THE ADRR ADVISORY BOARD EMAIL CONVERSATIONS ABOUT DOWNTOWN REVITALIZATION:
No 1

Will Surging Remote Work Push Downtowns to Redefine Themselves?

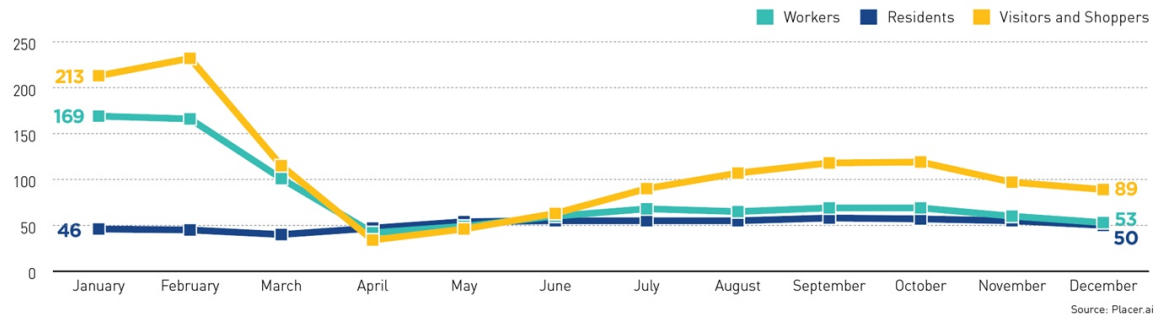
Commentators: Dave Feehan, Civitas Consulting; Paul Levy, Center City District, and David Milder, DANTH, inc.
Dates: February 20-21, 2021

FEEHAN: On February 20, 2021, Dave started the conversation by posting this link in an email addressed to, among others, several members of The ADRR Advisory Board:

https://www.minnpost.com/community-voices/2021/02/a-mid-pandemic-reality-check-for-downtown-minneapolis-future/

The headline on that article was: " A mid-pandemic reality check for downtown Minneapolis' future. With many workers wanting to continue some degree of teleworking, downtown needs to redefine itself; there is no going back to the way it was before. The article went on to redefine downtown's future without major office buildings but rather as a place where: "Smaller office and retail footprints can usher in a renaissance of small businesses within a true downtown neighborhood community where people can walk and bike to their jobs and everyday needs."

FIGURE 4: AVERAGE DAILY CENTER CITY PEDESTRIANS: RESIDENTS, WORKERS, AND OTHER VISITORS, (IN THOUSANDS)



LEVY: "It is possible these predictions will prove correct, though I doubt it. What is most disturbing about this is the fantasyland, upper-middle class bias that seems not to understand that the reason downtown living has proved successful is because of proximity to work, proximity to arts and culture and proximity to the retail and restaurants who can exist a such high level densities only because of the presence of so many office workers. If you want an example at just how thriving downtown retail and restaurants can be absent office workers, visit any major downtown today. Take a look at the chart above (Figure 4) we created with

Placer.ai data for our downtown core. Hotel guests, regional and international tourists and shoppers are also missing, but the reliable base for retail and restaurants that is there 12 months a year are office workers and downtown residents.

Inside those office buildings also work usually unionized janitors, security guards and mechanical operating engineers with health benefits - nearly all who are now laid off, while the professional employees are comfortably working remotely. All those closed retail shops and restaurants used to provide lots of entry level jobs for immigrants and lower-skilled residents. For years, we have promoted the fact that our downtown jobs are equally split between those that require at least a college degree, those that require at least an associate degree and those that require a high-school diploma our less. Our downtown are important exactly because they are (usually) transit-oriented places of opportunity for all.

No doubt, the middle class neighborhoods outside the downtown with their lower scale retail and restaurant offering are thriving because everyone is now home 24-hours per day. They are great assets, but in Philadelphia they too depend on downtown employment. Do we really think they survive in the 21 century Luddite vision of everyone working from home without the thriving post-industrial center at the core?

Having been on too many calls with people who are projecting their pessimism of the moment into the future, I've come to think that our downtowns are an act of will. For those of us in this business, it is our job to bring them back."

MILDER: "Very illuminating stats in Figure 4, Paul. However, while I agree that big downtowns will remain major employment centers in the future and that they will continue to be magnetic places for residents in their regions and "tourists," I don't think that office workers will be as big a factor as in the past in making them such important places:

There's a convincing argument that remote work is here to stay, and it will significantly reduce, though certainly not eradicate, downtown office employment by 16% to 22%. See my attached article: https://economicdevelopment.extension.wisc.edu/files/2021/02/Milder_paper.pdf
Additionally:

- There are many strong suburban downtowns and they seldom have large office workforces, though they may be located within a 5 to 7 min drive — in what you might call the Greater Downtown Area. Their strength is not providing employment but Central Social District functions and personal and professional services to residents and workers within their drive sheds. The workers come to them, but are not located there. Downtown districts don't need to be employment centers to succeed, but they certainly can benefit from being accessible to people who have well-paying jobs.
- While they often have a fair amount of downtown housing, their live work numbers appear to be low to non-existent — even at the Greater Downtown level. See this article Bill Ryan and I did: https://www.iedconline.org/web-pages/resources-publications/economic-development-journal-fall-2020/

- Just as the motivating factor for indoor plumbing switched from avoiding diseases to just our plain love of attractive and well featured bathrooms, so I think many people have come to love how downtowns can have dense offerings of central social district functions and various services without being within walking distance of their workplaces. In fact, the number of large downtowns where the live work ratios might be considered significant is not all that high.
- Every time I think about office worker driven downtown dependent revitalization strategies I remember all of the failed revitalization efforts in the 1970s and 1980s that resulted from making office development the prime priority — fortress buildings, dead streets, dull areas.
- I also think that there now may be a strong resurgence of nesting households going to the suburbs. So as Richard argues, the youth will still come to our big city cores, but they may be prone to later going to the suburbs to nest, though they might eventually return to the core when they become empty nesters.
- A recent NYC Planning Dept. study shows significant and growing amounts of people working in their boroughs and reverse commuting. If the 15-minute neighborhood idea gains significant traction in our major cities, then there is a real possibility that there will be a decanting of jobs from the CBD to the neighborhoods where the workers live. Live - work will rise in the neighborhoods, perhaps more than in the CBD.
- I don't think we are paying as much attention to the mass transit issue as we should. It strikes me that we need to face the fact that finding the funding and the administrative-managerial talent to pay for and manage the expansion of a transit system designed to bring workers into a core employment center is proving to be extremely difficult. By decanting jobs from the CBD to other places in the city we decrease the system's unpleasant overcrowding and the level of improvements we need to make to our mass transit system. I'm sorry, but no matter how much money the Feds throw at the MTA here in NYC, I'm sure a huge portion of it will be wasted or spent ineffectively. Reducing CBD office employment might reduce the pressure for hard to make mass transit improvements to manageable levels.

Given all of these fairly viable possibilities, I just can't have much confidence that we will return to an office worker driven paradigm of large downtown success."

LEVY: "David, what I think you are missing is how much office buildings have changed since the 1960s and 1970s – the green space, the open space, the retail space, the indoor-outdoor space, as lessons from Starbucks, and the playpens of tech firms and coworking spaces have found their way into 21st century office design. Of course there will be greater flexibility between in office and remote- but one of our newest announced buildings in Philadelphia will be 326 apartments over 200,000 square feet of labs for life-science tenants and offices, along with 9,000 square feet of shops and restaurants. The real estate industry knows it is existentially challenged – the most creative developers are responding. Just as we made mistakes in the 1960s and 1970s thinking we could build downtowns around only office buildings; we make the mirror-image mistake if we think they will survive without them. Innovation and service

industries, mixed-use, work, live, study, play and get patched up in hospitals are all the components we need."

Milder: "Paul, I certainly was not arguing that offices are now or should be unimportant elements for a downtown's success, just that they and their occupants probably will not be as important as they were in the past.

I absolutely agree that strong multi-functionality has been and will continue to be a key driver of a downtown's success. What seems to be changing are the strengths of the various functions.

I would just add that the growth in remote jobs attached to downtown office operations might well be countered by new residents who hold remote work jobs attached to offices located elsewhere in its city or region, or who reverse commute to them. That inherently implies that downtown residents with well-paying jobs are very important key, no matter where the offices they work in, or are attached to, are located. The downtown consumer expenditures of the average downtown resident are vastly larger than the average downtown worker.

Levy: " Ok we have this one solved, let's move on to poverty ☺".