DATE: May 12, 2003

TO: **LOS ANGELES HOUSING DEPARTMENT**

FROM: THE CONCORD GROUP

SUBJECT: **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS FROM SELECTED CITIES DOWNTOWN STUDIES**

The Concord Group has gathered and analyzed demographic and housing preferences among downtown residents in the following revitalized cities, as requested by LAHD: Atlanta, Denver, Dallas, Philadelphia, St. Louis and San Diego. Data collected included other cities' study results, trends and recommendations. The following points summarize important elements in these studies. Included in the appendix are copies of the report provided by each city.

- **Generally, population growth rates of downtown neighborhoods are slow as compared to those of the regions, indicating that downtown areas are losing residents to neighboring suburbs.** San Diego and Dallas' downtown corridors are an exception to this trend, with stronger growth rates than their regions.
- **Employment fuels much of downtown demand for market rate housing**. With many cities experiencing a decline in job growth rates and some job loss over the last decade, downtown areas have developed incentives to attract employers. These incentives include tax abatements, city participation in covering some infrastructure costs and development fee rebates.
- **A challenge for some downtown neighborhoods has been the high cost of housing as compared to the low incomes of downtown households.**
- **Downtown housing is primarily composed of multi-family units, with the majority apartments and a few condominium developments**. Recently downtown corridors have experienced success with rehabilitation of existing units into trendy lofts and are developing more single family homes. The focus of downtown development has been to create a mix of housing instead of the homogenous product that has been developed in the past. **A challenge for downtown housing** supply has been the **number of low-income households residing in the area, and their need for low-income housing.**
- Cities that have completed consumer research found that the **biggest barriers for downtown living** include the **high cost of homes, density of downtown, and perceived safety (or lack thereof) in the neighborhoods**. The downtown corridors that completed research with downtown employees found that most were not interested in living downtown. In Denver,

approximately one-third of downtown employees were interested in living downtown. **Motivations for downtown living include desire of urban lifestyle, proximity to work and the downtown's central location.**

- Plans for future development include a design which encompasses a variety of product types including a rehabilitation of existing rental structures, additional single family homes with architecture that promotes the downtown experience, lofts, and a few townhome/condominium developments.

Further detail regarding market analysis and trends in the selected cities are provided in the following sections. Information included reflects data reported in each individual city's report and were not independently analyzed by The Concord Group for accuracy. Each city's report varied in terms of approach and content, but (as contained in the reports) the following summarizes the cities' downtown demographic and employment trends and conditions, housing supply and demand trends and conditions, ideas for change and recommendations for product types or future residential approaches.

ATLANTA

From the 1970s through the early 1990s, downtown Atlanta experienced a loss in its vibrancy with lost resources and its population moving to suburbs. Recently this trend has improved as Atlanta has seen its first increase in population in over thirty years. With a Livable Centers Initiative grant from The Atlanta Regional Commission, the City Center Partners formed to plan for the future. The following provides (1) a snapshot of Downtown Atlanta Trends and Projections based on Central Atlanta Action Plan (CA^2P), which was a cooperative effort of Central Atlanta Progress and the City of Atlanta, as well as (2) Livable Centers Initiative actionable recommendations for the future of the City Center. Central Atlanta encompasses both Downtown and Midtown Atlanta.

- **In 2000, the Downtown population encompassed an estimated 17,000 to 27,000 residents.** Projections for 2010 range from 22,000 to 33,000. In 1990 (at the high end of the range) there were only 21,300 residents. This implies an increase of only 5,700 household over ten years, which is an average annual household growth rate of 2%. Downtown encompasses 0.7% of the Atlanta MSA population and will grow to approximately .8% by 2010.
- **Historically, downtown housing has been solely apartments and condominiums.** Since 1990 there has been an addition of 3,300 apartments and 1,400 condominiums, with a total of 4,700 units.
- **Even though downtown is losing its share of job growth to the suburbs, it is increasing its volume of housing.** Downtown employment has not been growing faster than the surrounding area. In 2000, there were an estimated 105,600 jobs downtown. This is an increased by 1,000 or 1%, since 1990. Employment was projected to increase by approximately 16,700 to 122,300 by 2010. Downtown employment is not expected to increase faster the Atlanta MSA, with 5% of the MSA's

employment currently downtown, and declining to 4% by 2010. **Nearly two-thirds of Downtown's employment is in the service (33%) and government (30%) sector.**

- The planning area addressed contains 500 acres of Downtown Atlanta. Its physical design and pattern of development ranges from high-rise office towers to single-family housing. **One of the biggest challenges of the planning area is that household income remains low** despite recent new housing; 54% of the households in 2000 were in the under-$15,000-per-year-category.
- **The City Center Livable Centers Initiative Plan guide's Downtown progress through the following four "big ideas": (1) Strengthen Neighborhoods, (2) Park Once or not at all…Ride MARTA, (3) Fill in the Gaps and (4) Support the Downtown Experience.**
- The following **strategies** were **recommended** in order to strengthen neighborhoods: **create a mix of housing, strengthen neighborhood identities, attract more residents, connect Downtown neighborhoods, promote desired land use changes and coordinate Downtown interest groups.**
- The plan also needed to **provide people with a reason to come Downtown**. The strategies recommended to achieve this idea were to: focus entertainment and retail along a popular corridor; coordinate Downtown events and program public spaces; increase safety, perception of safety, and comfort Downtown; and coordinate special events traffic strategies through the Transportation Management Association.

DENVER

The Downtown Denver Partnership, Inc. retained a consultant in 2001 to conduct a survey of the Downtown Denver workforce to better understand the demographics of Downtown employees. The consultant also completed a separate report for Housing and Neighborhood Development Services for Denver (H&ND) to determine the demand for affordable housing in the City and County of Denver.

Employees

- **In 2001, there were approximately 113,000 employees working within Downtown Denver**. Downtown Denver's workforce is well educated and mostly white (74%). Downtown employees live in large households (2.5 persons) compared those in Metro Denver (2.4) and Denver County (2.2). Most workers have white collar or office jobs, while only 15% have service industry jobs, which explains why downtown worker incomes are higher than those across metro Denver, with 36% earning $75,000 or more a year. Most drive to work alone with an average commute time of 31 minutes.

- **There is a "newcomer" population within the downtown area**. Most employees live in the Denver-Boulder metro area, 39%, with the outlying counties housing a small percentage. **Less than 1% of the workforce lives in the Central Downtown and/or Lower Downtown areas.**
- **With rising housing costs, approximately 6,000 to 10,000 employees are paying more for housing than they can afford,** based on payments which exceed 30% of their gross income. Most employees own their home, while approximately 35% rent. Median rents for Downtown employees were $720, and the median monthly mortgage payment was $1,100.
- **Most employees were not interested in living in Downtown Denver, although 36% of employees surveyed indicated an interest in living downtown**. The **top three barriers** for those who **were not interested in living downtown** were **congested/busy traffic** (22%), **cost/expense** (18%) and **yard/grass** (12%). Those who would be **willing to move downtown, but haven't yet moved** cited **cost/expense** (61%) as their main barrier to living downtown (only 3% cited schools).
- **The greatest demand was for owning a home (68%) versus renting (32%).** Ownership demand increased among employees with higher incomes.

Households

- Denver's incomes are growing fast, with a growth of just under 80% over the last decade compared to 71% in the metro area. **Most of this income growth is taking place among the top half of income earners.**
- **As household incomes decreased, so did housing availability, as well as the household size.** The supply of homes sold during 2000 was examined. Only 55% of the homes sold during the year were affordable to the 62% of Denver residents earning at or below 80% of Denver's median income.
- Based on a demand analysis, which combined demand from household growth and from existing households, there was an **unmet demand for 373 owner occupied housing** units affordable to households earning between 60% to 80% of Denver's median income in 2000. Total annual demand for this area was estimated at 578 housing units. There was an **unmet demand for 170 rental units** for this income category from a total demand of 668.

PHILADELPHIA

The City of Philadelphia initiated a partnership to improve the City's performance in the regional, national, and global competition for jobs and households. To support the initiative, the Philadelphia Planning Commission presented market information to assist in the creation of residential product that would attract and retain households.

- **The market for housing in Philadelphia has been weakened by decentralization and out-migration.** The City lost approximately 400,000 people, 50,000 households, and 200,000 jobs since 1970. Philadelphia's greatest lost in recent years has been higher income households, many with children.
- There are approximately 660,000 housing units in the City, but the **housing product does not match consumer needs**. There is a lack of new construction of single-family homes. **Most of Philadelphia's housing stock consists of attached housing (86%),** and housing values, despite rising in 1980s, fell dramatically in 1990s. In 1980 the median home sales price was just under $150,000, in 1990 it was approximately $220,000 and dropped by 25% to $165,000 in 1999. As neighborhoods declined, Philadelphia has housed an increasing concentration of the region's poor. In 1997, Philadelphia housed 47% of the people living in poverty within the 11-county regional market area.
- **The city has identified the following two groups that will provide future demand for housing: (1) households who choose to locate in urban communities and (2) households who live in urban neighborhoods out of necessity. The majority of the city's homebuyers previously lived in Philadelphia.** Approximately 80% of respondents to a Homebuyer's Survey lived in Philadelphia prior to buying a home.
- Planning Commission surveys found that for home sellers, both safety and the high cost of car insurance in the city were cited as the most frequently listed reasons for selling one's home. The two elements **sellers disliked about their neighborhoods** were **low housing value and safety**.
- The Planning Commission intends to build on strengths and implement new strategies to improve the City. The **two main development strategies** are (1) **the enhancement of existing neighborhoods, and** (2) **development of new residential product**. New development will be the primary means of retaining and attracting middle- and upper-income households, as well as some (when appropriate) incorporation of units for moderate-income households. New projects need to be well designed to attract new buyers and renters from the Market Area, and should also serve move-up households from within the City.

DALLAS

Dallas's downtown development efforts are guided by private business organizations that operate to improve the situation of downtown. A privately funded organization, Central Dallas Association (CDA), was formed to promote the interests of Downtown Dallas and to create a thriving 24-hour urban center. Other private, nonprofit organizations include: The Downtown Improvement District, who's mission is to make Downtown Dallas "Clean, Safe and Fun"; and Downtown Partnership, Inc., which promotes community development and redevelopment.

- **Dallas has a growing downtown population.** In 2000, downtown's population consisted of 12,620, which is a 169% increase over 1990. By 2025, households in the downtown area are projected to increase to 30,000. According to a 1999 survey of downtown residents, most are in their mid 30s, unmarried (74%), and have high incomes (median income is $88,158). **Motivators for moving downtown include desire for urban lifestyle, proximity to work, and central location.**
- Given that historically downtown residents have been primarily single male professionals, the challenge for Dallas is to broaden the appeal of downtown to larger and more diverse demographic segments. Priorities include the development of an infrastructure of support services and retail businesses. Downtown residents surveyed identified the following as their **top choices for improvements: parks and green space, retail shops and restaurants.**
- Major housing developments are planned for downtown. As of mid 2002, there were 16 developments with a total of 3,909 units planned. These developments include high-rise residential, restored mix use projects, and lofts.
- Funding for downtown amenities and art/culture centers have been instituted to attract households downtown. Dallas has commissioned plans to add a performing arts center as well as other arts/cultural centers. Completed projects within the last year include the American Airlines Center (home to Dallas Stars and Dallas Mavericks), upgrades to the downtown YMCA, and expansions of the museum.

ST. LOUIS

The City of St. Louis initiated a partnership to revitalize Downtown. As a component of their Downtown Development Action Plan, they provided an in-depth look at the existing conditions of downtown St. Louis, and hired an outside consulting team to provide residential recommendations.

- **St. Louis metropolitan area has been growing at a moderate annual rate, but the City has lost some of its market share given suburban growth.** The MSA population has increased at a rate of 4% over an eight-year period, while employment grew by an annual rate of 10% over a seven-year period. Although regional employment has been increasing, the City of St.

Louis' share of this base has declined from approximately 27% to 21% during the 1986 to 1996 period. Also from 1990 to 1998, the City lost 45,700 residents, which was the source of much of the population growth in the outlying region.

- **There have been gains in various real estate product developments in the City over the last five years.** A recent business park has attracted new employers, infill residential product (mostly single family) and a new loft development has appealed to a variety of tenants. Over a five year period the region generated an average of 647 building permits, 75% of which were multifamily.
- **Downtown consultants recommended a product program of new and revitalized developments** that includes 2,826 residential units to be developed in new and reused structures over the first five years of the revitalization effort. Demand for loft rehabilitation and new construction of architecturally compatible product will be generated by young professionals working in downtown, service providers looking for live/work space, and even suburbanite empty nesters who, having raised their family near to the neighborhood school in a home with a big yard are ready to move closer to the cultural and recreational benefits the City offers.

SAN DIEGO

The Center City Development Corporation (CCDC) initiated the Downtown Community Plan Update in the Spring of 2002 to take stock of downtown's resources and potential, and to outline new goals and policies for downtown. As part of this update a Demographic and Market Assessment was prepared in October 2002.

- **An estimated 18,700 residents currently live in Downtown.** This figure includes 5,350 residents living in Group Quarters. Over the last decade, the downtown area has been growing at rate of 3.5% annually, which exceeds that for the City and County. The population is older, with a median age of 40.4 years. Non-Hispanic Whites represent the predominant ethnic group in downtown, 55%, followed by Hispanics who comprise 25% of the population. **A high proportion of downtown households are single person, low-income residents.** Downtown's median household income is $21,000, which is less than half of the City and County's median income.
- **Downtown employment is growing slower than that of the City.** Between 1995 and 2000, downtown employment was estimated to have increased by 3.2% per year, compared to the City's 4.9%. The TCU (Transportation/Communication/Utilities) sector represents the fastest growing industry sector.
- **The popularity of the urban lifestyle coupled with a countywide shortage of available residential land, fueled interest in downtown's residential market.** There are 10,600 existing units downtown, and 8,200 units either planned or under construction. Rental rates at major apartment complexes are estimated at $1,138 per unit per month, with the average size of rental units estimated at 800 square feet. Downtown rental rates are $50 (or 5%) higher than the average rental rate in the

region. The average size for-sale unit is estimated at approximately 1,300 square feet. New for-sale projects recently completed or under construction indicate an average sales price ranging between $244,000 and $650,000 per unit, with the average price per unit estimated at $420,000, $73,000 (or 21%) higher than the average home price in the region.

- **Based on Downtown's projected capture of forecasted growth in multi-family units developed within the County, downtown San Diego is projected to experience average annual absorption of 1,100 to 1,650 new housing units**, for a total projected residential inventory of 35,340 to 47,970 units by 2025**. Current housing demand by product type estimates that mid- to high-rise condominium and high-rise rental will capture up to 50%, low- to mid-rise rental will capture 40% to 50%, new construction and adaptive re-use live/work units will capture 5% to 10% and townhomes will capture only up to 5% of market demand from 2000 to 2025.**

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This assignment was completed by Joanna Terry under the direction of Richard M. Gollis. We have enjoyed our work with your team, and we are available to provide additional input as you proceed.