

# *THE DOWNTOWN ECONOMY: JOBS, HOUSING, AND BUSINESS*

September 28, 2010



STRATEGICECONOMICS

# Why is Downtown Important?



# What Defines Downtowns from Other Parts of a City?

- Downtowns are inevitably the historic core of any city, no matter how big or small.
- Downtowns used to include the greatest **concentration** and **mix of uses** in the community, such as:
  - ❖ Transportation connections to other places
  - ❖ Trade and commerce
  - ❖ Government and Civic activities
  - ❖ Flagship stores and other retail activity
  - ❖ Cultural and institutional resources
  - ❖ Adjacent residential neighborhoods with elegant homes

# Most Downtowns Still have the “Bones” from this Historic Function



# So What Happened to Downtowns?

From the time a city was founded, until the late 1920s, downtowns were “multi-modal places. People arrived by train, streetcar, horse drawn vehicles, and by walking.



# The Car offered New Possibilities to Address “Downtown Congestion”



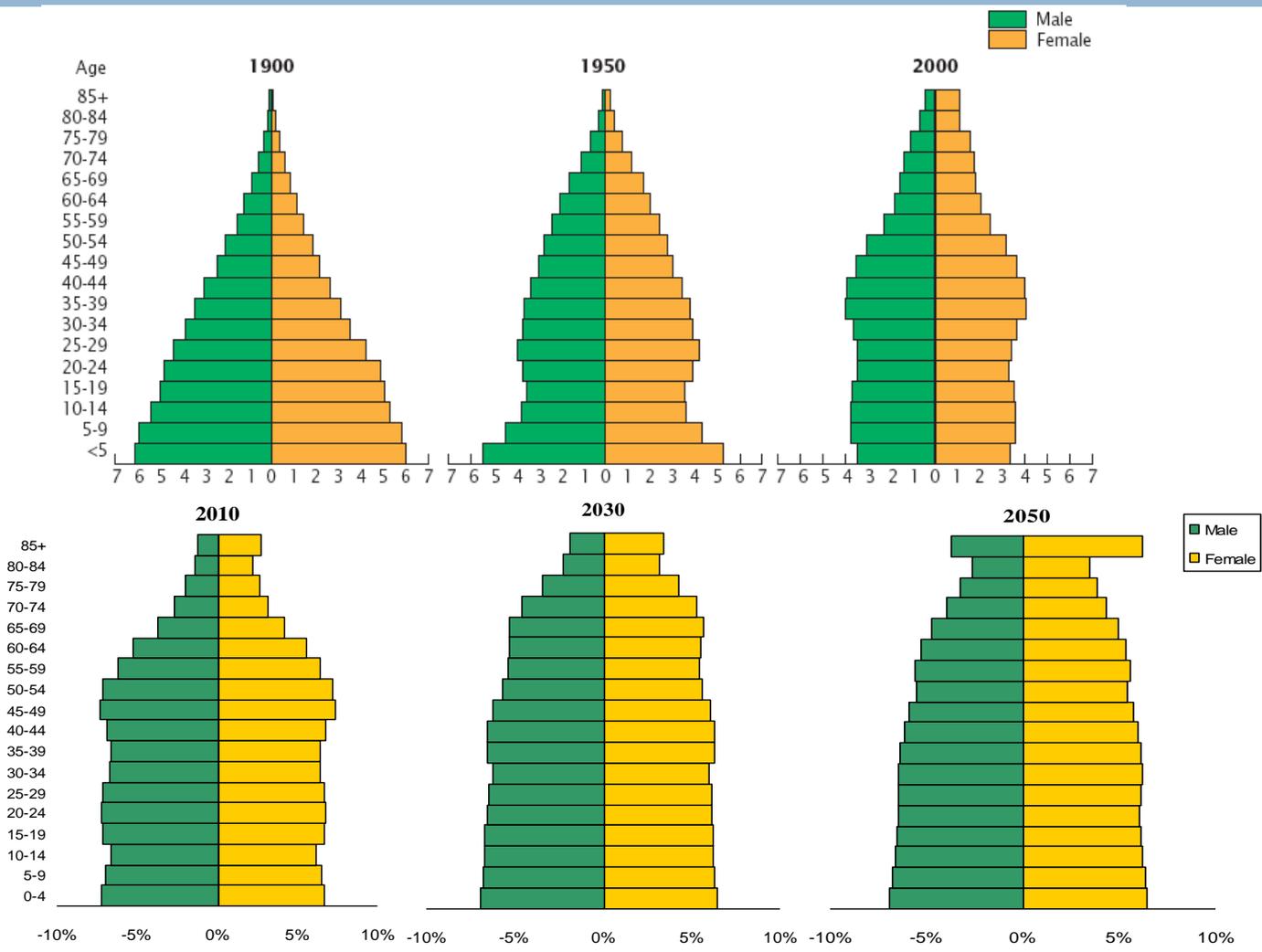
But the car ended up having devastating results, and “the rest is history.....”



# All Over the Country, Other Downtowns are Experiencing a Renaissance

- Population increased in 15 of the 20 most populous downtowns in the U.S. between 1990 and 2000
- Since 2000, many cities have continued to experience significant growth in their downtowns (until the recent downturn)
- Los Angeles is a prime example: added 7,000 units between 1999 and 2006, with another 7,500 units under construction
- Long Beach added 2,192 new units from 2000-2008.

# Two Major Demographic Shifts: Households are Aging



Source: US Census Bureau, Strategic Economics

# Two Major Demographic Shifts: More single person and childless households

- Two thirds of all U.S. Households did not have children



# This Building Boom has Also Translated into Higher Real Estate Values

According to a recent article in Urban Land Magazine:

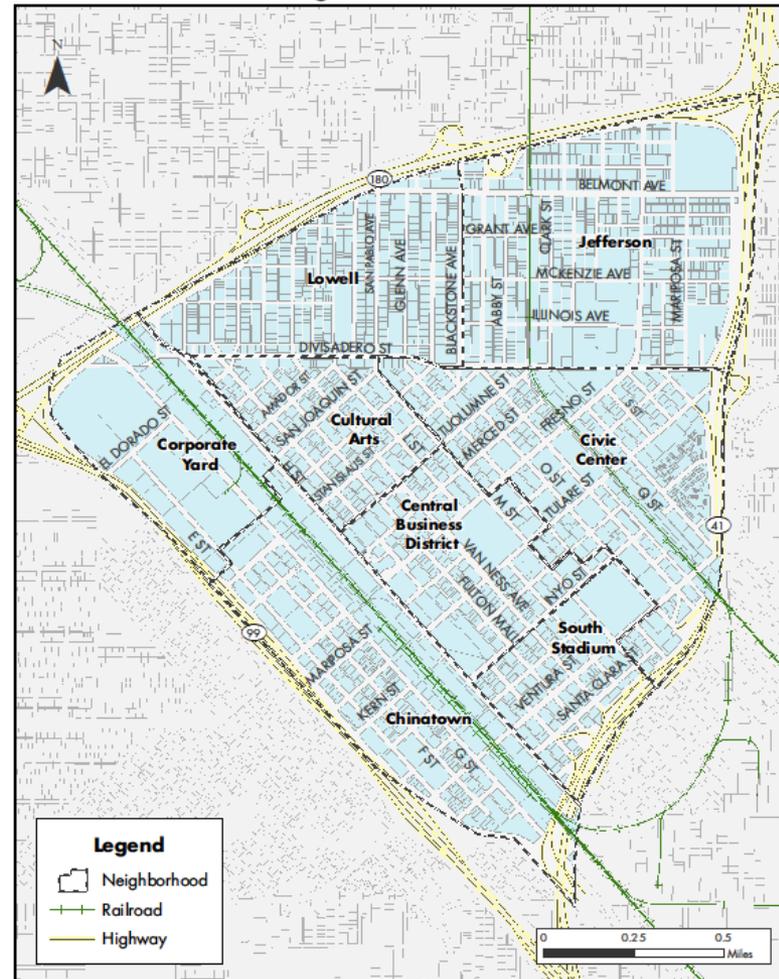
- In 2000, home prices in the suburbs in the D.C. metro area were 25 to 50 percent higher than in urban center city neighborhoods.
- By 2010, home prices in these same urban neighborhoods were 50 to 70 percent higher, on a per square foot basis, than the same suburban neighborhoods.
- This reversal in value is the first time urban property has exceeded suburban values since the 1960s

Urban Land Magazine, September/October 2010. “

**A Model for Growth: Walkable Urbanism “ by Chris Leinberger**

# Can Downtown Fresno Capitalize on These Trends?

**Downtown Fresno Neighborhoods**



Sources: Strategic Economics, 2010; City of Fresno, 2010; ESRI; US Census.

# Downtown Fresno Still Has “Good Bones”

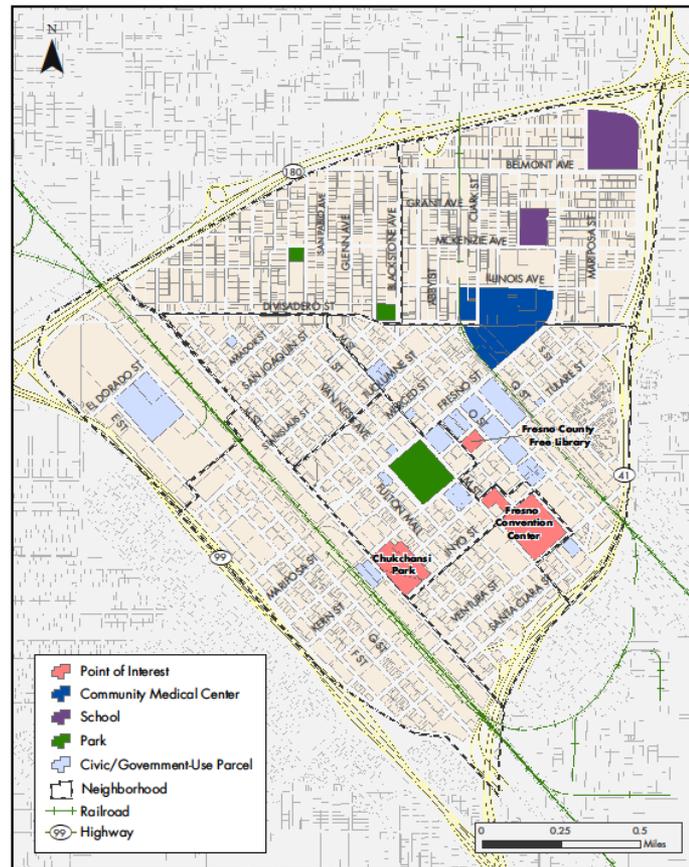
32,000 Jobs

Major civic institutions

Major regional serving entertainment destinations

Nationally significant historic resources

**Downtown Fresno Amenities and Institutions**



Sources: Strategic Economics, 2010; Kimley-Horn and Associates, 2010; City of Fresno, 2010; ESRI; US Census.

# What Downtown is Missing:

- Housing

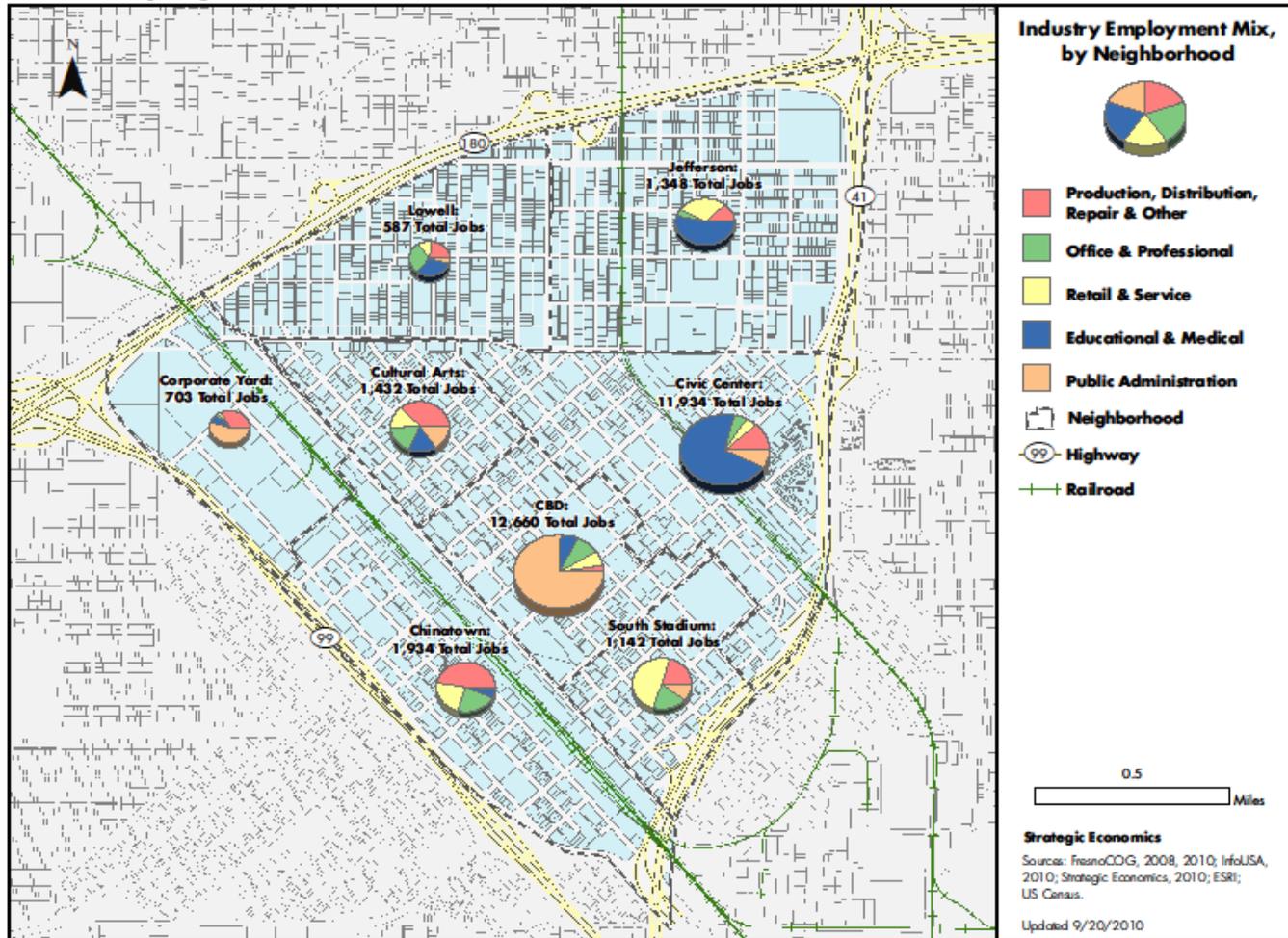
Currently, just under 2,000 housing units in scattered locations

- A significant retail/entertainment concentration

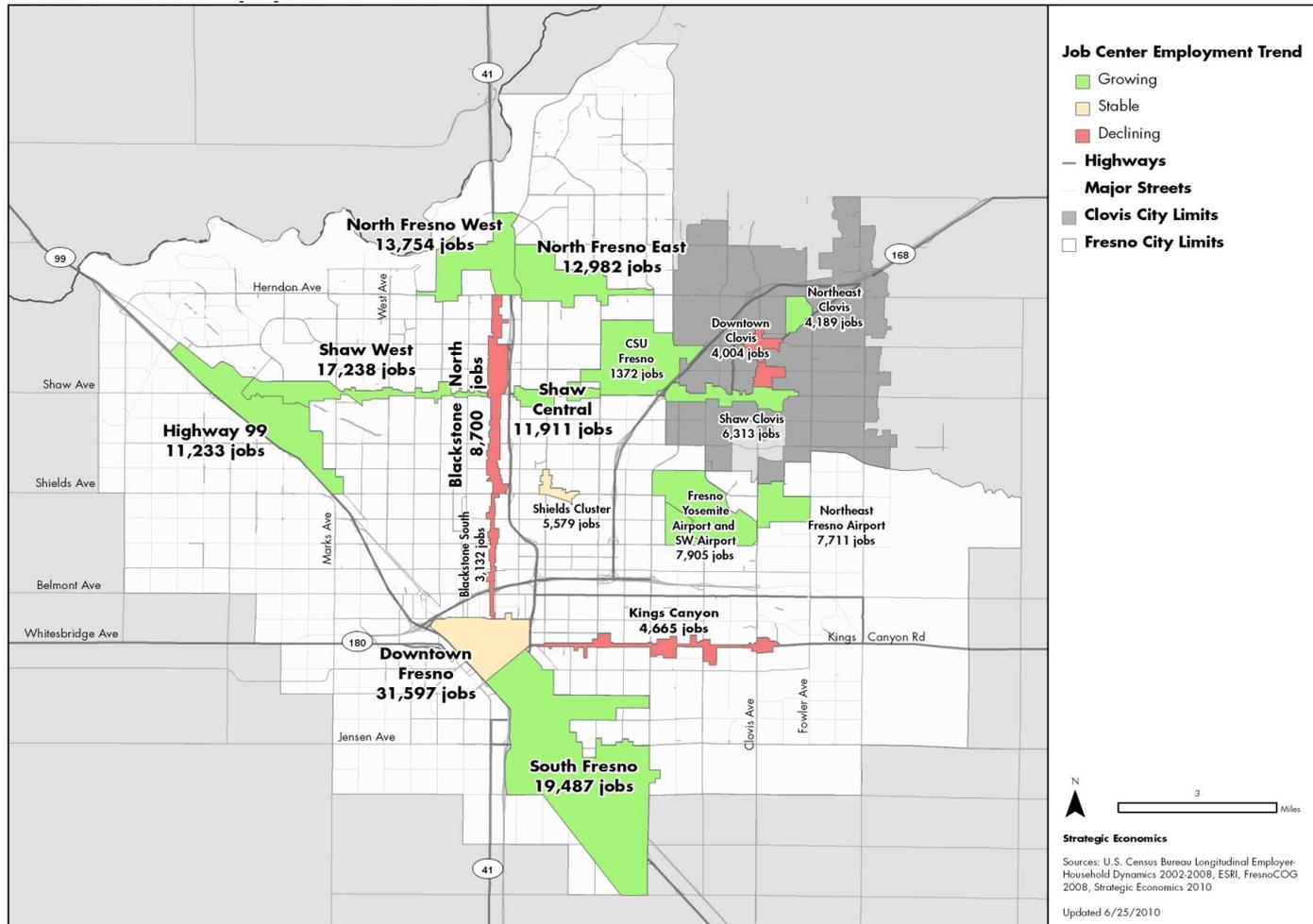
Currently estimate only about 150,000 – 200,000 square feet

# And, Downtown Jobs are Skewed Towards Government and Medical

Total Employment in Downtown Fresno, 2008



# Downtown is Also Losing “Market Share” Of Employment to North Fresno



# So, Is There Hope for Fresno?

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- Yes!
- The City and the Region are both growing, adding population and jobs. This growth will drive long term demand for housing, office space, and retail activity.

# Housing Demand 2007-2035:

- Based on projected population growth and household types in Fresno:

Demand for **4,000-7,000 units**  
(150-250 units per year)

Mix of compact single family, multifamily units, and reuse of historic building.

# Regional Serving Retail and Entertainment Demand 2008-2035

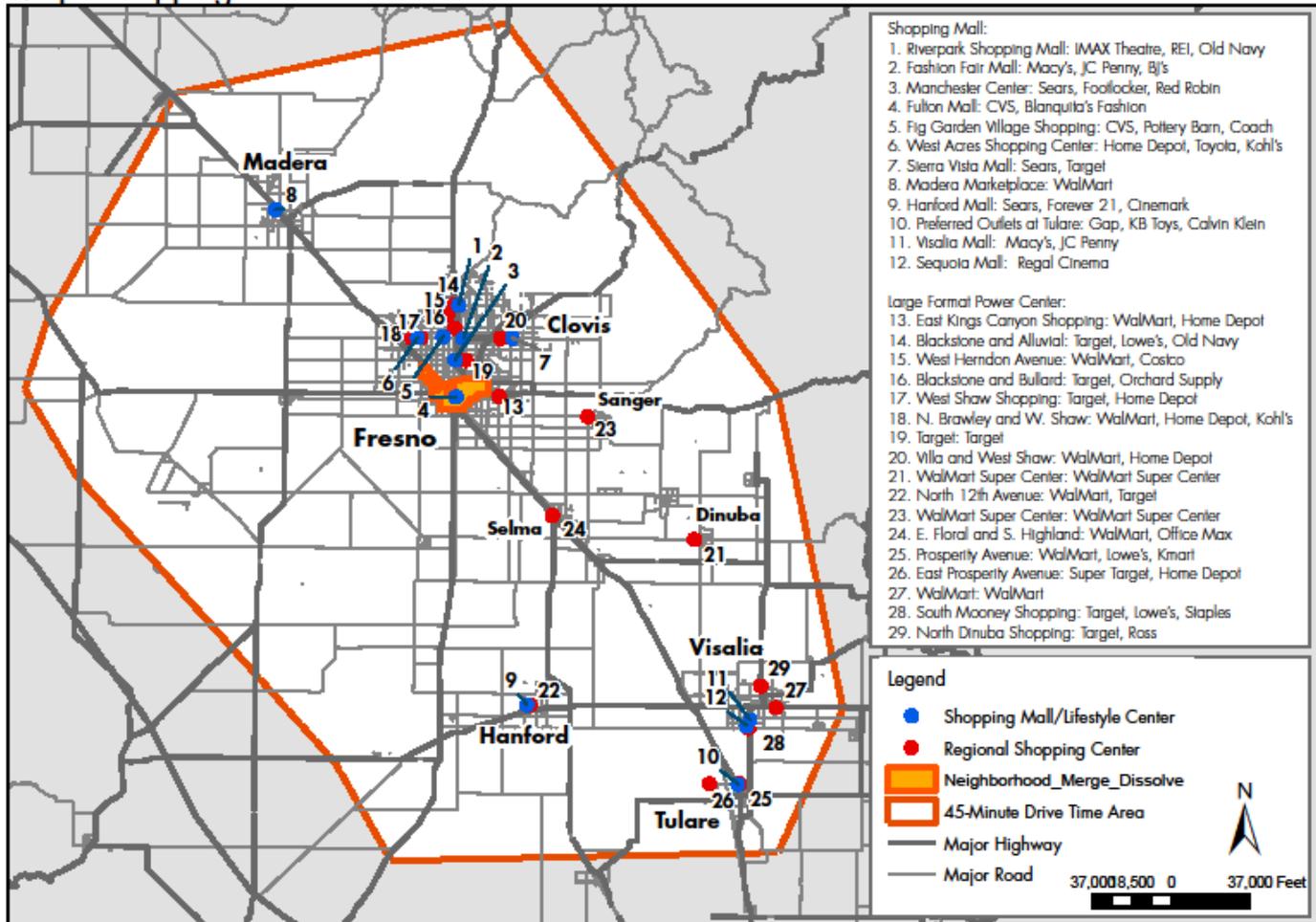
- Based on 45 minute driving radius from Downtown

Demand for **1.3 to 1.6 Million Sq. Ft.**

Major components of demand are eating and drinking establishments, general merchandise (big-box and drug stores), and food stores.

# Retail Trade Area

Major Shopping Centers within a 45-minute Drive Time of Downtown Fresno



Source: Strategic Economics, 2010

# Office Demand 2010-2035

- Based on projected employment growth in Fresno County for industries that typically occupy office space including finance, insurance, real estate, and professional services.

**Demand is 2.5-3.8 Million Sq. Ft. of new construction.**

Assumes that the market will first absorb much of the existing vacant space in Downtown (rehab of historic buildings)



# So, if the Market is Not the “Barrier,” What is?

- Downtown is perceived as dirty and unsafe by people in the region with disposable income.
- The cost to build “higher density” buildings is higher than what the current rents or sales prices can support.
- Up until now, the City has lacked any kind of clear strategy for investing in Downtown, and has focused too much on individual projects.

# Moving Forward

- Complete this Plan so the City and the Community can speak with one voice about priorities for Downtown and the Fulton Corridor.
- Target resources to the highest priority activities, especially in the short-term.
- Absolutely focus on creating concentration and critical mass.
- Focus on key property owners and sites and establish constructive “Public Private Partnerships”
- Develop a set of “benchmarks” to measure change – experiment and see how you do!