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"Downtown revitalization requires a high degree of cooperation and is best achieved when a unique 'private/public' process is used."

Turning Around Downtown: Twelve Steps to Revitalization

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Though every downtown is different there are still common revitalization lessons that can be applied anywhere. While any approach must be customized based on unique physical conditions, institutional assets, consumer demand, history, and civic intent, this paper lays out the fundamentals of a downtown turnaround plan and the unique "private/public" partnership required to succeed. Beginning with visioning and strategic planning to the reemergence of an office market at the end stages, these 12 steps form a template for returning "walkable urbanity" downtown.

Introduction

Over the past 15 years, there has been an amazing renaissance in downtowns across America. From 1990 to 2000 the number of households living in a sample of 45 U.S. downtowns increased 10.6 percent.[2] The fact that many downtowns have experienced such growth and development—in spite of zoning laws spurring suburban sprawl and real estate and financial industries that don't understand how to build and finance alternatives—is testament to the emotional commitment to our urban heritage and the pent-up consumer demand for walkable, vibrant places in which to live and work.

The appeal of traditional downtowns—and the defining characteristic that sets those that are successful apart from their suburban competitors—is largely based on what can be summarized as *walkable urbanity.*

Since the rise of cities 8,000 years ago, humans have only wanted to walk about 1500 feet until they begin looking for an alternative means of transport: a horse, a trolley, a bicycle, or a car. This distance translates into about 160 acres—about the size of a super regional mall, including its parking lot. It is also about the size, plus or minus 25 percent, of Lower Manhattan, downtown Albuquerque, the Rittenhouse Square section of Philadelphia, the financial district of San Francisco, downtown Atlanta, and most other major downtowns in the country.

But the willingness to walk isn't just about the distance. Certainly no one is inspired to stroll from one end of a super regional mall parking lot to the other. People will walk 1500 feet or more only if they have an interesting and safe streetscape and people to watch along the way—a mix of sights and sounds that can make a pedestrian forget that he is unintentionally getting enjoyable exercise. Depending on the time of day, the day of the week, or the season of the year, the experience of walking downtown will be entirely different, even if you are traveling along a well trod path. A new experience can be had, in fact, nearly every time you take to the streets.

Fostering such walkable urbanity is the key to the revival of any struggling downtown. But doing so can be a challenging process, requiring the development of a complex mix of retail boutiques, hotels, grocery stores, housing, offices, artists' studios, restaurants, and entertainment venues. A "critical mass" of these pedestrian-scale uses must be established as quickly as possible, before the initial revitalization efforts stall for lack of support. This means making certain that visitors can find enough to do for 4 to 6 hours; that residents daily needs can be comfortably met; and that rents and sales prices continue to justify new construction or renovation.

Ultimately, reaching critical mass means that the redevelopment process is unstoppable and cannot be reversed. At that point, an upward spiral begins to create a "buzz," increases the number of people on the streets, raises land and property values, and makes the community feel safer. More activity attracts more people which increase rents and property values creating more business opportunity which means more activity and people on the street, and so on. Simply put, in a viable downtown, *more is better.*

This contrasts starkly with suburban development, where *more is worse.* The lure of the suburbs is lawns, open space, and the freedom to travel by car. But adding more activity brings a geometric increase in automobile trips, more congestion, pollution, inconvenience, and the destruction of the very features that enticed residents and businesses to the suburbs in the first place. This drives the continuous sprawl which makes yesterday's "edge cities" obsolete, as demand and development marches outward to what Robert Lang calls "edgeless cities.[3] In fact, more suburban development nearly guarantees its decline as demand is pushed continuously toward the ever-expanding fringe.

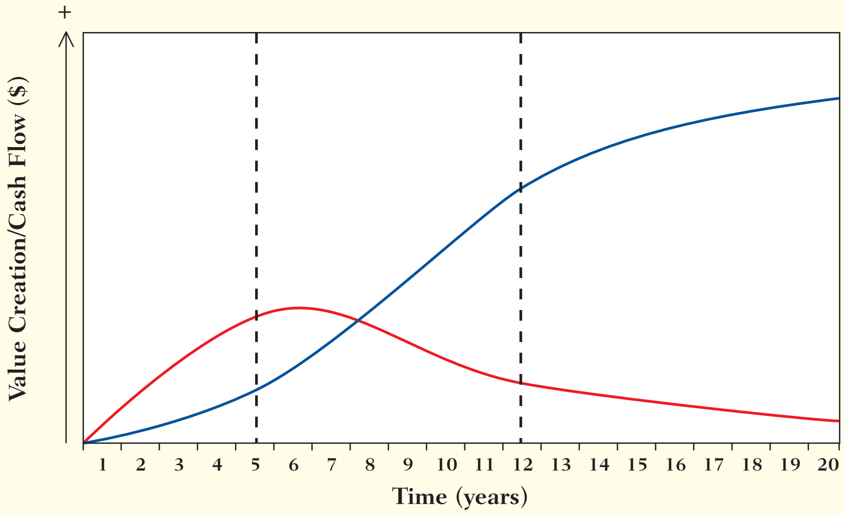
These divergent models of urban and suburban development also have very different financial structures. Conventional suburban development, based upon standard national formulas and car-friendly access and parking, financially performs well in the short-term but peaks in years 7 through 10. It is built cheaply to help drive the required early financial returns; besides, anything new looks reasonably good. Investors are not willing to commit to a specific site for the long-term since sprawl may take demand further out in less than a decade anyway. And so, in essence, they build disposable developments.

Downtown development exhibits an opposite pattern. Among many factors, including constrained sites and underground work, the construction budget for downtown development is also generally much higher because people are walking past the buildings in close proximity. In the suburbs, you drive past the buildings at 35 miles or more per hour and they are set back from the street by 100 feet or more, allowing cheaply built structures to suffice. However, the higher construction costs downtown mean that financial returns are reduced in the early years

There will be substantially better financial returns for a downtown asset, however, if the developer and investor hold the building for the mid- to long-term. This occurs because, in a revitalizing downtown, other developers and investors will build new projects within walking distance. This increases the excitement on the street, pushing up rents, sales prices, and property values of existing property owners, even if the owners have done little more than maintain their properties. As the *more is better* upward spiral of value creation takes place, the mid- to long-term holders of property are ultimately rewarded much more than suburban property owners, as represented in Figure 1.[4]

The real estate industry, which includes developers, service providers, and bankers and investors, has become extremely efficient in producing suburban development and reaping its short term rewards. Yet an increasing share of the market is now demanding other options. Numerous consumer surveys by national research firms—including Robert Charles Lesser &

Figure 1. Financial Characteristics of Downtowns with Critical Mass (Blue) versus Suburban Development (Red)



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

Co., Zimmerman-Volk, and Real Estate Research Co. among others—have shown that between 30 percent and 50 percent of all households in the metropolitan areas surveyed want walkable urbanity. And certainly the rapid comeback of American downtowns over the past 15 years—along with the many new urbanist communities and traditional-looking "lifestyle retail" projects popping up in suburban locations—is on-the-ground evidence of pent-up demand.

Despite many developers' and national retailers' lingering reluctance to engage in urban markets, downtown research and experience of the past 15 years, along with the rediscovery of traditional urban planning principles, demonstrate that we have a better understanding of how to bring our downtowns back. It is no longer a mystery how to start a downtown revitalization process, though it is more complex than suburban real estate development, and takes longer than most politicians are in office. It requires a degree of cooperation that is difficult to pull off and is best achieved when a unique "private/public" process is used. Yet many downtowns have managed to revitalize their downtowns in recent years, and we have gained valuable insight as a result.

This paper attempts to summarize the lessons learned from many years of hands-on experience consulting in dozens of urban areas across the United States and Europe. These lessons have been condensed into 12 steps urban leaders should follow to successfully rebuild and reinvigorate their downtowns.[5]

The first six steps focus on how to build the necessary infrastructure, both "hard" and "soft," for turning around a downtown, and define the public and non-profit sector roles and organizations required to kick off the revitalization process. The next six steps are the means by which a viable private real estate sector can be re-introduced to a downtown that may not have had a private sector building permit in many years. In one fashion or another, this strategic process has been implemented by all of the downtowns in which the author has worked.

Every downtown is a little different in its physical condition, institutional assets, consumer demand, history, and civic intent, requiring that any approach be customized. Yet there are still common lessons, and more is learned each day. In spite of the many formidable obstacles, it is important to remember that every downtown has a unique set of strengths, no matter how depressed it might be; it is these strengths that must be built upon in developing the revitalization strategy. With enough consumer demand and the intention to succeed, there is a way.

Setting the Stage for Development

With conventional suburban development, the necessary pre-conditions for growth include the provision of roads, water, sewer, gas, electric and communications line extensions, public safety services, and schools. Creating walkable urbanity requires all of this and much more. There is a need for a physical definition of the place, a comprehensive strategy for the place to be created, and management to implement the strategy. Such a strategy must include, among other things, the creation of walkable streets and sidewalks; intra- and inter-core transit; shared-use structured parking; culture and entertainment; increased safety and cleanliness; and programming and marketing.

Early progress must be made in building this expanded definition of infrastructure—along with a believable commitment to provide the rest—in order to attract the private sector developers and investors who will ultimately drive the downtown turnaround. Only by re-establishing a private sector real estate market (the focus of steps 6 to 12) can a downtown prosper. In fact, successful downtown turnarounds have shown that for every $1 of public investment, there will be $10 to $15 of private money. The bulk of the public investment must be made in the early years, however, in order to set the stage for private development.

Step 1: Capture the Vision

The best intentions…

Beginning any journey, especially one as arduous as revitalizing a depressed downtown, requires *intention*. Without the intention of actually revitalizing a downtown, there is little reason to begin the process in the first place. There are many skeptics that will never see the point of bringing back an obsolete, forsaken downtown and give it little if no chance of succeeding. If there is one bromide heard by most people with experience working on downtown revitalization efforts, it is a suburban resident saying something to the effect of "I haven't been downtown in 20 years and have no reason or desire to go there ever in the future." If this attitude predominates in the business, real estate, non-profit and public communities, it may make sense to reconsider the community's ability to pull it off.

Another reason for re-considering whether to start a downtown revitalization effort is if there has been a recent (within 20 years) failure of a previous attempt. It takes a full generation to get over the collapse of a revitalization effort and the injection of fresh leadership unencumbered with the "we tried that once and it did not work" mindset.

Determining whether the intention for a long-term effort is present in the community requires the mining of the most important asset a downtown revitalization has: memory and the emotion it unleashes. This is surprisingly powerful asset has always had a hidden impact on the tough, bottom-lined real estate business. Emotion is the reason we generally overpay and over-improve our homes, where 50 percent of national real estate value lies.[6] Emotion is why we create great civic structures, such as city halls, performance halls, arenas, and museums. Emotion is the reason great historic buildings are renovated, even though the cost of renovation is usually greater than tearing down and building a new building.

Contrary to evocative memories of downtowns past, however, is the reality of the great suburban land rush, starting in the 1950s, which led to the disinvestment in our downtowns in the first place. The desire for a suburban American Dream led to it being legally mandated and massively subsidized, essentially becoming *de facto* public policy. The market desire to embrace suburban living—a historically unique experiment in city building—combined with the subsidies for suburban growth, left our downtowns and surrounding neighborhoods to decline. With the exception of Manhattan and the downtowns of Boston, Chicago, and San Francisco, nearly every downtown in the country went into severe decline, virtually becoming "clinically dead," to the point that market rents and sales prices could not warrant new construction or redevelopment, except for some construction during the office boom of the 1980s.

Nonetheless, many of those who grew up in the 1940s, 1950s, and 1960s, when our downtowns were still vibrant, if fading, have indelible memories of the place. Downtown in the afterglow of World War II was "where all the lights were bright," where first dates occurred, where parents worked and parades were held. The downtowns of this era were where you went for the fancy department stores and to see tall buildings. It was where the sidewalks were jammed with people, unlike any other place in the region. Today, in many cases, those who remember the downtowns of yore are now in positions to do something about their current decline.

Of course, there are also significant fiscal and financial motivations to undertake a downtown revitalization process. By definition, a downtown recovery means more residents and more jobs, in both the downtown itself and eventually in other parts of the city. It also means more out-of-town and suburban visitors bringing more outside money into the area. Further, experience shows that the most expensive real estate in a metropolitan area is increasingly found in revitalized downtowns. The public sector realizes significant fiscal benefits as a result, the most obvious accruing from increased tax revenue.

Downtown revitalization can bring additional economic development benefits as well. With increasing demand for walkable urbanity and a dearth of such neighborhoods in most metropolitan areas, cities with vibrant downtowns have a better shot of recruiting or retaining the "creative class" of workers economists, like Richard Florida, have shown is key to future growth.[7] When the strategy for downtown Albuquerque was being crafted, for example, a senior executive from Sandia National Laboratory spent many hours volunteering in the process. However, the laboratory—employing 5,000 scientists, engineers, and professional managers—is located five miles from downtown. When asked why he spent so much time on the downtown strategy, he replied, "If Albuquerque does not have a vibrant, hip downtown, I do not have a chance of recruiting or retaining the twenty-something software engineers that are the life's blood of the laboratory." If 30 percent to 50 percent of the market cannot get walkable urbanity, why would they come or stay in a place without that lifestyle option when Austin, Boston, and Seattle beckon? A purely suburban, car-dominated metropolitan area is at a competitive disadvantage for economic growth.

Rallying the troops, setting the vision

Once the motivation is clearly there, the downtown revitalization process generally begins by lining up the political and business stars. Perhaps a mayor has been elected with downtown revitalization as a major priority. Or a foundation's board or executive director decides to provide grants to start the process. It could be the state governor who feels that in-fill, smart growth investment in downtowns should receive financial or other incentives. Whatever the specifics, it probably starts with a handful of people who make it their top priority. These people and the other stakeholders they select should come together as an informal downtown advisory group. The group should include representatives of local government, neighborhood groups, retailers, business owners and managers, non-profit groups, service providers, arts groups, etc. The advisory group will fundraise, and begin early stage planning.

A good starting point is to engage in a "visioning" process. While denigrated by some for being "soft and fuzzy," a visioning process not only determines if there is community support but it also uncovers the emotional, economic, and fiscal reasons for turning around the downtown. This process should be professionally managed, with money allocated to pay for it. It is best if the money raised starts the entire revitalization process off on the right foot; it should be primarily private and non-profit sector funded. The public sector can and should participate, both to have a stake in and to give legitimacy to the process. This will eventually give way to a *private/public* partnership, an intentional reversal of the way this phrase is usually stated.

It is also often useful for the advisory group, and anyone else who wants to come along, to visit comparable downtowns throughout the country which have undertaken a redevelopment process. Probably the most visited model downtowns over the past decade have been Baltimore, Portland (OR), Chattanooga, Denver, and San Diego. The visits can provide insights into what worked and what did not but more importantly, they help demonstrate that revitalization is possible. Every downtown has unique assets that must be understood and built upon to achieve the turnaround. It is a rare downtown that cannot succeed, if there is the intention.

During this period, it is important that the advisory group undertake research to create a technical portrait of downtown. Such a portrait includes the history, a definition of its size and specific boundaries, the number of jobs and businesses, its role in the local economy, the contribution downtown makes to local government taxes, the structure and state of its transit system, the condition of the infrastructure, etc. The assets of downtown need to be identified as well, including universities, hospitals, neighborhoods, housing stock, and cultural organizations. A short report summarizing this information will become the basis for the rest of the effort.

After drafting the technical report, a more subjective picture of downtown needs to be compiled—what is valued, what is missed, what is good, what is negative, and some of the stories that make it special on a personal level. It is also essential to explore the hopes of people regarding what downtown could be. This information can be obtained through public meetings, surveys, focus groups, newspaper polls, informal voting, school contests, or other methods. Summarizing these findings in a brief report will complement the technical portrait.

After the technical and subjective findings have been collected and documented, a series of special public meetings should be held to further engage the citizens of the region. The findings should be presented and vetted, and participants should be queried regarding their vision for downtown—what is absent from their lives that downtown could provide, and what would make them visit, work, and maybe even live there. Once these meetings have been completed, the advisory group must determine if there is the vision and the will to take on the major, long-term process of reviving a downtown. If not, it is better to determine that early than to waste time and resources better spent on some other civic undertaking. Moreover, taking on a revitalization process that is doomed to failure means that another effort will probably not be undertaken for another generation.

Summarizing the findings of the visioning process and widely disseminating it throughout the city is an important wrap-up step. Once the advisory group ascertains that they have correctly identified downtown's assets, as well as the challenges that must be addressed, they will have laid a good foundation for the next step in the process—developing the strategic plan.

Step 2: Develop a Strategic Plan

Downtown is one of the largest mixed-use developments in a metropolitan area. However, there is almost never a strategic plan for downtown, nor any formal management of it. By contrast, the typical regional mall, a much smaller and far simpler development, has a comprehensive strategy for the positioning of the mall and 24/7 oversight.

Having a strategy and management plan for downtown is absolutely imperative. It is even more critical when you consider that achieving *walkable urbanity* is a complex "art" that may be achieved by accident given a couple hundred years, but which requires concerted planning and strategic implementation by many organizations to accomplish in a shorter time frame.

Building upon the memory and vision outlined in Step 1, strategic planning takes a comprehensive approach to creating walkable urbanity that encompasses many individual strategies. These strategies fall into ten categories:

- **Character.** Define the boundaries of downtown, how dense it should be, and how it addresses the immediate surrounding neighborhoods. Generally, urban character (floor area ratio over 1.0) is selected for the core of the downtown, pushing densities to the highest level in the metropolitan area. If there is a suburban character (floor area ratio of between 0.2 and 0.4) in the neighborhoods surrounding downtown, this can and should be maintained, thus providing those residents with the best of two worlds: suburban homes a short distance from walkable urbanity.

- **Housing.** Encourage a vast array of moderate and high density housing at both market rate and affordable levels. Downtown planners must work to ensure that such housing is legally allowed. They should also take an inventory of city-owned land and buildings that could be available for early development or redevelopment since the land will have to be written down or creatively provided to make it financially feasible in the early years of the turnaround process. It is important to realize that housing is two-thirds of the built environment, so it is always a critical part of the strategy.

- **Retail.** Determine the retail concentrations that a downtown market could support, including urban entertainment (movies, restaurants, night clubs); specialty retail (clothing, furniture, and jewelry boutique stores); regional retail (department stores, lifestyle retail); and local-serving retail (grocery, drug, book, video stores). These different retail options should be concentrated into walkable districts, creating, in essence, regional destinations that give the area critical mass, identity, and a reason to live there.

- **Culture.** Determine which one-of-a-kind cultural facilities should be downtown and how existing facilities can be strengthened. With very few exceptions, these facilities—arenas, stadiums, performing arts centers, museums, historic sites and buildings, and others—do in fact perform better downtown.

- **Public Infrastructure.** Focus on essential issues such as water and sewer, intra-core transit, transit to the downtown, structured parking, conversion of one-way streets to two-way, tighter turning radiuses at intersections for a better pedestrian experience, and enhanced security and cleanliness, among others. Parks and open space, and, when appropriate, opportunities for waterfront development, should also be included in the strategy. Paying for this new and improved infrastructure often involves "tax increment financing" ("TIFs"), a controversial tool in some places, which usually needs state legislative authorization.

- **Employment.** Focus recruitment efforts on businesses that could be downtown, which includes both "export" employment (businesses that export goods and services from the metropolitan area which provide fresh cash into the economy) and regional-servicing employment (support businesses or organizations which locate in regional concentrations such as downtown). Generally these strategies occur later in the turn-around process, after a critical mass of urban entertainment and housing has occurred.

- **Community Involvement.** Ensure that citizens, particularly residents of surrounding neighborhoods, have continuous opportunities for input and involvement. It is also important to keep the opinion-makers and the media informed about the revitalization process, as the public image of downtown during the early phases of revitalization is generally negative. One example is creating a local cable TV show highlighting individuals and businesses helping turn around the downtown, putting a human face on the revitalization effort.

- **Involvement of Non-profit Organizations.** Bring existing non-profits into the process, and create new organizations to fill needed roles. These include business improvement districts and possibly a transportation management organization, as well as temporary task forces, a parking authority, an arts' coordinating group, and others.

- **Marketing.** Continuously market downtown, as well as specific new downtown events. The image of most downtowns is so negative prior to revitalization and such skepticism exists during the early phases that constant attention must be paid to re-positioning the area. It is especially important to communicate the strategy and progress in implementing it to the investment and banking community so they will have faith in the process in which they are being asked to invest.

- **Social Values.** The social values of downtown need to be defined and plans put in place to enforce them. The ultimate goal of a downtown revitalization is to make it the community gathering place, a place for the entire community regardless of income or race. Housing affordability and other "equity" programs may be essential components of the revitalization effort.

The process for determining the comprehensive strategy starts by bringing together an expanded version of the advisory group. The group should include neighborhood group representatives, retailers, investors, developers, property owners, churches, the mayor and key city councilors, the heads of select city departments, non-profit organizations, artists, homeless advocates, and others. Selecting the right composition is extremely important to ensure that no significant group feels left out. The group needs to be relatively small (less than 25 individuals), however, in order to both build a sense of trust and cohesion and, ultimately, to ensure the process stays focused on results. It is also crucial that the individuals be people who are interested in successful solutions, not narrow political gain.

Two one-day sessions devoted to the strategic planning process, separated by about a month, are generally sufficient to crafting the strategy and implementation plan. Before the first day, a "briefing book" should be assembled to provide the group with a common set of data about the existing conditions downtown. This briefing book should include findings from the visioning process (technical and subjective portraits), market and consumer real estate research for all product types (office, hotel, rental housing, retail, etc.), data on the existing condition of the downtown infrastructure and public services, and other relevant information.

The first day will be used to introduce the group to one another and to understand the contents of the briefing book. The day will also lay out the possible strategic options, outlined above, that need to be considered in crafting a strategy. In the next meeting, participants will develop the strategy, selecting the general and specific items that are most appropriate for their downtown. Finally, the group will determine what initially needs to be done to implement the individual strategies, who is responsible for these next steps, and when these steps should accomplish.

The results of the strategy and implementation plan should be summarized in writing very quickly after the second meeting and distributed for comments. A final plan will probably be only 10 to 15 pages long and should be sent out to politicians and citizens as part of the marketing and community involvement strategies.

Follow-up sessions should be scheduled every few months to constantly modify the strategy and monitor progress on its implementation to date. At each subsequent meeting, a new implementation plan should be fashioned with tasks and dates assigned to volunteers and the next follow-up session set.

Step 3: Forge a Healthy Private/Public Partnership

Successful downtown revitalizations are generally private/public partnerships, not the other way around. The public sector, usually lead by the mayor or some other public official, may convene the strategy process but it must quickly be led by the private entities whose time and money will ultimately determine the effort's success. A healthy, sustained partnership is crucial to getting the revitalization process off the ground and building the critical mass needed to spur a cycle of sustainable development.

The key to the public sector's successful involvement in downtown redevelopment is to avoid making it overly political. Once it has been launched, it is essential for future politicians to "keep their hands off" to the maximum extent possible. Unfortunately, this can be difficult. With an eye on future elections, they often seek acclaim for positive things happening in their city and look for people to blame if it suits their agenda. And once the downtown revitalization process appears to begin yielding results, there is added motivation for politicians to want to take control over the process.

It is important to the revitalization process that the private sector not cave-in to this pressure. Investors, developers, and volunteers helping to revive downtown are motivated by emotion, passion, long-term financial returns, and many other unique and personal reasons. A politician trying to advance his career can very easily quash this momentum and destroy the private/public partnership in the process.

All this is not to say that the public sector should be completely laissez-faire. City leaders must be absolutely committed to the process both in word and in deed, and be willing and able to do what it takes to help create the right environment for private sector development and investment.

The potential roles of the public in this process can vary tremendously based upon the needs of the particular downtown and how much political capital politicians are willing to expend in the effort. There are a host of activities the public sector may be well-positioned to undertake, however, such as improving public safety, increasing transit options and availability, constructing parking facilities, attracting and retaining employment, providing appropriate tax incentives for new real estate development, developing an impact fee system, assembling land, and perhaps most importantly, creating easy-to-use zoning and building codes to enable the walkable urbanity that defines a thriving downtown.

Step 4: Make the Right Thing Easy

If the downtown area around Santa Fe, New Mexico's much beloved and vibrant 400 year-old Plaza burned to the ground, legally it would only be possible to rebuild strip commercial buildings, likely anchored by Wal-Mart Super Centers, Home Depots, and the other usual suspects.

In downtown Santa Fe and dozens of others around the country, zoning and building codes of the past fifty years actually outlaw the necessary elements of walkable urbanity. In many cities, for example, often well-intended setback and floor-area ratio rules mean that new construction cannot maintain consistency with older historic structures. Also, excessive parking requirements can create large surface lots fronting once-lively streets, eroding the vitality of otherwise coherent places. Coupled with an emphasis on separation of land uses and limited densities, downtown revitalization becomes nearly impossible from a legal perspective.

Rather than reform the existing zoning codes—which often makes them even more confusing and cumbersome—it is generally best to throw them out and start from scratch, putting in place a new code that will make it easy to produce the density and walkability a downtown needs to thrive.

First and foremost, the new code must clearly delineate downtown boundaries such that boundary lines are not in the middle of streets but inclusive of both sides. It is important that the line be firm, to ensure that the character of the surrounding neighborhoods remains intact. Most neighborhoods close to a reviving downtown see significant housing value increases as a result.[8]

Second, once the boundaries are agreed upon, a "form-based" code should be put in place that reinforces the development of walkable urbanity. Unlike traditional zoning codes, which focus on allowed uses, form-based codes focus on form, namely, how building envelopes—and ultimately whole blocks—address the street. They do not mandate parking ratios, making the assumption the investors and bankers in a project are better able to decide what makes market sense. Most importantly, the form-based code is simple and allows for great flexibility and certainty in obtaining building permits. The Downtown 2010 Plan for downtown Albuquerque, for example, has 21 principles that are the core of the code. One of the codes states "Streets and sidewalks lined with buildings rather than parking lots," and there are three pictures of examples, one with a "X" through it. Once a developer demonstrates these 21 principles are being followed, they are issued a building permit in three weeks administratively.[9]

Encouraging this mixed-use development is central to creating walkable urbanity. Conventional suburban development is legally mandated and financed for single purpose uses customized to a single tenant; you will always know a building was built for a McDonald's even if it is now a Chinese takeout. By contrast, the form-based downtown code encourages retail, residential or live/work on the first floor, and residential, hotel or office on the upper floors. It also recognizes that what is an office building today may be a residential building tomorrow, or vice versa.

Third, the new code must re-establish the historic right-of-way fabric of the city, whether it was laid out as a classic American grid or as a seemingly more random collection of streets. Most downtowns were created before the automobile and were thus required to be walkable. Yet over the years, streets as freeways (one way streets meant to encourage automobile speed), streets as regional malls (streets closed off to traffic), and streets as on-ramps became ubiquitous fads. Restoring the original street right-of-way fabric, including tight corner turning radiuses, will bring back one of downtowns major assets and help re-create the walkable urbanity these cities were designed for.

Finally, adopting the new 2004 International Building Code is a major step in the right direc-

Chattanooga

By the 1980s Chattanooga, TN had terrible air and water pollution, a declining economy and population base, and few prospects. At that time the downtown was in the typical condition of many across America: employment in the financial service, government, and professional services sectors—along with one major insurance company headquarters and the headquarters of TVA—dominated downtown., There was little entertainment, only one department store, and virtually no housing. Downtown was a 9-to-5, weekday place.

All this began to change in the mid-1980s, as Chattanooga Vision set out to determine if there was any intention by the citizens to see their sadly neglected downtown revive. Over several years, this non-profit organization—funded by the Lyndhurst Foundation, the city, and the county—polled residents, held countless meetings, and did research on what made downtown Chattanooga special. The major finding was that the downtown turned its back on its major asset, the Tennessee River. From here a tremendous effort was started to turn downtown around.

Engendering great citizen, business, and political support backed by a strong vision of what citizens wanted the downtown to be, Chattanooga's civic leaders initiated a strategic planning process for downtown in 1987. The strategy's primary goal was to make a walkable connection to the Tennessee River, and there were 14 task forces set up to make it happen. These task forces focused on building the world's largest fresh water aquarium, improving the streetscape, obtaining specialty retail, putting in place a "clean" circulator bus system, building parking garages, introducing housing, building a children's museum and, most importantly, creating a river walk to integrate the downtown with the Tennessee River.

Much of the success of this strategy was the result of the River Valley Company, a non-profit "catalytic" development firm that took above market-rate risks to get initial projects underway, showing the private sector that there was demand for new developments. Within four years, nearly everything laid out in the original strategy had been accomplished. Since then, Chattanooga has continued with ever more ambitious strategic plans, and implementation success, including new baseball and football stadiums, an ambitious and successful affordable housing program, a new neighborhood in an abandoned industrial area, two new public schools, another phase of the aquarium, hotels, more retail, a multiplex movie theater, and many other improvements.

Through strategic planning, a catalytic development company, appropriate government involvement, philanthropic and private sector investment, downtown Chattanooga has become a "poster child" for how to undertake a winning revitalization process.

tion. Among other things, this code allows for higher density, "stick-built" construction, many times the only financially feasible construction type for new residential. Adopting a rehabilitation code similar to the current New Jersey Rehabilitation Subcode can cut costs for historic rehabilitation by up to 50 percent, making historic rehabilitation much more feasible. It works under the assumption that historic buildings need not imitate new construction in every detail for it to be safe and accessible. For example, many historic buildings have been torn down because, among other things, their five foot marble clad hallways were not up to the new building code, which is six feet, and could not be widened in an economical manner.

Step 5: Establish Business Improvement Districts and Other Non-Profits

One of the leading ways the private/public process is implemented is through various non-profits, particularly business improvement districts (BID). There are over 1400 BIDs in the country and it is now well understood that establishing a BID is crucial to the successful revitalization of a downtown. In essence, the BID is the quasi-government for the downtown, the "keeper of the flame" of the downtown strategy, and the provider of services the city government cannot deliver.

A downtown BID is funded by property owners who voluntarily increase their property taxes by 5 to 15 percent to pay for BID functions. The tax is collected through the normal city channels, so there is always the temptation by the city council or mayor to co-opt the use of those funds. It is important that the legislation, typically enacted by the state legislature, be written to mandate control of the funds by the BID's board of directors.

The BID's main leadership role is managing the implementation of the strategy, which must be constantly updated. The BID may be responsible, for example, for ensuring the various task forces charged with implementing parts of the strategy are motivated to complete their efforts. The BID might also create a new signage program for downtown, work for the development and approval of the form-based code, and market the downtown to new developers.

The BID's operational role is usually (1) increasing the perceived and actual safety of downtown; (2) making the place cleaner; (3) creating festivals and events to encourage suburbanites to come downtown, and; (4) improving downtown's image. BIDs typically include a force of trained "safety ambassadors" who offer a friendly face on the street, are trained to handle quality of life infractions, and who are wired to the police. They also have permanent staff performing the cleaning, events, and marketing functions.

The downtown revitalization effort may spur the creation of additional non-profit organizations. A parking authority can often more efficiently manage and market the availability of parking in downtown, for example. Another non-profit could take responsibility for encouraging the development of affordable housing and commercial space. A separate non-profit might focus just on keeping artists and galleries downtown in the face of rising rents and values. It is critical that these non-profits either have a dedicated source of funding and/or offer services which generate revenue so that they don't have to rely upon perpetual foundation grants or government subsidies.

In short, the BID and other non-profits are a downtown's management team—ensuring its many complex elements work together to create a safe, attractive, unique, and well-functioning place.

Step 6: Create a Catalytic Development Company

Most conventional suburban developers do not have the experience, investors, bankers, or inclination to come downtown. The difference between modular, single product, car-oriented suburban development and integrated, mixed-use, walkable urban development is substantial. And the very fact that a downtown sorely needs revitalization generally scares off the development community. The market risk is perceived as being too high for most developers, most of whom do not relish being pioneers.

Revitalizing downtowns have overcome the problem of attracting developers by establishing a "catalytic developer." This organization is formed to develop the initial projects that the market and consumer research shows have potential demand but above market risk. The catalytic development firm demonstrates to the rest of the development community and their investors that downtown development can make economic sense.

A catalytic development company can engage in varying activities in the development process. Among the possibilities are: undertaking land assemblage and land development to prepare lots for new construction; financing the gap between conventional financing and the amount of money required to make the project happen; or developing a complete building from start to finish.

In the early years of the revitalization process, it is probable that the catalytic development firm will have to engage in complete building development. Eventually, once the market is proven, the catalytic developer can joint venture with other building developers, possibly providing land for deals. In a successful downtown, the catalytic developer will eventually work itself out of business as more developers come to understand the financial benefits of downtown development.

The major challenge the catalytic development firm faces, particularly in a clinically dead downtown, is that until critical mass is reached, it is likely there will be little return on invested equity capital. There will be projects that will take far longer to develop and lease up than conventional development. There will be financial returns which do not appear to be worth the market risk. And there may be projects that fail altogether. However, once critical mass is achieved, the catalytic developer should be well-positioned to take advantage of the upward spiral of value creation that should occur downtown. There should hopefully be sufficient land and buildings tied up at favorable prices that will rapidly appreciate in value as the spiral takes off.[10]

Given the fundamentally different approach to development that is required to create walkable urbanity, a catalytic developer pioneers this new market and speeds up the revitalization process. It deviates from traditional development, particularly regarding construction quality and investment time horizon, but given the upward spiral of value creation that downtowns can potentially generate, it can be an attractive approach from a financial perspective. A catalytic developer is a manifestation of "doing well while doing good" or "double bottom line" investing.

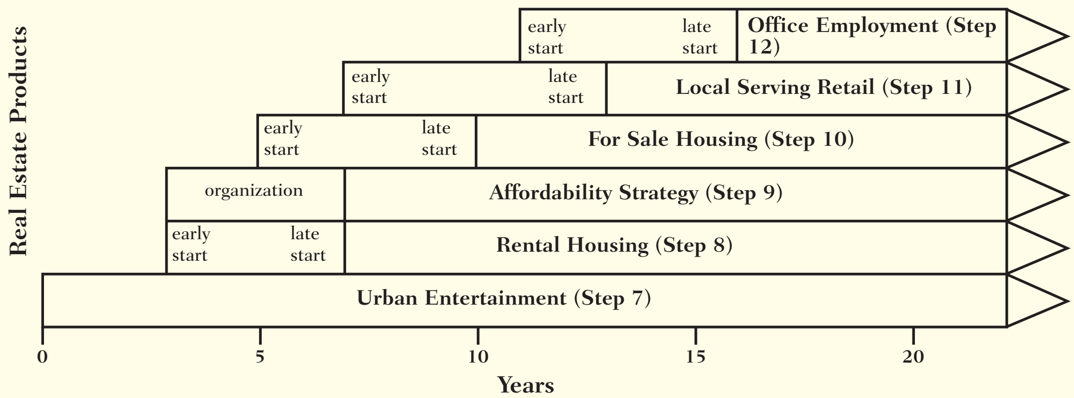
Implementation of the Real Estate Strategy

Once the stage for downtown development is set, as outlined in the first six steps above, the private real estate market begins to emerge. The implementation of the real estate strategy for downtown revitalization follows a process observed over the past 20 years in most downtowns throughout the country. It involves an overlapping layering of ever greater complexity that ultimately leads to a critical mass of walkable urbanity. It starts with urban entertainment, which creates a "there there," the initial reason people want to live downtown. It is followed by rental housing, where young urban pioneers come for a unique lifestyle not available in the suburbs. Rental housing is followed by for-sale housing, usually targeting older households who are willing to put their largest household asset, their home, in a reviving downtown. As the number of rooftops downtown increases, the need for local-serving retail becomes obvious. Finally, office employment expands and there is a need for more office space. Through this process, land and building values accelerate, necessitating mechanisms very early on to ensure affordability for residential and commercial space.

This implementation process takes any where from 10 to 20 years from the time the initial urban entertainment appears until the first new speculative office building is built. However, given that for-sale housing comprises half of the built environment, critical mass is usually achieved once there is a proven for-sale housing market, usually in six to ten years.

These next six steps outline how a downtown can become a viable, sustainable, private real estate market, propelling the upward spiral of value creation.

Figure 2. Downtown Real Estate Strategy Time Chart



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

Step 7: Create an Urban Entertainment District

Walkable urbanity starts with urban entertainment venues and retail that are within walking distance of one another. It must be in place before households can be enticed to move downtown.

It all starts, as in any real estate development, with market demand. Understanding which of the many urban entertainment options that have the greatest potential for success is a crucial first step. These can include:

- **Arenas, performing arts centers, or stadiums.** Since 1990, the vast majority of all new arenas, performing arts centers, and stadiums have been built downtown. They work better financially by having higher average attendance than their suburban competitors, and there is significant economic spin-off within walking distance.

- **Movie theaters.** The new generation of movie theaters—mega-plexes with digital sound and stadium seating—also benefit from a downtown location, assuming large amounts of evening and weekend parking can be provided for free. They also spark significant restaurant demand.

- **Restaurants.** A crucial part of any urban entertainment strategy, downtown restaurants provide lunch for the office workers and dinner for the night-time crowd, broadening their appeal and financial success.

- **Specialty retail.** Unique clothing, shoes, cosmetics, gift, and other specialty stores—as well as service providers such as day spas and design studios—can be attracted downtown. These will be mostly small, locally-owned retailers but will also include national chains.

- **Festivals.** One of the initial urban entertainment concepts, street festivals can be introduced relatively quickly to a reviving downtown since there is little or no capital outlay.

- **Arts.** The vast array of arts organizations, particularly music performers and visual artists, has a natural affinity for downtown. They are generally in the vanguard of urban dwellers.

Arts festivals, galleries, museums, and workshops are among the best and earliest urban entertainment providers.

- **Night Clubs.** Generally aimed at people in their 20s and 30s, night clubs also have a natural affinity for downtown; these venues tend to be loud and stay open late so there are constraints on where else they can locate in the region.

These urban entertainment concepts appeal to different clientele, yet can all be accommodated within walking distance. There can be a night club district a few blocks away from the performing arts center. There can be an arts district close to a movie theater and restaurants. An arena can be shoe-horned near office towers, double using the commuter roadways, transit, and office parking lots. This complexity gives all sorts of people a reason to come downtown, which is particularly important in the early years when downtown's image may not be positive.

The most important benefit of entertainment is to get "feet on the street," especially at night. And just as a crowded restaurant is the best recommendation that it is a good place, crowded sidewalks recommend downtown, signaling a safe environment, and providing an excitement and spectacle that draws people to the area.

Step 8: Develop a Rental Housing Market

The initial urban pioneers looking to live within walking distance of the urban entertainment growing in downtown will tend to be young, often students and those in their 20s. This age group was probably raised in the suburbs, and probably doesn't have as negative an impression of downtown as their elders. They also look upon it as exciting and interesting, especially compared to where they were raised.

The young also tend to rent, as they don't have the assets, income, or location stability required to buy a home. They are more flexible, tied only to the lease they have signed, probably for a year or less. Once an urban entertainment concentration begins to emerge, this group generally has both the propensity to move downtown, and the ability to make the move quickly.

Rental housing projects can be conversions of existing office, industrial, or institutional buildings or new construction. The renovation of existing buildings offers some of the most exciting new housing options, as they are unlike other rental products in the regional market. Though often a source of great challenge for developers, converting obsolete, sometimes decrepit buildings into attractive, active uses has ancillary benefits. This type of development also begins to take lower end, class C office buildings off the market, paving the way for the eventual recovery of the office market.

New construction of rental housing has its own unique trials. While construction costs are much better known up front, with fewer surprises than conversions, these new costs tend to be high. There is no existing steel or concrete structure frame, parking, or re-useable heating and cooling systems to recycle. Since apartment rents tend to have an absolute ceiling in any market, the cost of new construction must come in at a level that is financially feasible, which can be very difficult to do, especially early in the redevelopment process when rents are probably low.

Like suburban development, an initial downtown turnaround requires sufficient parking. Only after critical mass is reached will parking ratios begin to drop, as more of the residents are walking or taking transit for their daily needs. The majority of the parking for rental apartments typically needs to be on-site. While converted office or industrial buildings may have more than sufficient parking, new construction will likely require structured parking, which is approximately 10 times more expensive than surface parking to build. In either case, the amount of parking on the site will drive the number of units that can be built.

In spite of the obstacles, downtown can often achieve the highest rents in the metropolitan area. If you offer a unique rental product in a unique, walkable downtown that is on the way back, the rents are likely to float to the top of the market.

Albuquerque

Since 1945, 31 studies have been conducted on how to turn downtown Albuquerque around. Every one of these studies focused on one or two "solutions," such as a new convention center, a civic plaza, streetscape improvements of the main retail street (redone twice), a pedestrian mall, and so on.

None of these "magic bullets" worked.

Then, in 1998, the newly elected Mayor Jim Baca made revitalizing downtown his number one priority, building upon initiatives started by his predecessor, Mayor Martin Chavez. He convened civic and business leaders to ask whether they would contribute the necessary financial and other support to kick off a strategic planning process. Within 15 minutes, $150,000 in contributions had been pledged, and the strategic planning process took off.

The strategy process resulted in 17 task forces to implement plans for constructing new parking structures, creating a business improvement district, building a new arena, sparking the development of new housing, developing a signage program, and replacing the existing zoning code with a "form-based" code that was easy to understand and resulted in building approvals in a rapid 21 days. In addition, a catalytic development company, the Historic District Improvement Co. (HDIC), was identified to help re-introduce private real estate development to downtown, where there had not been a private-sector building permit in 15 years.

HDIC is a for-profit/non-profit joint venture, organized as a for-profit limited liability corporation. It is partly owned by two non-profits, the McCune Charitable Foundation and the Downtown Action Team, which manages the BID; and the for-profit managing member is Arcadia Land Co, a new urbanism development company. HDIC combines the long-term, social perspective of its non-profit partners with the "get it done yesterday" perspective of a for-profit firm.

The McCune Foundation investment in HDIC has been unique in the nation. Characterized as a "program-related investment" (PRI), McCune provided below-market interest rate loans to HDIC to spur downtown development, making it one of the first times a foundation has attempted to line up its charitable mission with its investments. The foundation offered a type of investment capital that is crucial for downtown redevelopment yet is extremely rare: patient capital. Combined with the social mission of the foundation, this patient capital allows for much higher quality projects to be built with the kind of construction walkable urbanity demands. The managing member, Arcadia, is also in a position to be patient in achieving financial returns.

HDIC has developed over $50 million in new projects between 2000 and 2004, including a 14-screen movie theater, restaurants, specialty retail, office, and for-sale housing. It has an additional $60 million in the planning pipeline, which is primarily housing.

In the past two years, there have also been a number of new developers attracted to downtown Albuquerque. HDIC has provided these prospective developers access to its market and consumer research, introductions to their investors and bankers, and partnerships on parcels HDIC controls. HDIC has recently acted as the land, or horizontal developer, partnering with a building or vertical developer for 109 units of new rental housing. After critical mass is achieved in downtown, it is probable that HDIC will go out of business, leaving the field to private developers attracted to the then proven market, and it will eventually return the capital, hopefully significantly appreciated, to the McCune Foundation.

In 2003, National Public Radio's Smart City program called downtown Albuquerque "the fastest downtown turnaround in the country," due to the implementation of its complex strategy for downtown. To date, there has been over $400 million of new public and private sector development in downtown Albuquerque since the development and initial implementation of the 1998 strategy.

Step 9: Pioneer an Affordability Strategy

Like most things in life, turning around a downtown means good news and bad news. The good news is that if a critical mass of walkable urbanity is created, the rents, sales values, and land values will probably be the highest in the metropolitan area, rewarding those willing to take the risk, build high quality construction, and wait patiently for returns. The bad news is that the values will be some of the highest in the metropolitan area, meaning only the well-to-do can live downtown. To address this issue, an affordability strategy must be developed early-on in the revitalization process.

The issue of affordability generally focuses on housing. Specifically, lower paid workers who are employed downtown will not be able to afford the newly converted or new construction rental or for-sale housing due to the basic cost to deliver the product, and the high demand generated for it. Federal government-sponsored affordable housing programs have recently been cut back and the red-tape is discouraging to some developers. And the community development corporations (CDC's) who specialize in affordable housing generally do not have the capacity to fill the need.

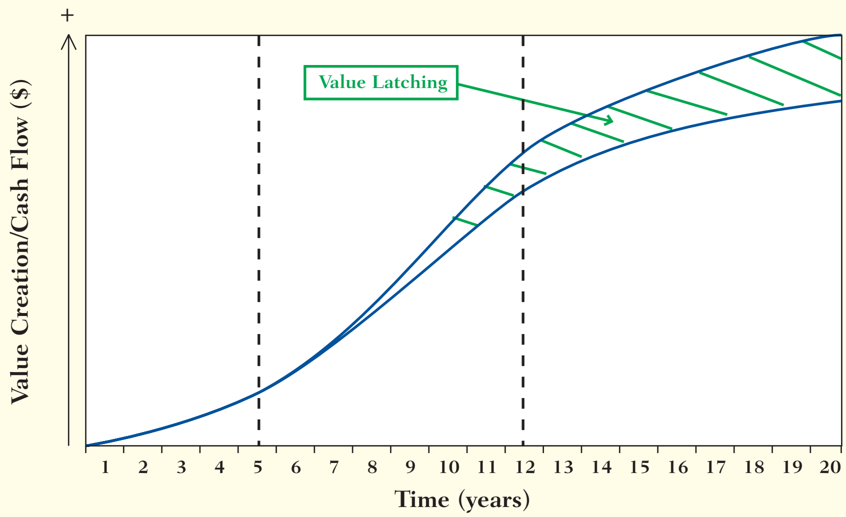
However, affordability is also an issue for commercial space. For example, even in a depressed downtown, there are unique retail and service establishments which will probably be pushed out as rents increase. In downtown Albuquerque, for example, there is a 60-year old, four generation-owned shoeshine parlor paying approximately $8 per square foot per year for its space. As redevelopment occurs, fancy new retail a block away is obtaining rents above $20 per foot. When the shoe shine parlor's lease ends, it will probably have to move; given that its customer base is downtown, this may push it out of business altogether. Artists who work and show in downtown face a similar fate by rehabilitating obsolete space in a dead downtown that is then rediscovered and renovated for higher-income professionals.

One of the usual approaches to affordability is to simply mandate it be addressed. Some downtown projects have a quota of affordable housing, such as 20 percent, particularly if the project had some form of government assistance. While this approach is required if federal housing tax credits are employed, it is counter-productive if they are arbitrarily used. In essence, the use of an affordable set-aside means the other 80 percent of the tenants or buyers must pay for the 20 percent being subsidized. So just at a time the downtown is struggling to come back, the very families they are trying to attract are "taxed" for pioneering the downtown revitalization. If all housing developments in the metropolitan area, or even in the city, had an affordable housing set-aside, that would be both fair and socially beneficial. Yet almost no affordable housing advocates have the will to take on the powerful suburban homebuilders. It is much easier to mandate affordable housing program on developers willing to take on socially-oriented development, like the revitalization of downtown.

An alternative experiment in downtown Albuquerque may bear watching. The Albuquerque Civic Trust has been established to finance affordable housing and commercial space and provide new parks for the reviving downtown.[11] Initially funded by the Ford, Enterprise, and McCune foundations, it is an attempt to have gentrification pay for affordable space on a permanent basis by the private sector. It works under the assumption that as the upward spiral of value creation occurs in a redeveloping downtown, there will be unanticipated profits made by the private sector. These private developers are being encouraged to dedicate a portion of those profits to the Civic Trust, a concept known as "value-latching" (Figure 3). If a development project exceeds the financial projections the project's backers used to underwrite their investment, only then will a portion of the unanticipated profits be given to the Civic Trust.

Why would a developer do such a thing? First, the developer is being asked to give a portion, say 20 percent to 40 percent, of the profits that were not anticipated and thus will not affect the underlying financial feasibility of the project. Second, it will be known by the consuming public that by patronizing the restaurant, movie theater, or business located in the project, they are helping to support the good work of the Civic Trust. This is similar to using an affiliation credit card that helps one's favorite charity, and in turn increases customer loyalty. Third, the work of the Civic Trust will add to the complexity of downtown, keeping the funky retail and

Figure 3. Progressive Real Estate Cash Flows with Value Latching



Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.

artists in the area and providing potential housing within walking distance for the business' employees. This complexity just adds to the upward spiral of value creation. Fourth, the use of old-fashioned guilt at not participating can be very influential. Finally, there are still civic-minded people and developers who would do it because it is a good thing to do for the community.

The future cash flows that are dedicated to the Civic Trust can be employed to provide equity investments in market-rate housing projects in return for an agreed upon number of affordable housing units. These housing units will be affordable for the long-term, not for 15 years like Federal programs. For example, the Civic Trust may finance CDCs in their development work, buy land and hold it and then contribute the land for future development which includes affordable commercial space and housing.

The obvious problem with value-latching is that the funds from the market rate development projects are not available to the Civic Trust when the downtown is just in the beginning stage of redevelopment, when the prices are the most affordable. Waiting until those funds become available then means that the prices of land and buildings have already begun to rapidly escalate, making it harder for the Civic Trust to fulfill its mission.

The answer to this dilemma is to borrow money from foundations who have a "program related investment" (PRI) loan program. First created by the Ford Foundation in the 1970s, PRIs allow foundations to lend substantial amounts of money which fulfill their mission. PRIs are usually invested in affordable housing or commercial projects that must then pay back the loan from that project's cash flow. Basically, this constitutes a non-recourse loan with the real estate project as the only potential source of repayment, a daunting proposition for most lenders. As a result, PRIs have a relatively high default rate. However, the Civic Trust can obtain PRI loans which will have two sources of repayment to the foundation making the loan: the market rate real estate project which dedicated its unanticipated profits to the Civic Trust and the affordable housing or commercial project that the money was invested in. This mechanism allows the Civic Trust to get in front of the gentrification curve, obtaining a capital base before the gentrification of downtown drives prices too high.

Getting in front of the issue of affordability adds tremendously to the complexity and social equity of downtown. At the same time, having households of all income levels living within

"Having households of all income levels living within walking distance provides another unique aspect to life in downtown."

walking distance provides another unique aspect to life in downtown, something not available in any other part of largely income-segregated America. This is yet another competitive advantage for a reviving downtown.

Step 10: Focus on For-Sale Housing

Following the establishment of urban entertainment and the initial "colonization" of downtown by urban pioneers who rent, for-sale housing can return to downtown. For-sale housing appeals to a very different set of households than renters. They are generally older, not as adventuresome, and are prepared and able to invest in the largest asset of their personal net worth, their home.

The natural markets for for-sale housing in a reviving downtown include young professional singles and couples and Baby Boomer empty nesters. These are typically childless households who likely demand less living space, and aren't concerned about the quality of the schools. Still, far-sighted civic strategists responsible for downtown revitalization would be wise to include improving the downtown schools in their strategic plan. This would allow for the young professionals to stay in downtown if they eventually have children. In downtown Albuquerque, for example, the schools were a part of the strategy. There is a magnet elementary school serving downtown and in the fall of 2005, a charter high school with 200 students is moving into an old federal Building.

Another likely market to come downtown, though generally after the initial wave of for-sale housing, is retirees. The ability to access goods and services without the need for a car, coupled with close proximity to medical care in many cities, make downtown an ideal location for this group. This allows them to stay in the same city near friends and family while maintaining their self-sufficiency, especially if they are not able to drive.

Having an established for-sale housing market is the ultimate test of whether the downtown has achieved critical mass. Given the size of the for-sale housing market, it is crucial to the success of a downtown turnaround. Bringing middle and upper-middle housing to downtown will provide the tax base so sorely needed by most cities, and members of these households will demand a level of service that will continue the upward spiral. These services—whether they be safety, cleanliness, or parades—will benefit all elements of the community, not just those who choose to make their home downtown.

Today, with around two-thirds of U.S. downtowns in some stage of revitalization, there are many more examples of cities where for-sale housing has been profitably built. Well-known successes in downtown Denver, San Diego, Dallas (Uptown), Houston, Baltimore, Atlanta, and others have given the buyers, developers, bankers, and investors confidence that it can work in other downtowns around the county sooner than one might expect.

Step 11: Develop a Local-Serving Retail Strategy

Once downtown begins to be repopulated, the demand for local-serving retail will grow. As new downtowners often come to realize, however, long-time inner-city households have had to drive to the suburbs for most of their daily shopping needs for the past 20 to 30 years. In the initial stages of redevelopment, the new downtown residents have to as well. There are two primary reasons why many of these urban areas are under-retailed, despite their high density of demand for goods and services.

First, the structure of retail has changed considerably over the past several decades, evolving into fewer and larger outlets. These larger outlets draw from a consumer radius that has become wider and wider, increasingly undercutting smaller retailers in the area in price and selection. In the grocery business, A & P and Winn-Dixie put the small mom and pop corner grocer out of business, just as Wal-Mart is putting A & P and Winn-Dixie out of business today. The mom and pop grocer had a three to four block consumer draw, A & P had a one to two mile consumer draw and Wal-Mart has a three to five mile consumer draw. Store sizes went from 5,000 square feet mom & pop stores to 20,000 to 40,000 square feet regional and national chains to 180,000 square feet super centers. More significantly, the 40,000 square foot grocery store had about five acres of land, 80 percent under asphalt for parking, while the super center has a need for about 20 to 25 acres of land, most of it used for parking. Finding five acres in or near downtown is difficult, and finding 20 to 25 acres is nearly impossible in many cities.

As each succeeding generation of retailer's stores and parking lots became geometrically larger in size, the obsolete retail space was abandoned or under-utilized, resulting in the miles of deteriorating strip commercial littering American arterial highways. The big retail boxes went further to the fringe to obtain the vast amount of land required for their "modern" concepts. This includes selling goods in larger quantities and portions than those found in traditional grocery stores (flats of soda, not six-packs, and 180 ounces of dishwasher detergent, not 16 ounces), which then requires a car, or an SUV, to haul the stuff home. No one walks to a Sam's Club.

Second, local-serving retail is a "follower" real estate product, i.e., the housing must be in place before a grocery store can build a store. As a downtown redevelops, there are not enough households initially to justify the conventional grocery store. This is coupled with the fact they these stores have little or no experience in an in-fill urban location with parking challenges. Over the past three decades, these stores have been built primarily in the suburbs, relying upon new housing sub-divisions for demand and cheap surface parking. These national and international companies have top down policies for site selection, based upon this suburban paradigm. Obtaining an exception to these policies is very difficult, even if the local or regional management understand the demand for their store in downtown.

The super-sizing of retail and its subsequent flight to the fringe meant that as people began moving into American downtowns, they had no choice but to drive to the suburbs to shop. That, however, is changing.

There are some national and regional local-serving retailers who are experimenting with downtown and inner-city locations, making significant modifications to their format to fit the smaller urban sites and confined parking. These include the Ralph's, Safeway, and Kroger grocery chains, Home Depot, and the major book stores, among others. Grocery stores in particular are finding urban locations exceeding profitable due to less shelf space devoted to low-profit paper goods, like diapers, and more space for more profitable take-out food for busy professional households. The limitation on land that can be assembled in and near downtown also has an advantage for national, regional, and local chains that move there: Wal-Mart super centers will have a hard time getting very close.

Of course, there are still locally-owned retailers who provide groceries, drugs, and hardware and offer the "in and out" convenience—especially for one and two item trips—that larger stores lack. Unfortunately, they have become a dying breed. These companies often have weak balance sheets and thus have difficulty obtaining financing from banks for new development. Only if a project has sufficient patient long-term equity is it possible to lease or build space for smaller retailers with a shaky financial history. Thus while some of these stores will continue to thrive, as a group they are probably only part of the solution to downtowns' growing local-serving retail demands. The other part of the solution is finding ways to entice national "big box" retailers to integrate into a walkable landscape.

Step 12: Re-create a Strong Office Market

As entertainment, housing, and retail are established downtown, the office market will begin to follow.

In every metropolitan area in the country, there is at least one major concentration of upper-income housing. This concentration may be to the northeast, like Phoenix, the south, like Kansas City or the west, like Philadelphia. In each area, this is also where most of the office space has been built over the past 40 years.[12] It is known as the "favored quarter," the 90 degree arc coming out from downtown that includes the bulk of high end housing, the major regional malls, most of the new infrastructure, and the vast majority of new office space in the metropolitan area for two generations. The explosion of growth in the favored quarter is the major reason downtowns went into decline from the 1950s to the 1990s.

As upper-middle income for-sale housing is built in downtown, there will gradually be a return of a healthy office market and the employment it houses.

Once the bosses, who make the ultimate decision about office location, begin to live downtown, they will decide to bring their office there as well. Why should they drive to the suburbs from downtown when they could walk to work or have a very short drive? This has happened in those downtowns that have been redeveloping the longest over the past generation, particularly Denver, Portland, and Seattle. Denver, for example, had a vastly overbuilt office market following the energy bust of the early 1980s, which left office vacancies over 30 percent. Due to the combination of the 1990s economic boom, the conversion of obsolete office space into housing, and the construction of new for-sale housing in downtown, office buildings were once again being built in the last few years.

This step in the redevelopment process will probably only fill existing, vacant office space in most cities, due to the past overbuilding and the weak demand for office employment in the economy in general. However, it will be a tremendous benefit for city revenues and the employment prospects of other downtown and city residents. With most new metropolitan jobs located in the favored quarter of the suburbs, they were hard to reach by city residents, especially those with lower incomes. A growth in office development will address this imbalance, though it generally takes 15 to 20 years from the start of the revitalization process.

Conclusion

This paper summarizes what is known today about how to revitalize a downtown. In succeeding years, much more will be learned as greater numbers of American downtowns revitalize and the process proceeds to successive levels of development. As such, this paper will become dated.

As the demand for walkable urbanity continues to grow, so does the number of revitalized downtowns. Moreover, enclaves of density and walkable urbanity are also being created in other city neighborhoods—such as around universities, hospitals, and new or existing transit stops—as well as in both older and newer suburban business districts. More traditional looking lifestyle centers are rising in greenfield locations. Edge cities are being remade. And in some places, obsolete commercial corridors are now being retrofitted with high density development fronting the street. In short, there are plenty of places for walkable urbanity to emerge. While not as obvious, and without the emotional attachment of downtown, they will be the next frontier in the rediscovery of great urbanity in America.

Downtown revitalization is one of the most complex, challenging undertakings anyone can embark on. There are many skeptics and even those who support the process may have unrealistic expectations and frustrations. Yet, seeing a dead downtown come to life is a great reward for any community—and worth investing time, energy, and emotion.

"Ultimately, reaching critical mass means that the redevelopment process is unstoppable and cannot be reversed."

Endnotes

1. Christopher B. Leinberger is a partner in Arcadia Land Co, a new urbanism development company with projects in Pennsylvania, Missouri, and New Mexico. Arcadia is the managing member of the Historic District Improvement Co. (HDIC), the catalytic development company in downtown Albuquerque. Leinberger is also a managing director of Robert Charles Lesser & Co., one of the leading real estate advisory firms in the country, and has consulted on downtown revitalizations in over 50 cities world-wide. He has written or contributed chapters to six books on metropolitan development and strategy and his articles have appeared in numerous national magazines and trade and academic journals. Leinberger is a graduate of Swarthmore College and the Harvard Business School. His web site, which has copies of his articles and links to various development projects, is **www.cleinberger.com**.

2. Eugenie Birch, "Who Lives Downtown" (Washington: Brookings Institution, forthcoming).

3. Robert E. Lang, *Edgeless Cities: Exploring the Elusive Metropolis* (Washington: Brookings Institution, 2003).

4. For more in-depth analysis of this phenomenon, see "Building for the Long-Term" (Urban Land, December, 2003), at **www.cleinberger.com**.

5. These lessons come predominantly from Robert Charles Lesser & Co. experience consulting in large cities that include Baltimore, Los Angeles, Seattle, Portland (OR), Chicago, Minneapolis, Chicago, Dallas, Houston, El Paso, Phoenix, San Diego, Denver, Atlanta, Miami, Orlando, Jacksonville, Savannah, Nashville, and one of the finest examples in recent years, Chattanooga. There has also been consulting work in many small towns, such Provo (Utah), La Grange (Georgia), and Hershey (Pennsylvania), among others. Finally, they are also based on direct development experience in two very different places, St. Petersburg, Russia and Albuquerque, New Mexico.

6. *America's Real Estate*, Urban Land Institute, 1997

7. Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002).

8. Ansley Park, just north of downtown Atlanta, is a prime example. Averaging under $30,000 twenty years ago, today homes in this neighborhood are among the most valuable single family housing in the region, with values topping $1 million.

9. Go to **www.cabq.gov/planning/publications/down2010** to see the Albuquerque Downtown 2010 Plan.

10. The first catalytic development companies were the redevelopment agencies cities set up in the 1950s and 1960s to spur downtown redevelopment, generally called community redevelopment agencies or something similar. These were government departments, managed by public employees. By the 1970s, however, the opportunity for political interference, combined with the fact that public employees had no entrepreneurial incentives to motivate their work, made it clear that an alternative structure was required. That alternative took the form of quasi-independent special purpose government organizations with their own board of directors. While still managed by government employees, there was less political interference and a focused purpose for the organization. However, the incentives this type of organization could offer its employees were constrained, as it was still an arm of government. Two of the best examples of this kind of catalytic developer have been the Centre City Development Corporation in downtown San Diego and the Portland Development Commission, which have overseen two of the most impressive revitalization processes in the country over the past 30 years.

11. For more information go to **www.abqcivictrust.org**

12. Robert E. Lang, *Edgeless Cities* and Christopher B. Leinberger, "The Changing Location of Development and Investment Opportunities" (Urban Land, May, 1995). Available at **www.cleinberger.com**

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