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Business Development in Downtown Kearney

By David R. DiMartino

In 1982, the Center for Applied Urban Research presented the City of Kearney with an analysis of the changing business mix, location decisions of owner-operators, and shoppers’ patterns and perceptions in its central business district. The analysis was one step in the City of Kearney’s ongoing efforts to sustain and improve its central business district.

Introduction

The City of Kearney is located in central Nebraska along the Interstate 80-Platte River Valley development corridor, the center of a cluster of small cities, all within a 45 mile radius. Kearney and its neighboring communities are market centers providing services to their resident populations and to the surrounding farmland. Because of their proximity to one another and their orientation to the surrounding population, the several cities have overlapping market areas and vie for some of the same customers. See Maps, page 7.

The city of Kearney’s commitment to its market area and to the economic health of its central business district was evident in 1970 with the creation of Kearney's Downtown Improvement District. Established under then-recent Nebraska legislation, Kearney's was the first Business Improvement District (BID) created in Nebraska and was immediately challenged in the courts. In 1971, the court ruled that the city had the authority to establish the BID, and it began its work. Among its actions have been the removal of downtown parking meters and widening of downtown streets (1972-73), adoption of a uniform sign ordinance for the district (1979), construction of off-street parking lots (1979), and development of a district-wide logo (1981).

CAUR conducted its study of Kearney’s BID and presented its findings to the Downtown Improvement Board in February, 1982. Subsequently, the board contracted with an architectural-planning firm to conduct a series of workshops aimed at consolidating the support of the public and business community for further downtown revitalization (1983).

Following those activities, the Downtown Improvement Board recommended, and the City Council adopted, an ordinance to initiate a $2.2 million Kearney Centre Improvement Project (1983). A combination of funds from the city, Urban Development Action Grant (UDAG), Community Development Block Grant (CDBG) funds, and a special assessment of downtown merchants were used to refurbish sidewalks, curbs, gutters, brick streets, and storm sewers, and to install lighting and landscaping. The major construction took place over 18.5 square blocks, including 68 block faces. In addition, the city created a $375,000 low interest revolving loan fund to assist downtown businesses in renovating store fronts and interior space. As of January, 1985 over 34 businesses implemented renovations and improvements, representing an additional $800,000 investment in the BID. The official project extended over eight months from groundbreaking in April, 1984 to grand opening in November of 1984.1

The Economic Setting

Kearney has a strong economy and that economy has expanded over the recent past. It is competitive with its neighbors, and its commercial base has grown faster than the state as a whole.

Table 1 displays several indicators of the relative economic strength of Buffalo County (Kearney) and the counties of neighboring communities.2 The indicators of economic health in Table 1 incorporate 14 different measures including labor force participation, poverty, retail sales, and housing values, and describe the relative overall health of the local economies. The retail intensity ratio is a measure of the relative drawing power of a market over its trade area. Likewise, the distributive nodality measure incorporates 71 variables to describe the influence exercised by a market center over its trade area. The values derived for Kearney and its neighbors tend to cluster on the high side of each scale. Thus, each is among the relatively healthier economies of Nebraska.

Table 2 displays several indicators of retail activity in Kearney, Buffalo County, and Nebraska as a whole over the 1972 to 1982 decades.3 The number of establishments, GAF establishments4 and retail employees, and volume of sales have each grown over the period. The growth in the number of establishments was not substantial, but compared favorably to the net decline in establishments state-wide. Sales volume expanded beyond that of
Changes In Business Activity

Enterprises increased in the BID by 10 percent (22 businesses) during the 1971-81 decade. That gain in overall building occupancy indicated modest growth in the economic base of the downtown area and may relate to the ongoing downtown improvement efforts. The total number of enterprises fluctuated during the period, particularly during the first half of the decade. (See Table 3.) The initial biennium yielded a gain in business activity (8 percent). However, a proportional loss (7 percent) followed during the 1973-75 post-oil shock recessionary period. Thereafter, activity stabilized with modest gains of 2 to 4 percent characterizing each biennium.

Some enterprises were in operation throughout the study period; others opened and/or closed during the period. In 1981, 234 businesses were present in downtown Kearney. Approximately 84 percent of these had been in operation since at least 1971 and represent the core of stability in the BID. Alternatively, of the 380 businesses in operation at some time during the decade 127 (or 33 percent) operated throughout the period. 85 (or 22 percent) were in operation at the beginning but closed during the period. 107 (or 28 percent) opened during the period and remained open, and 61 (or 16 percent) opened and later closed during the period. Thus, 168 openings and 146 closings took place from 1971 through 1981 for a net gain of 22 businesses during the period.

Business Mix

The total number of business openings and closings also varied by business function during the period. For example, openings decreased but closings increased during the post-oil shock recessionary 1973-75 biennium. Retail and function demonstrated a far greater total and biennial change in activity throughout the decade.

Retail activity demonstrated the greatest net gain in activity during the decade, increasing by 15 percent (18 businesses). Finance activity demonstrated a modest gain (9 percent or two enterprises) during the period. Retail activity experienced an even smaller gain (3 percent or two enterprises) over the period. Examples of retail expansion by type of retailing demonstrated that specific types of retailing were responsi-

THE CAUR STUDY

The goals of the CAUR study were to assess the development trends that had occurred within downtown Kearney during the recent past, to analyze the attitudes of businessesmen and patrons toward the downtown area and its development, and to examine future directions for development of the district.

PHASE I — THE CHANGING BUSINESS MIX

Phase I of the Kearney study was designed to determine the changes in business activity that had occurred within the BID during the decade of the 1970's. By analyzing changes in business activity over the decade, the relative strength of the downtown economy and pattern of business activity could be determined. Records of taxes paid by building occupants in the BID were analyzed in order to trace changes in business activity. The tax records yielded data on numbers and types of businesses present for each second year (biennium) from 1971 through 1981. The data were then analyzed by biennium, by business function and category of activity, and by subareas within the BID.
Business Mix by Subarea

The business mix within the BID was also viewed by subareas within the district. Four subareas were created (northeast, northwest, southeast, and southwest), and an additional subarea was delimited along the main street, Central Avenue.

The Central Avenue experienced the greatest numerical gain in enterprises—15 for the BID (24 percent). However, the greatest percentage gain was located in the northeast sector of the BID within a 3 percent gain in a 15 percent increase. Only the northwest subarea failed to record an overall gain during the decade. These and other changes indicated a shift in the BID center of gravity.

Categories of activity were also differentiated by subareas of the BID and demonstrated the importance of various activities to each subarea. For example, the differences in service activity as a proportion of all activity among subareas demonstrated that service activity was proportionally greater in the southeast subarea (40 percent of all) and therefore more important to the overall economic vitality of that subarea than service activity in the southwest subarea (with only 13 percent of all occupants in service outlets).

PHASE II—LOCATION DECISIONS OF OWNER-OPERATORS

Phase II of the Kearney study was designed to determine the attitudes and motivations of two categories of business owner-operators: new entrants to the BID and those relocating within the BID (leavers). This phase of the study was accomplished through semi-structured personal interviews with a sample of owner-operators from each of the two type of businesses.

**Arrivals**

Owner-operators who opened businesses in downtown Kearney selected their downtown locations purposely over alternatives, viewed the downtown area positively, and were not overly concerned with any particular problem. They suggested that improvements would always be made but suggested that improvements were needed in amenities such as parking and traffic to overcome any substantial problems.

Business arrivals cited several considerations important in deciding to move to downtown Kearney. Over half spoke of space constraints (the unavailability or insufficiency of potential sites both downtown and elsewhere) as a limiting factor to opening their businesses. Nearly half cited a downtown (or Central Avenue) location as most desirable or very important to the location decision—"the place one should be in downtown Kearney." Two-thirds of the leavers cited the importance of consumer access, exposure, and high levels of consumer traffic to their site selections, and another 20 percent actually preferred some aspect of their downtown location. However, a notable inclination toward Second Avenue sites, which were less frequented by consumers, and the age and character of the downtown area and the need to improve these conditions, though to varying degrees.

By contrast, arrivals and leavers differed most in the deliberation of their locational decisions and in their perceptions of locational constraints. Arrivals as a group were more sure of their reasons for selecting new sites, many citing specific voluntary reasons for leaving their current sites. Two-thirds of the arrivals selected sites for a specific purpose or opportunity, and about three-quarters cited the proximity of other businesses, facilities, and/or sites as very important; particularly, the presence of support services (such as financial institutions, suppliers, or business clients). When asked what had most improved downtown Kearney, nearly 99 percent of all arrivals (99 percent), but most (94 percent) of all leavers (99 percent), pointed to the increase in parking and/or building spots available. Only the northeast subarea was an exception. The results also indicated that downtown Kearney was attractive to new arrivals and had undergone some significant improvements, including new developments and relocations of businesses.

**Leavers**

Leavers who were asked what downtown improvement might have kept them from relocating away from downtown. Approximately half said that nothing could have prevented their relocation because of the demand for downtown businesses. Rather than downtown problems had prompted their moves. One-quarter did say that downtown "might" have remained at a downtown site if suitable floor space had been available.

Finally, arrivals were asked what improvements were needed in downtown. Little consensus was expressed. However, suggestions included the establishment of variable parking time zones, conversion of two-way traffic to one-way traffic, improvement of building facades, expanding the range of available goods, attracting a wider group of business owners and adding public restrooms, landscaping, and access for the handicapped.

**Arrivals and Leavers Compared**

Arrivals and leavers from the Downtown Improvement District were, in many ways, similar in their attitudes and concerns. Both were less concerned with the competition of downtown businesses than they were about visibility and high levels of consumer traffic, and both expressed more issues such as parking and amenities in the downtown area and the need to improve these conditions, though to varying degrees.

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**PHASE III—USES AND ATTITUDES MARKET AREA POPULATION**

Phase III of the Kearney study was designed to determine the degree of patronage of downtown Kearney enterprises, to compare alternate locations of patrons, and patrons' opinions of the most attractive facilities or services. These data were compared to changes in actual business mix to determine whether the descriptive analysis developed that desired by patrons.

Data were gathered through a structured telephone survey of 406 people living in a 30-mile radius of downtown Kearney—an area defined to be its primary market area. Survey respondents were selected from communities throughout Buffalo and Kearney Counties, and from Piusa, Overton, Kenedy, and Prosser. See Map 1. In addition, Kearney State College students living in dormitories were surveyed.

** Patronage**

An overwhelming proportion of people surveyed (94 percent) frequented downtown Kearney, and three-quarters (76 percent) considered Kearney their primary service center. Only the few who never used downtown Kearney were asked why the location was attractive to them; nearly all said that their downtown sites were available to them, thus limiting their alternative choices, though to varying degrees.

In nearly all cases, the respondents who frequented downtown Kearney—99 percent of all arrivals (99 percent), but more (94 percent) of all leavers (99 percent)—viewed the downtown area and the need to improve those conditions, though to varying degrees. By contrast, arrivals and leavers differed most in the deliberation of their locational decisions and in their perceptions of locational constraints. Arrivals as a group were more sure of their reasons for selecting new sites, many citing specific voluntary reasons for leaving their current sites. Two-thirds of the arrivals selected sites for a specific purpose or opportunity, and about three-quarters cited the proximity of other businesses, facilities, and/or sites as very important; particularly, the presence of support services (such as financial institutions, suppliers, or business clients). When asked what had most improved downtown Kearney, nearly 99 percent of all arrivals (99 percent), but most (94 percent) of all leavers (99 percent), pointed to the increase in parking and/or building spots available. Only the northeast subarea was an exception. The results also indicated that downtown Kearney was attractive to new arrivals and had undergone some significant improvements, including new developments and relocations of businesses.

** Attitudes**

Patrons' attitudes toward and concern with downtown Kearney were also examined. Only the few who never used downtown Kearney were asked why the location was attractive to them; nearly all said that their downtown sites were available to them, thus limiting their alternative choices, though to varying degrees. In nearly all cases, the respondents who frequented downtown Kearney—99 percent of all arrivals (99 percent), but more (94 percent) of all leavers (99 percent)—viewed the downtown area and the need to improve those conditions, though to varying degrees. Arrivals and leavers differed most in the deliberation of their locational decisions and in their perceptions of locational constraints. Arrivals as a group were more sure of their reasons for selecting new sites, many citing specific voluntary reasons for leaving their current sites. Two-thirds of the arrivals selected sites for a specific purpose or opportunity, and about three-quarters cited the proximity of other businesses, facilities, and/or sites as very important; particularly, the presence of support services (such as financial institutions, suppliers, or business clients). When asked what had most improved downtown Kearney, nearly 99 percent of all arrivals (99 percent), but most (94 percent) of all leavers (99 percent), pointed to the increase in parking and/or building spots available. Only the northeast subarea was an exception. The results also indicated that downtown Kearney was attractive to new arrivals and had undergone some significant improvements, including new developments and relocations of businesses.

**Goods and Services Acquired**

Downtown Kearney was frequented by respondents for a variety of purposes, including shopping, entertainment, and services. Among all respondents, the most frequently cited purposes for downtown Kearney visits were entertainment and services. Among all respondents, the most frequently cited purposes for downtown Kearney visits were entertainment and services.
and physical conditions/amenities (14 percent). However, one-quarter of the respondents (26 percent) said that the downtown was unchanged. Parking and building condition were the two categories (17 percent), and retail characteristics (16 percent) were the most frequently cited category (39 percent), followed by retail activity (32 percent), and specific stores and services (19 percent), and visual amenities such as green spaces and other focal points. Several of these have been implemented.

Finally, and most costly, structural improvements were advised. These included both the improvement of buildings and the improvement of pedestrian and vehicular flow and parking. Building improvement would include new facades, restoration, and the expansion of total floor space, particularly increased secondary usage. The downtown improvement board was advised to review traffic flow and the distribution of parking spots with an eye toward refinement. Although the recommendations focused on the retail base of downtown Kearney, efforts were encouraged to retain and attract non-retail activities to the district as well.

Postscript

Since CAUR conducted its study, Kearney has proceeded with its Centre Improvement Project. At the same time, a new shopping mall was constructed on the north side of the downtown. The mall, developed by Dial Enterprises of Omaha during 1984, includes two anchor stores (Wal Mart and G.R. Herberger's) and 208,853 square feet of gross leasable area (570 stores). The mall will undoubtedly constitute a retail competitor for the Downtown Improvement District, and those changed circumstances will bear watching and further analysis.

Nevertheless, downtown Kearney appears to be in a relatively good developmental position for a district of its size. The CAUR study advised the BID board to guard against complacency and strive for conditions improvement so that downtown could adequately compete with other retail centers in the future. Its subsequent action has demonstrated the board's determination to do so.

**To continue both within the city of Kearney and elsewhere in the region.

In view of these considerations, the Downtown Improvement District and the downtown community as a whole were advised to pursue several complementary actions simultaneously. These actions would serve to enhance the attraction of downtown Kearney and lessen the leakage of buying power to other locations.

First, downtown Kearney was advised to counter those retail activities cited by patrons as mining from the district or in need of improvement. Most frequently cited as missing were clothing, retail improvement, and entertainment outlets as well as the names of specific department stores. Second, since leakage (though not severe) was primarily to the east, downtown merchants were advised to pursue a cooperative marketing effort aimed at increasing the buying public's awareness of downtown Kearney, particularly in both large and small communities east of Kearney. The downtown community was advised to foster a sense of place or mystique around downtown Kearney. An example subsequently implemented was the creation of a symbol or logo for downtown Kearney under sponsorship of the downtown improvement board. The third area of improvement advised for consideration by the downtown community was the creation of amenities, those characteristics that lend comfort and convenience to a place. Although the presence of amenities is often cited in the presence of amenities nevertheless fosters multiple purpose and multiple person shopping trips and thereby enhances sales. Those include rest facilities (especially for the aged), walk-throughs between individual stores and/or sidewalk canopies to shield shoppers from extremes of weather, and visual amenities such as green spaces and other focal points. Several of these have been implemented.

**Derived from personal communications and "Kearney Centre Ground" by Craig Staenberg in Nebraska Municipal Review (June, 1984).


**CAFR establishments include: General merchandise group stores, Apparel and accessory stores, and Furniture, home furnishings, and equipment stores.