

Downtown's Role in the New Economy

Summary of a Presentation by Gary Becker*

A successful downtown supports the "new" economy and is an integral part of a regional economic development strategy. These concepts were discussed in detail by Gary Becker of Vierbicher Associates Inc. in Madison, WI at the annual Wisconsin Governor's Conference on Downtown Revitalization. This article summarizes Mr. Becker's reasoning on why downtown is important to regional economic development, and what communities can do to increase the role of their downtowns.

"Old" v. "New" Economy

The "Old" Economy can be characterized by the Industrial Era, where manufacturing was the main engine of economic development. This economy was machine-centric and focused on the quantity of goods or services produced. Early in this era, downtowns were the center of economic activity for a region. However, land conflicts eventually pushed major economic activity to the urban fringe, where it has largely remained.

In contrast, the engine of the "New" Economy is knowledge. The "New" Economy is people-centric and relies on the increasing differentiation of goods and services as well as new products delivered in new ways. As a result, innovation and creativity are key attributes for companies looking to gain a competitive advantage. Business parks and university/research centers have catered to the changes in the economy, while traditional downtowns have lagged behind.

As the economy evolves, so does the consumer. Today's consumer demands customized goods delivered quickly at a low cost. Companies that can succeed in responding to their customers demands efficiently will have a market advantage over their competitors. As a result, companies look for individuals who are innovative and able to thrive in the environment of the "New" Economy. These workers, often called the "creative class", are generally young, highly educated, and mobile. They are typically employed in occupations that add value through knowledge and creativity such as managers, engineers, attorneys, writers,

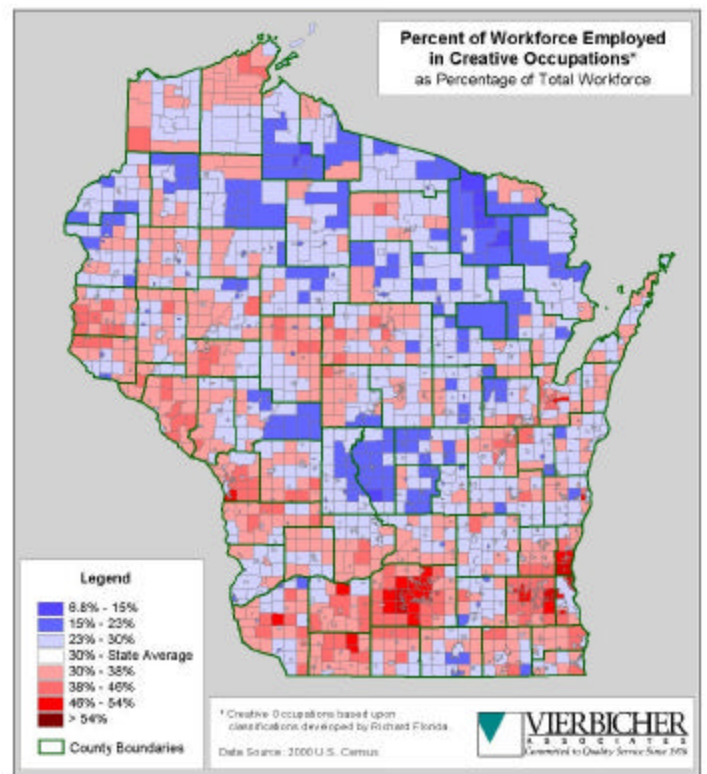
artists and educators. See the map below illustrating the distribution of these occupations statewide.

How Downtown Supports the "New" Economy

The "creative class" is attracted to regions with interesting and vibrant downtowns at their core. There are a number of reasons for this. These employees put an emphasis on living and working in places that are interesting, exciting, and tolerant. Diversity is also important to the "creative class", and vibrant downtowns give them diversity of space, businesses, ideas, and people.

Increasing the vitality of your downtown will make it easier to attract "New" Economy companies that know that a vibrant downtown is an indicator of a vibrant community and therefore attractive to the talent that the company needs to succeed.

In addition, downtowns also support the "New" Economy because by their very nature they promote the cross-



fertilization of knowledge, experience, and ideas—making it a breeding ground for innovation and creativity. Elements of the physical environment of downtown—such as architecture, art, music, and public spaces—also stimulate creativity among employees. As a result, the downtown environment can give companies a competitive advantage in the Information Era.

Downtown as a Regional Economic Development Strategy

The role of downtown cannot be underestimated when creating a regional economic development strategy since it is a magnet for creative talent. As a result, your downtown should be as well-planned as a business park on the outskirts of the city. To compete for company relocations it is important to offer both business/industrial parks *and* access to a interesting and vibrant downtown. Finally, it is crucial to include downtown in the economic development portion of a region's Comprehensive Plan to make sure that downtown is always being focused on as an area for economic growth.

What Else Can Communities Do?

To further embrace the “New” Economy, communities can do a number of things:

- Create a Master Plan for downtown that provides diverse land uses, does not over design, and makes downtown look fun and attractive.
- Emphasize physical places where people can meet and share ideas such as restaurants, coffee shops, health clubs, and meeting spaces.
- Attract innovative small businesses and attractions, encouraging some to remain open 24 hours per day/7days per week.
- Promote cultural resources and historic architecture (renovated for modern use) as part of the uniqueness of downtown.
- Ensure that low-cost space is available, even if it is somewhat rundown.
- Offer high speed digital infrastructure that appeals to high tech businesses.
- Promote development of flexible workspace that can be quickly reconfigured to meet changing needs.

- Offer a variety of leisure and recreational activities downtown that preserve the integrity of the natural environment.
- Provide networking opportunities, such as specific planned events.
- Provide multi-modal access to downtown, such as sidewalks and bike trails.
- Make sure that economic development and downtown stakeholders are working as a team.
- Provide programs that connect businesses with sources of capital and technical assistance.
- Develop a mix of housing attractive to newcomers and existing residents that improves the cohesion of working and living downtown.

The Bottom Line

By creating an environment that meets human needs and stimulates interaction, you will be able to attract employers who are looking for that type of environment for their employees. In addition, you will create a business environment full of creativity and innovation, which will help attract young professionals and make your city competitive in the “New” Economy.

Source: 12th Annual (Wisconsin) Governor's Conference on Downtown Revitalization. October 7, 2003, Madison, Wisconsin.

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Additional resources:
1000 Friends of Wisconsin Land Use Institute, www.1kfriends.org
The James Irvine Foundation, www.irving.org
Next Generation Consulting, Rebecca Ryan,
<http://www.nextgenerationconsulting.com/>
Rise of the Creative Class, Richard Florida,
<http://www.creativeclass.org/bio.htm>

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