



Strategies in Downtown Enhancement

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Changes in population composition and size, shopping pattern differences, and growth in Internet shopping raise serious issues for many Illinois municipalities that traditionally relied on downtown businesses to generate sales tax receipts. Nationwide, downtown areas are changing with entertainment, arts and crafts that engage residents, and live/work or co-working spaces replacing some of the large department stores that formerly represented the core of the downtown areas.

Many mayors and local leaders are finding alternative uses for existing facilities to maintain an active downtown area that in the past was a major source of both property taxes and sales taxes. The challenge is to capture new markets as well as reshape downtown activities to meet the preferences of the millennial age group (20-35 years) and an aging population that has been a steady and reliable market for local purchases.

To better understand these issues, the Center for Governmental Studies at Northern Illinois University (NIU) collaborated with the Illinois Municipal League (IML) in 2016 to survey Illinois mayors about condition of downtowns, their role in local economic development, strategies used to reshape and enhance these areas, and how these efforts are financed. An article in the March issue of the *Illinois Municipal Review* covered downtown condition, issues and trends. This article extends that analysis to cover innovative strategies used to address these issues, how they are financed and future plans for downtowns. Summary tabulations from the survey are available on the Great Downtowns Growing Cities site. (See www.cgs.niu.edu/DowntownDevelopment/index.shtml)

STRATEGIES USED IN ENHANCEMENT EFFORTS

The importance of downtown areas in local economic development strategies is shown by 95.4 percent of 131 responding mayors reporting that stabilizing or enhancing the downtown area is either important or very important in overall municipal development efforts. A great majority (88.9 percent) reported that the overall local economic development strategy includes the downtown area.

Since municipalities have unique local attractions and potential, their approaches differ. Regardless of the strategies

used, 81.7 percent of respondents reported an action plan for downtown improvement and activities. And 34.2 percent reported a separate budget for downtown promotion versus 36.3 percent including a budget for downtown activities as part of the general fund. Furthermore, 78.0 percent offer financial incentives to attract businesses to the downtown area and 67.8 percent have a regular schedule of events to promote downtown businesses. Two-thirds (66.1 percent) reported a downtown facade improvement program.

Some respondents actively market properties to reshape the downtown area. For instance, one-third (33.3 percent) reported that the municipality purchases buildings to renovate and then resell or lease to businesses. This has been an effective way to stabilize business turnover and guide ventures coming into the downtown area. Approximately one in 10 respondents (9.7 percent) have an incubator in the downtown where small businesses can share space and costs as well as start or expand their ventures.

RESPONSIBILITY AND FINANCING

Just as downtown strategies differ among municipalities, financing arrangements vary as well. Among the 121 mayors responding to a question about financing approaches, the most common (69.4 percent) response was that Tax Increment Funds are used to support downtown development activities.¹ Using general property taxes to finance development efforts was the second most common response (57.9 percent), followed by sales tax revenues (47.9 percent). Revenues generated by hotel/motel taxes were reported by 33.0 percent, only slightly more than funds raised by local organizations (29.8 percent).

Respondents also differ widely in responsibility for implementing strategies (Figure 1). The main responsibility (43.7 percent) rests with a dedicated municipal staff position, but nearly one-third (32.6 percent) reported primary responsibility assigned to private contractors or consultants. Other agencies, such as downtown development corporations, chambers of commerce, Main Street organizations, and nonprofits also play a role in the majority of downtowns.

FIGURE 1. RESPONSIBILITY FOR DOWNTOWN ENHANCEMENT ACTIVITIES (N=126)

ANSWER OPTIONS	SOME RESPONSIBILITY	MAIN RESPONSIBILITY
Municipal staff person dedicated to downtown	58	45
	56.3%	43.7%
Main Street organization	39	13
	75.0%	25.0%
Chamber of Commerce	69	10
	87.3%	12.7%
Other nonprofit organization dedicated to downtown	34	12
	73.9%	26.1%
Downtown development corporation	23	9
	71.9%	28.1%
Private contractors or consultants	31	15
	67.4%	32.6%
Other	11	18
	37.9%	62.1%

Local main street organizations with some responsibility for downtown issues were reported by 39 municipalities, with an additional 13 responding that this unit was primarily responsible. Without doubt, many of these municipalities have local organizations directly affiliated with the National Main Street Center, but that information was not collected in the survey. Chambers of commerce are also important in these decisions with 79 municipalities citing them as having at least some responsibility, presumably for marketing downtown businesses as well as others city-wide.

PLANS FOR THE NEXT FIVE YEARS

Mayors reported active plans for downtown enhancement projects in the next five years (Figure 2). Highest on the list (84.4 percent) is helping property owners find alternative uses for current facilities such as office space, services, food and entertainment venues. This approach can address tastes and preferences of several population groups as noted previously. Also important (75.7 percent) will be to market the downtown businesses to attract more out of town patrons by branding, marketing or drawing new attractions.

Several mayors also reported an interest in linking downtown businesses better with nearby recreational areas such as water resources, trails or parks. These links have worked in states such as Pennsylvania and can appeal to young adults and other residents interested in healthy living, exercise or physical fitness. Linking downtown and nearby natural areas also can create a stronger draw for visitors. Illinois has many locations where these types of activities could benefit adjacent downtowns.

Similarly, mayors (70.4 percent) reported looking into new purposes and uses for downtown properties. Approximately one-third (35.3 percent) of respondents plan to explore co-working

STRATEGIES IN DOWNTOWN ENHANCEMENT CONTINUES ON PAGE 22

FIGURE 2. STRATEGIES FOR DOWNTOWNS IN NEXT FIVE YEARS (N=116)

ANSWER OPTIONS	RESPONSE PERCENT	RESPONSE COUNT
Help property owners shift to alternative uses such as office space, services, food, crafts and entertainment	33.6%	39
Make physical improvements to increase functionality and attractiveness of the area	84.5%	98
Refocus downtown area as a residential and/or entertainment area	39.7%	46
Improve Internet access, switches or other communication approaches to stimulate additional activity	19.0%	22
Expand public facilities such as city/county administrative offices, libraries, post office, community centers or others in the downtown area	18.1%	21
Explore opportunities for new purposes and uses of the area	69.8%	81
Establish an arts orientation for downtown, including uses such as crafts, theaters, galleries, studio space, music venues, etc.	40.5%	47
Encourage development of spaces that reflect new trends such as co-working and live/work spaces	35.3%	41
Focus on attracting out of town visitors through branding, marketing or new attractions	75.9%	88
Other (please specify)	7.8%	9

and live/work spaces in the downtown area. These locations often have excellent transportation access, Internet capacity and buildings that comply with local codes. Thus, they provide suitable locations for new venues such as education, health care, and other uses that appeal to both older residents and young adults who, increasingly, prefer walkable cities and residences in downtown locations. Responding to these lifestyle preferences, 39.7 percent are pursuing housing or entertainment development downtown.

TECHNICAL ASSISTANCE NEEDED

Mayors and local officials reported needing guidance and technical assistance in implementing their downtown plans. Illinois hosted a statewide Main Street Program in conjunction with the National Main Street Center (NMSC) for many years. However, funding for that program was eliminated in 2014 leaving member cities to work directly with the NMSC for training and technical assistance.

During the final two years of the Illinois Main Street Program, the Center for Governmental Studies (CGS), working with the Illinois Main Street Program, co-hosted a series of workshops on attracting businesses, ways to work with landlords, alternative business financing approaches, and a variety of other business attraction topics. These seven workshops involved public-private partnerships with cities and groups interested in stabilizing and promoting downtowns across Illinois. CGS also created an information-based website where local officials and community leaders can obtain best practices and other technical support. That website continues. (<http://cgs.niu.edu/>)

In looking forward, responding mayors indicated a need for technical assistance on many issues, the most frequently identified involving help with business recruiting plans (103), branding and marketing (102), online access to development practices and tools (100), assistance with preparing surveys of visitors or residents (98), training on successful downtown strategies (97), and creating a vision/action plan specifically for the downtown area (100). Fortunately, some help can still be obtained from the statewide network of Small Business Development Centers, although uncertainty about funding in

FIGURE 3. TYPES OF TECHNICAL ASSISTANCE NEEDED (N=105)

TECHNICAL ASSISTANCE	NOT INTERESTED	MODERATELY INTERESTED	EXTREMELY INTERESTED
Website development for individual businesses	22.1% 21	55.8% 53	22.1% 21
Recruitment plan for downtown businesses	2.9% 3	37.9% 39	59.2% 61
Market analysis for downtown and/or business potential	4.1% 4	35.7% 35	60.2% 59
Planning revitalization efforts	9.2% 9	37.8% 37	53.1% 52
Branding and marketing	5.9% 6	43.1% 44	51.0% 52
Survey of businesses performance, conditions and plans.	16.2% 16	48.5% 48	35.4% 35
Housing inventory and needs analysis	27.1% 26	52.1% 50	20.8% 20
Training in downtown improvement techniques	11.3% 11	44.3% 43	44.3% 43
Online access to economic development tools	8.0% 8	41.0% 41	51.0% 51
Training on best practices in downtown improvement	6.1% 6	40.4% 40	53.5% 53
Assistance with preparing surveys of visitors, customers, employees or residents	16.3% 16	50.0% 49	33.8% 33
Downtown visioning and community input	11.0% 11	42.0% 42	47.0% 47

recent years reduced certain services provided by those centers, leaving a void in certain sections of Illinois.

The Great Downtowns Growing Cities website, launched by CGS in 2015, contains a downtown tool box that meets some of these needs with electronic access to best practices and development tools used in other states. This information source continues to expand with use by many local agencies and plans are to expand the coverage, depending on available resources, many of which are on a cost-recovery basis. Additional workshops on creative downtown strategies are being planned for 2017.

Given the loss of state Main Street Program services, mayors were asked whether they had interest in pursuing another statewide initiative, perhaps a public-private partnership, that could provide needed training and technical assistance. The response was substantial with 109 mayors (93.7 percent) responding to the question stating that they would like more information about such an initiative. Presumably one reason is the need to compete with other states that have active downtown development efforts underway.

SUMMARY

Population shifts in the next decade will affect many, if not most, downtowns in Illinois municipalities. It is unlikely that the era of large department stores and retail hubs in small and mid-size municipalities will ever return. At the same time, downtown areas have major assets in buildings, high-speed Internet access, potential residential units, and entertainment facilities that can be tapped to reach new audiences even in smaller and more remote communities. The increased interest in local foods, culture and crafts creates opportunities for these communities to market their unique assets to tourists and other groups. At the same time, they can increase the quality of life for both current and prospective residents. The challenge is to identify the local niche and then market it successfully to new audiences, both local and throughout the region. Many Illinois municipalities responding to the survey have started on this path.

¹ Respondents could report more than one financing method so these percentages are not unique and the relative importance of a financing method cannot be determined for a specific municipality.



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Illinois Department of Revenue

Legislative Changes to Obtain Confidential Information

Public Act 99-517 made changes to the statute regarding the furnishing of confidential taxpayer information to local governments. As a result of this legislative change, county governments are eligible to enter into a Reciprocal Agreement on Exchange of Information with the Illinois Department of Revenue effective June 30, 2016.

A Reciprocal Agreement on Exchange of Information (Agreement) is an agreement between a municipal or county government and the Illinois Department of Revenue (Department) to share financial information obtained pursuant to the Illinois Retailers' Occupation Tax Act, the Service Occupation Tax Act, the Use Tax Act, and the Service Use Tax Act on taxpayers doing business within their taxing jurisdiction.

As a result of the legislative change, the Department has made changes to the Agreement to include county governments. Due to the sensitive nature of this confidential taxpayer data, the Department has also added a new requirement to the Agreement. Each person authorized to request, view or receive financial information will be required to complete and sign an Attachment B, Acknowledgement of Restrictions on Use and Disclosure of Confidential Financial Information. This document must be submitted to the Department along with the list of authorized persons. No financial information will be sent to the local government until signed agreements have been received for each person on the authorized list.

Due to the changes made, Agreements previously submitted by municipalities expired on December 31, 2016; therefore, municipalities are required to submit a new signed Reciprocal Agreement on Exchange of Information with the Department. If the Department does not receive the new agreement, your municipality will not be eligible to receive confidential information that is requested after December 31, 2016.

The updated agreement and additional information regarding how to enter into an Agreement with the Department can be found on the Illinois Department of Revenue's website at <http://tax.illinois.gov/LocalGovernment/ReciprocalAgreementOnInformationExchange.htm>.

If you have any questions, please contact the Illinois Department of Revenue at the address and telephone number listed below.

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