

SIZZLING SECOND-TIER CITIES

INTRODUCTION

P.U.M.A.'s Global Trends Report highlights opportunities arising from converging shifts in demographics, lifestyles, and competition that are rapidly shaping our cities. An IDA President's Award Winner, P.U.M.A.'s Global Trends Report is a go-to resource for downtown management organizations, business leaders and local decision-makers. This report dives into **Global Trends Update: "Sizzling Second-Tier Cities."** The full Global Trends Report can be obtained at pumaworldhq.com.

In the U.S., the shift to a preference among young people for living in denser, more urban neighborhoods began in the early 2000s, reversing the 30-year trend toward suburbanization. Millennials, the largest demographic cohort and the main driver of economic growth in America, value walkable, urban places that provide easy access to services, quality of life amenities and a live-work lifestyle.

However, rising downtown real estate prices in many cities, coupled with national trends of stagnant wages and widening inequality, are pricing out the Millennial demographic. Further, the surge of luxury housing within these areas is ultimately beginning to create less diverse, livable and economically vibrant downtowns by placing extreme cost burdens on many renters.

The dense, large "superstar" cities that were synonymous with economic growth and opportunity during the past decade are slowly being overtaken in popularity by smaller, less flashy but more affordable, urban areas. A Brookings analysis of recent census data showed that large metropolitan areas lost migrants to smaller and non-metropolitan areas for the first time since 2008. Small and mid-size downtowns can capitalize on this trend by being portals of opportunity, offering assistance to find jobs, housing and services, and, perhaps most importantly, connections to "city building" activities that bring new vitality to center cities.

DEFINITIONS

Based on our analysis of over 80 major American cities tracking median population, median rent and listing price, and housing and transportation costs, the following categories emerged:



SUPERSTAR CITIES: Established cities with median populations over 1.5 million, such as New York or San Francisco, that are also giving rise to "regional" cities surrounding them



STEADY-STAR CITIES: Catchment cities of superstar cities with median populations of 700,000, such as Seattle or Denver



SIZZLING SECOND-TIER CITIES: High-growth cities with median populations of around 300,000, such as Boise, Des Moines, Louisville, Cincinnati and Reno



CITIES TO WATCH: Following the trends of Sizzling Second-Tier Cities, cities such as El Paso, Tulsa, and Evansville have populations around 300,000 and have the potential for innovative planning work over the next decade



THE SIZZLING SECOND-TIER CITY ADVANTAGE

Fortunately, the benefits of city living can be realized in second-tier cities. With the proliferation of technology and advances in transportation options, every city has the potential to benefit like the superstar cities. Businesses are finding that their investment dollar stretches much further in mid-tier markets. With a resurgence of talent returning to smaller cities, businesses are following—and reaping excellent returns. These cities are now being referred to as “opportunity cities,” those with metro areas where both businesses and residents have the best chance to thrive. Mid-tier cities can provide opportunity through employment and education; offer a high quality of life with affordable and attainable housing; strengthen a community through diversity; invest in dynamic, dense and mixed-use places; and encourage opportunities for residents to become engaged in community.

ECONOMIC OPPORTUNITY

Mid-tier cities with strong connections to place-based anchor institutions, such as universities, are seeing unprecedented growth and development. Cities are fostering existing relationships between education and business, creating permanent pipelines that funnel talent from their local higher education institutions into local businesses. Cities should curate ample employment opportunities by providing integrated workforce development programs, educational access, opportunities for advancement at multiple skill levels, broadband and wifi capability, and reliable transportation connections between jobs and homes.

AFFORDABILITY

Growing evidence indicates that one-dimensional wealthy cities are at an economic disadvantage, and that if a variety of housing and employment types cannot be provided, a diversified economy is difficult to sustain. Therefore, downtowns should work to attract a diverse mix of employers and attainable housing options to gain and sustain a competitive advantage. These options may include planning for “missing-middle” housing with options such as townhomes, condos, multi-family units, affordable starter homes, multi-generational living, more energy-efficient units, adaptive reuse, and locating near transit access.

DYNAMIC PLACES

Cities are aligning development priorities to match the livability preferences of young talent by investing in extensive downtown amenities and moving to become “18-hour cities,” where restaurants, retail, and housing are keeping people downtown long after the typical work day ends. Mixed-use development projects that incorporate retail, office and residential continue to dominate new construction in downtowns. They should incorporate transit access; walkable urbanism; comprehensive mobility options; support of authentic and unique retail concepts; “surprise and delight” by making a place fun, entertaining and interesting; and focus on the experience of a place.

DIVERSITY + AUTHENTICITY

It is in a city's best interest to create and foster environments that appeal to diverse populations. Diversity is a social strength, an indicator of welcomeness, and a competitive economic advantage. Global trends indicate that the next workforce generation will be increasingly dominated by women and people of color, and cities must look for ways to engage these populations in all facets of the placemaking experience. Cities that invest in programs and services that fulfill the needs of residents of all income levels and demographic groups will maintain an economic advantage. Research shows that walkable urban places hold the most potential for inclusive prosperity and social equity.

COMMUNITY ENGAGEMENT

Anecdotal research shows that Millennials and Gen Z both value engagement in their communities. They want to participate in neighborhood events and in city-building, and they desire pride in a place, connections, community, and engagement. Many young skilled workers are moving from expensive top-tier markets to more affordable and livable second-tier markets. A key motivation for many of these migrants, including “rebounders” that are moving back to hometown cities, is to be involved in civic initiatives including those aimed at energizing downtown. City-building initiatives that match volunteers to downtown improvement opportunities can be a powerful inducement for talent recruitment.

EXAMPLES: Engaging Anchor Institutions - London ON Fanshawe College Downtown Campus partner-ship; Cleveland's University Circle District. **Economic Development** - Downtown London ON Incentives such as: Tenant Improvement Loans, About Face Façade Grant Program, Last Mile Fibre Optic Grant; Downtown Sacramento's Calling All Dreamers Business Competition. **Multi-Modal Transportation Options** - Transit-Oriented Development in Downtown Richmond; Smart Parking Management in Downtown Tempe and Downtown Pasadena

EXAMPLES: Inclusive Planning - Downtown Cleveland's focus on physical connections between affordable housing and service jobs, focus on workforce housing and targeted incentives; Downtown Grand Rapids GR Forward planning process to build racial equity and opportunity in downtown. **Infill** - Downtown Orlando's Parramore Neighborhood Comprehensive Plan resulted in Parramore Infill Housing with the CRA's Down Payment Assistance Program. **Affordability** - Seattle's Housing Affordability and Livability Agenda campaign.

EXAMPLES: Parks and Greenspace - Downtown Columbus' Scotio Greenways and Riverfront; Downtown Oklahoma City's Myriad Gardens; Tulsa's Riverfront Park- The Gathering Place; Downtown Grand Rapids' whitewater rapids restoration; San Antonio's Hemisfair Park. **Arts & Culture** - Louisville's Alley Gallery; Downtown New Haven's Elm City Mosaic, Downtown Santa Ana's Calliotree. **18-hour cities** - Community Safety in Downtown Orlando; Elbow Entertainment District in Downtown Jacksonville; Nighttime Economy in Downtown Delray Beach.

EXAMPLES: Authentic Place Branding - Downtown Louisville's Bourbon & Beyond; Downtown Winnipeg at The Forks: skating, food, drinks, and entertainment; Downtown Halifax's Date Night. **IDA's Authenticity Checklist** includes the key points of: engaged and involved property ownership, commercial diversity and independent businesses, walkability, accessibility, clean, welcoming, diversity in culture and attitudes, public spaces as gathering places, arts, historic preservation, and vibrancy of place .

EXAMPLES: Community Engagement - The Downtown Denver Partnership's CityLive engages residents in city-building efforts to ensure they are informed, engaged and inspired; Downtown Grand Rapids Downtown Residents Network; Downtown Ithaca Association sets aside one board seat specifically for downtown residents.



SUPPORTING RESEARCH



SUPERSTAR



STEADY STAR



SIZZLING SECOND TIER



CITIES TO WATCH

| | Boston, Chicago, Houston, Los Angeles, New York City, Philadelphia, San Diego, San Francisco, San Jose, Washington DC | Austin, Dallas, Denver, Miami, Nashville, Phoenix, Portland OR, Seattle | Atlanta, Boise, Charlotte, Cincinnati, Colorado Springs, Columbus, Des Moines, Durham, Fort Wayne, Fort Worth, Grand Rapids, Greenville SC, Huntsville AL, Indianapolis, Las Vegas, Lincoln, Louisville, Madison, Mesa, Minneapolis, Omaha, Orlando, Pittsburgh, Raleigh, Reno, Richmond, Sacramento, St. Petersburg, Salt Lake City, Tampa, Wilmington NC | Albuquerque, Baltimore, Billings, Buffalo, Cedar Rapids, Chandler, Cleveland, El Paso, Evansville, Fresno, Greensboro, Jacksonville, Kansas City MO, Knoxville, Memphis, Milwaukee, Norfolk, Oklahoma City, Providence, Rapid City SD, St. Paul, San Antonio, Savannah, Sioux Falls, Spokane, Tucson, Tulsa, Wichita, Winston-Salem |
|---|---|---|--|---|
|  = Significant Data Point | | | | |
| Change Median 7-Year Population | + 9% | + 12% | + 10% | + 5% |
| % Gen Z (18-24 year old) | 11% | 10% | 12% | 11% |
| % Millennials (25-34 year old) | 19% | 20% | 17% | 16% |
| Millennials: Bachelor's Degree or Higher | 49% | 49% | 40% | 31% |
| Median 1-BR Rent | \$2,176 | \$1,595 | \$1,150 | \$795 |
| Median Rent (All Homes) | \$2,750 | \$1,848 | \$1,438 | \$1,188 |
| Median Home Listing Price (All Homes) | \$714,000 | \$460,000 | \$283,948 | \$214,750 |
| Change in 3-Year Median Listing Price (All homes) | + 26% | + 28% | + 31% | + 19% |
| Median Citywide Walk Score | 78 | 61 | 42 | 40 |
| Median Housing Cost as % of Income | 28% | 27% | 26% | 25% |
| Median Transportation Cost as % of Income | 16% | 19% | 22% | 23% |
| <small>*These data are based on PUMA selected samples of 83 cities over 100,000 based on data from the ACS US Census, Center for Neighborhood Technology, Walk Score, and Zillow. This analysis is not scientific and is meant for informative purposes only. Analysis included population growth, median rental and home listing prices, median household income, median walk score, domestic migration patterns, and CNT's housing & transportation index. We analyzed patterns that emerged and then categorized by city typology for ease of understanding the data. Not all data used to inform these typologies is included in this handout. Strong college towns and strong regional node cities were excluded from this analysis since they represent unique categorizations. Median 7-year population change is from ACS Census population estimates from 2010 and 2017. Gen Z are represented as total population 18-24 years old and Millennials are represented by total population 25-34 years old from ACS Census 2016 5-year estimates at the place level. Median rental rates and home listings (not values) are from Zillow, July 2018 and 3-year changes are calculated from July 2015 to July 2018. The housing and transportation index is from the Center for Neighborhood Technology Housing and Transportation Index at the municipality-level, Accessed September 2018.</small> | | | | |

Population Growth: While continued population growth (12 percent) may be expected within “steady star cities,” it is notable that “sizzling second-tier cities” are experiencing a high rate of population growth over the past seven years at 10 percent.

Rising Home Listings: Most notably, the median listing price of homes in “sizzling second-tier cities” has increased by 31 percent over the past three years, the highest percentage of all four city categories. Some individual sizzling cities’ home listings increased by a lot more (Fort Wayne: 42%, Atlanta: 47%, Boise: 38%, Cincinnati: 43%, Grand Rapids: 45%, Las Vegas: 36%, Louisville: 39%, Lincoln: 37%, Orlando: 34%, St Petersburg: 60%, and Tampa: 36%).

Transportation Cost: The above table exemplifies the importance of investing in multi-modal, accessible transportation options. While housing costs vary slightly between city categories, the transportation costs increase significantly (16 percent to 23 percent) as one moves from “superstar” to “steady star” to “sizzling second-tier” to “cities to watch.” Transportation is less of a cost burden in more established cities with more pedestrian-friendly built environments that have more public transportation options. A lesson for the “cities to watch” is to begin planning efforts now around investment in multi-modal transportation options such as bus rapid transit, rideshare and autonomous vehicle planning, bicycling infrastructure and pedestrian improvements.



P.U.M.A. CASE STUDIES

URBAN PLACE MANAGEMENT AND STRATEGIC PLANNING

Urban place management, strategic planning initiatives, and public-private partnerships will be particularly useful as second-tier cities take advantage of their current appeal. Place management is a tool to activate places, encourage thoughtful and strategic growth, provide business and economic development support, and advocate for inclusive prosperity. Second-tier cities are heating up and comprehensive, strategic, market-based action plans, through the work of a place management organization, can provide a catalyst to reshape downtowns. P.U.M.A. has had the opportunity to work on a number of these plans in cities throughout the United States and Canada, and highlights from two recent planning efforts are provided below.

DOWNTOWN EVANSVILLE MASTER PLAN UPDATE

P.U.M.A. led an interdisciplinary team to develop a master plan for downtown Evansville, Indiana. Titled "Community Handbook for City Building," the plan provides an action plan that includes several catalytic projects and a road map to form a self-sustaining downtown management organization financed in part by an economic improvement district (EID). The planning process engaged the community to come up with core values and opportunities: an activated downtown with a main street and waterfront; innovative regional job hub; unique businesses; a connected place- safe, walkable, bikeable; a downtown neighborhood with diverse housing options and amenities; an infrastructure framework and network of enhanced complete streets; public space amenities; a designated entertainment district; activation of ground-floor retail space; and parks as gathering spaces. The resulting progress in downtown Evansville has been palpable, with an influx of new investment and the subsequent creation of the EID.

DOWNTOWN RENO ACTION PLAN AND BID CREATION

P.U.M.A. led an inclusive community process to create the Reno Downtown Action Plan, which identifies and prioritizes strategies to advance downtown. The plan focuses on three major initiatives: Economy - help to attract new investment, build housing and create jobs downtown with a boost from a new innovation and industrial district, economic linkages to the University of Nevada, diversify the tourism draw, use housing as a transformative element and capitalize on the strong demand for retail. Environment - make physical improvements to strengthen connectivity and accessibility for all modes of transportation especially by bicycle and on foot to the University and Truckee River and invest in amenities to encourage housing. Experience - make downtown more welcoming, safe and active, address social issues, redevelop vacant properties and preserve historic buildings. Following completion of the plan, downtown stakeholders formed a new business improvement district (BID) that anchors a public/private partnership to champion and sustain downtown vitality.



ABOUT P.U.M.A.

Progressive Urban Management Associates (P.U.M.A.) is an economic development and planning firm that delivers community-based solutions to advance thriving downtowns, corridors and neighborhoods. A national leader in downtown and community development, we advise clients on a wide range of management, marketing, financial, urban design and implementation tactics to help communities and organizations create and sustain dynamic places. P.U.M.A. has worked in nearly 200 communities throughout the United States, Canada, and the Caribbean.



P.U.M.A. Team (front row: from left) **Erin Lyng**, Associate Vice President, **Brad Segal**, President, **J.J. Folsom**, Vice President, (back row: from left) **Amanda Kannard**, Associate, **Andrea Buglione**, Associate, **Daniel Makela**, Senior Associate, **Yvette Freeman**, Senior Strategist, **Bree Davies**, Equitable Communities Strategist, **Cole Judge**, Senior Associate

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