

Sizing Up Downtown

by Kennedy Lawson Smith

How do you size up your downtown? A good way to start is with an honest, objective assessment of its current condition.

When I assess a downtown, I focus on three broad categories: its economic shape, its physical condition, and the effectiveness of its management. While there are dozens of indicators that can tell you something about a downtown's health and opportunities, allow me to provide an overview of some key points.

1. Composition of the downtown district's uses. What percent of the downtown's space is used for retail, professional offices, personal services, government, entertainment, housing, industry, and other activities?

There is no ideal formula, of course; downtowns have numerous economic possibilities. One district might choose to focus on entertainment (perhaps with a cluster of restaurants, a movie theatre, and some specialty shops open in the evening), while another might decide to concentrate on meeting the needs of daytime downtown office workers. Both

strategies (and many others) could be equally successful. Analyzing the percentages of space used for different economic activities gives a quick sense of whether a district has a deliberate focus — and, if so, what it is.

2. Market segments. Is the downtown a “community-serving” district? In other words, does it offer services meeting the needs of local residents. Or is it a destination shopping area? Many downtowns are a little of both. There's no right or wrong answer here, but these alternatives have different implications for the district's needs and opportunities.

Speaking of market segments, smaller communities with big box stores on the periphery of town often have little choice except to become more destination-oriented, as the big boxes drain away sales from existing community-serving businesses. To survive, downtown businesses usually need to offer more specialized products and services and to expand their geographic reach — and that exacerbates parking and traffic problems. As I'll return to in future columns, retail devel-

opment decisions can have unexpected planning complications.

3. Vacancy/occupancy rates. Generally speaking, downtown districts with a total vacancy rate (ground floor and upper floors) of no more than five percent are doing very well. If the vacancy rate is higher there may be some problems.

High downtown vacancy rates aren't necessarily a bad thing for a district in the early stages of revitalization, as the vacancies can help provide an opportunity to create dynamic business clusters. But, after three years or so of revitalization activity, a persistently high vacancy rate suggests the downtown's economic development plan, marketing strategy, management, or regulatory environment need some help.

4. Percentage of gross sales spent on rent. What percent of gross sales are the district's retail businesses spending on rent? Retail businesses should typically budget to spend between four and ten percent of gross annual sales on rent. So, gross sales of \$400,000 annually would

A community's decisions about whether to attract community-serving businesses (like a small grocery market or garden shop) or destination businesses has significant implications for its planning and land use policies, affecting everything from onsite parking needs to upper-floor development.



translate into about \$16,000-\$40,000 in rent. For a typical 2,000-square-foot downtown storefront building, that means annual rent somewhere between \$8/square foot (on the low end of the scale) and \$20/square foot (on the upper end) would be reasonable.

This simple measurement is a good tool for establishing gross sales targets for downtown businesses. If the prevailing rent for retail space in a district is, say, \$18/square foot, that means retailers' gross sales targets should be between \$180-\$450/square foot. If the district's businesses aren't performing at that level, it tells me they need help.

By the way, when downtowns really began suffering significant disinvestment problems in the 1960s and 1970s, big vacancies popped up and rents plummeted, making them a fertile environment for furniture and antiques stores — businesses that generally need large, inexpensive spaces. That's why you see so many downtowns with clusters of antique shops.

5. Buildings. Does the downtown district have a cohesive core of older and/or historic commercial buildings? Do they reflect the district's evolution, or do they reflect a static moment in time?

Your downtown's historic buildings are vital to its future. More than any other element, they create a unique marketing identity for the district that helps distinguish it from all other shopping options. Shopping centers look alike, but historic main streets are one of a kind.

Fortunately, traditional downtown storefront buildings are endlessly flexible, adaptable for just about any new purpose that arises. It's not for nothing that downtowns were able to convert the buildings that once housed businesses like blacksmith shops and penny arcades into new uses in the first half of the 20th century.

However, it is imperative that building rehabilitation projects and new infill buildings support the rhythm of the streetscape by using compatible building characteristics — height, mass, scale, setback, and so on. I have to admit, though, that I find many downtown design

requirements disappointing. Many of them create such specific parameters that architects and designers choose to play it safe, rather than create innovative designs.

6. Retail continuity. Retail businesses work best when they're physically grouped together on the street. When people strolling down the sidewalk come across a non-retail use (a professional office, for example, or a vacant space), they perceive it to be the end of the retail district, and their interest wanes. A small (but growing) number of communities have enacted ordinances that require that ground-floor spaces along primary downtown shopping streets be used only for retail businesses, with professional offices located on side streets or in upper floor spaces.

7. Store hours — or, rather, the connection between store hours and market segments. A business owner in Iowa once told me that a business that's open from 9-to-5 caters to the unemployed. I have seen downtown businesses literally double their sales by simply shifting their store hours from 9-5 to 11-7. Same number of hours, but more convenient for most shoppers.

8. Downtown economic development strategy. Has a solid retail market analysis been conducted in the past five years, and has the community used it to outline and pursue a realistic downtown economic development strategy? Has the strategy produced tangible results? If I were to ask a downtown merchant or property owner, a city official, a realtor, or a banker what the district's economic development strategy is, would he or she be able to tell me?

9. Organization. What organization coordinates the downtown revitalization initiative? Does it have strong support from, and involvement of, a broad range of public- and private-sector entities in the community? Is it perceived as an



In many communities, downtown design guidelines inadvertently discourage creative storefront and building design. Would you want to preclude a storefront as interestingly designed as Jim's Steaks in Philadelphia?

effective organization? If I asked someone to name the most effective organizations in the community, would this be one of them?

10. Resources in place to support business development. How does the downtown district's management program develop new businesses? How do new businesses find the district? Are there plenty of resources available — financing, job training, mentorship, market information — to cultivate and encourage development of new downtown businesses?

11. Planning commitment to downtown. I've saved the most important consideration of all in sizing up a downtown for last: do the community's planning and land use policies actively encourage downtown development? You'll rarely have a healthy, vibrant downtown without a strong commitment to this reflected in the comprehensive plan, and backed up in zoning and related ordinances. More on this in future columns. ♦

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