

# Downtown Idea Exchange

## Perspectives

### Downtown housing and experience opportunities

By Lawrence O. Houstoun Jr.

What explains the downtown housing boom in cities and older town centers? In a *Downtown Idea Exchange* article this summer, author Christopher Leinberger credits what he calls “walkable urbanity” (See “Having the intention to change downtown,” July 15, 2005). This is a market appeal that can also be thought of as “experience opportunities,” the concentration of things to do and see in urban centers. Other factors that help explain a trend unlike any other in the history of downtowns include: changing views about urban crime, the effects of business improvement districts and demographic changes, plus remarkable and persistent low mortgage rates. The concentration of jobs is also important.

The willingness of developers and bankers to take a chance on creating housing in and adjacent to central business districts follows the decline of actual crime in most places. More important, however, has been the decline in fear of

crime, confirmed by the responses to annual surveys of regional residents. Investors correctly bet that prospective buyers and renters would see the locational benefits as far outweighing the prospect of harm to persons or property, which is diminishing.

Some of this new image — of desirable urban experiences — has come from the business improvement districts that now exist in a thousand cities and towns. The housing boom followed the widespread application of supplementary security, sidewalk cleaning, marketing, and streetscape improvements including better lighting. Many central places are far better and are perceived as such.

Further, the housing market has changed. A quarter of all American households are now single persons, whose life is more appealing where there are lots of things to do and people close at hand to meet for coffee or dinner. More than two thirds of American households have no school-age children; the tendency of family households to live where there are lawns to play on and free

and acceptable schools does not affect this large market cohort. And when the children have left home, empty nesters increasingly favor environments that appeal to their generation, forsaking multiple cars and garage door openers for life where there are nearby cinemas, restaurants and shops — walkable urbanity or an abundance of experience opportunities. Living among such amenities is also popular with the growing student populations. These are among the healthiest downtown housing market segments.

Things to do and to see are concentrated in places with greater density and diversity in contrast to single-use suburban residential areas. Where experience opportunities are greatest, so are the concentrations of residents. The most densely populated downtowns in the country are widely perceived as attractive places to live for people willing to pay for desirable experience opportunities.

Business improvement districts (BIDs) sometimes assume active roles in enhancing the places for which they are responsible. *DIX* reports that the Great Falls, MT, BID buys down interest rates, producing the equivalent of a grant for developers who will produce desired products in the city center

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(August 15, 2004). Some BID laws, including Pennsylvania's and New Jersey's, authorize redevelopment investments, enabling BIDs to be active partners in the redevelopment process. While low mortgage interest rates will not last forever, intervention by BIDs to bring residents close to shops and restaurants will continue to be an important economic force and probably represents that the next growth achievements for BIDs.

Is it worth the effort to attract more residents? The type of house-

hold willing to pay downtown rents or purchase prices can spend well into five figures per year [upwards of \$25,000 in large downtowns where real estate prices are higher] on the kind of goods and services available in downtowns. The more such spenders are attracted, the more such vendors are added to the commercial experience opportunities: reciprocal forces.

Experience opportunities also benefit tourism. Experience opportunities represent the competitive

advantage that dense, diverse, central places have in their regions. Satisfactory living arrangements contribute to the happiness of those so benefited. People are happy because their lives are full with experience opportunities. Towns and cities need to make this competitive advantage visible.

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