a balanced downtown filled with strong retailers require local leadership and collaboration. Sustainable downtown revitalization...
requires the commitment of both private and public sector resources. While much investment is by private enterprises, city leaders can and do play key roles in economic development by establishing a locally-based vision and implementing this vision with coordinated public policies, strategic partnerships, supportive infrastructure, and an efficient regulatory environment.

Creating a successful balanced downtown is a complex undertaking. The effort to do so must bring together the regulatory roles of the city, the financial resources of the public and private sectors, the goals and aspirations of employers, the desires of residents, the abilities of business owners, and the approval of the citizens. A central coordinating role is necessary to do this and this role can be filled by the city or by a special purpose group. Regardless, the support of all of these entities can only be secured by including them in the process.

A word of caution is in order. As small cities consider investing in their downtown, preserving the traits that make downtown attractive must be a priority. Care should be taken to preserve economic diversity as new housing is constructed. Historic buildings should be renovated with preservation as the goal. Efforts should be made to retain or recreate affordable spaces for existing independent businesses.

Do small city downtowns really have a future?

Changing demographics and consumer desires have created new interest in downtown living, working, and shopping. Downtowns in large cities have capitalized on these changes to increase population, employment, and tax revenues. Smaller cities also have opportunities to benefit from these trends by marketing their downtowns as smaller scale urban versions with the

conveniences and amenities of large city downtowns, combined with the benefits of reduced cost of living.

While the glory days of retail shopping in small and medium size cities are unlikely to return, there are many opportunities in these communities to use downtown areas in new and exciting ways. Specialty shops, creative housing opportunities, and places for entrepreneurs to launch businesses are only a few of the possibilities.

Underlying all of these approaches, however, is the need for strong efforts to repurpose buildings and market the downtown shopping district in new and appealing ways. By developing a balanced downtown and working collaboratively to market local assets, small city downtowns can become stronger; they can generate both economic activity and residential growth; and they can serve as revenue generators for local governments.

Endnotes


iv Ibid.


viii Gallagher, Leigh The End of the Suburbs, (New York, NY, Portfolio/Penguin, 2013)

ix Ibid.

c Dunham-Jones, Ellen and Williamson, June, Retrofitting Suburbia, (Hoboken, NJ, 2011)


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