

CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT



# LET'S TALK BUSINESS

IDEAS FOR COMMUNITY DEVELOPMENT PROFESSIONALS WORKING TO EXPAND LOCAL BUSINESS ACTIVITY

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## Evaluating the Health of Downtowns *A Study of Michigan Small Cities\**

There have been many efforts by cities across the country to revitalize their downtowns. Some have been more successful than others. A major problem, however, has been that there is generally an accepted method of evaluating such efforts. It is difficult for downtown leaders to determine whether a program or activity has been helpful in improving downtown health. Programs that appear successful in the short run are sometimes ineffective over the long run.

Development of an evaluative tool is an important need for city planners, local officials, downtown business owners, and others concerned about the effectiveness of downtown revitalization efforts. The Health Perception Index (HPI), as described and utilized throughout this study, provides a base Index evaluation against which other factors may be compared. It can be used as a yardstick for evaluating revitalization efforts. It is multi-dimensional, and can be utilized both in different communities and at varying time periods.

### Focus of Study

This study focused on the downtowns of a group of representative smaller cities in Michigan. The cities were selected based on three criteria—they are 1) between 5,000 and 20,000 population, 2) not economically linked to larger cities, and 3) located in the outstate areas of the lower peninsula of Michigan. Eight of the cities were included in a precursor study completed in 1987; eight additional cities were selected to give a representative selection based on city size, market autonomy, and geographic location.

Smaller cities were selected for this study because they are more subject to external forces, and their downtowns feel more directly the competition from new commercial strips and shopping centers.

The study investigated attempts made by business and community leaders to revitalize the downtowns, and evaluated the relative success of these efforts. In addition to evaluating the business environments of these downtowns, their role as social and cultural centers of the communities was also examined.

### Derivation of the Health Perception Index

The Tyler study systematically compared and evaluated revitalization efforts in sixteen Michigan cities and developed a common yardstick—the Health Perception Index—for making comparisons of the relative success of those efforts. The Index was derived from four questions included in the survey—1) compare the health of your downtown with other downtowns of similar size; 2) indicate how the health of your downtown has changed over time; 3) indicate whether you are optimistic or pessimistic about the future health of your downtown; 4) evaluate your downtown in terms of sixteen characteristics.

### Findings

The study included sixteen downtown characteristics, and analyzed their relative importance to the downtown health. The characteristics included such things as condition of buildings, cooperation of city government, historic character, retail sales, etc. The characteristics tended to group themselves into two categories—functional factors (e.g., business mix, retail strategies, cooperation of the city, etc.); and physical factors (e.g., streetscape improvements, condition of buildings).

In the Tyler study, functional characteristics were found more central to success, even though more money and attention had been paid to physical factors. Both types of improvements are important, but physical improvements are more a reflection of good health, rather than the cause of it, while functional factors were more causal.

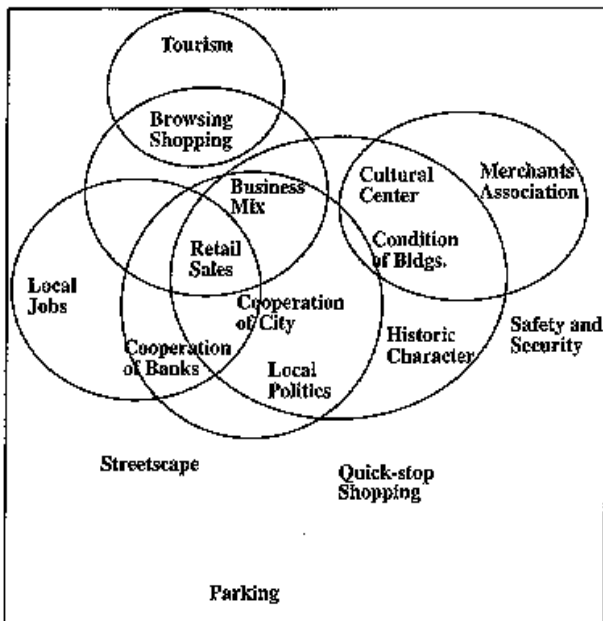
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Of the characteristics considered, it was found that “business mix” was the characteristic most closely correlated to the HPI. In other words, the factor having the closest association with perceived downtown health was shown to be the types of businesses located there.

If business mix is important to downtown health, then what makes up a good mix? A good business mix includes various types of businesses, but the business type having the strongest correlation with the HPI was “Browsing shopping.” Browsing shopping represents businesses that encourage shoppers to stay longer and comparison shop, and relies on complementarity of stores in close proximity. Representative browsing shopping businesses includes gift shops, antiques stores, bookshops, bakeries, etc.

Other downtown characteristics, which were shown to be closely correlated to the HPI, included “retail sales” and “cooperation of city government.” Most of the other sixteen downtown characteristics had varying degrees of correlation with the HPI.

The following chart illustrates the downtown characteristics that are central to perceived downtown health, as well as their relationships to each other.



**Relationships of Downtown Characteristics**

Perhaps more relevant, as shown above, three factors did not correlate to downtown health--“Streetscape improvements,” “Parking,” and “Quick-stop shopping.” This was a surprising conclusion, for revitalization programs often include all three of these characteristics as major factors in their efforts. Yet the three were shown to be not that important for varying reasons. Streetscape improvements were sometimes seen as important, and other times not.

Streetscape improvements, such as sidewalk pavers, trees and benches, and new lighting, have commonly been viewed as a panacea for poor downtown health. The study indicates that such improvements play only a minor role. Physical improvements should be seen as a product of improved downtown health, rather than a cause of it. As is suggested by the old cliché, “Beauty is only skin deep.”

Possibly more surprising and controversial was the finding that convenient parking was the characteristic least correlated with the downtown health index. Many merchant associations have expressed their concern with the inadequacy of downtown parking as a reason for their poor sales, and city officials have responded by spending capital improvement money on larger parking lots. Yet this survey found that other factors were much more closely tied with commercial success, and that parking was largely overrated as a factor. This is important to recognize, because many cities have allocated a large portion of their downtown improvement budget to more or improved parking, when there is no evidence that the amount or quality of parking contributes to downtown health in any significant way.

The third non-factor was what was labeled quick-stop shopping—the type of shopping that imitates the strip commercial centers. Customers typically have directed purchases, with their goal to be quickly in and out. These types of businesses do not contribute to the character of healthy downtowns, which are most successful when they are destination points, rather than quick stops along the way to somewhere else.