

Downtown's Impact on the Greater Community
Downtown Goldsboro Development Corporation – Feb. 9, 2010
Rodney L. Swink, FASLA

Thank you, Geoff Hulse and Mayor King.

It is delightful to be back in Goldsboro where I have had the pleasure of working on and off for so long. And it is particularly pleasing to see so many familiar faces in the audience. I always feel at home here.

I have been asked to talk about how downtown enriches the community, or restated, what is downtown's impact on the greater community. It is a good question.

But before I make the case for downtown, I want to be clear that I do so fully aware that in terms of community enrichment, Seymour Johnson Air Force base is the critical component of the economic picture here. Nothing I will say should diminish that value or raise questions about its place in Goldsboro's economic climate. It is a huge asset and you and we in NC are fortunate to have them.

Having said that, the question before us is what is DOWNTOWN'S impact on the greater community. Physically, downtown represents only a small percentage of Goldsboro's city-wide footprint. Twenty to thirty commercial blocks, more if one includes the surrounding residential neighborhoods, downtown occupies a small central space. And yet, within that space is an economic engine that is helping to make Goldsboro a competitive city and desirable place to live and work. And it is within that space that the community's economic recovery primarily rests.

Let me elaborate.

I am a member of the Urban Land Institute, a national developer's organization, made up primarily of developers, financiers, the occasional public agency rep, and interested others. Every year for the past 31 years ULI has produced an 'emerging trends in real estate' report, documenting the state of the industry and projecting the coming year's trends. I recently attended the meeting where the 2010 trends report was released and admittedly, the news was not particularly good. But there were a few highlights worth noting, and they relate to our topic.

In every trends report, there is a segment on Best Bets for the coming year. The Best Bets in 2010 – Development – say, "Next generation projects will orient to infill, urbanizing suburbs, and transit-oriented development. Smaller housing units – close to mass transit, work, and 24-hour amenities – gain favor over large houses on big lots at the suburban edge. People will continue to seek greater convenience and want to reduce energy expense."

In a second section, "Markets to Watch – Infill vs. Suburbs", the trend's report notes: "Road congestion, higher energy costs, and climate change concerns combine to alter people's thinking about where they decide to live and work. 'It's a fundamental shift.' ...Empty nesters and later-marrying echo boomers continue to flock to cities and urbanizing suburban areas...For aging baby boomers, infill apartment or townhouse living and proximity to cultural and entertainment attractions [rules]. The young singles crowd stays closer to the action, too."

What does this all mean for us? Simply, whatever action there is will more likely be downtown. People are looking for more urban experiences, less driving, closer proximity to entertainment and cultural attractions, smaller living quarters, and more walkable environments. That will likely create more opportunities for downtown rehab, and even in some markets infill development. For communities that

have their act together, meaning strong public/private/non-profit partnerships, a clear and articulated vision for what they want, and a supportive atmosphere for downtown, those communities will move out of the recession ahead of those that do not. That is what the trends say, and where I believe the economic edge will be.

Now, here are some additional facts to back that up. Let's start with small business. Eighty-five percent of all American jobs are in firms with fewer than 20 employees and statistics clearly show that the majority of jobs are created in small firms.

In NC, ninety-six percent of the businesses have fewer than 100 employees; 77% employ fewer than 10. Most economists say that real job growth as we emerge from this recession will come from small business and that is where we should be focusing our efforts, not on the Fortune 500 companies.

How does this relate to downtown?

Among small business needs:

- affordable space
- diversity of rent options
- expansion possibilities
- nurturing environment
- access to other services...legal, accounting, financial, governmental, other professional

Downtown, with the exception of the nurturing environment, meets all of those needs. And where you have a downtown development program, like Downtown Goldsboro Development Corporation, you also have the nurturing environment, which in the long run, after capital, may be the most critical aspect to helping small businesses weather the ups and downs of the economy.

Furthermore, "The type of space available in historic buildings [which are typically found downtown] is especially suited to small businesses and retail shops...in addition high-end small businesses are attracted to identifiable historic districts because of the character of the neighborhood and the scale of spaces."

Carolyn Douthat, *Economic Incentives for Historic Preservation*

If small business is the engine for job creation and growth, having a viable downtown is the best setting for it to occur and that, in turn, is good for the whole community.

Another aspect to small business worth noting is that small businesses are typically locally owned, and locally owned, independent businesses, keep profits in town and support local community projects.

According to a study by Austin, Texas-based Civic Economics (2002) (*Native to Nowhere*, p. 15) locally-owned stores have a multiplier-effect three times that of big box stores on the local economy. For the big-box store, only \$13 in additional local economic activity is produced, compared with three times that for locally owned stores. "According to the U.S. Small Business Administration, locally owned businesses return about **60 cents out of every dollar** of retail sales to the community. Chains return only about **20 cents.**"

It is the local business owners and their families who provide enormous contributions to political, social, educational, religious and community leadership and recognize that their business futures are integrally tied to the future well being of the communities where they live and raise their families.

Besides small business, there are other economic impacts of downtown development as well that stand to enrich the greater community. Here is one example. "The U.S. Department of Commerce measures the

impact of production within a given industry three ways: the number of jobs created, the increase in local household incomes, and the impact on all other industries. **Building rehabilitation outperforms new construction in every case.**” *The Economics of Historic Preservation*, Donovan Rypkema

Downtown development, and again let me be clear that downtown includes the commercial core and its surrounding neighborhoods, essentially involves rehabbing older buildings. The rehabilitation of older buildings is labor intensive, supporting **local craftsmen and suppliers** and utilizing **local building materials**, therefore keeping more money in the local economy where it can circulate to more people. So if job creation is important, and we all know it is, we should be encouraging building rehab, and here in Goldsboro, to your credit, you have been doing just that.

There are additional economic impacts to consider. Visiting an historic site is among the top reasons cited for nonresident visitors coming to NC. Historic sites take many forms, but our historic city centers can fit that bill. While dilapidated or decaying buildings hold little appeal, rehabilitated older buildings, commercial and residential, create an atmosphere that attracts tourists, and tourism is among the largest industries today. With more people taking “staycations”, or close to home vacations, this impact will grow.

Within tourism there is a subset known as heritage or preservation tourism. Preservation visitors are looking for history, authenticity, education and entertainment. These tourists stay longer, visit twice as many places and spend two-and-a-half times as much money as do non-preservation visitors. With disposable income down, individuals and families alike are looking for entertaining, enriching, and enjoyable trips that can be affordably taken. Historic sites fit those parameters perfectly and downtowns, with their natural collection of historic buildings, visible history, and cultural attractions will be the choice for many. You might note that in 2001, direct tourism in Wayne County had an economic impact of \$87.7 million. By 2008, that number had grown to \$120.3 million, representing nearly 1000 jobs and close to \$2.0 million in local tax revenue. (“The Economic Impact Of Travel On North Carolina Counties.” The credit line should read: “This study was prepared for the North Carolina Division of Tourism, Film and Sports Development by the Travel Industry Association of America.”)

Beyond small business and tourism, reusing existing buildings also means reusing existing infrastructure. Understand that water lines that already exist are lines that do not have to be extended or added to. And utility companies use the term, stranded investment, to refer to areas that are serviced but the meters are not hooked up. They recognize that they are not getting the full return for their investment, just like a city does not get the full return for its investment in infrastructure if its utilities are under-utilized.

To that end, an ULI study found that it is 30-300% more costly to serve sprawl-like development than traditional compact (downtown-like) development. So there is a big cost savings to the public when downtown is better utilized. In fact, one-time head of Bank of America, Hugh McColl, noted in a speech a few years ago, “The Center City is also important because of the positive impact it has on the city's budget. Some people complain that we spend too much money developing the City center, as though this somehow takes away from the suburbs. The truth is exactly the opposite.

“Because of the density in the Center City, and the efficiency of using existing infrastructure, money invested here returns more in tax revenues than money invested in almost any suburban area... What happened is that for a relatively small capital investment – fixing up streets and sidewalks, planting trees and putting in new streetlamps -- the city turned a neighborhood that had been a drain on city services and a drag on downtown property values into a cash cow and an economic engine for the future.

“The same number of dollars invested on the city fringe might have gotten a road or two started. It would have required spending a whole lot more before the return even approached the value Fourth Ward has

generated for the city...Simply put, there is no more efficient way to generate tax revenue than to develop the most valuable land in the city. That land is downtown. Center city development decreases the tax burden on the suburbs -- not the other way around.”

So when we are successful, downtown development also encourages reinvestment in existing neighborhoods, enhancing property values and building the local tax base. For example, in Salisbury when they began their Main Street effort in 1980, the area known today as the West Square Historic District, adjacent to downtown, was in decline. It had numerous vacant and dilapidated homes, was considered unsafe due to crime and drugs, had no families with kids and was generally undesirable as a place to live. Today West Square has some of Salisbury’s highest property values, homes are among the most desirable in the city, there are no vacancies or dilapidated homes, families with kids live there, and it is also the city’s safest neighborhood. The difference? Main Street’s focus on downtown, attention to the importance of the entire historic core, the symbiotic relationship between the city center’s commercial and residential needs, and of course, civic leadership.

Regarding property values, here are three other examples. In Salisbury the 1989 property tax value of their Municipal Service District (MSD) was \$31,500,000; today that value is \$79 million, two and a half times its earlier value in just over 20 years.

In Hendersonville in 1988 the property tax valuation in the MSD (12 blocks) was \$13.6 million. Those same 12 blocks in the 2003 re-evaluation were \$46.8 million, a 344% increase.

In 1978 the property values in downtown New Bern were \$8.7 million. In 1994 they were \$42.3 million, which represents a **486% increase**. That’s \$196,560 in **increased yearly revenue** to the county. Twenty-four years later, in 2002, that number had grown to \$63 million, a seven fold increase. None of these increases were coincidental. They all happened in cities that consciously focused efforts of their downtown and surrounding neighborhoods, to the benefit of their entire city.

OK, so maybe the ULI is not credible with you and these statistics don’t measure up in your mind. What are some other ways that downtown enriches the greater community?

Let’s consider this. Cities are now focusing on ways to be more sustainable. In the classic sense, sustainability simply means the ability to last, to endure. What community is not interested in that? The nation’s leading cities are teaming up in a new effort called **ICLEI - Local Governments for Sustainability** which is an international association of local governments as well as national and regional local government organizations that have made a commitment to sustainable development. Sustainable development in this case is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

ICLEI USA recently launched a comprehensive step-by-step toolkit to guide cities and localities through the process of greening their communities, or making them more sustainable. The toolkit includes checklists, best practices, templates, guidelines and detailed how-to’s for local officials, essentially a roadmap to guide any local government, big or small, through the process of creating a sustainability plan.

I did not see Goldsboro on ICLEI’s list of members, although several NC cities are, so you might want to look into it.

So what is the value of sustainability to a city? Steve Mouzon is an architect and founder of The Original Green, a company focused on sustainable design. In his blog (<http://www.originalgreen.org/OG/Home.html>) he wrote about the idea of planned obsolescence, and in

particular planned obsolescence in architecture versus the value of things that endure. He referred a year ago to the recession as the “meltdown”.

“The Meltdown may take care of one huge hurdle. When people make lots of money, a perverse thing happens. You would think that with more money, people would demand better stuff. But when prosperity abounds, the necessity of thinking long-term decreases. When times are tough, however, the thought of replacing a tool, a piece of furniture, or whatever on a frequent basis is really frightening... we simply cannot afford to do that. So I believe that the Meltdown will begin to cause people to think long-term again, and to begin to value enduring things.”

What might that mean relative to downtown? How about our historic architecture, which was not built with planned obsolescence in mind...the homes and office buildings and commercial spaces in your downtown are not being replicated elsewhere to the standard they were built. We don't build them like we used to. That is not just a cliché. That they have endured, even through hard times and neglect and in some cases abandonment, is a testimony to the quality of their design, construction, materials and to their durability. More and more people are recognizing the value of things that last, and as we emerge from this economic mess, downtown and our central areas will be recognized as good long term investments because they were built to last. So this economy is again creating focus for many of us on sustainability, the ability to endure.

There is another aspect to sustainability today and that has to do with energy use. We know that existing buildings contain embodied energy, that is, the total expenditure of energy involved in the creation of the building and its constituent materials. When we tear down and throw away an historic building we also destroy its embodied energy. So what, you say, that energy is gone, already spent, does it really matter?

It takes energy to tear something down, and it then takes more energy to replace what was torn down. Don Rypkema has written in great detail about this reality and I recommend his work if you want to understand more. Today, can we in good conscience just throw energy away? As most communities have to import energy, we would be wise to figure out ways to hold the line on energy consumption. And reusing existing buildings is one of the smartest and most efficient ways to do that. That is not to say that new construction has no place; of course, it does. And that place should be in or close to the central city, but not at the expense of our current historic fabric.

It is said that cities are an invention to maximize exchange (goods, culture, friendship, knowledge) and minimize travel. Over time, and in particular since the end of WWII, we have systematically worked to alter that. We have unwittingly acted to maximize travel in order to exchange goods.

Compared to 1969, Americans today drive:

- 88% farther to shop
- 137% farther for family/personal errands
- US Census Bureau, American Community Survey, nationally Americans spend more than 100 hours commuting to work each year. NC averages 23 minutes to work each day.
- The average American driver spends 443 hours per year, the equivalent of 55 eight-hour workdays, behind the wheel.

But that may be changing. Even before the recent high gas summer, studies showed that driving patterns had peaked. Driving, as measured by national Vehicle Miles Traveled (VMT), began to plateau as far back as 2004 and dropped in 2007 for the first time since 1980. We may have reached the tipping point where people are saying, enough! Even as we enjoy our suburban lifestyle, we are beginning to question its sustainability and even its value.

The worldwide demand for oil has been led by booms in China and India with their rapidly emerging middle class with all of their expectations. Yet America is still the major user with 25% of global demand, so we cannot place all of the blame on others. The biggest reason prices dropped from the record \$150+ a barrel 18 months ago was the decline in demand due to recession (people lost jobs, cut back on daily trips, did not go out to eat), and the switch to alternative means of travel (walking, biking, scooters, public transit...) But interestingly, even when prices fell back under \$2.00 a gallon, transit ridership stayed up. Many people learned that transit can work for them (at least where transit exists).

What shouldn't be lost in this is that there will still be more people chasing the same or less oil until we come up with more sources of it or alternatives to cars. That means that location decisions will take on greater importance and closer in will be more desirable, which is consistent with the ULI real estate trends report findings. That means downtown and its surrounding neighborhoods.

Another benefit to a central city focus comes from research that shows that urban areas are greener than suburbs; specifically, they have a smaller carbon footprint per capita than their suburban counterparts. Writing in the *Atlantic* magazine, Witold Rybczynski (*The Atlantic*, October 2009, "The Green Case for Cities") says, "...being truly green means returning to the kinds of dense cities and garden suburbs Americans built in the first half of the 20th century" which is not unlike central city Goldsboro. So being a better user of energy with less negative impact is one more way that downtown enriches the greater community.

If time allowed I might talk about health concerns, and the fact that urban dwellers are among the nation's fittest people because they can walk most places, and Southerners are among the least healthy because, among other things, we have to drive everywhere. And beyond the health implications of walking, I could point out that more people in all age groups are looking for walkable places, not to be rid of cars, but because of the convenience of being able to walk to shops, work, entertainment, and food. Downtowns are ultimately the most walkable places in any community and that is what more people are seeking. There is a lot more to say on this, but I should move on.

Many of you may know about Richard Florida's book, *The Rise of the Creative Class*. In this book he argues that the most successful cities in the coming decades will be those that attract the brightest and most creative people. These people – designers, software creators, artists, techies, and the like – want to live in places that are diverse, tolerant, open, alive, exciting, unique, and capitalize on their special qualities or sense of place. They prefer urban areas that are walkable, have entertainment and restaurants, and are not cookie cutter environments. They are not following jobs; they are creating them and doing so in urban areas and downtowns.

In NC wages alone from creative enterprises (arts, entertainment and new media, advertising and design) infused more than \$3.9 billion into our economy in 2006 employing nearly 159,000 people. Coincidentally, the annual Emerging Issues Forum that was started by Gov. Jim Hunt and is hosted by NCSU just held its 25th annual event with this year's theme being "creativity", or how to stimulate innovation and the creative workforce. One thing made clear at the event was that employment among this sector has grown faster than any other, pays significantly higher wages, and unemployment for this group during this recession has declined more slowly than in any other sector. And there is reason to believe that the creative class as a group will be among the first employment sectors to rebound.

Moving forward, the cities that understand creative industries and the creative class, and work to establish the environment they want to be a part of – viable downtowns - will be able to attract this important economic group. And as we emerge from this recession it will be led by entrepreneurs and other creative people who even now are looking at this time as one of opportunity.

So downtown clearly is and will continue to be important as an economic and job creation engine for the community. It will be a magnet for tourists, be more energy efficient, have a smaller carbon footprint, be supportive of healthier living, and attract the creative class that will fuel job creation and innovation in the 21st century.

But this still does not fully measure downtown's impact on the greater community. Let us stop for a moment and consider a city with no downtown. Where are its celebrations held? Where are its government functions – city hall, police and fire departments, library, post office, courthouse? Where do people take their out of town family and friends to point out the local history? Where do people of all races, religions, gender, and age get to pass each other on the sidewalk? For a city with no downtown, where is its heart?

Until recently the newest commercial development model was the lifestyle center. The development community fell in love with Main Street, or at least the brand of Main Street, and was systematically trying to recreate them round the country. To quote from a recent conference brochure, “The creation of lively mixed-use places – town centers, main streets and urban villages – in America's cities and suburbs is a growing but challenging sector of the development market today...Americans increasingly demand better urban design and a strong sense of place from new development schemes.”

Building a street, putting up some building fronts, throwing in a few awnings, benches and trees and calling it “main street” hardly makes it so. Downtown Goldsboro is the real deal. It already has a sense of place. Tim Beatley, in his book, *Native to Nowhere*, says that sense of place is really about an emotional connection to place. Places have significance and meaning to us because our memories are wrapped up in them, because they are imbued with personal and cultural meanings.

Malls, strip centers, power centers, even lifestyle centers may all be part of the economic mix of our communities. But there is only one place that not only has economic value, but also gives us an anchor as to who we are as people and as a community and provides us with an emotional connection that gives value beyond price. That is downtown and that may be its greatest impact on the larger community.

Thank you.