

Downtown Housing as an Urban Redevelopment Tool: Hype or Hope?

Throughout the country, city officials, downtown redevelopment agencies, and planners are turning to downtown housing as a tool for downtown revitalization. This coincides with a rise in real estate developers' interest in building more downtown units—a phenomenon the *New York Times* describes as similar to “a flip being switched” (Thinking Small 1999). With all the attention downtown housing is receiving, it is important to examine critically its uses as a revitalization strategy. To that end, the Fannie Mae Foundation organized a panel discussion at the 1998 Association of Collegiate Schools of Planning (ACSP) conference in Pasadena, CA. The following edited transcript of the session addresses the benefits and challenges of developing downtown housing. The panel is part of an ongoing Foundation project that studies downtown housing, the results of which will be published in future issues of *Housing Policy Debate*.

We invited six practitioners and academics from around the country to participate in the panel discussion on downtown housing: Ted Chandler, vice president of Housing and Community Development, Fannie Mae's western regional office in Pasadena, CA; Eugenie Birch, University of Pennsylvania; William Fulton, Claremont Graduate University Research Institute; Nico Calavita, San Diego State University; Dennis Keating, Cleveland State University; and Carl Abbott, Portland State University. The participants explored the role housing plays downtown in cities such as New York; Los Angeles; Dayton, OH; Cleveland; Portland, OR; Phoenix; San Diego; and Philadelphia. Although they discussed a number of obstacles confronting the development of downtown housing, the panelists were generally upbeat about its prospects. They agreed that housing is one of the best ways to revitalize downtown and that current social and market forces favor a rise in downtown living.

The panelists noted that recent demographic trends should expand the market for downtown housing. Numbers of “empty nesters” will continue to grow as baby boomers age. After their children leave home, empty nesters often change their lifestyle in a way that favors downtown living—they relocate to condominiums or town houses and spend more of their disposable income on leisure activities. This change in lifestyle may in fact translate into living in a downtown apartment and patronizing downtown restaurants and cultural facilities (museums and concert halls). If even a modest portion of empty-nester households trades suburban homes for urban ones, the market for downtown housing will boom. The other population attracted to downtown is young professionals in their

twenties and thirties who have not yet started families. This population—people who are delaying marriage and putting off having children—is also growing. According to the U.S. Census Bureau, approximately 67 percent of American households are currently childless (with no children under 18). By 2010, projections show this figure jumping to 72 percent.¹

An increase in empty nesters and young professionals bodes well for downtown housing because these two groups share a number of characteristics that make them a good match for downtown living. First, they are not concerned with school quality, something that often deters families from living in central cities. Second, they often seek low-maintenance housing that does not require extensive yard work and home repairs. Third, both groups tend to have the time, money, and inclination to partake in urban amenities.

The urbanity of places such as LoDo in Denver or Sundance Square in Fort Worth is really what sells downtown housing. As Calavita notes, the history, architecture, and density of most downtowns make them marketable to those customers looking for a “sense of place.” He suggests that downtown San Diego has been successful in part because it offered an alternative to rapidly expanding (and monotonous) suburban developments such as Mission Valley or the Golden Triangle. Cities should capitalize on the niche market demand for the qualities that downtown America already possesses. Calavita, Chandler, and Birch point out that it is downtown’s unique amenities, such as the ability to walk to work or to bars and restaurants, that attract empty nesters and young professionals. A market exists for pedestrian-oriented streets and shops that automobile-oriented suburbia cannot fulfill.

The late 1990s downtown represents new opportunities for investors and developers. Chandler observes that while the original uses of many downtown buildings may be obsolete, the locations of those buildings are anything but. Opportunities now exist to redevelop downtown buildings for new uses. The real estate bust of 1989 left an abundance of vacant office and retail space in downtowns, driving down the cost of even the newest buildings. Owners of many historic structures found it too costly to retrofit them for modern office use, making them ripe for residential conversion. Together, these market forces make downtown an economically attractive place to build housing. In some larger cities, it may already be too late to get the best bargains, but smaller cities are wide open. Chandler cites numerous examples of Fannie Mae’s involvement with downtown housing developments in Western cities. Fannie

¹ Projection is based on an analysis conducted by Riche (1998) using U.S. Census Bureau data.

Mae's presence indicates that downtown housing is entering the mainstream.

Despite enthusiasm about housing's potential to revitalize downtowns, some market and regulatory obstacles remain that may slow such development. For example, even though there is a growing demand for downtown housing, Keating explains that this demand most often comes from households wishing to own homes, while many of the existing downtown units are rental. Another related barrier is housing regulations and zoning that may inhibit downtown housing development, even if both the supply and the demand for it exist. Some cities are, in fact, changing their laws to promote downtown housing. According to Birch, it is now possible to zone mixed-use buildings with office and retail space on lower floors and residential units above. Mixed-use zoning, however, is still the exception and not the rule.

Additionally, downtown housing faces a different kind of obstacle. It is often difficult to change the status quo. For several decades, metropolitan development has favored suburban growth and large-scale urban renewal projects such as convention centers. It is often hard to convince city officials, developers, and the public to support downtown housing, which tends to be developed on a smaller, building-by-building scale, unlike large projects such as Faneuil Hall in Boston. In San Diego, downtown housing has taken a back seat to a new ballpark for the Padres; sections of downtown planned for housing and mixed uses now are going to be razed to make room for the ballpark, offices, and hotels. According to Calavita, decision makers felt that residential redevelopment was not occurring fast enough and that San Diego needed a bigger project to push downtown further toward revitalization. Brenda Scheer of the University of Cincinnati tells of a similar story in Cincinnati, where the city government chose to invest money in a new stadium even though she and her colleagues had evidence that the same money invested in housing would have brought more economic development.

Even when cities choose to promote downtown housing development, it can be difficult to persuade developers to sign on. Fulton notes that Ventura, CA, made it easier for developers to build downtown while simultaneously making it more difficult to build on the urban fringe. Despite the regulatory shift, developers still chose to build on the outskirts because that was what they were familiar with doing. As Chris Shove, a city council member in Norman, OK, points out in reference to developers' attitudes toward building housing downtown, "Nobody wants to be first."

Some cities face greater challenges implementing downtown housing development than others do: Not all downtowns are created

equal. As Fulton points out, the cities that are successful with downtown housing are likely to be the ones that also had success with previous revitalization efforts, such as festival marketplaces and convention centers. He predicts that the cities that failed at other projects most likely will fail with housing. One of the key lessons here is that the same revitalization strategy will not work for every single downtown. American downtowns range from compact and dense, as in Boston, to places such as downtown Phoenix, which spreads at a low density over 12 square miles. It follows that what works in Boston may not work in Phoenix and vice versa. Additionally, not every downtown contains the largest concentration of employment in the region. In Philadelphia, a large share of the region's employment remains downtown, while in Los Angeles a very small percentage of the metropolitan area's employment is located there. In places such as Denver or San Francisco, people who are moving back downtown most often work elsewhere (for a reverse commute) and choose to live downtown because of the lifestyle it offers. The exchange between Birch and Fulton in the transcript below illustrates the diverse reasons why people choose to live downtown. Birch says that cities should attempt to attract more employers downtown, which would bolster downtown housing by attracting people who want to walk to work. Fulton replies that this is an "Eastern" view and that in Los Angeles, for example, no one expects to walk to work. A better strategy for developing downtown housing in Los Angeles, he argues, is to promote downtown's urban amenities. This exchange drives home the fact that each city must employ a tailored, contextualized revitalization strategy to develop and market downtown housing in a way that best suits the larger region.

The edited transcript that follows covers the diverse array of strategies and concerns that accompanies downtown housing development. The panelists bring different perspectives to the issue, but all agree on one basic fact: downtown housing currently is booming and may in fact be the "hope" of a revitalized downtown.

Rebecca Sohmer
Fannie Mae Foundation

MODERATOR: Rebecca Sohmer, Fannie Mae Foundation

PRESENTER: Ted Chandler, Fannie Mae Western Regional Office

PANELISTS: Eugenie Birch, University of Pennsylvania
William Fulton, Claremont Graduate
University Research Institute
Nico Calavita, San Diego State University
Dennis Keating, Cleveland State University
Carl Abbott, Portland State University

SOHMER: Welcome to “Downtown Housing as an Urban Revitalization Tool: Hype or Hope?” I am Rebecca Sohmer from the Fannie Mae Foundation and I will be moderating today’s roundtable discussion. Let me introduce our presenter and our panelists. Ted Chandler from Fannie Mae here in Pasadena will be giving us a state-of-downtown-housing-in-the-West address.

Our panelists are Genie Birch from the University of Pennsylvania, Bill Fulton from Claremont Graduate University Research Institute, Nico Calavita from San Diego State University, Dennis Keating from Cleveland State University, and Carl Abbott from Portland State University.

For decades, there have been schemes to save American downtowns. Building interstate loops, convention centers, festival marketplaces, and sports arenas are just a few of the strategies cities have employed to refocus people and capital downtown.

Now, the buzzword is downtown housing. The central question for us in this discussion is whether or not the creation of housing is the savior of downtown or just another false prophet. The roundtable is an attempt to address downtown housing honestly and to create a platform from which to undertake further research.

To give us an idea of the kinds of things being done in this part of the country, here’s Ted Chandler.

CHANDLER: Thanks, Rebecca. And thank you to the panelists and to all of you for joining us here this morning. I also would like to thank Ann Maier, an analyst here at Fannie Mae, who has done a tremendous job of pulling together a lot of the data and a lot of the project-specific information we’ll discuss this morning.

A little bit of a disclaimer: I’m not a planning or research person. My staff and I work on urban housing and community development priorities common in the American West. I’ve focused this presentation around what Fannie Mae and city governments are doing.

The question on the table today is whether or not downtown housing is going to save downtown. Robert Lang and I discussed this a little bit, and I said, “Well, which side do you want me on, Robert? Hype or Hope?” He said, “You’re Fannie Mae. You’re hope.” I said, “Okay. I can do hope.”

But I will admit to some skepticism when I heard that Houston, for instance, was projecting a quadrupling of the downtown population. I thought, “Why is that couple going to have six children?”

However, downtown certainly does have attractions. Wherever a downtown is still a major regional jobs core, downtown residents have the advantage of being close to jobs. People can walk to work versus struggle with traffic or fight a long commute to and from the suburbs. Current demographic trends also might be giving downtown a new breath of life. Empty nesters and young couples move downtown in order to be near cultural facilities and entertainment. There's been a significant public investment in these kinds of downtown attractions—art museums, concert halls, and restored waterfronts.

Conversion of old office buildings to lofts is often profitable. It's a lot cheaper to build out residential space than it is to build out office space. But in looking at some of the literature I saw on Manhattan, for instance, it struck me that the growth in housing in Lower Manhattan came after the South Street Seaport had been built, after the World Financial Center had been built in Battery Park City, and then after the crash in the office market in the early 1990s. So what we're seeing is the highest and best use of these properties. Thus, in select cases, housing works better than office development as a method of urban revival.

One major change in downtown housing is a greater emphasis on condominiums. From where I sit, that's a little bit different from the luxury rentals common a few decades ago. I come from Boston, and it is always interesting to me that the number-one form of property ownership there is not row housing, it's not single-family homes, it's not triple-deckers; it's condominiums. We're now seeing a great deal of condo construction in several of our Western cities. An exception is in Phoenix, where there's a little bit of ownership housing being built, but a lot more rental units going up.

Loft conversions are so popular that in some cities, such as San Francisco, Portland, and Seattle, nearly all the old warehouses have been converted to offices or residences. Such places actually are building new loft-style apartment buildings, including buildings that are made to look like old, converted warehouses. Again, Phoenix is an exception, where predominantly garden-style apartments are being built.

I tried to segment some of the cities in which we're doing work here in the West to give a sense of the variety of market and public responses to a demand for housing or attempts to stimulate a demand for housing. I'm drawing on some very different scenarios here to point out that this isn't simply a phenomenon of old office buildings being converted into apartment buildings. There's a great deal of variety.

The two cities I turn to first are Portland and Phoenix. Portland's Pearl District is seeing a great deal of residential development. There are more than 17,000 housing units in downtown Portland. The city claims that about 75 percent of these residents work in downtown Portland. That number strikes me as exceptionally high, but it's not unreasonable. Portland's fastest-growing housing type is condominiums. Almost 600 condominiums have gone up in the last two years in the Pearl District alone. While most of the Pearl District's housing is market rate, some low-income units now are being developed. Fannie Mae is an equity investor in the Pearl Court Apartments—the only subsidized, low-income housing tax-credit project in the Pearl District.

Fannie Mae also has permitted low down payment loans in the condominium conversions where owner-occupancy rates and/or presale rates are below our standard requirements. We set a 70 percent minimum owner-occupancy or presale requirement for condominiums. (We've lowered that in the Pearl District to help stimulate condominium construction and also because the market there is very strong.)

Arbor Vista is another Fannie Mae-funded condominium project in Portland. It's located in the city's Goose Hollow neighborhood. There's no public money in this development, but it was built along a light-rail line so there's significant public investment in transit that runs downtown. The way in which Fannie Mae funded the development is somewhat unique. We purchased 27 first deeds of trust and 27 individual mortgages to fund the construction to get lower interest rates.

Next, I want to highlight Phoenix. There's been a wave of real estate investment trusts that are marching through downtown Phoenix and half a dozen projects are under construction that will come online by the end of 1999. Only two of the six are office conversions; they total 2,200 units. All six projects are rental housing. Although Phoenix contains predominantly rental housing, there is some infill, single-family housing being developed by Pulte Homes, one of the largest single-family home builders in the country.

Fannie Mae is financing the first new rental development in downtown Phoenix, Roosevelt Apartments, which is an entirely affordable project. It is a historic project, and the deal works very well because we use historic tax credits. But the rest of downtown housing under construction consists of market-rate projects.

Seattle is another active downtown housing market. Interestingly, the city has focused on subsidized downtown housing. In the early 1980s, downtown business interests formed a community develop-

ment corporation called Seattle Housing Resources Group, which has developed more than 1,000 units downtown on its own. By about 1985, there were a little over 9,000 units in downtown Seattle, and more than 7,000 of them were subsidized. Of the 3,600 units added in the last 10 or 12 years, about 800 are fully subsidized, tax-credit units.

Seattle has seen a 40 percent increase in downtown housing in the last dozen years. The income mix has shifted somewhat, but it's hard to find a city that has pursued subsidized downtown housing so methodically. Public policy in Seattle will continue to dictate that subsidized housing be built in association with new commercial development downtown.

Fannie Mae has done some interesting projects in cities throughout California. Old Town Square is a 98-unit project being built about two blocks from the major government center in Oakland. It originally was planned as a lease-purchase project using tax-exempt bonds for construction financing. Fannie Mae approved it for lease-purchase, which is a somewhat oddball way for us to finance housing. The people who signed up to lease the units, which they could then own in the future, became so eager to buy that they accumulated down payments and now are buying all of the units.

Metro Square is a Fannie Mae-funded project in downtown Sacramento. It's the first production subdivision in Sacramento in more than 25 years. The units are about 1,300 to 1,500 square feet. These are not the typical four-bedroom houses that builders construct in outer suburbs. The sales price was about \$140,000 to \$175,000, and the project sold out within a couple of days of the models coming online. The city of Sacramento has a substantial investment in the project. A year and a half ago, when development started, the sense of the nonprofit community in Sacramento was, "Well, we've got to do something," so the city invested in the project. The feeling today has reversed. People are saying that because the demand was so high, the government really didn't need to subsidize the project in any way. The demand was strong enough to carry the project on its own.

Swan's Market is a mixed-use development in Oakland. As the name implies, it was a former downtown market. The Fannie Mae Foundation made a \$250,000 predevelopment loan to Swan's Market, which is under construction right now. I expect the project to do very well when it comes online.

And then there's what I call the old: Los Angeles. Los Angeles maintains typical prewar downtown housing—tenements near sweatshops. It's the reason why people wanted to get out to subur-

bia, why 100 years ago the trolley lines were laid out and developers started building subdivisions.

For example, in Pico Union, near downtown Los Angeles, there's quite a bit of tenement housing around the new sports arena. I don't know what the prospects are, given both the abundance of substandard housing surrounding the downtown and Los Angeles's reputation for lacking a vital center. Frankly, city money is not being put into conversions of office buildings in downtown L.A.

Downtown L.A. is an exceptional place because of the collection of old, prewar office buildings. A very capable developer attempted to do a conversion and, because there is always a market for housing, filled all the units. Despite the building's apparent success, the developer could not service the debt he needed to accrue in order to fund the project. A lot of folks would love to see more downtown housing in L.A., but L.A. is an edge city in search of what it's an edge of, so it's hard to know if the city can successfully pull off downtown housing.

One conclusion I drew from the projects I highlight here is the fact that permanent abandonment seems an aberration in large downtowns. It may be the case for a small city that has a mill that closes and then you have to decide what to do with the mill, but for the larger cities, complete abandonment is an aberration. For one thing, downtowns get city, state, and federal dollars because they're very visible and they're where the subsidy monies remain concentrated. Cities still have the predominant populations that generate the entitlement funds for housing and community development.

Will downtown housing ease traffic? I don't think so. I think downtowns are popular because of traffic. It reminds me a little bit of the great philosopher who said, "That restaurant is so popular nobody goes there anymore." Traffic is one of the reasons why people want to be there. But on the regional scale, downtown housing development is not likely to put much of a dent in the traffic problem.

Another thing that people can't reconcile is how downtown housing supply can be growing while city population continues to decline. And I think that shrinking household size can explain some of this seeming contradiction. If you look at the 1950 census, for instance, the number of people per unit in cities was over four. Today, the number of people per unit is close to two. That's how housing in downtown could grow while population in general shrinks. There're just fewer people occupying those units (with the exception of that couple in Houston). Downtowns also shrunk to such low population baselines by the 1970s and 1980s that even modest actual growth there can produce large percentage gains.

Another point I want to make is that downtown buildings may become obsolete, but the locations don't become obsolete. So an office building may become obsolete in its use, but the location hasn't become obsolete. This led me to think about the market share potential of downtown. What jobs will remain downtown? How much housing, obviously, will be associated with those jobs? The reuse of office buildings as housing doesn't hurt downtown. It soaks up excess supply in the office market and helps to stimulate additional office development. At the end of the day, downtowns still are going to capture a certain market share of housing and jobs, but most growth will occur in the wider metropolitan area.

Finally, city governments do not build buildings. Developers build the buildings, and lenders finance the buildings, and cities can help make the financing work through their subsidies. The fact that there's usually a market clearing price for housing, unlike for office or retail space, means you can cut the rent quickly to put somebody in a housing unit. That means that housing will continue to be a popular use in downtowns. But, with that, I leave it to the panel to reveal the wisdom and the truths here. Thank you very much for listening.

SOHMER: Thank you. Each of our panelists will address what Ted presented and compare and contrast his findings with their own regions or cities. We'll start with Genie Birch.

BIRCH: Thank you very much. That was a very interesting presentation of the West. I will represent two eastern cities. In preparation for this session, I called two associates, Carl Weisbrod, executive director of the Alliance for Downtown in New York, and Paul Levy, Executive Director of the Center City District in Philadelphia. These two groups have been extremely active in promoting downtown housing in those cities.

They reported a number of things that confirm exactly what Ted Chandler has said. There are obvious attractions to housing in downtown: the proximity to work, the excitement of the city, and those sorts of things. I would like to explore the difference between what is happening in Philadelphia and what is happening in New York. Some of this variation has to do with the actions that have been taken by municipal governments to encourage downtown residence. Although both Philadelphia and New York have introduced tax incentives for housing conversions and have achieved some benefits from this, their approaches are different.

Philadelphia, for example, offers a 10-year tax abatement that applies to improvements but not to new construction, while New York also gives tax relief for conversions, not only for the value of an im-

provement, but also for the whole building. This enables developers to bring down their square foot costs by a dollar or two. New York also has instigated zoning changes to stimulate the conversion of obsolete buildings into residential uses. While the feeling is that the zoning generally was helpful, the tax incentive, passed in 1995, was the critical factor for production of the 3,000 new units (3 million square feet) built in the past three years.

There's something else that I'd like to draw attention to: the publicity campaigns that various downtown groups are engaged in. There's been some active work on the part of business and civic groups to promote downtown housing. In Philadelphia, for example, the Center City District has spent over \$300,000 in the past two years to promote the downtown as a place to be. They're expanding this activity with a cooperative agreement with local cultural facilities and created a \$60,000 print and media campaign that promotes downtown housing directly. They found that the campaign was effective, but they needed to supplement it with something real estate brokers could hand out. They developed a brochure called "Living in the Center of It All," a lovely pamphlet that talks about the advantages of being downtown.

New York City's Downtown Alliance is so well established it considers itself a "third-generation" business improvement district (BID). In addition to the normal things BIDs do, such as cleaning streets and providing security, the Alliance also engages in economic development. It aims to bring jobs downtown, particularly to what they're calling the "Silicon Alley" of Manhattan. This includes a publicity campaign and marketing. The Downtown Alliance also serves as a venue for landlords to come together and discuss problems as well as strategies to attract incubator businesses to their buildings. To enhance the environs it also has invested in a local park, and provides transportation (shuttles) for downtown workers and residents.

Weisbrod made an interesting observation concerning the relationship between commercial and residential. While the city made a conscious effort to bring residential development into this area through offering various incentives, it did not worry about retail. They felt that if they could attract a 24-hour downtown population, then the retail would follow. The policy has been only partially successful. In three years, the vacancy rate for commercial property has gone from 22 to 9 percent, a dramatic change. However, one major amenity that hasn't come in automatically is a supermarket. The Downtown Alliance is taking an active role to get one downtown. The commercial development that *has* come in is bookstores and later-hours restaurants—the kinds of things that the new young professional population wants. Many high-tech young profes-

sionals earn remarkably high incomes—they're eating out, not buying lots of groceries.

However, not all of New York City's downtown population is childless professionals. In one area, Battery Park City (developed in the 1980s), double-income-no-kids (DINKs) and empty nesters were the primary settlers. Now, 10 years later, many people who came as singles and couples have children; these families have decided to stay. This new group is making different demands and that's an issue that has to be addressed. If downtown housing is going to work in the long term, we have to think about what kind of facilities and amenities will be needed. Obviously, parks and recreation are important, but schools and other activities that support family life may emerge as concerns.

FULTON: Well, I'm the only person on the panel who actually lives in the Los Angeles area, so I thought I'd begin with a story about what it's like to try to do something in downtown Los Angeles. Recently my wife and I and some friends went to the Mark Taber Forum, which is a downtown theater, to see *Cider House Rules*, a two-part play with an afternoon and an evening performance. The play is six hours long. In between the two parts, you're supposed to go eat dinner. If the play had been at New York's Lincoln Center, you would stroll across the street to find a restaurant. Being in Los Angeles, however, we went down to the parking garage, got in our car, and drove from downtown Los Angeles to downtown Pasadena, which is eight miles away and has much better restaurants.

The point of the story is that when you talk about Los Angeles, in particular, you have to talk about what exactly you mean by "downtown." In Los Angeles, there are probably 30 successful downtowns, all of which provide various amenities, some of which are very urban and very successful. Probably the single most urban and successful one is Pasadena.

That raises a couple of general points I want to make about downtown living. It's generally cast as living in the central downtown of the metropolitan area. Los Angeles is an extreme example, but I think, in many cases, there are many downtowns in most metropolitan regions. Most of them are older, suburban downtowns. Pasadena is an unusually dense one. Most of the others around the L.A. region are older, suburban downtowns that are densifying, changing, becoming more urban, and in most cases they have an existing stock of housing immediately surrounding them, usually within walking distance.

If you change and make more realistic your definition of what a downtown is, then you get a greater understanding about what is

possible. Then you have a more realistic understanding of urbanism in the United States, which, at a conference Genie and I were at a month ago, Bob Fishman, an urban historian, very eloquently described as a “constellation of urbanity” throughout an entire metropolitan area. You can’t have a conference in Los Angeles without understanding that basic fact about American cities, because this region is the most obvious example of that.

I also think that the suburban downtowns help to answer the question, can a downtown be for a family? And the answer to that question, especially in suburban downtowns such as this one, and also in Ventura, CA, where I live, is yes. But that’s a little bit different issue than the case of the big, central downtown.

The second question I would ask is, who are we referring to when we’re talking about downtown housing? Are we talking about yuppies, DINKs, 28-year-old software programmers who make fabulous salaries, or are we talking about tenement dwellers who make \$7 an hour and are trying to support a family? The most amazing thing to me, having observed the attempts of the Los Angeles Community Redevelopment Agency to establish downtown housing over a 20-year period, is that they never noticed the people already living there because the people they wanted to attract were not the same people. It was the affluent Bunker Hill crowd they wanted, not the low-income Pico Union crowd [two L.A. downtown neighborhoods].

So what this led to was the very traditional urban renewal spectacle of demolishing housing in order to attract people to live downtown. I agree with Ted that downtown Los Angeles has fabulous older office buildings, which probably should be converted for residential use. Yet, there is a bigger question for downtown Los Angeles than what you do with these beautiful 70-year-old, six-story office buildings on Spring Street. Los Angeles is a mono-use downtown, a monument to corporate headquarters, none of which are actually there anymore. No corporate headquarters remain in these corporate headquarter buildings. What do you do with the 15-year-old, 52-story monstrosity on Bunker Hill for which there are no office tenants anymore?

I have a friend in Los Angeles who always thought that it made perfect sense to encourage vertical commuting, that is, to say that the clerical workers and the other low-paid staff should simply live in the vacant floors of the skyscrapers and just take the elevator to work.

BIRCH: You know what, they just changed the zoning to allow that in New York City.

FULTON: The final point I would make, and Ted touched on this, is that urbanism is a rare thing in the West. Urbanism is a precious little gem in the West, compared to the East. Therefore, it's a sellable commodity. In the West, high-end job centers are mostly in what we would think of as suburban areas such as Orange County and Silicon Valley. Such places have become very, very expensive to live in and they do not provide a sense of urbanity for the 28-year-old software engineer making \$130,000 a year. So, what do you do? Increasingly, I find people of that ilk using downtown San Francisco as a dormitory for Silicon Valley; they drive their sports utility vehicles in a reverse commute down to Sunnyvale, which is about 40 miles away. You see the same thing, actually, in L.A., not in downtown L.A., of course, because that's not urban enough, but people live in Santa Monica or in a cool, urban area of Long Beach and do a reverse commute to Orange County.

That means that downtown housing does not solve the traffic problem. It might even out the traffic flow at rush hour, which is probably not a bad thing. But the point is that western U.S. cities are so much more diffuse and subtle in their spatial structure and in the relationship between urbanism and residences and jobs that a monolithic idea of downtown housing as a redevelopment tool is a model that you can't quite apply—in the West, at least. You have to think of it in a whole different way.

CALAVITA: Before I start my comments I want to make it clear that I have a love-hate relationship with downtown San Diego. I love downtown the way it has developed, but unfortunately it has come with a very high cost in terms of the neglect of the neighborhoods surrounding downtown. These neighborhoods, the so-called urbanized areas of the city of San Diego, have a lag in public facilities that would cost \$1.4 billion to meet as opposed to the suburban communities of the city, where public facilities are larger than what the city standards call for.

The downtown has been blessed with a tremendous amount of investment, while the urban neighborhoods have been denied what they badly need. The national press has focused on the successes of downtown, so that you have articles like "Blessings of a City Beside the Sea," which appeared in the *New York Times* a few months ago, or a recent article in *National Geographic Traveler* with pictures of areas in downtown San Diego that try to look like Venice, complete with gondolas.

Downtown has been very successful indeed. The population of downtown was 13,500 in 1960; it fell to 10,000 in 1980. In 1990 the population jumped back to 15,000 and up to 20,000 in 1998. The estimate for 2015 is about 45,000 people, and 50,000 in 2020. Since

1985, more than 5,000 residential units have been added to downtown. In the past few months, 1,200 new units, both condos and rentals, have been approved in downtown San Diego, most of them in the Marina District. These new developments are supposed to involve an investment of \$290 million.

The beginning of the resurgence of downtown San Diego has been associated with the opening of the Horton Plaza shopping center in 1985. I believe, however, that it was the opening of the convention center in 1992 that spurred the boom of the Gaslamp Quarter, and of downtown in general. The Gaslamp Quarter has become the entertainment center for the entire metropolitan area, especially for the younger set, and is so congested on weekend nights that it is even difficult to walk in that section of downtown. Recently, the expansion of the convention center was approved by the voters, promising an even greater influx of downtown visitors. Unfortunately, the existing convention center and the new addition will create a wall half a mile in length on the waterfront, cutting off that part of downtown from its main asset, San Diego Bay, that the articles mentioned before emphasized.

A few days ago, another 800-pound gorilla was approved by the voters—a new ballpark for the San Diego Padres, to be located in the eastern part of downtown, in a section immediately adjacent to the Gaslamp Quarter. I was opposed to the ballpark, especially from a financing point of view, but I will limit my comments to the effect that this project will have on downtown and its ability to accommodate housing. The main goal of the downtown plan was to bring more housing and jobs downtown and to create a 24-hour place. In order to do that, neighborhoods would be created, and the main area where that was supposed to happen was in the eastern part of downtown. Well, that was the plan. But if the Padres want a ballpark, damn the plan, we will build it. It's going to be built close to the convention center where it can be utilized for large conventions—and, in the process, it will wipe out about half of the residential component planned for the eastern part of downtown. Ironically, the ballpark will create conditions that will make it more difficult for the other half of the area to be built for housing.

What is interesting is that polls showed that the ballpark itself would not have been approved by the voters, so offices, hotels, and shops were planned adjacent to the ballpark and redevelopment became the Trojan horse that would bring the ballpark downtown. That the slogan “redevelopment works for all of us” worked might be an indication of the success of downtown in the minds of the voters. But redevelopment was already taking place organically, through the renovation of lofts and warehouses on the part of individual investors who had been encouraged by the redevelopment

agency until the ballpark entered the picture. Recently renovated buildings will now be wiped out by the ballpark, together with buildings of historical significance. People were sold on the idea that redevelopment was not occurring fast enough. Now, about 50 businesses will be relocated. What I thought was developing slowly, but organically, and creating a real sense of place, now will be totally obliterated. My feeling was that downtown San Diego has clearly been moving in the right direction and that certainly there was no need for a ballpark to turn it around. I think that the ballpark is going to make things worse in the long run, because the residential component is going to be less than what it could have been and because what could have developed with a genuine sense of place is going to be another theme park.

KEATING: I think I'm here because in the Brookings/Fannie Mae Foundation survey of cities,² Cleveland scored the second-highest projected increase in downtown population, with the incredible figure of 228 percent (a rise in downtown living). Cleveland is 14th on the list of the current downtown population. Those of you who come to Cleveland in three years for this ACSP conference can check it out for yourself because we can arrange a tour.

Let me give you a little context and some figures. We're in the process of finalizing a new downtown plan for the years 2000 to 2008. In 1988, it was estimated that 7,000 people occupied 4,500 downtown housing units in Cleveland. By 1998, it was estimated that there were 6,000 housing units in downtown Cleveland. The Civic Vision 2000 plan (adopted in October 1998) calls for building 6,500 new housing units in the next decade and increasing the downtown residential population to 21,000. Cleveland has experienced downtown and waterfront redevelopment. And in our case—Nico [Calavita] won't like this—a major impetus has been the Gateway Sports Complex project, which has spawned some restaurants, hotels, and even some housing.

Now let me give you some figures just to indicate whether the downtown housing trend is realistic. In the last eight years, about 1,200 new units have been added to downtown Cleveland. That's about 150 a year. These are mostly conversions of offices and warehouses, as is true for many other cities.

Of the total development costs of 135 million, according to the city, 20 million was subsidies, including 15-year tax abatements, a lot of

² The Fannie Mae Foundation and The Brookings Institution Center on Urban and Metropolitan Policy conducted a survey of 25 American downtowns that asked each city to make projections of their downtown population in 2010 (based on 1998 figures).

Urban Development Action Grants, and Community Development Block Grants. There is little unsubsidized development in Cleveland and none foreseen that I know of. Of the units we have, as of September, the vacancy rate is about 5 percent, which is pretty healthy.

I have a survey done by a colleague, Tom Bier, about four years ago. He surveyed regionally, in a seven-county area, asking how many people would like to live in downtown Cleveland. He came up with a total of 13,000 people interested in living downtown, based on a 3 percent response rate.

However, there are some glitches here. Eighty-five percent of the respondents, most of them were homeowners already, mostly living in the suburbs, said they only were interested in living downtown if they could own. There was very little interest in rental. Most of the housing that's downtown, whatever you count the figure to be is, guess what—rental. So that's a problem. He concluded the rental market prospects are "thin."

We have three community development corporations (CDCs) in downtown—one in the historic warehouse district, one near the area now renamed the Historic Gateway Neighborhood next to the Gateway Sports Complex, and our Flats Development group. A lot of the housing that might emerge is on Euclid Avenue, the once-grand avenue that connects downtown to the rest of the city. Last week, walking on Euclid from the main intersection between downtown and our university, I counted 14 "For Lease" signs. To what extent people are willing to live in old buildings along the main former shopping thoroughfare, presumably in condominiums, remains to be seen.

The developers project housing in about four or five concentrated areas, either along Euclid Avenue, next to the sports complex, along the riverfront, or lining the lakefront. I think this raises several questions. One is where the subsidies are going to come from, because such development is going to require subsidies. Where are the people going to come from, particularly if they mostly want ownership housing? There are three main concerns people have when deciding whether they really do want to move downtown: amenities, parking, and safety.

There is currently no downtown supermarket. If you live downtown, you really have to go across the river or about a mile away to find a supermarket, dry cleaners, hardware stores, all the basic amenities. Presumably, according to this plan, if there is a fourfold population increase the amenities would follow. And, presumably, developers or the city would provide parking.

As for safety, we do not have a privatized arrangement, but I can imagine some kind of privatized security arrangement, as exists in other cities or even in other parts of Cleveland. If I were a betting person, which, of course, I'm not, I would find it hard to imagine a 228 percent increase, but I've been wrong before. I think for this to happen there has to be a lot of marketing and a lot of subsidies.

I will conclude with the quote in our paper from a developer who is a major converter of warehouses, who was asked, "How do you know there is continuing demand for your units?" His answer was, "When the phone stops ringing in our leasing office, that's when I stop building anything else." This is a kind of seat-of-the-pants marketing and projections, although I think Tom Bier's 1995 survey gives some indication of at least the optimal market, all things being possibly correct. So, come to our town in three years and you can check it out.

ABBOTT: The advantage of coming last is that I can say, ditto, ditto, and close my folder. But, of course, I won't do that.

In terms of the scale of current and projected downtown housing, Portland and San Diego are in the same ballpark, pardon the pun. We're into that same size range of about 15,000 to 20,000 people now living in the core area—with a projected doubling over the next 20 years or so.

Central Portland, which is the downtown and the surrounding commercial employment areas, has been adding about 2,200 jobs per year in the 1990s. To meet our projections, we need to be adding about 800 housing units, but that is not so far off projections that planners feel embarrassed. And downtown Portland has a Safeway, not a very big or good one, but it still has a supermarket.

There are a couple of ways to think about framing the question. One extremely important point that Ted touched on is the attractiveness of the loft style of housing as opposed to high-rise development. Design characteristics are extremely important. People who are going to move downtown want design that will integrate with the downtown. Otherwise, there's no *place*, there's no reason to be there.

I can contrast Portland with the town where I grew up, Dayton, Ohio, which is not successful with downtown housing. There are two projects that have been built in downtown Dayton in the last 25 years. Both of them are little clusters of town houses that turn inward onto a parking lot and a small private, open space. The town houses have their back to the city. If the houses are afraid to be in the city, you don't expect people to move into them.

Design is extremely important—not only the style of the housing, but what you do with the first-floor spaces. You need to make those spaces link the housing and the street life of the city. This is an area where the quality and implementation of city design guidelines can make a difference. In some cities, you can really isolate a downtown. In Dayton, for example, there's a downtown and then there's stuff around it. You know when you're there and when you're not.

In Portland or in Seattle, on the other hand, it's much harder to tell where the downtown stops and other central neighborhoods and districts start. And for a city like Portland or a city like Seattle, I think downtown housing in a lot of people's minds actually means housing within a one-and-a-half or two-mile radius of the 100 percent corner. And if there's pleasant pedestrian, bicycle, or transit linkage between those surrounding neighborhoods and the downtown, the housing in both areas can be viewed as parts of the single central-city housing market.

So some cities are blessed in that way and others are not. It's the luck of the draw plus what you redeveloped and where your railroad lines ran and a whole lot of other specifics about particular cities.

We need to think in terms of multiple market segments. This is something that Bill touched on. I'm thinking in terms of segmenting the housing market into four categories. One is the skid row and pensioner population—or people who consume shelter housing and subsidized single-room occupancy buildings. That's downtown housing and that's a clear population. The second group is the almost-poor working people and students. There are people like secretaries or entry-level professionals who want to live downtown; they can't afford that condo yet but may want a studio or one-bedroom apartment. Next are the middle-class empty nesters and DINKs. This is the group at whom most of the current discussion is aimed. In Portland, they're certainly the people who right now are the biggest consumers of new housing. The final group, of course, are the truly affluent in their towers with very expensive views. There may be other ways to segment this market, but we do have to avoid thinking of the housing market as a monolithic whole.

And just one other point is, again, what are the amenities needed to keep the middle class downtown? I'm thinking of Genie's point about Battery City transitioning from DINKs to families. Portland State, a campus on the edge of the downtown, is in discussions with the school district about building a new downtown school that would be linked to the campus, serving downtown residents and some of these surrounding close-in neighborhoods. If that comes off,

it would be a real sign that this is a long-term change and not just a blip in the housing markets.

SOHMER: Thank you very much. You all have brought up some really interesting points. I'd like to ask one question before opening the floor to the audience.

I want to focus on something that Carl discussed. When we're talking about downtown housing as a redevelopment tool, it seems that from most of what people said that we're really talking about middle-income housing. What I'd like to hear from the panelists is what kind of impact bringing that more affluent population back into downtown is going to have on existing low-income populations—is it going to benefit them or is it going to displace them? If it's going to displace them, how do we deal with that?

KEATING: Well, we're in the happy situation of long ago, under urban renewal, having demolished most of the poor residential neighborhoods in downtown Cleveland. Most of the warehouses are long empty, so there is no displacing factor, ironically, except for the early pioneers who were the artists, of course, in the warehouse district and they were priced out.

BIRCH: If you're defining downtown as truly downtown, I think Dennis is right, except for the newer areas where there might be displacement of early pioneers. For example, Tribeca in New York has suddenly become very hot and this has led to tremendous tension between the artists who did the illegal loft conversions and then successfully lobbied for a change in the law, and the new, wealthier occupants who are driving costs up.

CALAVITA: The San Diego situation is similar to that of Cleveland in the sense there are not too many low-income people living there. If there are some, it is because of a good SRO program that was established in the late 1980s that has been very successful, and also because the first housing built downtown as a result of redevelopment were two low-income elderly projects built in 1979 and 1981.

I believe that this movement back to downtown living is here to stay. I think that there are lifestyle changes that have occurred in the United States in the past 20 years since I came to this country that are quite amazing. There has been a tremendous change in terms of a cosmopolitan attitude, and I think because of these lifestyle changes, a segment of the population is going to seek downtown living. Hopefully not because of the theme park-like environments that are sprouting in all downtowns, but because of the public spaces, the sense of place that one finds downtown as opposed to the suburbs.

And it occurred to me that we have not addressed the question of whether the kind of housing built there will be affordable to the different segments of the population. I agree with Carl that you need variety from an architectural point of view, but we need to make sure that the social and political reality of urban diversity jibe with the architectural diversity. We need to have the social mix one usually associates with urban life.

ABBOTT: In Portland, the biggest displacers of poor residents from downtown have not been middle-class housing, which has mostly not been in historically residential areas. Displacement has come from converting old run-down hotels into snazzy boutique hotels, or it's been from the federal government building a huge, new federal courthouse. A strong business travel market is a real displacer of the poor.

TEMKIN: Ken Temkin, The Urban Institute. The discussion here is talking about urban, downtown redevelopment in a partial equilibrium. We don't know where the people who are moving into downtown are coming from. If housing is going to be used as a redevelopment tool, is there a possibility that it will simply suck demand from the other neighborhoods that these people may have moved into? Maybe we're not seeing a net increase in demand. Maybe the central business district (CBD) area will experience an increase in yuppies, but the neighborhoods that the yuppies are moving from or the neighborhoods they would have moved into will decline. So, in the end, the city may actually be no better off.

CALAVITA: My feeling is that in San Diego the people are coming from the suburbs, and, again, I think, because of change in lifestyle that in turn can be linked to changes in the life cycle. A couple of weeks ago, a single grandmother who lives in a large house in the exurbs of San Diego told me that she is moving downtown because she wants to have fun and she doesn't want to be bothered with taking care of a large house and garden.

FULTON: You know, in a western city with a lot of population growth like San Diego, the grandma moving into downtown won't create a blighted hole in the suburbs where she left. There're going to be plenty of people willing to pay the price to move into that house. That's a fundamental difference between the parts of the country, such as the West, which are experiencing rapid population growth, and the places that are stagnant, where you are much more likely to just be moving people around.

KEATING: It's fair to say that in Cleveland there's a big push to build fairly large residential projects, but most of those are in neighborhoods that are sufficiently far away from downtown. Un-

less you keep expanding what you mean by downtown, I think they're totally separate markets. The downtown market in Cleveland is typically the empty nesters and the young professionals. So I don't think displacement is an issue.

CALAVITA: Bill has made a very good point. The growth expected in the San Diego region in the next 20 years is 1 million people, and the population downtown is expected to grow by 30,000 people. When considered in a metropolitan growth context, that is a tiny amount.

SHOVE: Chris Shove, University of Oklahoma. I am wearing two different hats: I am an academic and I was elected to the city council in Norman, OK, a city of about 95,000 people. Is there a summary of best practices to develop downtown housing? We're interested in revitalizing our downtown, which is roughly a square mile. Virtually no one lives in downtown Norman. We hired a pretty prestigious consulting firm from Chicago to come in and assist us. They delivered a plan about three weeks ago, but unfortunately, the plan is already dead.

One of the things I had been interested in doing was increasing the supply of housing, which would increase consumer demand downtown. Hopefully, this would stimulate retail development, despite the 200,000-square-foot Wal-Mart Super Center that is located about a half mile away from downtown. This was something that the public seemed to be interested in as well.

However, since the consultant's plan was not accepted, we don't really know what to do next. I was curious about what Genie said about zoning. One of the things we thought about was rezoning the downtown for low-income residential because it's pretty clear that we'll never get extensive commercial development at the 100 percent corner again. If we rezone downtown for residential, it might help stimulate some kind of development there. We could replat the land downtown to make smaller units, which would increase the supply of potential residential properties. While the city isn't really keen on a large amount of subsidies, they still are prepared to spend several million dollars.

Ken Temkin brought up an interesting question about partial equilibrium. The way we see it, it makes more sense to improve what already exists downtown, rather than try to pay for new services on the periphery of the city—new police, new fire, new water lines, new sewer lines, new roads. There really is a great gain to the city to bringing down the cost of development.

Having said all that, are there some best practices here that we should grab hold of?

BIRCH: There're no comprehensive best practices. There are lots of pieces of it. There's the work that Rob Lang did on the market of who might want to live downtown (Lang 1997). ULI—the Urban Land Institute publishes model projects and so forth. So there are pieces of it all over the place.

But what I think you might need to do is go out and talk to a few developers in Norman and say, “What would it take to get you to build downtown?”

SHOVE: We have. They're intrigued with the idea, but one problem is that nobody wants to be first.

FULTON: If I can respond, again, to talk about the experience in Ventura. The city had a historically strong downtown, but had a lot of vacant properties. There was a downtown plan done that targeted certain areas for housing. What Ventura did, keeping in mind this is a high growth region, was to shift the whole regulatory apparatus to favor the downtown so that it would be easier to get a residential approval downtown than anywhere else in town.

This did not result in anybody building housing in the downtown in the first five years, partly because of the recession that we were experiencing in California, but also because of the mind-set of the developers who worked in our town. Given the choice of easily building town homes downtown or building three-bedroom houses out on the outskirts with difficulty, they were going to choose the three-bedroom houses and do it with difficulty. Our city leaders have come to realize that easing regulation is not enough. Jack Kemp was wrong. It takes something else to create a fundamental shift in the attitudes of the developers and the financiers.

BIRCH: I just wanted to bring to your attention a survey that Philadelphia's Center City District did in 1997 to analyze how to bring in more investment in downtown housing. They found that a battery of things were needed: changing regulations, creating tax abatements, setting up a private sector loan pool that might spread the risk. It's really a road map for strategic actions that might be put together to form a program. No single item works alone; it requires a multipronged approach.

CALAVITA: If I could respond quickly to Chris on how to make downtown housing successful. I will go back to my earlier comment about lifestyle and demographic changes. What can your downtown offer in terms of providing a sense of living in a place that is spe-

cial, that is congruent with a cosmopolitan lifestyle, that allows for a different way of using one's resources, leisure time, and so on?

SCHEER: Brenda Scheer, Cincinnati. I think Chris's question brings up another issue that I was hoping to hear the panel comment on. Maybe some people can help me. In Cincinnati, a few years ago, we had a stadium referendum and one of the big issues was how much economic development that would bring to the city. They did an economic model and showed how it would bring in a hundred zillion dollars worth of development, which was totally ridiculous.

One of the things that city councils and other places look at is this kind of modeling. We turned around and used exactly the same model and showed that for the same investment, actually for less investment than they were prepared to commit to the stadium, the city could triple the economic impact by subsidizing housing at the cost of about \$20,000 per unit.

I was wondering if there were others who had statistics that would demonstrate that housing did, in fact, increase economic development. And if there were numbers like that, it could certainly help sell the idea that housing means great downtowns. Are there figures to support that assertion?

BIRCH: The Philadelphia Center City District's survey asserts just that. A new resident earning Center City's annual median income will spend almost \$24,000 per year in the city, a sum that generates \$2,900 in new city wage and sales taxes. Later on in the report, they come up with a specific amount that they claim the city will earn in tax dollars if they choose to promote downtown housing. So yes, there are firms providing this kind of statistical information.

FULTON: Can I ask Brenda, did your findings change the debate in Cincinnati at all?

SCHEER: No, because it really wasn't about how best shall we spend our tax dollars. The city was really looking for justification to build the stadium, which they had already decided upon building.

NELSON: Chris Nelson, Georgia Tech. First of all, is there a way that we can know what threshold is needed to create a downtown village? Is it 50,000 people of different income levels that creates more of the thing we're looking for? Is it 20,000? Is it a million? Do you have any sense of what that number, that critical mass, is to make the downtown the 24-hour place or whatever you would like to have it become?

Second, and this is directed more to Carl, Oregon has statewide growth boundaries and Seattle is just now creating one. To what extent do physical constraints (like mountains) or mandated constraints through supply restrictions make downtown housing more feasible, or does it make a difference?

ABBOTT: Supply constraints, whether physically driven or institutionally driven, have an effect on downtown, but I think they have an effect on all older parts of the city as well. In Portland, what you've seen is increased demand, not just for downtown housing, but throughout the city, in all of the bungalow-belt neighborhoods and early postwar neighborhoods. The market begins to equilibrate and such undervalued older neighborhoods get more highly valued. Now, that process in Portland may be getting real close to balance and then I'm not sure what's going to happen.

CHANDLER: Is it fair to say, Carl, that one of the things that we're seeing in Portland and in Oregon is much of the growth that we might expect to take place in the urban growth boundary is actually leapfrogging the boundary?

ABBOTT: There are really two questions there. One is, what is the degree to which the urban growth boundary triggers leapfrog development? It certainly does to some extent and the economists in my department argue that, of course, it must necessarily have that effect because that's the way it's supposed to work.

But in Oregon, such development is supposed to leap into other communities with their own growth boundaries. Over the long run, the statewide system supports densification. In Portland, our dirty little secret for many years was the state of Washington, or more specifically Clark County across the river, where you could sprawl all you wanted to. Now, as Washington's growth management system is implemented, that escape valve will be less available.

FULTON: If I can respond, Chris, again, referring to my own situation. On Tuesday, the voters of my county imposed probably the most comprehensive system of urban growth boundaries in the state. It's a series of small cities. They all now have boundaries around them.

In the city of Ventura, we've had such a growth boundary since 1995. What happened was that the old developers, who had always worked in town, realized that they could not build their three-bedroom houses on the edge of town anymore, yet they didn't want to come and build downtown housing. They did one of two things, either they continued to sue or they went away.

They started building their three-bedroom houses somewhere else. In Los Angeles, there is an emerging set of market-rate infill developers who know how to do this stuff. They were attracted to Ventura because now we lived in a bounded world and they saw that it was where the development was going to go. So it was a replacement of developers. We had to import infill development expertise and the growth boundary drove the old guys out and attracted the attention of the people who want to do this stuff.

KEATING: I'll try to answer your first question, but I don't think there's a singular answer. I assume it depends upon the size of the city and what the situation is in that town. But to give you a flavor, here's Cleveland's downtown plan: "Downtown's continuing revitalization is indisputably linked to accelerated housing development." Its objective is to create neighborhoods, "large enough to sustain 24-hour activity important to a successful downtown." So, they don't have a specific threshold.

BIRCH: I think we have to flip the question, because downtown housing is quite dependent upon jobs. People want to live downtown because they can walk to work. Some of them commute out, but most of them want to walk to work. So you've got to have a very strong downtown economy. There's a wonderful article about Boston in last Tuesday's *New York Times* (Goldberg 1998). It points out that Boston is having a remarkable revival, not only because of the \$11 billion pouring into the Big Dig (a massive project to replace Boston's main elevated highway with a tunnel), but also because the city has four strong industries supporting its economic base. And that, then, is attracting people to live in the downtown area. The article has a very funny quote about the types of industries that they have: "No longer is Boston the home of the bean and the cod, but now it's more the home of the byte and the doc." It's the high-tech companies and the medical industry. You have to have that strength in the economy before you can even talk about downtown housing. Maybe that's an issue for Norman, OK.

FULTON: I think that's a very Eastern view. And I think that people in the West understand that they're always going to drive to work and they're not going to walk.

BIRCH: They should try.

FULTON: It would take awhile.

BIRCH: Not if you get the jobs there.

FULTON: Well, they're not going to deliberately remove themselves from 99 percent of the job market in order to live downtown. Prox-

imity to the job in the West is less important than the urban amenities that you get by living in a downtown or in an urban village.

RENGERT: Kris Rengert, Rutgers University. I'm feeding a little bit off of the question about what it takes to create a village. Do you see development of downtown housing as attracting empty nesters who aren't going to be involved with the school system? Second, are there ways (or any existing efforts) to actually try to create a sense of community among people who don't have kids in school—something that usually ties people together?

ABBOTT: I think that question goes back to the scale of the downtown. The goal is not so much creating a downtown village, which has all the implications of self-contained isolation, as it is to create districts within the central part of the city which are strong residential districts. A large downtown could have two or three distinct neighborhoods, each of them different and viable in its own way. And then we would need to look for physical connections between these downtown neighborhoods or the downtown housing districts and the adjacent historically residential areas. Is there a park or a parkway? Is there good transit service to begin to make people in this closest-in housing feel as though they are a part of a larger inner neighborhood?

CALAVITA: I wonder if the idea of a village downtown is something that we should pursue, because my feeling is that the people who will live downtown are what I would call "cosmopolitans." They are not really tied to a neighborhood; they are not locals. They might appreciate a restaurant or a café next to their homes, but they are really not going to be tied to a neighborhood. They will want access to all amenities that are available downtown. That is why they live downtown, not because of a close connection to a close-knit community of the type that you find perhaps in the older neighborhoods adjacent to downtown.

NGUYEN: Dao Nguyen, the Brookings Institution. I think you got a copy of the survey that we conducted with the Fannie Mae Foundation. Part of the struggle in the numbers that we're trying to collect is that there's no clear definition of downtown. That was our first issue. And I think I might even have talked to some of you folks about how you define it, as is reflected in the information.

So that's our first struggle, just in trying to figure out what to consider "downtown." Should it include satellite developments and be more multinodal? We also need to understand whether or not what we're seeing is just a substitution effect as Ken Temkin described. How much money are new downtown residents actually bringing to the city, or are we just shifting existing capital and resources to the

downtown? Where should we go for this type of data and what question should we pose in this research?

BIRCH: I think you should ask the locals to define their downtown.

KEATING: And stick to the definition.

BIRCH: And stick to it and keep its boundaries common over time. I also think a downtown housing strategy is not the only strategy. There are comprehensive strategies for downtowns, which enrich and make downtowns more lively. You have to look at more than just the housing; you've got to look at the whole fabric of the downtown.

FULTON: It seems like downtown housing as a redevelopment tool is most successful in cities that were also the most successful in previous eras, especially as employment centers. If entertainment and high-end retail that went in during 1970s and 1980s were successful, it leaves the city in a much better position to build on for the next part of the puzzle, housing. Cities that have failed before with downtown revitalization will have a harder time succeeding with downtown housing.

CALAVITA: San Diego has always had employment. What is interesting is that its employment base downtown grew even with the growth of edge cities, such as Mission Valley or the Golden Triangle. San Diego has been successful in creating the additional amenities—the shopping, the entertainment, the culture—that make living downtown attractive for certain people.

BIRCH: I'd also like to point out that you need to take a much longer view, that downtown housing has not just occurred. It is the product of many policies and many kinds of activities. Next year will be the 50th anniversary of the 1949 Housing Act; we should actually look back even farther, to the 1937 Housing Act. My point is, there've been at least 50 years of continuous attention to housing and center-city revitalization, which is now bearing fruition.

KEATING: I think you have to be aware of the amount of added income, because disposable income and where it's spent may be substitutable. You also have to count all the subsidies, not only going into the housing, but the warehouse districts, infrastructure improvements, and police force increases. We must balance the cost and the benefits very carefully before we accept all the claims of how great this is for the downtown, simply for who moves in and how much they earn and spend.

ABBOTT: I agree with Genie that the numbers may not be so great that displacement is really an issue; but if the numbers begin to go up then I think that there will be ripple effects. For example, transition zones that have traditionally been around the downtown may move further out.

SOHMER: Thank you all for participating in this panel.

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