Central Social Districts: more details and discussion

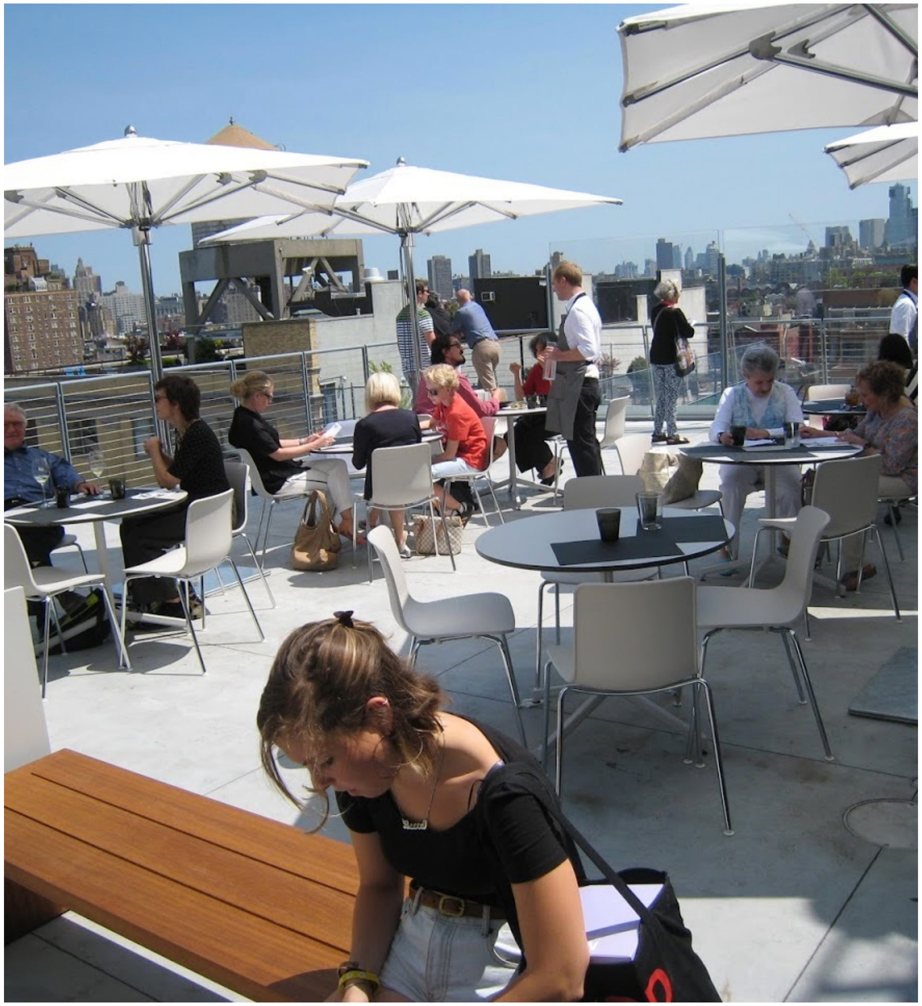
N. David Milder
DANTH, Inc
718-805-9507
www.ndavidmilder.com
dmilder@gmail.co

Presented to
The Delaware Valley Regional Planning Commission
Roundtable Series: New Normal for Downtowns
Philadelphia, PA
March 31, 2017

© N. David Milder. All Rights Reserved

Your CSD is…

The downtown area with activity venues that facilitate people having enjoyable experiences with other people, usually relatives and friends, but, importantly, sometimes strangers.

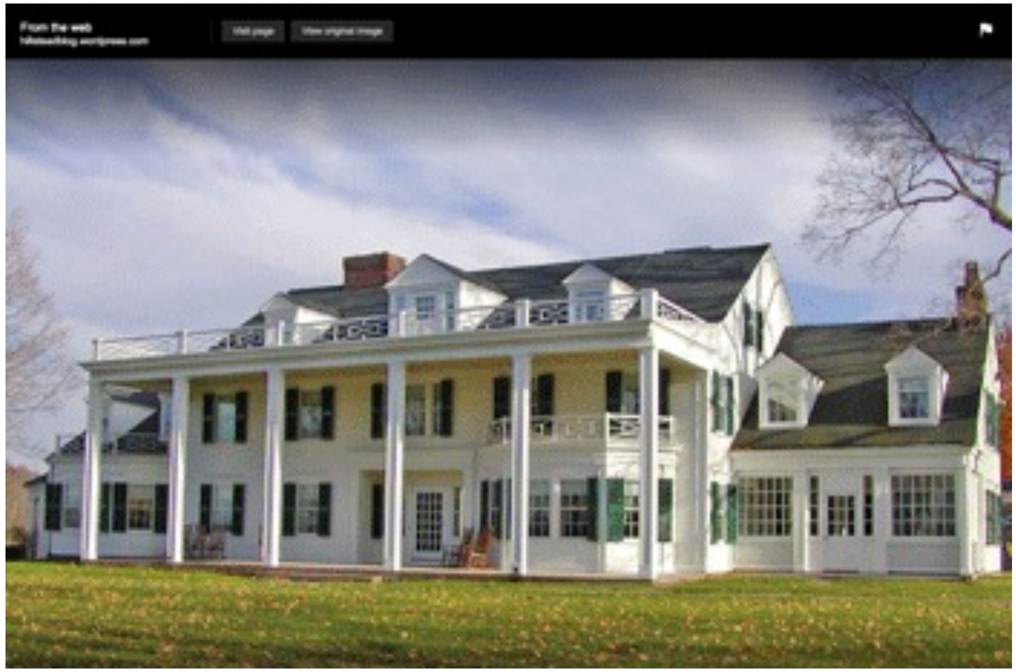


Some CSD Components: (EN = entertainment niche)

- Movie theaters (EN)
- PACs (EN)
- Concert Halls(EN)
- Museums (EN)
- Art galleries (EN)
- Arenas (EN)
- Stadiums (EN)
- Senior centers, community centers (EN)
- Pamper niche venues (gyms, nail & hair salons)
- Restaurants and drinking places (EN)
- Parks/public spaces (EN)
- Ice cream parlors; pizza, hot dog sausage joints (EN)
- Places of worship
- Social clubs, (EN)
- Catering halls (EN)
- Public markets (EN)

Downtowns need either a CSD strategic plan or an overall strategic plan with a strong CSD component

- More likely to identify CSD projects that will be easiest and cheapest to both build and operate
- More likely to select projects that have the needed strong market support
- More likely to have an appropriate focus on long-term operational viability
- Less likely to have entertainment failures or perpetual hand to mouth money pits that divert scarce resources from other vital projects.



Important Entertainment, Cultural and Arts Buildings

FORMAL ENTERTAINMENT VENUES

Formal entertainment venues need a lot of top quintile income HHs that can afford their admission fees

Quintiles of household income before taxes 2012: Annual entertainment admissions & fees expenditure means and shares

Variables	All consumer units	Lowest 20 percent	Second 20 percent	Third 20 percent	Fourth 20 percent	Highest 20 percent
Mean HH Income before taxes	$65,596	$9,988	$27,585	$47,265	$75,952	$167,010
Mean CU Fees & Amissions Expenses	614	110	221	369	647	1,722
Total % Quintle Entertainment fees & Amissions	100%	4%	7%	12%	21%	56%

Source: BLS 2012 Survey

Demand for entertainment and the arts in a state of flux/decline

eason or Yea		Symphony Orchestras	Touring Bway Shows	Opera	Non-Profit Theatre	Movie Theaters
1999-00	2000		11,700,000	3,887,000		1,420,800,000
2000-01	2001	32,000,000	10,700,000	3,872,000		1,487,300,000
2001-02	2002	30,000,000	10,500,000	3,211,000	32,200,000	1,575,700,000
2002-03	2003	28,000,000	11,400,000	3,142,000	34,300,000	1,532,300,000
2003-04	2004	NA	12,300,000	3,436,000	32,100,000	1,510,500,000
2004-05	2005	28,000,000	12,900,000	3,309,000	32,500,000	1,379,200,000
2005-06	2006	29,000,000	15,000,000	3,411,000	30,500,000	1,406,000,000
2006-07	2007	29,000,000	14,200,000	3,568,000	31,000,000	1,404,600,000
2007-08	2008	29,000,000	15,300,000	3,078,000	32,000,000	1,341,300,000
2008-09	2009	25,000,000	14,300,000	2,914,000	30,000,000	1,412,700,000
2009-10	2010	26,000,000	15,900,000	2,710,000	31,000,000	1,339,100,000
2010-11	2011	26,500,000	13,100,000	2,304,000	34,000,000	1,283,000,000
2011-12	2012		12,700,000		36,700,000	1,361,500,000
2012-13	2013		13,700,000			1,356,600,000
Delta N Most Recent Yr from Peak Year		-5,500,000	-2,200,000	-1,583,000	0	-219,100,000
Delta % Most Recent Yr from Peak Year		-17.2%	-13.8%	-40.7%	0.0%	-13.9%

A lot of performing arts events are not seen in formal venues

Percent of U.S. Adults Who Went to See an Art Exhibit or Who Attended a Performing Arts Event (Music, Dance, or Theater), By Venue: 2012	
15.40%	Park or open-air facility
12.30%	Theater, concert hall, or auditorium
11.70%	Restaurant, bar, nightclub, or coffee shop
9.90%	Elementary, middle, or high school
9.20%	Church, synagogue, other place of worship
9.00%	Art museum or gallery
7.50%	College or university campus
4.40%	Community center
Source: NEA's 2012 Survey Of Public Participation In The Arts	

Changing audience behaviors have important consequences

- The changes increase the uncertainty of existing arts organizations' earned incomes
- They definitely will be affecting the economic feasibility of projects to create new formal entertainment venues
- Creating such formal arts venues is seldom associated with cheap capital or operating costs.

Some relevant data…

Annual Expenditures Per Visitor of Formal and Informal Entertaimnet Venues

Type of Entertainment Venue	Annual Expenditures (Ms$s)	Annual Visitors (Ms)	Expend/Visit or ($s)
Formal Ent Venues	Avg: $121.4	Avg: 1.55	Avg: $64.11
Larger Communities	Avg: $206.1	Avg: 2.82	Avg: $82.35
Smaller Comminities	Avg: $3.51	Avg: 0.08	Avg: $42.83
Parks and Public Spaces	Avg: $11.74	Avg: 7.05	Avg: $2.00
Larger Communities	Avg: $18.50	Avg: 11.16	Avg: 2.02
Smaller Comminities	Avg: $0.48	Avg: 0.21	Avg: $1.99

Source: Downtown Curmudgeon Blog. Note: Formal venues include arenas, PACs, theaters, concert halls, museums. Study of 25 venues.

Weston Playhouse Theater, Weston, VT (population < 600)

- Annual Operating budget: $1.77 million
- Annual attendance: about 20,000
- $ operating expenditure per visitor: **$80.45**.

Paramount Theater, Rutland, VT

- A huge community effort made it's renovation possible
- Took several years to find its financial footing
- Focused on entertainment; comics are the big draw.

Museums are often found in small towns, but they…

- Frequently have very limited operating hours
- Have very limited holdings
- Have relatively high costs per user/visitor.

Blacksmith shop that's usually closed

Newton Fire Museum, Newton NJ (pop:7,979)

- "Expanded days of general operation from one day per week to three days per week, allowing more access to the public and attracting more tourism to Newton's developing downtown economy."
- Downtown corridor had 25% vacancy rate
- Total revenue < $25,000/yr.

Shelburne Museum, Shelburne, VT (pop: 7,759)

- Annual Operating budget: $5.8 million
- Annual attendance: about 110,000
- $ operating expenditure per visitor: $52.73.

Public sector accounts for 7% of arts nonprofits revenues; counties and municipalities donate the most

Public Sector Support for the Arts in 2013

$s Millions	Percent Gov't	Part of Public Sector
$ 139	12.1%	NEA
$ 279	24.4%	States
$ 727	63.5%	County and Muncipal
$ 1,145	100.0%	Total
$16,357.14	7%	Total art nonproft revenues
Note: Between 1992 and 2013 in inflation adjusted dollars, public funding for the arts decrased by 30%		
Source: Ryan Stubbs "Public Funding for the Arts: 2013 Update," GIA Reader, Vol 24, No 3 (Fall 2013): http://www.giarts.org/article/public-funding-arts-2013-update		

Legacy of the Plains Museum, Gehring, NE (pop: 8,500)

- It's operating budget around $887,895
- =attendance of 35,515 at $25 per; admission now $10

The city of Gehring obtained a $300,000 USDA Rural Development grant to help fund construction at the Legacy of the Plains Museum. It was formed by the merger of the Farm and Ranch Museum and the North Platte Valley Museum.

Where Enjoying Other People Is As important As The Food

RESTAURANTS

Restaurants and drinking places are vital social amenities, and they can make it in small towns

Downtown Type	One	Two	Three
Town Populations	1,000-2,500	2,500-5,000	5,000 - 10,000
Numner of downtowns	143	60	45
Avg Total Sales of Downtown Firms	$15,215,000	$25,205,000	$39,240,000
Food -Related and Convenience Sales	$7,831,000	$13,103,000	$20,575,000
% of Total Downtown sales	51.5%	52.0%	52.4%
Restaurants	$1,520,000	$2,515,000	$5,378,000
Drinking Places	$528,000	$784,000	$1,224,000
Eating and Drinking Places Sales	$2,048,000	$3,299,000	$6,602,000
% of Total Downtown Sales	13.5%	13.1%	16.8%
Based on: Bill Ryan, Beverly Stencel, and Jangik Jin, "Retail and Service Business Mix Analysis of Wisconsin's Downtowns," Sept 2010			

Here's why…

Sherwood WI: The Trade Area Market Share Needed to Support One Store in Some Downtown Niches

Needed Entry Mkt Share	Niche
28%	Restaurant Niche
28%	Pamper Niche
167%	Apparel Niche
168%	Home & Hearth Niche

- Relatively low market share needs to be won to be viable
- Relatively low rent and labor costs
- They now account for about 13% of the annual sales in WI small downtowns – more viable than most retail
- We are now spending almost the same on eating out as on eating at home

Biggest restaurant challenges in small towns…

- Small market area means low revenue potentials
- Low revenue potentials means quality restaurant operators and chefs probably will NOT be attracted
- High quality needed to draw customers from a larger market area – tourists don't like what they deem is crappy food, even if locals think it is good food
- HOW CAN QUALITY BE IMPROVED?

How to strengthen a restaurant niche

- Recruitment
  - Successful restaurateurs and chefs like having several eateries fairly close by
  - Look at other successful eateries close enough that a restaurant owner can have a manageable span of control
  - Recruit from chef schools and kitchen incubators
- Niche Marketing
  - Consumers like knowing there are lots of good eateries and bars to chose from
  - Many downtown EDOs are doing this.

Where People Watching Is Critically Important

INFORMAL ENTERTAINMENT VENUES

Division Street Plaza in Somerville, NJ – population 12,100

- Basically a 1-block long successful pedestrian mall. Unusual because about 90% of them have failed
- Cost about $675,000 to create
- Costs about $62,500/yr to operate
- Annually businesses are attracting 116,000 to 128,000 patrons and events are attracting about 100,00 visitors.

Grand Central Plaza in Valparaiso, IN – population 32,000

- Park with amphi-theater, ice rink and catering facility
- Cost about $3.25 million to build Phase 1; $4 million for new addition
- 2014 operating costs about $460,000/yr; $100,000 by city; $360,000 by Valparaiso Events
- Had about 130,000 visitors in 2014.

Mitchell Park in Greenport, NY – a fee-based operating strategy

- Reportedly gets about 390,000 visitors/year
- Costs about $1 million/year to operate. Most of the costs are covered by user fees from:
  - A 70+ birth marina
  - Carrousel rides and parties
  - Ice rink uses
    - Skating sessions
    - Kids hockey league games
    - Parties
- Village also owns and operates camp grounds and local utilities.

Parks and public spaces can have three important functions

- A green and pleasant retreat for quiet relaxation – small towns are often bad at this
- Provide venues for events: e.g., concerts, plays, lectures, outdoor movies, art shows – small towns are often good at this
- Provide infrastructure and equipment that stimulates and enables people to engage in various activities: e.g., ping pong table, swings, chess table, boules court, ice rink, carrousel, etc. These activities strongly stimulate people watching! – here small towns are usually weak.

Major challenge to small town parks and public spaces

They tend to not have this infrastructure and equipment because:

- They are seen as too expensive to build, install or purchase: e.g., an ice rink or carrousel
- And/or they lack the funds for the staff needed to operate or monitor them: e.g., chess or checkers sets, model boats, ping pong or boules equipment
- They are not good or experienced at running "for profit ventures."

Here are some features that require little or no staff

Informal entertainment venues also have far fewer user frictions

Figure 12. Non-Physcial Constraints on Visitation

	Bryant Park	LCPA Formal venues	MoMA and Met	MSG	B'way Theaters	Movie Theaters
Days/Hours Open	Almost daily 7 am to 10 or 11 pm	Closed most days	Formal venues closed 5 nites per week	Closed most days	Closed five afternoons per week	Open afternoons and evenings
Admission Fees	None	Opera avg price $156; Philharmonic series ticket $29- $112	Normal price $25. About twice the price of a movie ticket	Knicks $125/game; Rangers $78; Joel Concert $64-$124; secondary mkt prices soar $1,000+	Avg price $98.44 in 2012-13; secondary mkt prices can soar	Affordable for most Americans; about $8 in USA, $13 in NYC
Does the user's schedule drive visit?	Yes, except for scheduled events	Mostly, no. Most visits are for scheduled events	Mostly yes (days)	No. Visits are for scheduled events	No. Visits are for scheduled events	Many showings/ day make a match up easier
Are under 45 minutes or spontaneous visits possible?	Yes	No	Yes	No	No	No

The types of organizations that made these projects happen…

- Greenport's Mitchell Park: the Village government
- Somerville's Division Street Plaza: the Town government, but mostly the BID
- Valparaiso's Grand Central Plaza: City government and downtown biz group nonprofit

Local government action essential – those that provide for-a-fee business-like services are more likely to succeed.

How are they financed? In many ways…

- Greenport's Mitchell Park: operations covered mostly by user fees. Village spent about $4 million on its development, rest came from 25+ grants and donations
- Somerville's Division Street Plaza: the Town government handles physical maintenance, the BID covers events, marketing, sanitation. Initial construction covered by Federal transportation program funds
- Valparaiso's Grand Central Plaza: City government handles physical maintenance; sold naming rights covers most of it. Downtown biz group applies user fees and sponsorship funds to pay for events and marketing. Private donations and TIFF funds covered $4 million expansion. TIFF funds and state and Federal grants covered most of Phase 1's construction costs.

Downtown Treasures, Still Threatened

MOVIE THEATERS

The challenge is to keep the cinemas you have open, vibrant and profitable

- New small town cinemas impossible to get!
- Recently, in crossing the "digital divide" many communities devised viable strategies for saving their theaters:
  - Crowdfunding
  - Community owned businesses
  - Creating opportunities for patrons to make a "night a night of it" by tie-ins with nearby eateries and improved public spaces
- **A viable rescue plan should be ready to go.**

The Cinemart in Forest Hills, NY provides some good lessons even for small towns

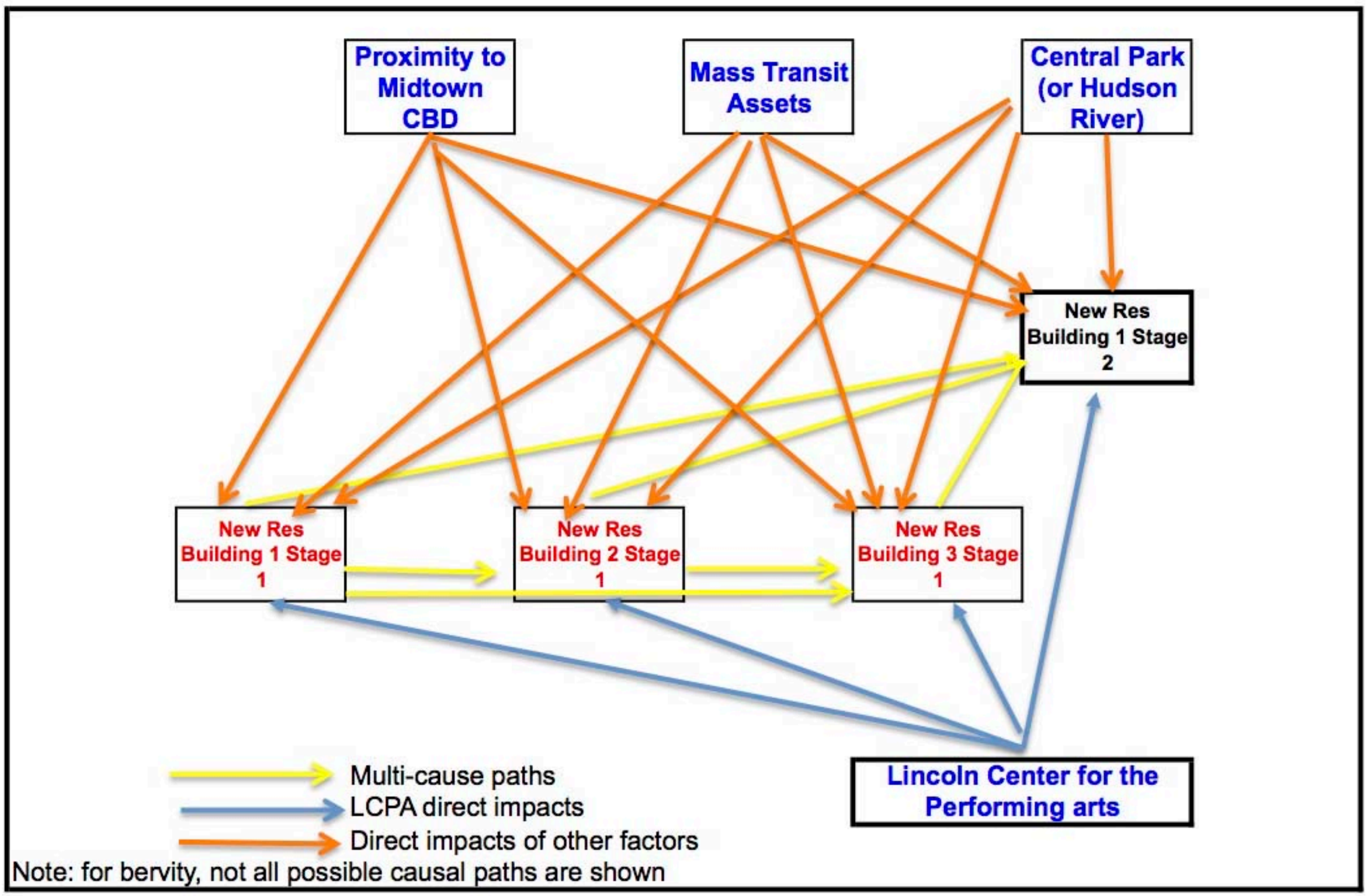
Cinemart recently became a First Run Theater, because:

- It renovated and installed large, leather recliner seats
- Eddie's Ice Cream, with its antique fountain and homemade products just 60 feet away, makes going to the Cinemart potentially a special occasion
- The attached Café is another customer amenity and operator revenue stream
- 2nd story offices provide another operator revenue stream

Economic Impacts and Their Measurement

Impact analyses are often COMPLEX – or should be

Figure 5 A Heuristic Multi-Causal Representation of the Possible Paths of LCPA's Impacts on a Nearby Building



Americans for the Arts survey findings...

Table 7. Averagel Itemized Audience Expenditures by Percent (All Audiences) Induced by Attendance to Nonprofit Arts and Cultural Events Per Study Region During 2010

Study Region Group	Under 50,000	50,000-99,999	100,000-249,999
N Study Regions	27	19	28
Avg Total $s Spent/Study Region	$8,326,884	$13,049,818	$21,008,718
% Meals Refreshments	45.9%	53.9%	54.3%
%Lodging	22.8%	16.3%	13.0%
% Clothing & accessories	4.9%	5.3%	5.0%
Souvenirs/gifts	11.9%	9.3%	13.0%
Childcare, grd trans, other	14.5%	15.2%	14.6%
Study Region Group	**250,000-499,9!**	**500,000-999,99**	**1 million +**
N Study Regions	22	20	23
Avg Total $s Spent/Study Region	$46,159,401	$104,054,128	$225,982,208
% Meals Refreshments	54.8%	57.9%	54.0%
%Lodging	11.2%	12.4%	11.3%
% Clothing & accessories	7.2%	3.9%	5.9%
Souvenirs/gifts	9.8%	9.7%	10.6%
Childcare, grd trans, other	17.0%	16.2%	18.2%

Source: Americans for the Arts. Arts & Economic Propserrity IV, ND, Table 19, pp B179-B185.

Impacts of PACs, Theaters on a district

- Primarily on restaurants, bars, hotels
- Little direct impact on GAFO retail
- May have some indirect retail impacts through the residents and workers they HELP attract to live and work in the district. This may take 10+ years to happen. Other contributing forces are usually also present.

Impacts of Parks and Public Spaces on a district

- The Proximate Principle: impacts on residential property values are clearly established; most impact within 500 feet, but can also include high units within view shed that are .25 miles away
- Impacts on hotels and offices usually require presence of other factors such as transportation assets
- Impacts on retail usually on food related operations; GAFO can emerge as nearby residential and office uses grow
- REMEMBER: as NYC's Bryant Park showed, impacts can be positive or negative. Take good care of what you have.

A final thought:

Please get a CSD development strategy for your downtown!!

THAT'S IT, AND THANK YOU!

I WELCOME YOUR COMMENTS EITHER IN PERSON OR AT
dmilder@gmail.com