
Bachelor Thesis

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1. Introduction

Downtown revitalization is on the planning agenda of most urban communities. The long decline of downtown demanded intervention by urban planners. Once the center of business, retail, civic services and entertainment, the situation of downtowns worsened until many were in a desolate condition, especially in the United States. Recognizing the need for an intervention, urban planners, city officials and businesses alike started efforts to revitalize downtowns (GALE 2001).

Today cities all across the United States once again aim for a vital and vibrant downtown. There are plenty of approaches and policies in place nowadays: Large scale urban revitalization projects try to bring new life in deteriorated areas, offices and apartments are being built on waterfronts and indoor shopping centers in the heart of downtown try to lure customers to downtown (FAULK 2006, p. 626).

Much of these large scale-projects, however, are not suited for smaller communities that lack the resources to realize such large scale-projects. Thus, small cities have to resort to other strategies that are applicable to their size and resources. In this regard research on downtown revitalization in small cities has its shortcomings, especially when it comes to the economy of downtown. Filling this gap, current reports show that small and medium-sized enterprises (SMEs) can play a vital part in downtown revitalization (DAWSON 2013, p. 1). Therefore, this study identifies SMEs as an important factor in downtown revitalization, in particular in smaller cities.

Smaller and medium-sized enterprises are different compared to large companies – they are not only smaller in size, but they tend to be more specialized, market niche-oriented and stronger locally rooted than the „big players“ like multinational companies (PRAGER ET AL. 2000, p. 33ff.). Therefore, this study tries to find out in which way small- and medium-sized enterprises can initiate growth processes and not only improve the economy of downtown, but moreover downtown as a whole. This leads to the main research question of this study:

Can Small- and Medium-Sized Enterprises contribute to Downtown Revitalization?
The center piece of this thesis is the case study of Downtown Urbana, a city in central Illinois. Thus, the main research question will be supported by the following questions:

- Has the business structure in Downtown Urbana changed since the rewriting of the economic incentive program Tax Increment Financing (TIF)?
- Do SMEs in Downtown Urbana occupy economic market niches?

The case study will open with an introduction of the research area and the economic development incentives of the city. The findings of this study will analyze the business structure as well as the strengths and challenges of small- and medium-sized enterprises in Downtown Urbana. In the end, the solutions and possible future strategies will be assessed in order to achieve the major objective of this study: Analyzing the role of small- and medium-sized enterprises in the process of downtown revitalization. However, before the presentation of the case study, the study will examine the most important theoretical concepts of downtown revitalization, mainly referring to ROBERTSON’S seven-point-approach as well as the Main Street Approach. The concepts will be adapted to fit the case study, providing more insight in downtown revitalization in smaller cities. This study will mainly focus on the situation in the USA, thus the study’s results may not be applicable to different spatial areas.

2. Theoretical Background

Plenty of approaches and case studies have been published, offering a magnitude of policies and strategies. In the beginning, this study will focus on the overview of the development process of downtown and its different stages. Next, the seven-points-approach by ROBERTSON will serve as the main theoretical framework of the study. ROBERTSON’S approach will be adapted to smaller cities after this to fit the research area because there might be certain things that have to be considered when discussing downtown revitalization in small cities. This part will be supported by the Main Street Approach, which focuses on small cities and provides valuable additions to the seven-points-approach. Finally, the focus will shift to small and medium-sized enterprises and the important and complex role they play in the process of downtown revitalization.
2.1 The Concept of Downtown Revitalization

2.1.1 The Downtown Development Process

The role of downtowns has fundamentally changed during the 20th century. At the beginning of the century, they were the financial, administrative and professional center of the city, as well as functioning as a focal point for many more activities. The decline of the once vibrant downtown, the heart and center of most cities, started in the 1950s. Automobile-centric development spread from the United States all over the world, leading to rapid suburbanization and decentralization processes. Much of downtowns functions shifted to the periphery and the edges of the city, leading to a wide-ranging loss of attraction of downtown. Therefore, downtown became a place of decline and struggle (GALE 2001).

As early as the 1960s, counter-strategies have been implemented to stop this decline and to start revitalizing downtown with the aim to make downtown the vital center of the city again (ROBERTSON 1997, p. 385).

FAULK identifies 8 different stages of a typical downtown development process. Fig. 1 depicts this process. The stages begin at a functioning center which then suffers from a decline all uses. After vacancies rise and deterioration starts, the organization to revitalize will be established. This will be followed by project efforts. This study will mainly focus on the stages 5 to 7 because those comprise the revitalization process itself. Stages number 8, the multi-use center, represents the final goal: a revitalized downtown with a great variety of functions and activities.

Fig. 1: The Downtown Development Process
(FAULK 2006, p. 631)
2.1.2 The Seven-Points-Approach of Downtown Revitalization

The seven-points-approach of downtown revitalization is one of the most widely used and cited strategies in the field of downtown revitalization and thus provides the main theoretical basis for this study (FAULK 2006, p. 626). The approach is a summary of the main policies and projects that help facilitate downtown revitalization. It was first published by ROBERTSON, who formulated seven key aspects in an attempt to categorize and assess the main downtown redevelopment strategies (ROBERTSON 1995, p. 429ff.). The following chapter presents a brief overview of this approach.

*Pedestrianization*

Pedestrianization is an attempt to increase the quality of downtowns for pedestrians, thus shifting away from an often dominant car-oriented focus of downtown. The main goal of Pedestrianization is to make downtown more walkable. This includes improving the sidewalks, public safety and seating. This can go as far as closing entire roads to convert them to pedestrian malls (CASTILLO-MANZANO ET AL. 2014, p. 194ff.). ROBERTSON points out that the vitality and image of downtown is not based on economic indicators, but rather by the pedestrian activity (ROBERTSON 1995, p. 430). However, even though pedestrian malls were implemented in the United States as early as the 1960s and thus can be considered as one of the first revitalization strategies, they alone were not exceedingly successful in bringing people back to downtown. Their objective of revitalizing and stabilizing an eroding retail basis in downtown needs to be combined with additional strategies, leading to the next point of the approach (FAULK 2006, p. 626; ROBERTSON 1997, p. 388).

*Indoor Shopping Centers*

The strategy of implementing indoor shopping centers may be considered one of the most well-known and widest used approaches in downtown revitalization (ROBERTSON 1995, p. 431; THOMAS/ BROMLEY 2003, p. 48). The indoor shopping center in downtown borrows a lot of the same elements that are characteristic for suburban malls, thus making them their main competitor. These shopping centers are administered by a single management company and often attract large national chains (LES 2000, p. 177). However, it should be noted that – while often times being commercially very successful – large indoor shopping centers are often replacing existing
downtown structures (GRATZ/ MINZ 1998, p. 61). This effect includes a lack of access from the surrounding area and is called the “fortress effect” and subsequently undermines the positive effects of shopping centers (LORCH/ SMITH 1993, p. 75).

Historic Preservation

Historic preservation focuses on rehabilitating and renovating the building stock of downtown. The historic building stock, which is often architecturally valuable, is one of the main advantages of downtown. It offers a unique experience and forms a significant contrast to suburban commercial areas (BALSAS 2014, p. 164). Historic preservation also includes the conversion of building spaces to new uses, mostly retail or residential. This process is called “adaptive reuse” (ROBERTSON 1997, p. 395).

Waterfront Development

This strategy is applicable to communities that have access to water bodies. The revitalization of former industrial or transport sites near the waterfront is one of the main keys. Formerly cut off areas are opened up to new urban uses, ranging from new housing, hotels, restaurants to shopping centers or sport stadiums (DAVIDSON 2009, p. 215ff.). However, waterfront development faces major constraints. The re-development can take place as either a private or a public project. Cities often engage a private investor to help carry out the project (HUANG/ KAO 2014, p. 29). This contains the risk of producing privatized spaces where access can be limited by the owner. This can lead to the exclusion of mainly disadvantages social groups. NASUTION and ZAHRAH describe this phenomenon as “privatized public space” (NASUTION/ ZAHRAH 2012, p. 466).

Office Development

This strategy refers to the strengthening of the office sector in downtown. Downtown is historically an employment center and offices function as a “feeder” for other businesses. Supporting office development can lead to broadened functions of downtown, establishing downtown as a center of financial, administrative and professional services (BALSAS 2014, p. 169; ROBERTSON 1995, p. 433). This was a key development strategy in the United States in the 1970s through the 1980s (FAULK 2006, p. 395). It ought to be mentioned that this strategy can increase a city’s’ property taxes, thus increasing the potential scope of actions that a city can execute.
Special Activity Generators

A vast number of uses can be declared as “special activity”, though mostly the term refers to stadiums, arenas and large convention centers. This strategy has three objectives: Spillover effects are being produced that can help nearby restaurants, hotels and more. Secondly, new construction can be stimulated like hotels or retail destinations. Lastly, the site can be intentionally located in a rather blighted area to stimulate growth in a specific area (ROBERTSON 1995, p. 433). There are a few negative aspects to this strategy: A majority of jobs are only part-time or seasonal and in addition studies have found little to no evidence that the city as a whole registers increasing spending (FAULK 2006, p. 627). Thus spending generated by special activity generators is only being shifting from other parts of the city.

Transport Enhancements

Transport enhancements mainly focus on improving the accessibility of downtown. Common problems of downtown accessibility are traffic congestion, high travel times, a lack of convenient parking and safety anxieties (ARNOTT/ INCI 2010, p. 260ff.). All these constraints may keep customers from coming downtown and instead preferring suburban locations. Especially suburban shopping malls offer an alluring alternative, keeping in mind that the average customer is unwilling to walk more than a couple of blocks, as is noted by FAULK (2006, p. 627).

Besides of automobile transportation the availability of public transportation plays an important role. Public transport systems in the United States are most often infrequent, thus failing to provide an attractive transport alternative to get customers to downtown (FAULK 2006, p. 628). More recently, transport by bike has seen significant increases in US cities, indicating a demand for a better bike infrastructure in downtown (PUCHER ET AL. 2011, p. 451ff.).

Additional Strategies

Next to the seven main strategies, there are a few additional opportunities, namely housing, hotels, entertainment and cultural attractions. It can be argued that each of those strategies, especially housing and entertainment, should be paid more attention to. However, in Robertson classification – originating from 1995 – they only play minor roles (ROBERTSON 1995, p. 434).
The seven-points-approach includes the most important revitalization strategies, though it is a rather general classification and thus is not entirely applicable to each and every city. Especially small cities may struggle to find appropriate solutions for downtown revitalization, as they might not have the opportunity to create a stadium, an indoor shopping center or large amounts of office space. ROBERTSON himself addresses these issues in a new version of his approach which focuses solely on small cities. He argues that the attention of researchers has mainly focused on downtown revitalization in large well-known cities and neglects smaller cities with a population of fewer than 100,000 (ROBERTSON 2001, p. 9ff.). In addition, research is often limited to a single city and does not represent a general approach for small cities.

2.2 Downtown Revitalization in Small Cities

Highlighting the situation for small cities is also essential for this study, as the city of Urbana in Illinois has approximately 41,250 inhabitants according to the National Census 2010, therefore it can be classified as a small city (UNITED STATES CENSUS BUREAU 2015). MAYER states that small cities are suffering financially because of reduced state and federal funding and therefore have a narrow scope of action. They are also hit by major declines and employment shifts in economic sectors like industry and manufacturing works, leading to increasing unemployment and losses in business and sales taxes. This puts small cities in a state where downtown revitalization is much more difficult to achieve (MAYER 2000, p. 7 ff.). In addition to the limited scope of actions small cities face, ROBERTSON identifies eight major differences regarding downtown revitalization in large and small cities, which are described in the following paragraph.

First, small cities are more of a human scale than large cities, including a smaller physical area as well as the lack of large buildings like skyscrapers. They also don’t suffer as much from traffic congestion and safety issues as large cities do. Third, small city downtowns aren’t as big of a corporate center as large city-downtowns, making office development strategies less important. Fourth, small cities lack large-scale projects like the already mentioned shopping centers or stadiums. Also, the retail structure is different as there are fewer to no national chains present in small downtowns. Sixth, due to their size small downtowns are often not dividable into dis-
tricts like financial districts or historic quarter. They are also more closely linked to nearby residential neighborhoods as opposed to large downtowns which are often surrounded by large parking lots. Finally, small downtowns have a higher share of historical buildings than large downtowns (Banovetz et al. 2000, p. 17 ff.; Robertson 2001, p. 10).

Despite this amount of differences, Burayidi points out that the downtowns of small cities did suffer from business decentralization and suburbanization as much as large cities. It might also be possible that small downtowns were hurt harder than large cities because they lack the financial and human resources as well as possibilities and strategies of large cities to compensate the negative effects (Burayidi 2001, p. 1ff.). These results match the above mentioned findings by Mayer. These considerations for downtown revitalization in small cities are being best reflected by the Main Street Approach, which is therefore explained in the next chapter.

2.2.1 The Main Street Approach

The Main Street Approach is a revitalization approach for small cities. This approach was implemented as a nationwide program by the National Trust for Historic Preservation in 1977 and specifically caters to small cities as their downtown is often centered on one main street. This program utilizes a four-point strategy as opposed to Robertson's seven-point-approach. As of 2015 the Main Street Approach has been applied to over 2,000 cities in the United States (National Trust for Historic Preservation 2015a). Instead of promoting specific strategies, its four points rather concentrate on building a framework and supporting cities with a guideline for revitalization.

Organization

The Main Street Approach identifies the implementation of an organization as one of the main aspects. A successful organization means to get every participant involved in the revitalization process and to define a common goal. The organization is governed by a board of directors, which coordinates the interests of businesses, local administration as well as residents (National Trust for Historic Preservation 2015b; Robertson 2004, p. 62).
Promotion
The promotion encompasses three elements: First, the promotional agency has to communicate with the general public and provide them with information and news about downtown. The second goal is to attract more people through special activities like festivals and markets. Finally, the program assists downtown retail and restaurants in cooperative advertising. This way resources can be concentrated on a mutual goal (NATIONAL TRUST FOR HISTORIC PRESERVATION 2015b; SHORT 2015, p. 662ff.).

Design
The design revolves around the physical shape of downtown. The main aim is to create a “safe, preserving a place’s historic character, inviting environment for shoppers, workers, and visitors” (NATIONAL TRUST FOR HISTORIC PRESERVATION 2015b). The design is crucial in manifesting the sense of a place and heavily influences the perception of downtown. This can include small-scale actions like refurbishing store fronts as well as more large-scale strategies like new lightning, new sidewalks and new construction (FORD 2005, p. 74).

Economic Restructuring
The fourth and last point is usually considered to be essential for the success of the entire program, as economic restructuring provides the basis for an economically sustainable and lasting downtown revitalization. The main goal is to strengthen existing businesses, recruit new businesses and alter the retail and service mix to make it more attractive and appealing to customers. This can lead as far as a diversification of the business structure to achieve a more balanced commercial mix (BANOVETZ ET AL. 2000, p. 18; NATIONAL TRUST FOR HISTORIC PRESERVATION 2015b).

However, despite its importance studies have found that economic restructuring is the least used aspect of the program. One of the reasons is that economic restructuring is much more difficult because it is influenced by external powers that are outside of a city’s control. Therefore, the process of economic restructuring is very complex and often requires expensive experts and consultants from outside the city. It is also limited by technical aspects. As much of the building stock of downtown is not owned by the city, it can be very difficult to get in contact with the owners of vacant spaces to find new tenants (BANOVETZ ET AL. 2000, p. 20; ROBERTSON 2004, p. 69).
Providing businesses with incentives also falls within this category. Business grants and incentives can be especially helpful for SMEs, which this study focuses on (BANOVETZ ET AL. 2000, p. 23; MAYER 2000, p. 14).

In conclusion and in combination of all four aspects, the Main Street Approach’s goal is to change the perception of downtown. BURAYIDI summarizes this objective in the following apt quotation: “Downtowns are the only places where buildings have meaning and where there is a sense of place” (BURAYIDI 2010, p. 1). In which way SMEs contribute to this “sense of place” and if they are an important factor in the economic restructuring process will be examined in the following chapter.

2.2.2 The Role of SMEs in Downtown Revitalization

Examining the role of small- and medium-sized enterprises in the process of downtown revitalization is the center of this study. However, as the theoretical framework of this study shows, research is not heavily focused on the influence of small- and mediums-sized businesses. ROBERTSON’s seven-point-approach is paying little to no attention to economic structures in downtown. In addition, the Main Street Approach is only generally dealing with economic restructuring without making any specifications on small- and medium-sized enterprises. Due to their smaller size they are often overlooked. This study asks if the research scope of downtown revitalization should be broadened to include small- and medium-sized enterprises. This chapter provides evidence why small- and medium-sized enterprises can play a crucial part in downtown revitalization, especially in smaller cities.

Before this chapter explores the role of SMEs, a definition of what this study understands as a small- and medium-sized enterprise is necessary. The study relies on the definition by the Organisation for Economic Co-operation and Development (OECD), which uses the indicator headcounts (or employees) of a company to measure its size. According to the OECD, SMEs can be categorized as follow:

1. Micro: This encompasses companies with less than 10 employees
2. Small: This category includes companies with less than 50 employees
3. Medium: Medium-sized companies have less than 250 employees.
According to this definition, all companies with less than 250 employees can be regarded as small- and medium-sized enterprises (OECD 2005).

There is a great variety of aspects that have to be considered when thinking about SMEs in downtown. It is nearly impossible to include all of them. However, the most important ones are described in the following. First, the statement by Dawson puts it best: “Harrisonburg small businesses fill niche downtown” (DAWSON 2013, p. 1). The author states that on the one hand SMEs are offering unique services and special products, often combining it with the image of locally rooted businesses. Also, SMEs benefit from face-to-face interaction and more personal relationships with its customers, which can lead to customers having more trust in local SMEs than in large national retailers. This argument underlines the demand for market niches which aren’t occupied by large national chains.

On the other hand, this niche development is responding to much larger trends that are changing the retail sector in the United States. This includes a more diversified retail landscape. Consumers are more and more looking for organic, unprocessed food which is locally produced. Buying “fresh produce” is one of the main trends in current United States retailing (WEITZ/WHITFIELD 2010, p. 89). Those segments aren’t overly targeted by large national chains like Wal-Mart or Target. However, SMEs can fill this niche in their own local market.

Besides the increasing demand for local and fresh produce, there are also signs that the shopping experience is gaining importance. Low-cost standardized shopping is being less favored by consumers who rather opt for concept stores that provide them with a special experience like extra events, classes and a sense of individuality. The experience can also include entertainment places like bars, restaurants or music venues. It is much easier for SMEs to cater to those special segments and consumer needs, as especially restaurants and bars are most often locally owned SMEs. Developing this thought, downtowns with a lot of unique small- and medium-sized enterprises can more effectively compete with suburban malls as they are offering an alternative to large, allegedly impersonal big-box retailers (PRAGER ET AL. 2000, p. 33ff.; WEITZ/WHITFIELD 2010, p. 89). However, despite all the differences between SMEs and large national chains, it emerges from current research findings that they can’t
exist without each other and rather benefit from close proximity. In fact, smaller businesses are supporting the idea of large companies moving to downtown (Butler 2013, p. 1f.). Bigger businesses can attract more people than a small business on its own. In this context, it is mentioned that downtowns lack the “critical mass” of businesses for people to go there. Large companies can work as an anchor business for downtown, much as they are working as an anchor in shopping malls. They can help to achieve this “critical mass”, especially in smaller downtowns (Butler 2013, p. 1f.).

But how can the growth of SMEs be supported in the downtown area? Marshall identifies eight aspects of potential resources that can help attract SME businesses to downtown: The city can enable specific legislation in favor of SMEs which helps fostering the entrepreneurial activity of SMEs. SMEs also need advocacy and research they can rely on in developing their business. Fiscal support in regard of access to capital is crucial. In addition, local administrations should also prefer SMEs concerning their expenditure. A large part of government expenditure goes to large companies. Next, Regulatory aspects should be made easier. Financial and programmatic assistance is a key aspect. It can help businesses getting started as well as building a solid business plan. Financial assistance is often provided through a Tax Increment Financing-program, which will be explained later in the case study. Finally, nonfinancial assistance can be offered, including access to contacts and institutions (Marshall 2000c, p. 199ff.). Marshall adds that SMEs need support in all of their development phases, ranging from early startup-businesses to more mature SMEs (Marshall 2000a, p. 57ff.).

For city officials, one of the main aims to strengthen the role of SMEs in downtown is to build small business partnerships. In this partnership, cities try to support SMEs with financial and organizational resources. It includes private as well as public key leaders. It is a major factor in creating jobs, expanding the tax base and providing long-term stability (Marshall 2000b, p. 107ff.). Additionally, SMEs can also support each other without the involvement of the city. Evidence and examples for that will be provided by the case study. Downtowns are especially well-suited for small business partnerships. SMEs joining their efforts and powers can strengthen their position to compete with suburban businesses. The following case study examines in which way the theoretical background and the empirical findings are linked.
3. Case Study: Downtown Urbana, Illinois

The case study of Downtown Urbana in the state of Illinois (United States) is the center piece of this study. The City of Urbana is a small city with approximately 41,250 inhabitants (United States Census Bureau 2015), thus the city is very suitable to find answers to this study’s main questions. In a first step, the research area will be introduced that primarily encompasses the City of Urbana, but does also include its adjacent sister city Champaign, followed by an examination of the major economic development incentives of Urbana. Before presenting the main findings of this study, the methods of this study will be described and analyzed.

3.1 Research Area

The City of Urbana is situated in central Illinois, approximately 240 km south of Chicago. Downtown Urbana matches many of the characteristics of downtowns in small cities (compare to chapter 2.2). Fig. 2 shows the downtown area of Urbana as determined by the city. However, this study will only concentrate on the core of down-
town, which is the light red-marked area called “TIF 1-district”. The TIF-program will be explained in the following chapter. The TIF 1-district encompasses the core area around Main Street and is therefore the heart of Downtown Urbana. 10 out of 11 business owners interviewed are situated within the TIF 1-district.

Downtown Urbana is characterized by 1- to 2-story buildings, most of them dating back to the beginning of the 20th century. It is heavily focused on Main Street, which is depicted in Fig. 3. The Main Street is the major east-west-corridor of the city. Downtown Urbana is home to a lot of traditional downtown businesses – retail, service, dining as well as offices (CITY OF URBANA 2002, CITY OF URBANA 2012a).

Downtown Urbana was hit by the decline of downtowns as well. It is no longer the main commercial area, facing strong competition from suburban areas. This leads to several factors. First, the building stock in general is quite old. Most buildings show signs of physical deterioration and need refurbishment. The old building stock is also linked to the lack of new construction. Thus, new state-of-the-art business spaces are missing. Secondly, there was an increase in vacancies and subsequently rent levels were decreasing. This led to a situation where revitalization efforts are needed, but although the first Downtown Plan was published in 2002, revitalization efforts are still ongoing as of 2014 (BOYS 2014, CoSTAR 2014a).
Fig. 4: Commercial areas in the Champaign-Urbana area (own figure)

Fig. 4 shows the commercial areas in Champaign-Urbana based on the zoning maps. This map illustrates the special characteristic of the region: Urbana has a sister city – the City of Champaign – which is located west of Urbana. Champaign is the far bigger city with a population of roughly 81,055, while the metropolitan area of both cities as a whole was home to approximately 230,000 people in 2010 (UNITED STATES CENSUS BUREAU 2015). Despite the enlarged customer base for Downtown Urbana because of adjacent Champaign, there is though competition. The area has three downtowns: Downtown Urbana, Downtown Champaign and Campustown. The latter is situated between the two downtowns and is right next to the campus of the University of Illinois, which is with 44,250 students in 2014 a major factor in the region (CITY OF URBANA 2012a, UNIVERSITY OF ILLINOIS 2015). In addition to the existence of two other downtowns, there is a large magnitude of suburban commer-
cial zones with one of the most important being the North Prospect area at the Interstate 74. The North Prospect area is also home to the largest suburban shopping mall of the metropolitan area, the “Market Place Mall” which offers approx. 92,000 m² leasable space and ca. 100 stores (BOYS 2014, GGP 2015).

Concluding this research area analysis, it is evident that the special geographic context is a major factor, positive as well as negative, for the revitalization of Downtown Urbana. The study will present more findings on possible interdependencies later on and will often draw from findings of both cities, but first a brief overview of the economic development incentives that are in place in the City of Urbana – with a focus on those that target SMEs – will be provided.

3.2 Economic Development Incentives in Urbana

Economic development programs in the United States can be found on several levels. There are federal policies, state policies and policies on the local community level. This study will only focus on programs on the community level, as this is the only level through which communities can manage economic development. Economic development programs on the community level are most often based on Tax Increment Financing (TIF). In short, TIF is an incentive program that allows the city to invest in business grants and subsidies as well as in improvements, for instance of the infrastructure of a city. The goal is to increase the revenue of property taxes through economic growth. Once the property revenues are rising, the revenue will be used to pay for the expenditures and investments that happened in the first place. TIF allows the city to directly give out incentives to businesses and has been described as being one of the most successful economic development tools in the United States (DYE/MERRIMAN 2000, p. 309; GREULING 2000, p. 212ff.).

Fig. 5 depicts the economic development incentive programs of the City of Urbana. All those programs are based on TIF. The TIF-programs are in place in all four of Urbana’s TIF districts. However, only the TIF 1-district is of importance, as it covers the core area of Downtown Urbana around Main Street (Fig. 2). The TIF-program was completely rewritten in 2013 and now specifically caters to small- and medium-sized businesses.
The category of small business grants has been introduced. Business owners will receive a $1,000 “Business Opening Grant” which they will get once they are in business. They can also apply for “Business Development Grants”. Those have an amount of $2,000 and require business consultation with the local “Small Business Development Center” (SBDC). The second category encompasses redevelopment incentives, which can be used for larger projects like renovating buildings or new construction. The incentive amount in this category is usually limited to $25,000, but higher incentives are negotiable with the City of Urbana.

This new TIF-program tries to lower the barrier of entries especially for small businesses, as it gives easier access to capital and consultation. The latter is mostly offered by the “Small Business Development Center”, an institution at the “Champaign County Economic Development Corporation” that is responsible for supporting smaller businesses and their needs, for example helping business owners with writing a business plan in their start out-phase. However, not all businesses are eligible for the
same amounts. The City of Urbana recognizes “priority eligible uses” which are mostly targeting creative industries. The definition of creative industries contains the categories “Heritage”, “Arts”, “Media” and “Functional Creations”. This classification is based on the UNCTAD Creative Economies Report 2008 (CITY OF URBANA 2013).

It will be examined which role the TIF-program of the City of Urbana plays in the revitalization process of Downtown Urbana. The next chapter will explain the methods of this study which will be followed by the results and findings of the study.

3.3 Methods

This study mainly uses qualitative research methods. The case study provides the framework for interviews with people who have a stake in downtown. Three interview groups were identified, thus three interview guidelines were created: One for the business owners in Downtown Urbana, one for authorities and institutions of the City of Urbana as well as one guideline for the City of Champaign authorities. The individual guidelines can be found in the appendix.

The methodic framework for this study is based on the principles by MAYRING (2002, p. 66ff.). All guidelines are problem-centered interviews with experts. The interview guidelines are structured by key topics. The questions are nearly evenly divided in open and closed questions. If needed interviews were expanded for further explanations by the interviewee. The guidelines were constructed in a deductive way, thus building up on research that has been done before the interviews started. However, during the course of the interviews several questions were added because topics arose that were of interest for this study. Therefore the guideline was expanded in an inductive manner later on.

Using problem-centered interviews was identified as the most suitable methodical approach, as the goal was to capture the perspective of SME owners and city officials and let them share their point of view. Those two groups are considered essential to examine the role of SMEs. In regard to the small size of Downtown Urbana with a total number of 49 ground floor spaces in its TIF 1-district, the chosen approach seemed reasonable to get a comprehensive picture of Downtown Urbana.
A total of 16 interviews were conducted. Eleven interviews were done with business owners in Downtown Urbana. They are considered experts because they represent SMEs in downtown and can explain the challenges and opportunities they experience. The group of business owners is dominated by businesses that opened within the last 5 years. However, to get a more balanced sample, 3 long-time business owners were interviewed. Moreover, there are two interviews with city officials. One interview was conducted with the economic development manager of the City of Urbana, the other was conducted with the implementation manager of the City of Champaign. In addition, two business promotion agencies were interviewed: The “Urbana Business Association” as well as the “Champaign Center Partnership”. An interview was also done with the “Small Business Development Center” of Champaign County, which the City of Urbana belongs to. The interviews differ in length between 10 minutes and approximately 75 minutes. Interviews with city officials tended to be longer than interviews with business owners.

The analysis and evaluation part was done with the help of a category system. A first classification was done through the interview guidelines, as the questions were created in groups representing different key topics. The category system used for the analysis was much more clearly defined and encompasses approximately one question per category. As there were questions added during the interview process, the category system expanded simultaneously.

Beside of the interviews, a mapping of the core of Downtown Urbana was conducted. This mapping concentrated on the uses of the ground floors of the buildings, thus documenting the business structure in Downtown Urbana. Data provided by the City of Urbana documented the business structure in 2010, therefore a comparison of the business structure between 2010 and 2014 (conducted in May 2014) will be presented. The study will also draw from quantitative research conducted by the City of Urbana, mostly in form of a Downtown Market Study (CITY OF URBANA 2011).

3.4 Results of the Study

At first, the business structure in Downtown Urbana is going to be analyzed. Next, the business owners’ perceptions of the TIF-program will be examined. This will be
followed-up by an assessment of the strengths and challenges of SMEs in Downtown Urbana. Finally the findings will conclude with trends and recommendations regarding the future of Downtown Urbana and will point out if smaller-and medium-sized businesses are crucial in the process of downtown revitalization.

3.4.1 Business Structure in Downtown Urbana

This chapter sheds light on the business structure in the core of Downtown Urbana, the TIF 1-district. The importance of SMEs is pointed out by each and every interviewee, noting that “SMEs are incredibly important” (CHANDLER 2014). Furthermore, it can be stated that “most of the downtown businesses are small businesses” and that without them, there wouldn’t be a solid basis (CHANDLER 2014). In fact, a mapping of the TIF 1-district, shown in Tab. 1, comes to the conclusion that there is no business that belongs to a chain in the area and the vast majority is locally owned. With the help of the City of Urbana the following table presents a comparison of the business structure in the TIF 1-district between 2010 and 2014:

<table>
<thead>
<tr>
<th>Type</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Services</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Dining</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Office</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>thereof Lawyers</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>(included in Office)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacancy</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

Tab. 1: Change of business structure in the TIF 1-district of Urbana 2010-2014
(own table based on mapping)

The mapping only counted ground floor spaces in the TIF 1-district. It was limited to ground floor spaces because customer-oriented businesses are predominantly
located on the ground floor. The type of use and categorization was conducted by the author. The comparison shows that the total number of units was constant from 2010 to 2014 at 49 units. There were only 8 retail businesses in 2010, a number which hasn’t changed in 2014. This absence of traditional retailing will be discussed later on. Services have slightly increased. The number of service businesses grew from 5 to 6. The highest increase can be determined for restaurants and bars, summarized as “dining”. The mapping counted 6 additional venues, increasing the total amount from 7 to 13, nearly doubling the amount of dining venues.

Despite not showing significant growth, offices are still the main usage in downtown Urbana. 18 spaces or roughly a third of all spaces are occupied by office uses, a number which is up from 17 in 2010. Lawyers are counted as office businesses, but are additionally listed separately to show their strong presence in Downtown Urbana. The City of Urbana is home to the county’s court house, making it an attractive location for lawyers. 7 lawyers were counted in 2014 in ground floor spaces, denoting a slight decrease from 8 in 2010. As the number of businesses grew, it is apparent that – without any new construction – the number of vacant spaces dropped. Only 4 spaces were vacant in 2014, a significant drop from 12 vacant units in 2010. The local business promotion agency describes the business environment quite accurate: “It has drastically improved. We had tremendous growth” (CHANDLER 2014).

![Fig. 6: Vacancy rate for business spaces in Downtown Urbana
(CoSTAR 2014a, own modification)](image-url)
Fig. 6 shows that the vacancy rate for business spaces in Downtown Urbana has indeed decreased during 2013, coming off from a high 12.2% at the beginning of 2013 and decreased to 7.6% within a year (CoSTAR 2014a). This reduction can be attributed to a high influx of new businesses to Downtown Urbana. There are many reasons cited for this growth, ranging from a recovering national economy in general to people being more confident in Downtown Urbana (CHANDLER 2014). It can also be traced back – at least partially – to the new TIF-program which was installed in 2013 (compare to chapter 3.2). The reception of the program by the interviewees will be presented in the following chapter.

3.4.2 Reception of the TIF-Program

The reception of the rewritten TIF-program from business owners and city officials is predominantly positive. Especially the new SMEs which have benefited from the incentives express their approval of the program. One new business owner was particularly enthusiastic, praising the work of the city government as “amazing” and declaring Urbana to be “very accepting” (BEHRNS 2014). It was also noted that the grants were “very helpful, especially right through the winter months” (YOUNG 2014). The general statement “the city has been very helpful” was agreed with by all new business owners. The role of the Small Business Development Center (SBDC), which offers business consulting, is also emphasized positively, as the “SBDC has been really instrumental in helping support the growth in small business entrepreneurship that is happening in downtown right now” (PATTERSON 2014).

Generally speaking, the TIF-program is considered beneficial for Downtown Urbana as a whole: “I think they are a good thing to foster business. I think Urbana is doing a good job at that” (HEGEMAN-DAVIS 2014). It can also be noted that Urbana “definitely makes it very easy to open up business with the incentives they offer” (Patel 2014). The general consensus among most interviewees seems to be that the TIF-program is a “big benefit for a start-up” (CHO 2014) and that “things are seeming to go into the right direction” (PATEL 2014). This “right direction” has been precisely expressed by a SBDC consultant himself: “Urbana has been very aggressive with the grant program and I think that has helped grow their downtown over the last 5 years” (GONDA 2014).
However, this overwhelmingly positive evaluation is being contrasted by other opinions. A few interviewees mentioned that the grant “was a nice add, but that wasn’t a deal breaker either way” (HEGEMAN-DAVIS 2014). Along those lines is the assessment that the grants of $1,000-$2,000 are rather small and only help start-up businesses (PATEL 2014). More harsh criticism is expressed by business owners who have been in downtown for a longer period of time. They describe the situation until 2008 as follow: “I know they are trying to loosen up, but it seems like it was just easier for businesses to open in Champaign” (RUST 2014). This already highlights the role of Downtown Champaign as a nearby competitor. The testimony is also shared by a business owner who stated that they never talked to the City until after they were open (COCHRAN 2014). An SBDC consultant summarizes the city’s earlier incentives: “What Urbana was doing wasn’t working for Downtown Urbana” (KOTÉWA 2014). It shows that apparently the lack of revitalization was at least partially self-inflicted. This also seems to hold true in comparison with Champaign, as an interviewee noted: “12 to 15 years ago they did that in Champaign and Urbana is doing that right now” (LIP-PITZ 2014), implying that Champaign concentrated on this strategy much earlier.

Moreover, particularly established business owners fear that the TIF money is only used for very high risk businesses (BOYD 2014). There are concerns that the city spends a lot of the money on businesses with “no real chance of success” (BOYD 2014). This opinion is opposed to the assessment from the SBDC, which acknowledges that all start-up businesses are high-risk and that people that are starting businesses in Urbana have experience (GONDA 2014). The argument of not using the TIF money effectively is supported by the City of Champaign, with one official stating: “We are not angel investors that just throw money out without an idea. […] The city is not a bank” (BLAKEMAN 2014). City authorities of Champaign also expressed that their incentives are “never based on the businesses themselves, which is a distinct difference between Urbana and Champaign”, but rather on the property. This way it is made sure that the property values increase even if businesses fail (BLAKEMAN 2014).

There is also concern that the city’s budget is “really limited right now” (PATTERSON 2014) and that the budget might not suffice to keep incentives at its current level. The City of Champaign also notes that because they are the larger city they have more resources in their TIF district (BLAKEMAN 2014). At the end of 2011, the financial ba-
lance of the TIF 1-district in Urbana was approx. $1,060,000, with a negative tendency (CITY OF URBANA 2012b). This number suggests that there is sufficient revenue for the small grants that are in place now, but it is indeed questionable if the financial resources will be sufficient for larger investments in the future.

In conclusion, a long-time business owner points out that the City of Urbana needs to be more in touch with its downtown businesses and especially work on ties and collaboration between the businesses: “It is imperative that the city focuses as much attention as is feasibly possible on the ecosystem of the business development in downtown” (PATTERSON 2014). Even if the situation in Downtown Urbana is partly criticized, the SMEs themselves do have strengths that can be build up on.

3.4.3 Strengths of SMEs in Downtown Urbana

The main characteristic of Downtown Urbana’s SMEs is the uniqueness and market niche they possess. This is an evaluation that is shared by all interviewees across all sections. It is expressed on point with the thought of “why should I go to Downtown Urbana when I can go to Wal-Mart?” (Boys 2014).

Fig. 7: The „Urbana Butcher“ on Main Street (own figure)
This uniqueness can be found in the shoe store “Heel to Toe” which manufactures highly specific shoes, the vegan restaurant “Dancing Dog Eatery”, the local “Urbana Butcher” that offers high quality meat (depicted in Fig. 7) or the organic and fresh produce super market “Co-Op Common Ground” which offers cooking and healthy nutrition classes every week. Statements like “we are what you would call a “destination business” (BOYD 2014) and “you really can’t find these things anywhere else, not in the supermarket” (FORD 2014) illustrate this.

A lot of the new SMEs work in unconventional ways, including minimal furniture and new concepts. The SMEs cater to new market segments described by WEITZ and WHITFIELD earlier (2010, p. 89). This encompasses the trend that people are “leaning more towards the organic and the local food products” (CHANDLER 2014). It is also highlighted by the conviction that “organic is a niche and that is part of our mission” (RUST 2014). Another main draw for Downtown Urbana are the low barriers of entry. As shown by Fig. 6 the vacancy rate was quite high up until recently. Despite the recent influx of new businesses, there are still vacant spaces on Main Street (Fig. 8).

![Vacant store space in Downtown Urbana](own figure)

The lack of demand also led to shrinking rents for businesses. This holds true especially in comparison with the two other downtown areas Downtown Champaign and Campustown. Every interviewee agreed with the fact that Champaign is more difficult
to break into as a start-up. According to data from CoStar (2014a; 2014b) rents in Downtown Urbana average $7.25 per square feet in 2013 (Fig. 9). The average rent for business spaces in Downtown Champaign of $11.87 per square feet (Fig. 10) was significantly higher, putting new businesses under pressure to perform well. Thus, Downtown Urbana provides more opportunities for start-up businesses (CHO 2014).

![Fig. 9: Asking rent for business spaces per sf in Downtown Urbana](CoSTAR 2014a)

![Fig. 10: Asking rent for business spaces per sf in Downtown Champaign](CoSTAR 2014b)

The data also shows that the rents in Downtown Urbana were much higher before the recession, being as high as $13.75 in 2007. After the economy collapsed, the rent level decreased constantly. The decrease even gained momentum after 2012,
falling well below $10 per square feet to the current number. Data for Downtown Champaign shows a much higher rent level, however the fluctuation is also strong (Fig. 10). The rent level in Champaign is fluctuating between $11 and $14 per sf, which is significantly above Urbana’s rent level. The two low points in 2009 and 2011 may be unreliable, as the sample of spaces is only 57 buildings in Champaign.

Moreover, relationships between the business owners prove to be important. Especially SMEs that have been founded within the last few years mention their good relationships with the other business owners and acknowledge the importance of building partnerships. However, while some businesses register spill-over customer traffic from nearby businesses, other businesses use the tool of cross-promotion. For instance, each holiday a tech company hands out $15 gift certificates to approx. 400-600 of its clients where they would “identify three businesses in Downtown Urbana that we think need more awareness” (PATTERSON 2014).

### 3.4.4 Challenges for SMEs in Downtown Urbana

Despite the strengths of Downtown Urbana, there remains a wide spectrum of challenges that SMEs have to face. This starts with negative experiences in the past. Long-term business owners mention that downtown was not a “go-to-destination” in the late 1990s and early 2000s. “There was actually nothing going on in downtown” (RUST 2014) was mentioned as well as complaints that the desolate image was mostly based on negative story-telling by people (CHO 2014). Although there is a growth in new businesses, it has to be considered that there already “have been a few moments that felt like a renaissance” and that a “Renaissance is not something we haven’t seen before” (PATTERSON 2014). This questions the stability and success of the current growth, as it might diminish during the next economic recession.

One of main reasons why the businesses in Downtown Urbana still lack stability is the absence of a “critical mass”. Having a critical mass of businesses that attract customers is considered crucial in the economic development of downtowns (BLAKE-MAN 2014). Owners note that there are indeed some new and “really nice restaurants, but there needs to be more” (PATEL 2014). Interviewees also cite the lack of “true retail” as a problem (BOYD 2014). In fact only 8 out of 49 can be considered traditional
Challenges for SMEs in Downtown Urbana

For instance, as of 2014, there is no clothing store in the TIF 1-district. The situation in Urbana was also compared to the situation in Downtown Champaign, which “achieved critical mass some time ago” (BOYS 2014) and has a strong focus on restaurants and bars. However, even the implementation manager of Champaign acknowledges that they do lack “traditional retailing” which has mostly shifted to suburban areas (BLAKEMAN 2014).

In addition, the County court house is located in Downtown Urbana adjacent to the TIF 1-district. This makes the downtown attractive for lawyers’ offices, which accumulate to 7 out of 49 ground floor businesses in 2014. The fact that they occupy valuable store front space (Fig. 11) on the ground floor displeases the majority of business owners. They complain that “it takes up store front space that would be great for restaurants or retail” (CHANDLER 2014). A long-term business owner suggests that the law offices move to the second floor or to the back of lots and that they “recognize the role they can play and start to have some sort of policies” (PATTERSON 2014). This could include handing out coupons to the employees for a free lunch at the local restaurants.

Fig. 11: Lawyers’ offices on Main Street in Downtown Urbana (own figure)

Some business owners expressed their disapproval with the riskiness of the new start-up businesses, as explained in chapter 3.4.2. One long-time owner said that
“there has always been a fairly high turnover in Downtown Urbana” (VAILLANCOURT 2014), but as of recently the growth is far outweighing the closures (CHANDLER 2014). Despite this current growth, the stability of new SMEs has to be questioned. It was stated that Downtown Urbana is “not quite strong enough” for some unique business concepts (BOYD 2014). This argument may hold true, as at the point of this study, two art galleries had recently closed. Also, the interviewed local butcher shop went out of business in June 2014, being in business for half a year (NEWS GAZETTE 2014).

Even though Champaign-Urbana is a university community, the importance of the University of Illinois for businesses in Downtown Urbana remains ambiguous. Although the City of Urbana claims that the University “is absolutely instrumental to our local economy” (BOYS 2014), this might not hold true for Downtown Urbana in particular. Every interviewed business welcomes students and faculty members, but just one business claims that they are serving the University community (VAILLANCOURT 2014). The SBDC even argues that “both Downtown Champaign and Downtown Urbana do not attract student crowds. The student crowds are in Campustown” (GONDA 2014). This refers to a strict division of customer demographics, with students preferring Campustown to both downtowns. However, it should be noted that the student population is increasingly more aware of Downtown Urbana because of places like the restaurant “Pizza M”, which is considered to be a popular location (CHANDLER 2014; CHO 2014).

A controversial topic amongst business owners is the Urbana Business Association (UBA), the promotional agency of Urbana. The organization of events is not liked by every interviewee. In fact, some businesses complain about closing down Main Street for events which might hurt certain businesses as customers can’t access them conveniently by car that day (BOYD 2014). This attitude towards events is only shared by a minority of interviewees. Still, the work by the UBA can apparently still be improved by “an even louder presence” (RUST 2014) to get attention from customers.

Moreover, even though business owners appreciate business relationships and linkages, they are not as extensive and intensive as they could be. City officials admitted that it is a struggle to get businesses to do joint things (BLAKEMAN 2014) and that the level of collaboration and networking can be tremendously expanded (LIPPITZ 2014).
However, officials were also criticized for “not heading that up really well” (RUST 2014), referring to the lack of an organization that can foster business partnerships. After analyzing the strengths and challenges, the following chapter presents the outlook and future perspectives for Downtown Urbana.

### 3.4.5 Outlook: A new Identity

Throughout the interview process it became very clear that Downtown Urbana has to build on its strengths and simultaneously work on its weaknesses and challenges. The major consensus is that the main goal for Downtown Urbana is to build a new identity which will strengthen the overall business environment. However, opinions vary on what kind of identity this might be. Possible future identities will be pointed out in this chapter.

It is understood by all interviewees that in the present Downtown Urbana lacks an identity that “meets the needs” of businesses and customers alike (BOYS 2014). Much of this lack of identity correlates with the lack of a critical mass of businesses that exist in Downtown Urbana. With only 49 business spaces in the core downtown area – 22 or nearly half of them were offices, lawyers or vacant in 2014 – business owners come to the conclusion that “just about anything is missing” (FORD 2014). More specifically, business owners wish for more restaurants and bars, especially referring to the situation in Champaign, which traditionally has had a much livelier area and much greater foot traffic (RUST 2014). Citing the lack of identity and critical mass as a main issue, it was pointed out that “Urbana […] has that history of […] especially food-based businesses not doing as well as the Champaign ones” (CHO 2014). There are various reasons of why this is and why Downtown Champaign seemingly has a more prosperous downtown. In any case, because of its close proximity and its similarities, Downtown Champaign might function as a role model for Downtown Urbana.

City officials from Champaign stated that Downtown Urbana “is just behind in the development phase than Champaign” (BLAKEMAN 2014). The business structure of Downtown Champaign is somewhat similar to Urbana, as the majority of businesses are small owner-run businesses and in Downtown Champaign “you will not see any
chains” (LIPPITZ 2014). The strengths of Downtown Champaign are notably in the entertainment and nightlife branch (Fig. 12). However, it is also lacking traditional retail as well as major retail anchors (BLAKEMAN 2014). Despite this, city officials are not worried about Downtown Champaign depending too much on entertainment businesses like restaurants, bars and cafes. They are rather convinced that “Downtown is continuing to build on what Downtown does really well” (BLAKEMAN 2014).

Fig. 12: Chester Street in Downtown Champaign (CITY OF CHAMPAIGN 2008)

While Downtown Champaign nowadays seems to be in a good place, this hasn’t always been the case. In fact, Champaign officials state that the revitalization process of Downtown Champaign just started about 15 years ago at the beginning of the 2000s. Back then, the situation in Downtown Champaign was described as “desolate” (GONDA 2014) and that “Downtown wasn’t quite what it is now” (LIPPITZ 2014). However, the City of Champaign felt that they “needed to make this downtown a destination” (LIPPITZ 2014). Champaign has its own TIF-district for downtown, which was the tool that provided incentives and grants for businesses to open (LIPPITZ 2014). Looking back, the way they handled the TIF incentives is considered “aggressive” as “they were basically giving away money” (KOTEWA 2014). As mentioned earlier, wasting tax money is one of the main concerns of business owners in Downtown Urbana, thus being in line with the criticism expressed about Champaign’s policies. In the
end, the strategy was appreciated by the interviewees, as empty buildings are filling up and Downtown Champaign is becoming really “vibrant” (LIPPITZ 2014).

Besides Downtown Champaign, there is Campustown (Fig. 13). Campustown is located to the southeast of Downtown Champaign right next to the Campus of the University of Illinois with its student population of currently 44,250 students. Campustown can be considered a “third downtown” in the area, but it is considerably different than the other two downtowns (BLAKEMAN 2014). First, the business structure is dominated by national chains targeting students (LIPPITZ 2014). Second, Campustown is so attractive to students that they stick to it and rarely go to the other downtown areas (BLAKEMAN 2014; GONDA 2014). It should be noted that today Campustown – compared to the other downtowns – “is further along than all of us, it works there. The economics work, the densities work, the number of people there work” and that economic development incentives aren’t necessary (BLAKEMAN 2014). Campustown builds on its identity of feeling more like a big, urban city and will continue to do so.

With three downtowns in the metropolitan area, what does that imply for Downtown Urbana and its identity? It can be agreed with that all three can co-exist and that each has its own character (COCHRAN 2014). Hence, Downtown Urbana should develop its own character and do “something a little different than in Downtown Champaign” (COCHRAN 2014).
The opinions about the direction to take differ greatly. Restaurant owners plead to make Downtown Urbana “kind of a food-destination” (Ford 2014). A comprehensive market study conducted on behalf of the City of Urbana in 2010 showed that over 60% of respondents would spend more money on specialty prepared foods if there was a greater variety of restaurants (n=468) (City of Urbana 2011, p. 38). Recent developments show that Downtown Urbana is indeed evolving in this direction. The downtown area offered 13 dining establishments in 2014, 6 more than in 2010 (compare to Tab. 1). Moreover, business owners and the City of Urbana work on a plan to expand outdoor seating possibilities on Main Street (Wade 2014). The concept called “Curbanas” will not only increase the attractiveness of outdoor dining, but might also contribute to a more vibrant and active atmosphere of the downtown area in general.

Contributing to the “food-destination” that Downtown Urbana is supposed to become is an event that is already a main attraction in the city since 1979: the “Market at the Square”. Also known as the “Farmers Market” it is one of the largest markets of its kind in Illinois. It is held every week on Saturdays and attracts large audiences. The City itself credits the Farmers Market for initiating “enviable growth for Urbana’s market” (City of Urbana 2015). The high satisfaction and reputation of the Farmers Market is underscored by the market study in which 90% of respondents express their satisfaction with the “Market at the Square” (n=468) (City of Urbana 2011, p. 51).

In connection to the Farmers Market, it was also expressed that Downtown should become a place where “you can take your children” (Patterson 2014), thus pointing out Urbana’s family-oriented focus. The Farmers Market is described as being a place to go with your family (Patterson 2014). This family-focused angle is supposed to represent an alternative to Downtown Champaign, which entertainment focus doesn’t provide a place to take your children.

However, even though many interviewees mentioned that the strong focus on entertainment that Downtown Champaign pursues might not be the best option for Urbana, results from the market study show that approx. one third of respondents would spent more money on movies and entertainment in Downtown Urbana (n= 485). It is the most named on the list of customers demand and illustrates the need for more entertainment (City of Urbana 2011, p. 37).
While there is dispute over what identity fits Urbana best – more entertainment-oriented like in Champaign or more family- or food-focused – business owners and city officials alike agree that customers nowadays come to downtown because of the experience (BOYD 2014; BOYS 2014). People are looking for “a bit ambiance [and] a little bit of entertainment” (BOYD 2014). This matches with the provided theoretical background that retail is leaning more towards experience-driven concepts that find their market niche and offer unique services and products.

In finding the right identity for Downtown Urbana, it becomes clear that one of its major strengths is that it feels like “small town America” (BLAKEMAN 2014) (Fig. 14). This is a major difference to Downtown Champaign and Campustown, which feel like large towns (KOTEWA 2014). Business owners pointed out that Urbana is more small-scale and that Downtown already has a strong sense of community (CHO 2014). This makes it easier for new business owners to become part of the local business network and establish new business partnerships. This small town-idea can help develop Downtown Urbana into a “creative village” that is a hub for small- and medium-sized businesses, providing an environment where they can prosper (GONDA 2014).

In 2014 the City of Urbana established a panel called the “Downtown Urbana’s Emerging Innovation Ecosystem” to further enhance that identity. This panel discussion included members from the City of Urbana as well as business owners of Downtown Urbana. The panel stresses the importance of business partnerships and networks, especially when businesses run in trouble and need support. A tight network and an active monitoring from the City of Urbana can help small businesses with difficulties and subsequently improve the stability and growth of SMEs in Downtown Urbana (CITY OF URBANA 2014a).

As of now, is Downtown Urbana on the right track to achieve this goal? There are signs that the identity and the business environment are changing because of the new influx SMEs, but it is also said that it is “too early to tell” (CHANDLER 2014) as the new TIF-program was only implemented in 2013. However, new businesses mostly show signs of stability and growth (CHANDLER 2014). To foster this upward trend, it remains tremendously important that businesses and the city strengthen their ties and relationships and create one message and one goal, because “if people want to
move here, live here, live downtown – we need to be doing it together” (RUST 2014). This is the only way that Downtown Urbana can continue developing its own uniqueness and build a new, strong identity. This leads to the following discussion.

4. Discussion of the Results

This last chapter wraps up the main findings of this study while also having a look at the future of Downtown Urbana. It will also provide a link between the existing theoretical approaches and the empirical findings.

4.1 Conclusion

Downtown Urbana has experienced a great influx of new businesses from 2013 onwards. These businesses are all small- and medium-sized enterprises, making them exceptionally important for the business environment in Downtown because of the absence of large companies and chains. The businesses in Downtown Urbana show a lot of strengths and provide a lot of potential, while also suffering from major challenges. For instance, it remains unclear if SMEs will be able to stay in business if rents in Downtown Urbana start to rise. With a decreasing vacancy rate and a lack of new construction, asking rents for business and retail spaces might soar and evolve into a problem for SMEs that lack financial resources.

This underlines the fact that right now it is too early to tell if the positive economic development in Downtown Urbana will continue. However, there are signs that as of now the new TIF-program, worked very fast as it was used by 17 businesses in 2013 (CITY OF URBANA 2014b). The business owners themselves are overwhelmingly positive, stating that “moving here was absolutely the right decision” (PATEL 2014). This study concludes that the City of Urbana should continue the new TIF-program and – if possible – support it with more financial resources. All in all, the introduction of a TIF-program that is supporting SMEs in particular can be recommended as a role model for other cities.

The findings of this study showed that the major goal of smaller downtowns is to build and establish a strong identity and an economic basis that is large enough to reach a
critical mass to attract customers. For Downtown Urbana, this new identity might be its feeling of “small town America” with short walking distances and a great variety of unique and creative businesses that resemble a creative village, making Downtown Urbana a vibrant hub in its own individual way. This image is also promoted by the Downtown Plan Urbana from 2012. Fig. 14 shows a rendering how the City of Urbana imagines their downtown in the future (CITY OF URBANA 2012a, p. 1). It can be argued that the rendering might function as an example for other cities which aim for the ideal of a “small town America”-image.

![Fig. 14: Building an identity as “small town America”?](Rendering from CITY OF URBANA 2012a, p. 1)

Small- and medium-sized enterprises play a tremendously important role in building that identity and shaping the future. Their uniqueness and experience-based services and products are what set them apart from the businesses (for instance “big-box” retailer) in the suburban areas. It can be argued that this doesn’t only hold true for Urbana, but for small cities in general.

This study claims that there are plenty of cities, primarily in the United States but also internationally, which are facing similar problems and are looking for a way to revitalize their downtown. Thus, downtowns in small cities have to be more aware of their own uniqueness and build a strong identity upon that. This study has shown that SMEs are a major factor during that process. In conclusion, the main research question can be strongly agreed with. SMEs contribute to the revitalization of downtown with a great variety of aspects.
Thus, this study pleads to add this aspect to the approaches of downtown revitalization. ROBERTSON’s seven-points-approach misses out this part entirely, thus undermining the importance of SMEs. By adding the strengthening of SMEs, the approach would offer a strategy for smaller cities where large scale developments like stadiums or indoor shopping centers are not applicable because of their size. However, it has to be mentioned that ROBERTSON first published his approach in 1995. It can be argued that at that time the strategies specified in his approach were most common and large scale-strategies the most useful. It might be possible that the focus of research has shifted since then to a more small scale level like SMEs. However, the validation of this statement would need further research and thus can be included in the next chapter.

Regarding the Main Street Approach, SMEs fit into the category of economic restructuring, which is advised by the approach. However, as of now, it only recommends to diversify the business structure and to understand the important role of businesses for downtown. This study pleads to broaden this point of view and acknowledge the crucial role of small- and medium-sized enterprises. This is particularly important as the Main Street Approach offers strategies for small cities.

4.2 Limits of the Study and further Research

This final paragraph focuses on the limits and potential optimization of this study as well as further research perspectives.

Regarding the limits of the study, the scope of the chosen interviewees is too narrow. It is dominated by business owners of Downtown Urbana as well as city officials from both cities. First of all, only 11 out of 49 ground floor businesses in Downtown Urbana were interviewed, leaving out a great number of opinions. Second, although they are seen as a problem in Downtown Urbana, lawyers were not interviewed for this study. Their point of view is not included. During the interview process they were not deemed essential for the objective of the study. It was assumed that they will not move out of Downtown Urbana because of the proximity to the court house. They should have been interviewed to find out under which circumstances they would vacate their valuable ground floor units.
Customers were also not interviewed. Instead, the study relies on a Market Study conducted on behalf of the City of Urbana. However, since this study was conducted in 2011, customer opinions may have changed since then. Therefore, asking for motives and reasons why people shop in Downtown Urbana is crucial, but would have greatly exceeded the scope of this study. Hence, additional research is recommended to examine the customer side and add their point of view to the study.

The study’s results are also limited by the reliability of the Fig. 6, 9 and 10. The figures are based on data from CoStar, a market research company. However, the database for the downtowns of Champaign and Urbana only includes 57 and 32 buildings, respectively. Thus, the sample is very small with a high risk for inaccuracies. For instance, Fig. 6 depicts a vacancy rate of approx. 5.5 % for Downtown Urbana in 2010, which does not match with the findings of the mapping which shows a much higher vacancy percentage in 2010.

It can also be criticized that this study was conducted from an United States-centric perspective. This implies that the results may not be applicable to different spatial contexts as the centers of cities worldwide are characterized by very diverse structures.

Concerning future research perspectives, this study has already suggested that a change of paradigm in research revitalization could have occurred. Starting from the large scale solutions by ROBERTSON, the focus of downtown revitalization is now perceptively smaller and rather than finding answers for downtown as a whole, it is more concentrated on certain phenomena of developments in downtown. Further research could confirm if this statement holds true or not.

Also, as this study focuses on SMEs in downtowns of small cities, further research could also analyze the counterpart in large cities. It can be assumed that the situation of SMEs in large cities is distinctively different because they are part of a much larger business environment and face more competition from large national chains, which are less common in small downtowns.
5. References and Interviews

5.1 References


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References


5.2 Interviews

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4. Appendices

Appendix 1: Interview Guideline – Businesses in Downtown

Appendix 2: Interview Guideline – City of Urbana Authorities

Appendix 3: Interview Guideline – City of Champaign Authorities

Erklärung
Interview Guideline: Businesses in Downtown

Name of Interviewee:

Date:

1st Key Topic: Information about the Business

1. What is your business about? Tell me about your business.

2. Why have you opened your business (in Downtown)? Why now? What are the advantages of a Downtown location?

3. Have you had problems finding the right locations? Why/ not?

4. Do you offer further special services (sth. unique?)

5. Would you say you cater to a niche market? Would you say you are experimental?

2nd Key Topic: Economic Development Incentives

6. Have you received any incentives/ benefits from the City?

7. Do you benefit from Tax Increment Financing (TIF)/ Enterprise Zone/ Small Business DC? Are you a member of UBA/ CCP?

8. Do you wish additional policies/ support from the City?

3rd Key Topic: Customer Base / Downtown Context

9. What is your main customer base?

10. Why are people coming to Downtown instead of other locations?

11. What is the influence of the student population/ University?

12. Do you see new businesses as a threat or opportunity?
13. What role are Online Sales playing for your business?

14. Are standards like organic food, sustainability-certifications important to you?

15. Have you thought about opening a business in Urbana/ Champaign/ Campus-town?

16. What are your plans for the future? Plans to expand?

**Conclusion: Further Information**

17. Can you name further interview contacts?

18. Do you think that this interview missed out key aspects?

**Statistical Questions for SMEs**

Name of Business:

Type/ Branch of Business:

Opening date of Business:

Number of Employees:

Approx. Revenue:

Price Range of Products: Very low – low – medium – high – very high
Interview Guideline: City of Urbana Authorities

Name of Interviewee:

Date:

1st Key Topic: Current Situation of SMEs in Downtown areas

1. What does your institution do? What services do you offer?

2. What is the current situation of SMEs in Downtown? Has it improved / stayed the same / worsened? Why is this happening? What kind? Experimental/niche market?

2nd Key Topic: Economic Development Incentives

3. What is the role of SMEs in the economic development of Downtown?

4. Which policies target to SMEs? How much are they utilized? Is there criticism from SMEs?

5. Why does the City try to attract creative industry businesses?

3rd Key Topic: Customer Base

6. Why are customers attracted by SMEs in Downtown? What is unique?

7. What customers do SMEs attract? Which customer could they potentially attract? Which are not attracted?

8. What is the influence of the student population/University?

9. What role do Online Sales play for Downtown Urbana?
4th Key Topic: Exploring the Regional Context

10. Does Downtown Urbana cooperate and/or compete with areas like Downtown Champaign and Campus Town?

11. How does the situation of SMEs differ in the three location?

12. What kind of new SMEs could Downtown attract in the future?
   What are future and planned developments?

13. Is it easier for SMEs to start in Downtown than in suburban areas?

Conclusion: Further Information

14. Can you name further interview contacts?

15. Do you think that this interview missed out key aspects?
Interview Guideline: City of Champaign Authorities

Name of Interviewee:

Date:

1st Key Topic: Current Situation of SMEs in Downtown areas

1. What does your institution do? What services do you offer?

2. What is the current situation of SMEs in Downtown? Has it improved / stayed the same / worsened? Why is this happening? What kind? Experimental/ niche market?

2nd Key Topic: Economic Development Incentives

3. What is the role of SMEs in the economic development of Downtown?

4. Which policies target to SMEs? How much are they utilized? Is there criticism from SMEs?

5. Urbana especially tries to cater to creative industries. Does Champaign do the same or do they differ? How stable are those businesses?

3rd Key Topic: Customer Base

6. Why are customers attracted by SMEs in Downtown? What is unique?

7. What customer do SMEs attract?
   Which customers could they potentially attract? Which are not attracted?

8. What is the influence of the student population/ University?

9. What role do Online Sales play for Downtown Champaign?
4th Key Topic: Exploring the Regional Context

10. Do Downtown Champaign and Campus Town compete against each other?

11. Does Downtown Champaign and Campus Town cooperate and/or compete with Downtown Urbana?

12. How does the situation of SMEs differ in these three locations?

13. What kind of new SMEs could Downtown attract in the future? What are future and planned developments?

14. Is it easier for SMEs to start in Downtown than in suburban areas?

Conclusion: Further Information

15. Can you name further interview contacts?

16. Do you think that this interview missed out key aspects?
Erklärung


Berlin, den 30. April 2015

Marc Steinke