

# The Economics of Downtown Revitalization

## Putting Some “Oomph” Behind the Numbers

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DEPARTMENT OF  
AGRICULTURAL ECONOMICS

- 1 What is Downtown Revitalization?
- 2 Studying The Main Street Program
- 3 Lessons in Place-Based Policy/Program Evaluation



# First Things First: Placemaking

- Placemaking involves efforts to **rejuvenate a community's look and feel** by shaping the built environment around the community's culture, heritage, and symbolic meanings.
- Placemaking builds from “place attachment”—the bond between people and places—in the process of creating quality places where people want to live, work, and play.
- A key goal of placemaking is to create greater economic, social, and cultural vitality in rural communities aimed at improving people's social, physical, and economic well-being.
- Placemaking does not *need* to happen downtown, but in rural communities, it often should!



# The Value of Downtown

- The town square (or downtown) is usually the geographic center of a community. But is it still the center of economic, social, and civic activity?
- Downtown is the “living room” of a community. When a guest walks into your house and sits down, how do they form their first impression?
- The quality of your town’s Walmart reflects back on Walmart. But like it or not, the quality of your town’s central business district reflects back on your town.
- Placemaking alone does not create jobs, but it helps “clean the living room” of your community, transforming it into a place worth investing in. In this sense, a community’s **sense of place** is linked to its economic vitality.
- Or is it?



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# What is the Main Street Program?

- A four-point approach with 1,500+ members since 1977:
  - **Organization:** putting a team together, making sure priorities align
  - **Design:** emphasizing the way the downtown looks and *feels*
  - **Promotion:** making sure people (both visitors *and* locals) know about the things happening in town
  - **Economic Vitality:** working to ensure that the new “buzz” around town translates into new businesses and jobs
- The Main Street Program (MSP) is a quintessential example of rural placemaking. It seeks to reshape the built environment (streets, parks/plazas, historic buildings, etc.) into a thriving asset, hopefully spurring investment based on a strong sense of place.
- Placemaking efforts like the MSP are hard to quantify because 1) they are small-scale, 2) there is no central hub for data, and 3) it is not always clear what to measure: is economic vitality only measurable in terms of jobs, or are there other ways to quantify the impact of placemaking?



# Why Main Street Econometric Research is Needed

## Dictionary

Definitions from [Oxford Languages](#) · [Learn more](#)



e·con·o·met·rics

*noun*

the branch of economics concerned with the use of mathematical methods (especially statistics) in describing economic systems.

- The “numbers” (statistics, indicators, metrics, etc.) reported by Main Street Program directors are helpful ways to measure a local program’s performance.
- However, using reported indicators to demonstrate impact often fails the “but for” test (more on that in the following slide)
- Econometric research uses statistical techniques to isolate the impact of X on Y, such that it can be measured. We try to replicate what pharmaceutical researchers and other scientists do, but experimentation is much more challenging in the realm of public policy and economic development.
- Just like a test medication needs rigorous testing before it can be released by the FDA, stakeholders in potential Main Street communities need strong evidence before making decisions.



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# Why Main Street Econometric Research is Hard

- **The “but for” test:** but for the existence of X, would Y have occurred? Easier said than done! (reverse causality)
- **Data limitations:** even if I could get everyone to feed me data, everyone has different ways of collecting/reporting
- **Effect size:** detecting an impact is often challenging, since the typical best-case scenario is strong downtown revitalization rather than a region-wide economic jumpstart
- **Measuring outcomes:** the “success” of the Main Street program can take many forms. . . which is the best to focus on?





# My Research on Placemaking & Downtown

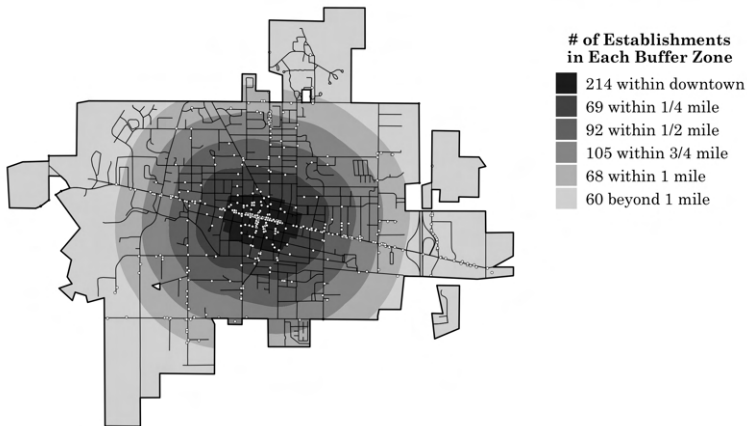
## An Entire Dissertation in a Few Bullet Points



- **Study 1:** impact of Main Street Program on job/firm creation
- **Study 2:** influence of downtown proximity & revitalization on property values
- **Study 3a:** algorithm to delineate downtown boundaries using establishment densities
- **Study 3b:** survival of downtown small businesses vs. freeway-adjacent businesses



# Main Street & Job/Business Creation



**Business establishments in Coldwater, MI in 2000**



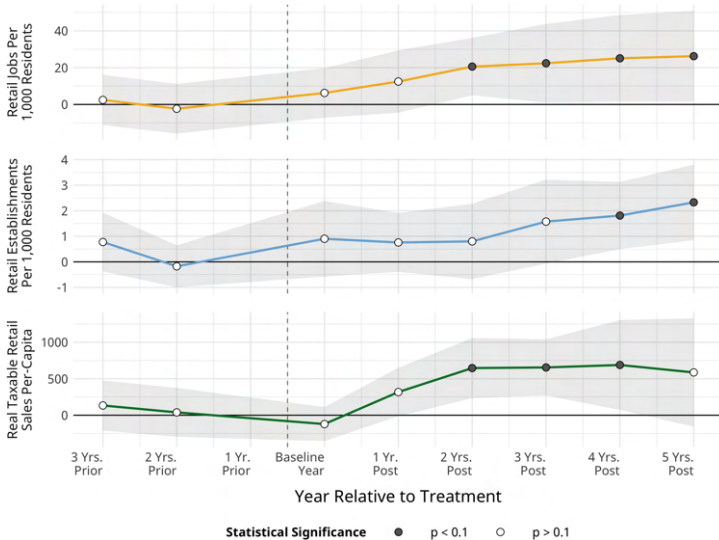
# Main Street & Job/Business Creation



- **Focus:** central business districts in IA, MI, OH, WI from 1997 to 2019
- **Two key questions:**
  - How did job growth differ between communities that adopted the MSP compared and those that did not?
  - If so, how large is the impact, and where is it strongest?
- **Findings:** Looking at all 4 states, no significant effect of Main Street Program adoption on downtown jobs or establishments; looking at Iowa alone, strong statistical evidence that Main Street Program generates new retail jobs and businesses in the downtown business district



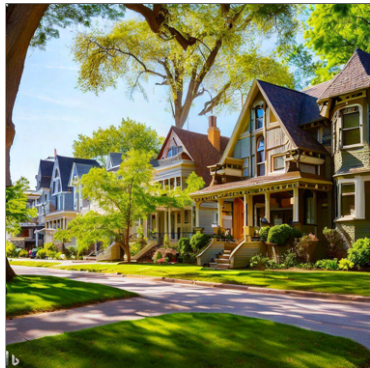
# Main Street & Job/Business Creation



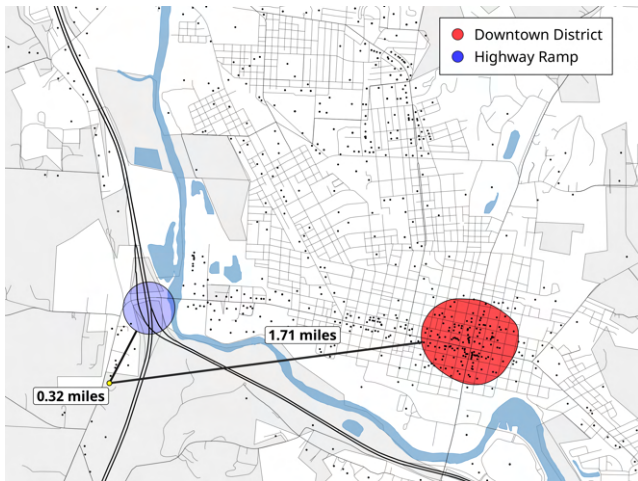
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# Main Street & Residential Property Values

- **Focus:** all Ohio single-family home transactions between 2000 and 2019.
- **Two key questions:**
  - What role did downtown proximity play in home sale prices?
  - Did that role look different in Main Street Program towns?
- **Finding:** observed an additional sale price premium for homes located in closer proximity to downtown districts with an active Main Street Program



# Main Street & Business Survival



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# Main Street & Business Survival



- **Focus:** business establishments in the rural Midwest, 2009–19
- **Two key questions:**
  - What role did downtown proximity play in post-recession survival?
  - What role did highway ramp proximity play in post-recession survival?
- **Finding:** observed higher rates of survival for businesses close to highway ramps (especially manufacturers); observed higher rates of business failure for businesses close to downtown
- Not all bad news though! Certain downtowns were more resilient: business failure significantly less likely for businesses in a downtown with **strong cultural anchors**



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# Lesson 1: Local Context Matters

## Beware the “One Size Fits All” Mindset

- Even the best causal studies are still limited, in that they can only estimate an effect...they cannot speak to *why* an impact is (or is not) felt.
- We can make guesses as to why I only observed a significant impact on retail jobs/establishments in Iowa. It may be something unique about Iowa's economic geography or the administrative context of its Main Street Program.
- Place-based policies and programs cannot be thought of as one-size-fits-all solutions. A ‘bottom-up’ implementation approach—allowing small towns to decide how to best implement the Main Street Program—will often lead to heterogeneity in outcomes.
- The absence of a clear (or statistically significant) result may be attributable to local variation in implementation.



## Lesson 2: Proceed with Caution

### Consider the Trade-Off Between Sophistication & Expediency

- Mistakes in evaluating downtown revitalization are not as disastrous as mistakes in pharmaceutical research and development.
- Still, careful evaluation can help us identify effective approaches avoid costly dead ends
- RoJean Madsen (1983): no substitute for equipping decision-makers with pragmatic knowledge, rich with local context and actionable implications.
- Rigorous experimental evaluations have their place but are only appropriate “after descriptive and initial quantitative comparisons of program context and success.”



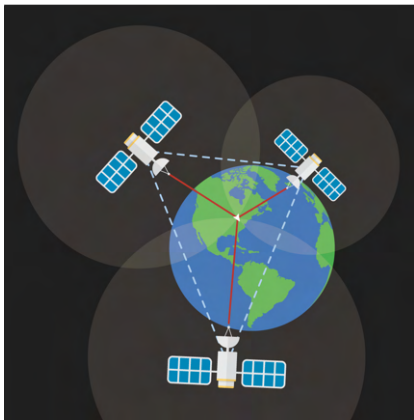
# Lesson 3: "Success" Has Many Meanings

## Triangulation is Key

- **Consider Ohio:**

- Study #1 showed no effect of Main Street Program on creating new downtown jobs and retail businesses.
- Study #2 showed that Main Street Program helped improve the relative position of the walkable, downtown-adjacent housing submarket within the larger region.
- What does that say about the "success" of the Main Street Program in Ohio?

- **Triangulation is key:** there are many acceptable ways to measure success!



# Moving Forward

- There are opportunities for collaboration between Extension and state/local Main Street Program (example: downtown/upper-floor housing).
- UW Extension CED is a leader with its exemplary downtown programming.
- Future research:
  - **Continued quantitative examination:** look at additional outcomes that downtown revitalization is assumed to affect (examples: sales tax revenues, commercial real estate sales, new home construction)
  - **New qualitative examination:** capture more nuanced measurements of “success,” such as civic pride or an enhanced sense of place



# Concluding Thoughts

- Putting a focus on downtown placemaking is *not* the same as advocating for the neglect of other retail and business districts. Rather, it is a recognition of the need to keep the “living room” clean.
- The rural U.S. is home to a rich variety of communities where visitors can feel like they are *somewhere*. Placemaking efforts help preserve that asset, preventing such places from feeling like *anywhere*.
- Despite the growing (or in many places, fully grown) momentum for downtown revitalization, continued public and private investment should be justified by plausible evidence of its efficacy.
- Not every piece of evidence will originate from a rigorous, years-long econometric study (and that is completely okay!). However, when possible, it is beneficial to have a strong empirical analysis to help strengthen the argument for continued support of downtown revitalization efforts.



# Thank You!

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