

Global Trends Update:

# SOCIAL EQUITY BENEFITS THE DOWNTOWN ECONOMY

**P.U.M.A.'s Global Trends Report & Social Equity:**

Since 2006, Progressive Urban Management Associates (P.U.M.A.) has conducted ground-breaking research to identify the top global trends impacting American cities. The P.U.M.A. Global Trends Report has been utilized by many cities to support a variety of downtown planning, marketing and economic development initiatives. P.U.M.A. was the recipient of the International Downtown Association's President's Award for our work in producing and sharing the Global Trends Report. The most recent edition of the Global Trends Report can be downloaded from [www.pumaworldhq.com](http://www.pumaworldhq.com).

The 2014 Global Trends Report, prepared in collaboration with the University of Colorado at Denver, revealed several new influences shaping downtowns, including the growing social equity movement. Social equity is characterized by a fair and equal opportunity for residents to achieve upward socio-economic mobility. The most visible indicator of the issue is growing income inequality in America, which is now at its most extreme since the 1920s.

Given the dovetailing interest in social equity, P.U.M.A. identified a need for closer examination of the issue in the context of American downtowns. Specifically, we asked: **does advancing social equity provide tangible economic benefits to a downtown, and if so, how can local leaders defuse this highly volatile issue with economic facts and proven policies?**

**The Key to Downtown Vitality – Millennial Job Growth:**

Downtowns are in the midst of a renaissance in the United States. They have been broadening the scope of their land use, revitalizing public spaces, and adding arts, entertainment, and residential options to create diverse, thriving urban centers. In this period of rebirth, downtown leaders are no longer commiserating over the struggle to attract new employees or residents. Instead, they are competing with each other to attract and retain the deepest pool of workforce talent that will fuel their economic engines for decades to come.

The Millennial generation, composed of young adults born between 1980 and 1995, is now the key demographic in today's workforce and highly influential over the health of downtown economies. As of the first quarter of 2015, they are the largest cohort in the American workforce. 1

They will account for more than one in three U.S. adults by 2020 2 and will make up as much as 75 percent of the U.S. workforce by 2025. But it is not just their sheer numbers that make them significant. Over 61 percent of Millennials have attended college, making this generation the most highly educated in American history. The oldest segment of this generation is just barely established in their adult lives and careers, but their unique preferences and value systems are already transforming the way we live. If downtown leaders wish to leverage this generation to their best economic advantage, they must understand these preferences and values, and create opportunities for them.

Millennials are overwhelmingly supportive of progressive policies that promote social justice and equal economic opportunity. A recent poll conducted for the Youth Engagement Fund and Project New America surveyed Millennial attitudes and opinions on a variety of topics. When respondents were given a list of values and asked, "Which two issues are most important given the challenges we face as a country?," "Equality" and "Opportunity" were the leading answers.

We assessed the following key indicators for promoting both social equity and economic vitality in downtowns:

<p><b>Neighborhoods &amp; Housing</b></p> <p>Downtown neighborhoods have housing choices that are affordable, mixed-use, mixed-income, and include a mix of types.</p>	<p><b>Jobs &amp; Education</b></p> <p>Downtown schools, training programs, and job opportunities are high quality and available to all residents.</p>
<p><b>Mobility</b></p> <p>Downtown is walkable, bikeable, and offers affordable and accessible mobility options.</p>	<p><b>Retail</b></p> <p>Downtown retail offerings appeal to a mix of consumers at a variety of price points.</p>



## NEIGHBORHOODS & HOUSING

**Downtown neighborhoods have housing choices that are affordable, mixed-use, mixed-income, and include a mix of types.**

Downtowns throughout the nation are witnessing a residential revival with demand driven by the Millennial and empty-nest Baby Boomer cohorts. Demographic and lifestyle shifts explained in the Global Trends Report support a continued pipeline in housing demand for many years; however, the product being built to meet this demand is largely one-dimensional. In many cities, the market is responding with high-end rental units for singles and couples, with few options at a more affordable price point for families with children. There is growing concern that Millennials that are initially attracted to downtowns may choose to move as they have children and/or seek home ownership opportunities.

While Millennials tend to prefer urban living, the high cost of downtown housing in larger metropolises can be prohibitive. In fact, Millennials are increasingly attracted to smaller “rebound” cities because they offer both affordability and the same basic urban amenities as larger and more expensive downtowns. Cities like San Antonio, San Bernardino, Orlando, Miami, and Detroit saw the fastest growth in older Millennials between 2010 and 2013<sup>4</sup>. Second-tier cities that actively invest in housing, transit and amenities in the urban core may be best positioned to attract this key demographic if downtown housing prices in larger cities continue to rise.

Some cities are taking active measures to combat the lack of affordable housing. Since 2000, Austin, Texas, has created 18,400 affordable housing units, even as the city grows in population and prosperity. Its success in adding to the affordable housing stock can be attributed to the cumulative impact of its suite of programs that encourage affordability<sup>5</sup>. One such program involved the city implementing a number of incentives to encourage developers to build affordable housing. They included reduced fees, a speedier municipal review process, density bonuses, parking exemptions, and other similar strategies that saved developers time and money.

Detroit took a different approach. In 2010, the Downtown Detroit Partnership (DDP)

partnered with anchor corporations, Quicken Loans, Compuware, DTE Energy and others, to provide financial incentives for cash-strapped recent college graduates to rent or buy a home in downtown or midtown Detroit. New renters, for example, receive a \$2,500 allowance of funding toward the cost of their apartment in the first year, followed by additional funding of \$1,000 for the second year<sup>6</sup>. According to Forbes Magazine, the corporations added 10,000 jobs to downtown Detroit in the first 18 months, 500 of which were filled by participants in the Live Downtown Program. By the end of 2013, a total of 913 employees had taken advantage of the program.<sup>7</sup>



## JOBS & EDUCATION

**Downtown schools, training programs, and job opportunities are high quality and available to all residents.**

Downtown leaders understand the importance of cultivating a workforce that includes highly educated and skilled workers. Communities with a well-educated workforce tend to have higher wages and more vibrant economies<sup>8</sup>. Further, it has long been understood that access to quality education plays a pivotal role in increasing economic mobility.

Countless studies have been undertaken so that business and community leaders can discern what incites educated Millennials to relocate from one metropolis to another. But there already exists a wealth of human capital in urban cores whose potential has not yet been realized. Downtowns can produce a home-grown pool of workforce talent by ensuring high quality public school educations for local residents and by creating programs to support the pursuit of a post-secondary education.

All too often, public schools in downtown locations do not meet the quality standard that families with young children seek for their education. School system ratings are often an important consideration for potential new residents, and downtowns with poorly rated public schools are not attractive options for parents that are considering relocation. Further, those already living in downtowns may retreat to suburbs with better rated school systems, once they make the decision to start a family.

Downtown Denver offers a case study of the business community working to develop a continuum of educational opportunities from kindergarten through graduate school. The Downtown Denver Partnership has been a partner to lure public charter elementary and middle schools to the central business district. The organization supported City efforts to successfully extend and increase a local sales tax that supports the Denver Preschool Program. The 0.15 percent tax provides need-based tuition credits for all households so that families can enroll their children in preschool. The success of the program has been documented in numerous studies, one of which found that that “. . .64 percent were rated advanced or proficient in reading [by third grade], versus 58 percent of Denver children who had not gone through the program.”<sup>9</sup> Partnerships also exist with local community colleges, universities and graduate schools to tailor educational programming to the needs of downtown businesses.

Appealing to the values of a young skilled workforce, Cleveland, Ohio, has taken a unique approach to economic development by creating a collaborative effort among local businesses to make the region’s racial and ethnic diversity a source of economic strength and job development. The Greater Cleveland Partnership’s Commission on Economic Inclusion is a coalition of more than 100 local employers that have committed to various formalized relationships that promote growth by cultivating and marketing their diversity. Their Supplier Diversity plan, for example, “grows minority-owned business enterprises through access to capital, workshops and a business matchmaking program that has secured more than 54 deals worth \$131.6 million.”<sup>10</sup> The Cleveland Clinic and Case Western Reserve University are significant partners in this collaborative.<sup>11</sup>



## MOBILITY

**Downtown is walkable, bikeable, and offers affordable and accessible mobility options.**

Millennials demand a variety of transportation options. They are less car-oriented than previous generations and take advantage of public transportation more often.<sup>12</sup> Millennials in Motion, a 2014 literature review from the U.S. PIRG Education fund, found that increasing attraction to less

driving-intense lifestyles combined with the widespread adoption of technology-enabled transportation options like bike- and car-sharing programs has resulted in a generational shift in behaviors. The percentage of high school seniors with driver's licenses has been in steady decline since 1996, indicating that the generational preference for alternative modes of transportation is likely to stay.<sup>13</sup> Downtowns that turn their attention toward increasing the affordability and accessibility of alternative transportation options cater to the steadily increasing younger populations that do not rely on a car.

Businesses are also drawn to downtowns that prioritize alternative transportation options. A 2014 study by the Martin Prosperity Institute found that startup and technology companies are significantly more likely to locate in transit-oriented and walkable areas<sup>14</sup>, specifically citing the ability of their employees to walk or bike to work as a major draw. Not only do highly accessible downtowns draw employers, they also boost worker productivity. Employees who regularly bike to work are more productive, miss fewer days of work due to illness, and accrue lower health costs.

In addition to drawing new businesses and employees, walkable and bikeable real estate maintains value and stability, even in the midst of economic downturns. An analysis of neighborhoods in the Washington, D.C., metro area found that areas with better walkability report higher retail revenues, steady commercial rents, and increased residential sales prices, despite the Great Recession<sup>15</sup>. Homes within a half-mile of Indianapolis' 10-mile multi-use Monon Trail sell for an average of 11 percent more than similar homes farther away.

While the implementation of bicycle and pedestrian infrastructure have been shown to add stability to downtown real estate market values<sup>16</sup> and demonstrable increases in sales and economic growth<sup>17</sup>, the provision of reliable and affordable access via transit to downtowns from surrounding neighborhoods and suburbs may be most impactful. Skyrocketing housing prices in and around city centers have forced many low to moderate income segments of the downtown workforce to move to less expensive surrounding neighborhoods. In order to continue to access downtown employment centers, they must rely on public transit or other vehicle-sharing programs for their commutes.

Downtowns that wish to maximize the economic benefit of local talent must account for how that talent makes its way into and out of the city center. Acknowledging and catering to the increasing diversification in

modes of transportation will naturally increase the depth and diversity of the talent fueling economic growth sectors.



## RETAIL

**Downtown retail offerings appeal to a mix of consumers at a variety of price points.<sup>18</sup>**

Despite the growing prominence of social equity issues and concerns, an increasing number of retail developments in downtown settings across North America are paradoxically focusing on the high-end consumer, with concepts and price points that are virtually inaccessible to the middle class.

This trend is most readily apparent in the new luxury-oriented projects appearing in first-tier markets, like New York City's Hudson Yards, Washington's CityCenterDC and Miami's Brickell City Centre, but it can also be observed in smaller metros, as in the upscaling of Ottawa's Rideau Centre.

It also applies to the kinds of retail that appeal to so-called "yupsters", those upwardly mobile young professionals and well-established empty nesters with creative and alternative sensibilities. This is the psychographic that has fueled the urban renaissance of the last twenty years, in metros both large and small. It values authenticity, shops independent and eats local – and considers itself socially progressive. Yet descriptors like "artisan", "handcrafted" and "curated" usually imply very high prices, like \$18 hamburgers and \$600 watches.

Acknowledging that the presence of such offerings generally increases the likelihood of attracting the kinds of "blue-chip" users – the Class A office tenants, the free-spending national conventions, the wealthy condominium buyers, etc. – which have the deepest pockets and drive property values and national/international profile, it also poses some very real dangers to the retail vitality of many downtowns that property and business interests might want to consider.

For example, the amount of retail inventory in most downtowns dates from an earlier era when they were the primary shopping

destinations of their respective regions. Today, however, consumers are far more mobile and have multiple alternatives. Keeping all of that square footage filled requires that the mix appeal to and draw on all of the available sub-markets within its trade area, not just a narrow selection of them.

Indeed the boundaries of a downtown's retail "trade area" encompass not just the central business district itself, with its growing cadre of "yupsters", but also, a broader expanse of central-city neighborhoods that account for the lion's share of the consumer demand and that have, in many cities, remained overwhelmingly low-income.

Meanwhile, on the tenant side, the retailers that have been opening the most new locations in recent years have tended to be the value-oriented ones. While off-price juggernauts like T.J. Maxx and DSW Shoe Warehouse have long sold designer labels at discounted prices, today the primary growth vehicles of even the luxury department store brands are their off-price or outlet divisions (e.g. Saks OFF 5th, Nordstrom Rack, etc).

Most downtowns are always going to have their "rough edges". As the natural locations for mass-transit hubs and social service agencies, their sidewalks are not about to turn homogeneously upscale and polished. And because much of their retail space exists in the public realm (and not a privately owned shopping center) they cannot simply remove "undesirables" or easily change the atmospherics.

For these reasons, the most realistic and sustainable retail mix for most of today's Downtowns is one that offers true "crossover" appeal and can draw the broadest-possible range of income levels and consumer sensibilities. Examples include re-emergent corridors like the Fulton Mall in Downtown Brooklyn and redevelopment projects such as the Fashion Outlets of Philadelphia in Center City Philadelphia, which are capable of gaining new sub-markets while remaining relevant and accessible to their core customer(s).

While they might not own or control retail space, municipalities and quasi-public entities such as BID's can endeavor to play a more proactive role in this arena, advocating on behalf of a more socially equitable mix, working closely with property owners and leasing professionals to identify corresponding tenancies as well as developing specific capacities and tools for facilitating and incentivizing such deals.

*This Global Trends Update was authored by Brad Segal, president of P.U.M.A., and Elizabeth Munn, P.U.M.A. intern. Elizabeth Gwinn, P.U.M.A. associate, provided contributing research.*

*Michael J. Berne, president of MJB Consulting, authored the retail section of the report.*



1201 E. COLFAX AVE., #201  
DENVER, COLORADO 80218  
TEL: 720.668.9991  
www.pumaworldhq.com

## Footnotes

- 1 <http://fortune.com/2015/05/11/millennials-have-taken-over-the-american-workforce/>
- 2 Brookings Institute. "11 Facts about the Millennial Generation." June 2, 2014. June 2, 2014. [www.brookings.edu](http://www.brookings.edu)
- 3 <http://www.theatlantic.com/politics/archive/2014/05/everything-you-need-to-know-about-millennials-political-views/371053/>
- 4 Forbes. "Millennial Boomtowns: Where the Generation is Clustering" August 4, 2014. [www.forbes.com](http://www.forbes.com)
- 5 <http://austin.uli.org/awards/affordable-housing-award/>
- 6 <http://www.detroitlivedowntown.org/incentives/>
- 7 <http://placemaking.mml.org/live-midtown/>
- 8 Economic Policy Institute "A well-educated workforce is key to state prosperity." 2013. [www.epi.org](http://www.epi.org).
- 9 Jon Murray. "Denver preschool tax increase passes City Council committee". The Denver Post. July 12, 2014.
- 10 <http://www.diversityinc.com/diversity-management/diversity-drives-clevelands-economic-recovery/>
- 11 [http://www.gcpartnership.com/pdf/GCP\\_2013\\_Annual\\_Report\\_final\\_web.pdf](http://www.gcpartnership.com/pdf/GCP_2013_Annual_Report_final_web.pdf)
- 12 <http://www.uspirg.org/sites/pirg/files/reports/Millennials%20in%20Motion%20USPIRG.pdf>
- 13 <http://www.uspirg.org/sites/pirg/files/reports/Millennials%20in%20Motion%20USPIRG.pdf>
- 14 Martin Prosperity Institute. "Startup City: The Urban Shift in Venture Capital and High Technology." March 2014. [www.martinprosperity.org](http://www.martinprosperity.org).
- 15 Brookings Institute. "Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C." May 25, 2012. [www.brookings.edu](http://www.brookings.edu)
- 16 Brookings Institute. "Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C." May 25, 2012. [www.brookings.edu](http://www.brookings.edu)
- 17 New York City Department of Transportation. "Measuring the Street: New Metrics for 21st Century Streets." 2012
- 18 Retail section authored by Michael J. Berne, President, MJB Consulting

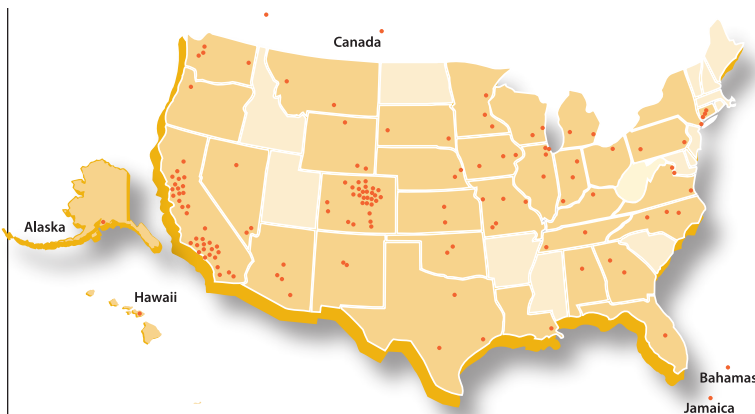
## PROGRESSIVE URBAN MANAGEMENT ASSOCIATES

**Progressive Urban Management Associates (P.U.M.A.)** is a consulting firm providing management, marketing and financial services to advance downtown and community development. The firm has provided services to more than 200 clients in 35 states, Canada and the Caribbean. Clients include downtown management organizations, local governments, community development corporations and private firms.

## SPECIALTIES

- Economic Development Strategies
- Strategic Planning
- Creating Healthy Communities
- Community Engagement
- Forming, Expanding or Renewing Business Improvement Districts
- Community Development Tools

## COMMUNITIES



## MEET P.U.M.A.

*Left to right in photo above:*

**J.J. Folsom, Vice President**  
JJ@pumaworldhq.com

**Liz Munn, Intern**  
lizm@pumaworldhq.com

**Yvette Freeman, Senior Strategist**  
yvette@pumaworldhq.com

**Brad Segal, President**  
brad@pumaworldhq.com

**Anna Jones, Senior Vice President**  
anna@pumaworldhq.com

**Erica Heller, Vice President**  
erica@pumaworldhq.com

**Erin Lyng, Associate**  
erin@pumaworld.com

**Liz Gwinn, Associate**  
liz@pumaworldhq.com