

## Can Downtowns Survive?

by Samuel R. Staley\*

Can downtowns survive? The gut reaction of many, particularly in the development community, will be “of course.” But an economist’s eye on recent trends suggests the future of the downtown is anything but certain.

This may seem like unwarranted doomsaying considering the heady years of the last decade. After all, positive reports of vibrant downtowns flow continuously from downtown boosters and development associations. But the real story of downtown performance is much more complex.

Rebecca Sohmer and Robert Lang, for example, studied 24 downtowns from the Brookings Institution and Fannie Mae Foundation. Their general conclusion largely confirms conventional wisdom: All but five downtowns were growing.

### The Bad News

A more important statistic, however is whether downtowns are gaining in market share – are they showing they have a regional competitive edge?

In this respect, the data are not nearly as compelling: Just 15 of the downtowns gained population at a rate faster than their host city.

Some growth was dramatic – Houston, Seattle, Chicago, Denver, Atlanta, and Memphis saw their downtown population increase more than twice as fast as the city as a whole.

Cleveland, Norfolk, Baltimore, Philadelphia, Detroit, and Milwaukee increased their downtown population although their cities continued to decline. The others saw anemic (if positive) growth.

These patterns indicate that downtowns can survive, but the sluggish performance of many others is clear evidence that their survival is not assured.

## Survival Skills

What will it take for downtowns to survive and even thrive in this environment?

First and foremost, downtown advocates need to recognize they operate in a fundamentally different environment now than they did 50 years ago.

In the mid-twentieth century, the downtown was the regional epicenter for commerce, politics, and cultures. In the 21<sup>st</sup> century, dramatic improvements in mobility, low-cost telecommunications, two-income families, and low housing costs have fundamentally altered the regional economy. Families increasingly choose their neighborhoods based on lifestyle rather than proximity to work.

In more and more cases, downtowns survive and thrive because they have recognized they can play a unique, but not necessarily dominant, role in the regional economy.



They have become, in essence, highly specialized neighborhoods characterized by density and diversity.

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Second, downtowns need to be strategically focused. In *Good to Great: Why Some Companies Make the Leap and Others Don't*, Jim Collins found that for-profit companies excelled when they consistently applied a "hedge hog" concept –some product or service that they can be the best in the world at providing.

Downtowns need a hedgehog concept, too, but their focus will be somewhat different. While for-profit companies compete globally and technology is quickly obliterating geographic constraints, downtowns compete on a regional scale and in a spatial context. The 21<sup>st</sup> century downtown will compete by offering a bundle of services and a lifestyle that is distinct from alternatives offered within the region. More importantly, people will be as important as commerce in the 21<sup>st</sup> century downtown.

Third, a key component of revitalization efforts will be residential development – downtowns must become real neighborhoods where families and residents make long-term investments in where they live. Fortunately, the demographics are relatively easy to identify: Residents of downtowns tend to be urbane and metropolitan – they prefer density, mixed uses, and access to cultural programs and facilities, and are generally more inclined to walk or use public transit.

This boutique neighborhood concept is important for small cities as well as large ones. While downtowns in large cities benefit from congestion and sprawling suburbs, downtowns in small cities compete much more directly with outlying areas and towns. For smaller cities, then, a focused and targeted approach is even more important.

Despite 50 years of population decentralization, most downtowns can survive and even thrive. Their success will depend on their ability to recognize fundamental changes in the metropolitan fabric and transform themselves into neighborhoods that meet the demands of a more competitive and mobile society. They will need to develop a distinct identity and recognize the market constraints in which they operate. This also means recognizing the limits to their contribution to the local economy – they will be a crucial alternative for businesses and families, not the regional economic engine.

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*\*Samuel R. Staley, Ph.D., is a senior fellow in urban policy at Reason Public Policy Institute in Los Angeles ([www.urbanfutures.org](http://www.urbanfutures.org)). His most recent book is Smarter Growth: Market-Based Land Use Strategies for the 21st Century (Greenwood Press, 2001). Email him at [Samuelrstaley@aol.com](mailto:Samuelrstaley@aol.com)*

Center For Community Economic Development, University of Wisconsin-Extension  
610 Langdon Street, Madison, WI 53703-1104  
PH: (608)265-8136; FAX: (608)263-4999; TTY: (800)947-3529; [HTTP://WWW.UWEX.EDU/CES/CCED](http://WWW.UWEX.EDU/CES/CCED)  
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