The Strengths of Some Central Social Functions in Our Largest Downtowns as We Recover from the Covid Crisis

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Introduction[1]

As I have been arguing that strengthening downtown Central Social District (CSD) venues is the best strategy for assuring the survival of our largest downtowns as the strength of their office workforces, retail occupancy, and tourism may significantly diminish post crisis, it is incumbent on me to establish that these venues will emerge from the crisis strong enough to do the job.[2] The data dustup caused by the pandemic is clearing sufficiently to meaningfully explore the strengths of these venues as we emerge from this crisis. While the analysis that follows cannot predict with certainty what will happen, it can hopefully present reasonable, evidence-based arguments about where things seem to be heading. These are the types of best-evidence-available, subjective probability judgments you and I, as well as business and government leaders, make every day.[3]

An Analytical Update.

Since I published "Strong Central Social Districts: The Keys to Vibrant Downtowns" in July 2021, I have concluded that using the term district(s) is not as productive or accurate as using the term functions. Consequently, I have stopped referring to Central Social Districts (CSDs) in my analyses and I am now using Central Social Functions (CSFs) and their venues/places instead. My reasoning for this can be found in a recent post on my Downtown Curmudgeon Blog.[4] A summary is:

- My initial simple analytical framework saw downtowns being composed of two major components: Central Business Districts (CBDs) and CSDs.
- I now argue that a downtown can have three main groups of functions, and they are strongest when they are strongly entwined:

[1] I want to express my enormous appreciation and thanks for the great editing Mark Waterhouse did on this article.

[2] https://www.ndavidmilder.com/2021/11/the-unbonding-of-a-growing-number-of-creative-workers-from-their-employers-can-impact-our-downtowns and https://theadrr.com/wp-content/uploads/2021/07/Strong-Central-Socia-LDistricts--the-Keys-to-Vibrant-Downtowns-Part-1-FINAL.pdf

[3] They are also Bayesian probability estimates, developed in the works of Bishop Thomas Bayes: "an interpretation of the concept of probability, in which, instead of frequency or propensity of some phenomenon, probability is interpreted as reasonable expectation representing a state of knowledge or as quantification of a personal belief." Rudolph Carnap's work on inductive inference is also relevant here. https://en.wikipedia.org/wiki/Bayesian_probability

[4] See: https://www.ndavidmilder.com/wp-content/uploads/2021/12/A-Search-for-a-Clearer-and-More-Useful-Vocabulary-for-Talking-about-and-Analyzing-Downtowns.pdf I hope to start a discussion within the field about the need for new vocabulary and what it should be.

- CENTRAL BUSINESS FUNCTIONS (CBF): These are money based, dealing with business transactions, and the creation and management of wealth and job creation
- CENTRAL SOCIAL FUNCTIONS (CSF) : The downtown's collection of activity venues that facilitate people having enjoyable experiences with other people, usually relatives and friends, but, importantly, sometimes strangers

- CENTRAL SUPPORT FUNCTIONS (CSUPF): These industries support the proper operation of the CBFs and the CSFs.

Downtown ---> City Central

Central Business Functions (CBF)	Central Social Functions (CSF)	Central Support Functions (CSUPF)
Are money based, dealing with business transactions, and the creation and management of wealth and job creation	The downtown's collection of activity venues that facilitate people having enjoyable experiences with other people, usually relatives and friends, but, importantly, sometimes strangers	These industries support the proper operation of the CBFs and the CSFs
Major Types of Venues	Major Types of Venues	Major Types of Venues
Retail	Restaurants	Police and Fire Depts
FIRE Industries	Public spaces	Transportation
Manufacturing	Arts & cultural venues	Water and Sewer
Professional Services	Religious venues	Healthcare
Manufacturing	Sports venues	Government Offices
Advertising	Personal service venues	Telecommunications infrastructure
Telecommunications Mgmt.	Community, child and senior venues	
	Housing	

I also would like to stop using the term downtown and use city central instead, but that is a topic for another article, so I will continue to use the term downtown in this article. The chart above presents my updated analytical framework.

Some Key Overall Factors Impacting CSF Venue Recovery.

At the beginning of the pandemic, downtown visitation was dependent on risk taking. Some people, such as the "essential workers" had to accept the health risks that their jobs entailed. They were joined by others who we might call "risk deniers," whose views often were politically influenced, and the "risk oblivious," who were/are mainly young and full of youthful feelings of invulnerability. Then, as the pandemic unfolded, and preventive measures such as vaccinations, masking and social distancing appeared, many others began to feel sufficiently safe for downtown venues to attract them. By December 2021, for example, 61% of the population was fully vaccinated, and about 10% more have just one shot.[5] Of course, such venues must be operating to attract patrons.

[5] https://www.google.com/search?q=how+many+amercians+are+now+vaccinated+against+covid&rlz=1C5CHFA_enUS959US959&oq=how+many+amercians+are+now+vaccinated+against+covid&aqs=chrome..69i57.19788j0j15&sourceid=chrome&ie=UTF-8

U.S. COVID-19 vaccine rates by age that are fully vaccinated

Age	Percent
Ages 5 to 11	13.1%
Ages 12 to 17	53.0%
Ages 18 to 24	58.4%
Ages 25 to 39	62.8%
Ages 40 to 49	71.1%
Ages 50 to 64	78.2%
Ages 65 to 74	90.0%
Age 75 and up	84.6%

Source:https://www.mayoclinic.org/coronavirus-covid-19/vaccine-tracker

Age plays an important factor in how vulnerable people feel about Covid and their need to take precautionary measures. For example, as can be seen in the table on the left, vaccination rates are very much influenced by age. Also, a survey in March 2020 by Forrester found that over half of the younger people, ages 18–24, agreed that "current fears surrounding the pandemic are unrealistic, compared to 38% of consumers overall," and 43% would rather go out than stay in to get things done, more than any other age group. Respondents were most inclined to believe the fears about Covid were realistic, and to want to stay at home to do things, with increasing age.[6] Consequently, as downtown CSF venues vary in the ages of their users, so will their ability to attract risk takers, as well as their reliance on other potential users feeling it is safe to visit them. The audiences for high culture arts performances, for example, tend to be much older than movie theater audiences.

The analysis below shows that different types of CSF venues are in varying states of recovery, and that while the risk takers have and are helping some of them recover, making Covid-19 more manageable will probably help many more to do so and thus assure that our downtowns will remain vital, energetic, and popular in the future. With the pandemic under control CSF venues will then be able to open and operate in a manner approaching normalcy, while their potential patrons can again go to public places and spaces feeling adequately safe and able to engage in the face-a-face interactions they have so strongly missed during the pandemic. However, outbreaks by new variants, such as Omicron, can cause setbacks until they are brought more under control, and the pandemic overall turns endemic. The analysis also finds that for some CSF venues – e.g., restaurants and fitness operations -- the pandemic's impact on attendance has become more indirect than direct. People are not afraid of going to these types of venues but are afraid, or for other reasons are dissuaded from going downtown. Importantly, the pandemic's imposed social isolation has grown a large amount of pent-up demand for social interaction and for engaging in activities associated with CSF venues.

The Pent-Up Demand of Affluent Downtown Users. Two of the most important factors that will stimulate the recovery of CSF functions in our large downtowns are: 1) Their "users" are dominated by people in higher income households who are coming through the Covid crisis in good financial condition, with plenty of money to spend. 2) There is a strong pent-up demand for many of the events and services offered by CSF venues. The prices for housing, retail, dining and other entertainments and services in our largest downtowns means that people with incomes in the top quintile, over about $120,000/yr, dominate their users on the critical dimensions of money spent and who visits many venues. (An average family with kids that finds

[6] https://www.forrester.com/blogs/consumer-reaction-to-covid-19-varies-by-age-income-and-location/

going to the movies expensive is unlikely to frequent opera or symphonic performances or attend Broadway-type shows.)

Downtowns where the affluent are also relatively young are more likely to see their CSF venues recover more quickly than those where their potential affluent users are older.

The Retraction of Spending and Massive Savings. It was the retraction of spending by these affluent households that caused the economic recession associated with the pandemic. During the recession people with white collar jobs did well financially and it is believed that most of the $2.5 trillion increase in savings that was amassed during the recession is owned by these affluent households.[7] What's more, by March of 2021 "High-income consumer spending rebounded fully in March and is now up 11 percent above pre-covid levels…."[8]

Who Lives In and Near The Downtown? To demonstrate the kind of "nearby" affluent households that impact our large CBDs the table below shows the median and average household incomes in 2018 for zip codes in and near the Manhattan CBD.[9] For brevity's sake the Upper West Side zips were omitted, but they are very much like the ones on the Upper East Side in terms of incomes. The table shows that the four zips in the CBD's core, occupying just 1.88 square miles, had a total population of 116,080 in 2018, an average median household income of $99,855, and an average household income almost four times higher at $398,125. This large difference between median and average incomes shows that there is a significant number of very affluent households living in this core area. It has been claimed that this CBD has relatively few residents – a claim I have been guilty of repeating-- but the fact that it has a population density of 61,744 per square mile seems to disprove that claim.

Some Selected Demographic Information About The Midtown Manhattan CBD and Some Nearby Areas

Zip Code	Population	Median Age	Single HHs	Med HH Inc	Avg HH Inc
Midtown CBD Core					
10019	42,870	37	56%	$84,424	$298,604
10022	31,924	45	56%	$109,019	$696,005
10036	24,711	36	55%	$105,324	$238,172
10017	16,575	38	62%	$100,652	$359,718
Total/Avg	116,080	39	57%	$99,855	$398,125
Midtown CBD Southern Transition Band*					
10001	21,102	35	53%	$81,671	$179,965
10018	5,229	33	57%	$104,635	$563,934
10016	54,183	33	55%	$105,324	$238,758
Total/Avg	80,514	34	55%	$97,210	$327,552
Upper East Side					
10128	39,430	38	52%	$104,638	$374,794
10065	24,130	40	53%	$115,519	$549,575
10021	83,520	41	54%	$107,907	$542,324
10075	23,121	41	54%	$102,941	$475,895
10028	45,141	39	52%	$104,638	$394,584
Total/Avg	215,342	39.8	53%	$107,129	$467,434
Data source: https://www.unitedstateszipcodes.org/					
*Parts of these zips are not usually consdiered to be in the Midtown CBD					

[7] This article in *The Washington Post* by Andrew Van Dam and Heather Long is a very good summary in one readable piece of a lot of the research that has been done on this subject. https://www.washingtonpost.com/business/2021/06/18/luxury-boom-recovery/

[8] Ibid.

[9] Downtowns are more socio-economic organisms than geographically defined entities, As a result you know when you are in one and when you are not, but its boundaries are hard to identify because the downtown "bleeds" out and usually in an irregular manner. Using geographic units such as zip codes are necessary to access relevant, yet imperfect data.

Moreover, it is revealing to compare that density with that of the Core Center City area in downtown Philadelphia, 27,228 per square mile, especially since it has so much attractive housing in and near its downtown core.[10]

The Presence of Housing. That said, relatively little housing will be found on any walk around the most expensive and office/retail dense part of the central area that runs basically from 59th Street south to 42nd and east-west from Third Avenue to Sixth Avenue. However, there's a substantial amount of housing to the eastern part of Midtown starting on parts of Third Avenue and to the west starting at Seventh Avenue. Also, within easy walking distance of the Midtown Core to the south are three zip codes with a total population of 80,514. The average median household income in these zips is $97,210, again significantly eclipsed by the average household income of $327,552. Parts of these zips have not usually been considered in the Midtown CBD and that might have been because they *do have* substantial amounts of housing. However, savvy downtown analysts know that the people who live and work in areas near the downtown, though not within its defined borders, can be just as important to its well-being as those who are within the district.

New York, NY Foot-Traffic Recovery By Selected BIDs, June 2021 Compared To June 2019

BID	FOOT TRAFFIC Retail	FOOT TRAFFIC Domestic Tourism
MIDTOWN CBD		
34th St	52%	51%
5th Ave	64%	44%
Grand Central	52%	34%
Garment Center	61%	53%
Bryant Park	62%	45%
47th St Diamond District	71%	ND
Times Square	40%	32%
Average	57%	43%
STRONGER RESIDENTIAL		
Lincoln Center	73%	48%
Madison Ave	81%	45%
Columbus - Amsterdam	95%	76%
Columbus Avenue	77%	55%
East Midtown Partnership	64%	46%
Hudson Square	74%	73%
Lower East Side	66%	51%
NoHo NY	74%	78%
SoHo Broadway	90%	87%
LongUsland City	75%	51%
Steinway Street	90%	62%
Park Slope 5th Ave	84%	64%
Average	79%	61%
CITYWIDE	86%	58%

Source: Placer.ai

This CBD is also well positioned to draw residents from the nearby residential areas on the upper east and west sides. For example, a resident of a coop on Park Avenue and 88th Street is about 2.2 miles and a 12-minute Uber/cab ride away from Saks Fifth Ave and Rockefeller Center – it's even shorter to Bergdorf's, Tiffany's, Dior, Burberry or Mikimoto.[11] A person living on 88th and East End Ave, much closer to the East River, would be 2.7 miles away and could also be driven to the Midtown CBD core in about 12 minutes.

The zips on the Upper East Side have a total population of 215,342 and while the median household income averages $107,129, the average household income is almost five times larger at $467,434. Of course, Midtown has a lot of competition for these consumers along Madison Ave as it runs north up the East Side.

The Difference Local Housing Can Make. As can be seen in the table on the left, retail foot traffic in seven Midtown

[10] I calculated its density from data recently published in this very fine report: CENTER CITY DISTRICT & CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION "Center City Retail Local and National Brands Lead Recovery." Fall 2021 https://centercityphila.org/research-reports/center-city-philadelphia-retail-report-2021

[11] Travel times and distances from Google Maps

BIDs by June 2021 had only recovered 57%, on average, of the traffic they had in June of 2019, with a range of 40% for Times Square to 71% for the Diamond District. In contrast, 12 BIDs located in Manhattan, Queens and Brooklyn that have larger amounts of housing in their districts and within easy walking distance averaged a 79% recovery of their retail foot traffic, with a range of 64% to 95%.

It is also interesting to note that the BIDs with the stronger residential assets also averaged a higher recovery rate of domestic tourism foot traffic (those from the US) than did the Midtown BIDs, 61% to 43%.

The Post-Apocalyptic Failure Image. It was the central, most CBD-like part of Midtown, the part with the densest concentration of office and retail activities and relatively little housing that sometimes looked most strongly as if it had been hit by a neutron bomb during the pandemic. Its relatively empty sidewalks and many closed storefronts established an image of failure for this whole downtown. Its closed shops and lack of pedestrians projected inertness and was conducive to raising levels of fear of crime. Even when shops were open, their paucity of customers were signals of abnormality, of things being wrong.

Midtown Has a "Mature" Potential User Base. The median age in New York City is 37, while in the Midtown Core and Upper East Side zips the median age averages about 39, and the median age averages about 34 in the zips south of the core. This suggests that the population the Midtown CDD can tap is more "mature" than "youthful," save for those zips immediately to its south. In this it may differ quite significantly from the populations who work in high tech industries in San Francisco, Seattle, San Jose, etc. Younger downtown residents will also be found in those districts that have heaps of college students such as Boston and Philadelphia. Midtown is not known as a place for the hip and young. As a result, most of Midtown's potential residential users are older and more likely to behave cautiously because of fears of Covid.

The Demand for What? As can be seen in the table on the right that contains data from a very interesting survey by Morning Consult done in March 2021, within the general population there is a significant level of excitement about again engaging in many CSF related activities, and it can be argued that those with higher incomes are either above average in their excitement or are already engaging in these activities. There is a need to put these percentages in perspective by comparing them to how many people engaged in them in the years prior to the crisis. For example:

How Excited People Are About the Opportunity To Do Various activities When the Pandenic is Under Control and Economy Has Fully Reopend

Percent	Activity
68*	Socializing with people in public places
46	Going to the movies
58	Going to aa party or social event
74	Going to eat out at a restaurant
49	Going to a concert
50	Going to a museum
41	Going to a gym or exercise class

Source: https://morningconsult.com/2021/03/24/pent-up-demand-travel-restaurants-cruise-pandemic/. *= respondent was very excited, somewhat excited or already doing the activity.

- 50% are excited about going to a museum, while in 2016 only about 24% of adults visited a museum or art gallery.[12] Museums may be in for a burst of higher attendance as the crisis wanes.
- 46% are excited about going to the movies, while 75% of adults attend a movie at least once a year. Twelve percent of movie goers precrisis went to the movies at least once a month and they accounted for 49% of ticket sales, 53% attended less than once a month also accounting for 49% of tickets sales, 11% went once a year and accounted for 2% of ticket sales, and 24% did not go to any movies.[13] Those excited are likely to attend more than once a year.
- 49% are excited about going to a concert, while in 2018 about 52% of adults attended a live music event.[14] The size of the excited group is about that of prior attendance levels for live music events.
- The Morning Consult survey also did an interesting comparison of how excited people were about doing an activity postcrisis and their comfort in doing it currently. For concerts, going to a party, and going to a movie there were a 21-to-22-point difference with current comfort trailing excitement. This is a signal that the Covid threat is still a drag on audience recovery for these venues. In contrast, for museums and dining out there were only 8 point and zero differences respectively.[15] That is an indication that Covid is less of a constraint on the recovery of their audiences.

CSF Foot Traffic

The most basic and useful metric for understanding the power and importance of CSF venues is simply the number of people who use/visit them. When looking at arts, entertainment and public space venues, their annual attendance reports could fill the bill, while foot traffic data sources for other CSF venues such as restaurants, hair and nail salons, spas, and gyms have been much harder to find. However, it was not always easy to obtain the attendance data for arts and entertainment venues. Recently, however, those data problems have eased considerably with the availability of cellphone-based data, and it is now much easier to obtain reliable information about visitation to most types of downtown venues.

The table below shows how foot traffic has returned to venues in the dining, leisure, spas and beauty, and fitness categories by October 2021 compared to October 2019. These data are provided for 19 of our largest cities (18 are the 18 largest, and the other is the 24th largest) and for at least one downtown BID in each of them. The table also provides data on the return of domestic tourism traffic since the data are available and it can be an important influence on

[12] https://www.amacad.org/humanities-indicators/public-life/art-museum-attendance
[13] https://www.motionpictures.org/wp-content/uploads/2018/03/MPAA-Theatrical-Market-Statistics-2016_Final-1.pdf
[14] https://access.intix.org/Full-Article/nielsen-releases-in-depth-statistics-on-live-music-behavior-52-percent-of-americans-attend-shows
[15] https://morningconsult.com/2021/03/24/pent-up-demand-travel-restaurants-cruise-pandemic/.

Retail Chains Foot Traffic Recovery in Some CSD Related Categories in Downtown BIDs in 19 of the Nation's Largest Cities: Oct. 2021 Compared to Oct 2019

City	Downtown EDO	Domestic Tourism	Dining	Leisure*	Spas/ Beauty	Fitness
New York		111%	85%	69%	137%	76%
	Times Square	68%	70%	59%		
	Downtown Alliance	90%	73%			
	GCP	59%	51%		102%	24%
Los Angeles		140%	97%	82%	105%	76%
	Downtown LA	79%	69%	78%		
Chicago		108%	98%	65%	104%	76%
	Chicago Loop alliance	80%	93%			
Houston		145%	98%	90%	108%	88%
	Downtown District	88%	88%	103%		94%
Phoenix		151%	100%	84%	101%	88%
	Dtn Phoenix Partnership	86%	46%	66%		95%
Philadelphia		140%	99%	75%	86%	83%
	Center City District	98%	76%		47%	
San Antonio		144%	102%	78%	102%	84%
	Centro PID	98%	111%	21%		
San Diego		131%	89%	84%	108%	85%
	Downtown BID	92%	66%	65%		
Dallas		115%	91%	71%	106%	68%
	Dallas DID	81%	42%			48%
San Jose		132%	86%	92%	147%	67%
	SJDA BID	133%	68%		104%	
Austin		134%	98%	93%	105%	76%
	Austin DID	105%	100%	180%		126%
Jacksonville		139%	95%	77%	110%	74%
	Jacksonville BID	71%	96%	89%		
Columbus		121%	97%	98%	115%	89%
	Dtn Columbus Dev Corp	81%				
Charlotte		147%	100%	74%	102%	71%
	Charlotte Center City	131%	111%	8%	31%	47%
San Francisco		83%	65%	61%	143%	53%
	Greater Union Sq	48%	63%		90%	
Seattle		114%	85%	72%	104%	72%
	Dtn Seattle Assn	87%	68%	67%		56%
Denver		108%	100%	85%	111%	81%
	Downtown Denver BIDs	87%	108%	71%		67%
Washington		111%	84%	56%	91%	73%
	Dtn BID	68%	66%	91%		
Boston		145%	104%	87%	104%	82%
	Downtown Boston BID	129%	48%	92%		

Data Source: Placer.ai . Empty cells indciate there are no available data some visitation rates. Unfortunately, there are no similar data available on the presence of downtown office workers, though articles in the media suggest their absence is substantial – more about that below.

Dining.

Restaurants are extremely important CSF venues that can constitute a niche that sparks or helps maintain a downtown's revitalization. In Center City in Philadelphia, for instance, eating and dining establishments account for 32.2% of the occupied storefronts. As noted above, 74% of Americans are excited about going out to eat when the pandemic is under control. Also, as I have written elsewhere, the devasting loss of restaurants predicted and feared early in the pandemic has not come to pass, and many of those that adapted and been allowed to reopen are doing surprisingly well these days.[16] However, the above table indicates that the recovery of restaurants at the city level is stronger than at the downtown level, with 14 of 20 BIDs lagging their city on the return of dining foot traffic. The 19 cities averaged 93% of the dining traffic returning, compared to 76% for the 20 BIDs. Five of the cities have a return of traffic of 100% or higher, while four BIDs have this return to customer traffic normalcy. The cities also had an impressive 126% rate of returning domestic tourist foot traffic, and this correlated strongly, r= .72, with their dining foot traffic.[17] In contrast, among the BIDs, the rate of returning domestic tourist foot traffic was 89%, a respectable if not optimal number for this stage in the crisis. However, the correlation among the BIDs between domestic tourism and dining is surprisingly weak, r =-.04. *This suggests that the previously normal causal dynamics within these downtowns may be broken or changing.*

<u>More Office Workers Will Be Returning, Although Probably Not to Pre-Crisis Levels</u>. There are several reasons why the recovery of BID dining foot traffic may be lagging that of their cities, though given all the challenges Covid-19 presented, the BIDs' 76% recovery of their 2019 traffic level does not seem all that negative. Undoubtedly their empty offices have reduced restaurant traffic, but this mainly impacts lunchtime sales. Also, it is very likely that the number of workers present in downtown offices will continue to rise in the coming year, if not to pre-pandemic levels. Currently, the percentage of downtown workers working in offices is often exceptionally low in many large cities. In NYC, for example, an October 2021 survey by the Partnership for the City of New York found that on an average weekday only 28 percent of Manhattan office

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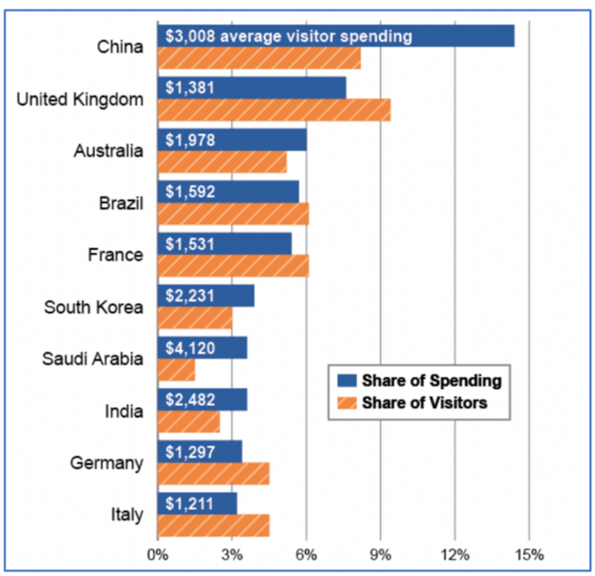
[16] N. David Milder. "No, We Are Not Facing a Restaurant or Retail Industry Apocalypse." *Downtown Curmudgeon* Blog. https://www.ndavidmilder.com/wp-content/uploads/2021/08/No-We-Are-Not-in-the-Midst-of-Restaurant-and-Retail-Industry-Apocalypses-FINAL-MW-edits.pdf

[17] The use of Pearson r can be defended on the basis that we have sampled almost all of the 20 largest cities by population – the sample and the population being sampled are almost identical -- and the conclusions being drawn from it relate to one point in time for an extremely finite population. No claim is being made that these findings support or prove the general relationship between domestic tourism foot traffic and dining foot traffic. The advantage of using a correlation coefficient is heuristic, in that it gives some indication of the relationship's strength.

workers were in their workplaces and just 8 percent were back five days a week."[18] Given these numbers, the fact that the three Manhattan BIDs in the table achieved 70%, 73% and 51% dining foot traffic rates of return seems like an encouraging sign that the recovery of the downtown dining sector may yet be sufficiently strong. One reason for such optimism is that a fuller implementation of a hybrid work model by NYC's large corporations is bound to bring back a substantial number of workers and the Partnership expects about 49% of Manhattan's office workers will be back in their workplaces on an average day by the end of January 2022.[19] *That 75% increase in office worker presence is bound to have positive impacts on downtown restaurants, both increasing their revenues and encouraging some to reopen or normalize their operations*. Of course, some days are bound to be more popular among the remotes, probably those midweek, but there still would be a lot more office workers in our large downtowns all weeklong than there are currently. At the moment, fears about the pandemic are the major reasons for office workers to work remotely, though preferring that way of working has been growing over time.[20]

Share of Total International Spending and Visitors by Country of Origin, 2019



Sources: NYC & Company; OSC analysis

However, the return of these workers may not be linear. As the Omicron variant outbreak has demonstrated, their return is likely to be disrupted whenever conditions again appear dangerous.

Tourism. Much the same is true for tourism foot traffic: domestic tourist foot traffic is closing in on full recovery and is bound to increase as government regulations become less restrictive, and visitation to arts, cultural and entertainment venues increase. However, the degree to which the high spending business and foreign tourists (see nearby chart) will return is a cause of some concern.[21] This is especially true for the high spending Chinese tourists, whose government's policies are now aimed at

[18] Partnership for New York City. "Return to Office Results Released – November." Nov. 10,2021. https://pfnyc.org/news/return-to-office-results-released-november/
[19] Ibid.
[20] Ibid.
[21] https://time.com/6108331/business-travel-decline-covid-19/?utm_medium=email&utm_source=sfmc&utm_campaign=newsletter+brief+default+ac&utm_content=+++20211024+++body&et_rid=171417044&lctg=171417044

stopping foreign travel by its citizens.[22] If Chinese tourism dries up, that alone could reduce foreign tourism spending in NYC by close to 15%.

The large downtowns that are most reliant on foreign tourists are likely to see their tourism industries have a slower recovery. The most popular city destinations in the US for international travelers in 2019 were #8 NYC, #27 Miami, #29 Los Angeles, #34 Las Vegas, #44 Orlando, and #74 San Francisco, and their downtowns are most likely to feel the decline of international tourist traffic.[23]

Fear Inducer: Covid-19. Varying levels of municipal regulations related to managing the Covid-19 crisis, and how the pandemic is perceived within the local culture have also probably influenced who dines out and how frequently they do so. Nothing had initially affected the real level of demand for going out to eat more than the fears generated by the pandemic and regulations aimed at controlling it.[24] The Morning Consult data cited above as well as other reports indicate that its impact has significantly declined, and that those who feel comfortable about dining out now are also those who will be dining out when the pandemic is under control. However, that may ebb and flow with the appearance of new variants. Still, that suggests that the virus's impact is now much more variable and indirect, working through such factors as the declining presence of downtown office workers and tourists. *It isn't that people are afraid to eat out, but it's their fear of traveling to or working in offices that keeps them away from downtown eateries.* As a result, the likely return of many more office workers to their downtown workplaces will likely meaningfully increase visits to downtown eateries.

Yelp's Ten Best Hip Restaurants in NYC

Several reliable downtown observers have reported to me that young creatives seem to be more and more restive about the constraints on their normal behaviors and are increasingly resistant to wearing masks and over-represented in densely occupied bars. Also, the *NY Times* recently reported that Gen Zers are now, during the pandemic, finding "retro" bars and hotels appealing, such as the Rainbow Room in Rockefeller Center and the King Cole Bar at the St. Regis.[25] It will be interesting to see how this plays out over the next few years. It could add considerable new energy and vibrancy to Midtown and speed its recovery if the young creatives also patronize other Midtown venues. Midtown may be known for its corporate offices and luxury retailing, but it has not been well-known as a hang out area for the young and the hip. For

[22] Chart comes from https://www.osc.state.ny.us/reports/osdc/tourism-industry-new-york-city
[23] "The 100 Most Popular City Destinations (in the world)". https://www.visualcapitalist.com/the-100-most-popular-city-destinations/
[24] See footnote 11
[25] https://www.nytimes.com/2021/11/26/nyregion/bemelmans-rainbow-room-revival.html

example, Yelp has a list of the “Best Trendy Hip Restaurants in New York, NY”[26], and as can be seen in the nearby map, one is on 23rd Street and eight are south of it. Only one is in Midtown, near Times Square. Businesses in Midtown may well have to make a concerted effort to attract young creatives if they want to recover faster from the pandemic caused economic crisis.

The appearance of new variants such as Omicron are likely to disrupt recovery until people learn how to effectively cope with them, or they become less threatening.

Fear Inducer: Public Disorder. However, having downtown office workers does not always mean they will spend money in their districts. There must be establishments open that sell what they want, and they must feel safe on downtown streets. In many downtowns, in the past, the fear of crime made downtown office workers stay in their offices, seldom go out to eat lunch, and either brown bag it or order in. The fear of crime was growing in our large downtowns prior to the crisis, due to the mounting signs of public disorder such as higher drug use and sale, and many more homeless people visible on downtown streets. The managers of BIDs in Midtown Manhattan, for example, were reporting early in 2019 that these were their most challenging problems. These problems were reinforced by the crisis as streets became devoid of pedestrians. People feel safer when they see lots of other people walking nearby. Fewer pedestrians also made the drug and homeless issues much more visible. Such fears definitely make the daily and transient users of these districts far more cautious about where and when they walk, and this can adversely impact on whether or not they eat out or take out in the downtown, and where.

In some large downtowns fear was also generated by massive instances of actual public disorder in the form of arson, riots, the illegal occupancy of various buildings (including police precinct houses), and street violence as occurred in such downtowns as Portland, OR, Minneapolis, MN, Miami Beach, FL, and Seattle, WA. Flash mob store thefts are another example of large fear inducing public disorders and crimes.[27] Some of these disorders started prior to the pandemic, while others started during it. The impacts of these events just do not make people more cautious; they can keep them from visiting these downtowns because their scale is so much larger than that of a typical crime. They don’t just involve a few people as perps and victims, but possibly hundreds and even thousands. A recent survey of Seattle residents found that only 29% of respondents felt safe visiting the downtown at night.[28] That is bound to diminish downtown visitation and restaurant patronage.

Pent Up Demand. The returning downtown workers very probably have been working at home during the pandemic and accumulated a considerable amount of unspent discretionary dollars. There is a strong likelihood that, as the recovery proceeds, they will be spending many of those

[26] https://www.yelp.com/search?find_desc=Trendy+Hip+Restaurants&find_loc=New+York%2C+NY
[27] https://www.washingtonpost.com/business/2021/12/03/retail-theft-organized-crime/
[28] The_Index_Crosstabs_-_August_2021.pdf. https://www.seattlechamber.com/news/2021/09/30/policy-advocacy/welcome-to-the-index/

dollars, and downtown restaurants, bars and coffeeshops are likely to be among the recipients of those expenditures. *This pent-up demand could be released in an extraordinary burst of expenditures that could offset the decreased expenditures of office workers and tourists*.

More Work Will Be Done Outside of Office Buildings, But Still in the Downtown. Richard Florida has noted that in the future: "(A) day at the office will be spent less in a single building and become more like a localized business trip, with maybe an onsite meeting, checking some emails at an outdoor workspace, doing a group fitness session with colleagues, taking some offsite meetings over lunch or coffee."[29] This could mean that downtown workers have longer lunch hours and spend more in downtown restaurants, coffeeshops and bars. Though the size of our downtowns' office workforces may be fewer in number, their increased spending may help fill the gap left by their colleagues who are now remote workers.

Housing. New housing is increasingly being discussed as a strategy for large downtowns to counter the reduced power of their office-based activities. More downtown housing would favorably impact downtown eateries. Right now, some of our large downtowns have relatively few residents or not enough of them. This additional housing will definitely add more dining foot traffic by consumers who will spend more money dining out than an equivalent number of lunchtime office workers. However, the potential for developing significantly more downtown housing is a very complex one – which is why this article does not do a deep dive on it – but it is clear that modern office towers cannot be easily adapted to housing. It is also apparent that young unnested creatives and seniors are prone to have considerable demand for such housing. The senior age cohort is undergoing considerable growth and it also has comparatively high household net worths.

The clearest potential now for office use to residential use conversions is in older structures with smaller floor plates, and a higher percentage of fenestrated space. Many of these downtown buildings have already been converted, so developers know how to do them. Even this limited amount of additional housing can add significantly to dining foot traffic.

In our large downtowns, where the values of their office buildings face large possible declines their often-savvy owners may seek new ways of making such conversions. For example, floors might have residential uses near the windows, and office or other uses around the center of the floor. The amounts of money potentially involved are so large, that the incentives for developing new techniques for making office to housing conversions should not be discounted.

Leisure.

[29] Richard Florida, "The Death and Life of the Central Business District: Offices are not going back to the way they were pre-pandemic, and neither are the downtown neighborhoods that house them." *CityLab*. May 14, 2021. https://www.bloomberg.com/news/features/2021-05-14/the-post-pandemic-future-of-central-business-districts

I am using this category label because it is used by Placer.[30] As best I can tell it basically refers to the arts, entertainment and recreation establishments contained in NAICS code 71. It includes: performing arts, theater and dance companies, spectator sports, museums and historical sites, amusement parks and arcades, bowling centers. These may be in or near the downtown, e.g., in the Greater Downtown area, but they may not have too much of a presence in a downtown BID that mainly includes a large office or retail cluster, as opposed to the whole downtown. While arts districts have developed some currency around the nation, the fact remains that in most of our largest cities – e.g., NYC, LA, -- arts and cultural venues tend to be located more in archipelagoes throughout the city than in single dense multi-arts clusters, though some large arts/culture islands may be in and near the downtown. For example, "legitimate" theaters do tend to be in or near large downtown cores, often in theater districts, e.g., NYC, LA, Houston, Chicago, Cleveland, while important art museums tend to be less in or near downtown cores, e.g., Manhattan, LA, Boston, Houston. Movie theaters also can be found in large downtown cores, but they are more likely to be found in neighborhood commercial districts, shopping centers, and malls. This differentiation in the locational preferences of CSF prone venues is important because there also have been significant differences in pandemic forced closures and opening rates among them. In NYC, for example, major museums opened months before any Broadway shows. If they are closed, attendance is obviously impossible.

The impact of Covid variants has been substantial. By December 2021, 39 of Broadway's 41 theaters had reopened, but by mid-January of 2022 Omicron had forced many to close, with only 19 remaining open. Attendance also dropped from 93% to 62% during that period.[31] Some of these closures plan to reopen as Omi peaks and eases, but others will not return. Many of these closures were forced more by sick casts and stage crews than reduced audiences, and producers have been creating work arounds for this problem.

The table above on page 8 based on Placer data contains information on leisure foot traffic for only 13 of the 20 BIDs listed, but for all 19 large cities presented at in the table. That suggests that many BIDs either did not have a significant number of leisure venues, or that they were closed. *Most probably such closures were the result of pandemic related factors. Performing arts venues, were among the quickest to close when the pandemic hit and have been among the slowest to reopen*. For example, Chicago's Loop BID has several important theaters, including some that present Broadway type shows, yet Placer in October 2021 could not collect any data on that BID's leisure foot traffic. Most performing arts venues in Chicago did not start reopening until well into that month.

The cities averaged, in 2021, 79% of the leisure traffic that they had in 2019, while the BIDS averaged 76% among those for which there are data. None of the 19 cities had recovered 100%

[30] Placer is a firm that collects cellphone-based data that is good for measuring foot traffic to downtown venues.
[31] https://www.nytimes.com/2021/12/25/theater/sardis-broadway-reopening.html and Michael Paulson. "Now Is the Winter of Broadway's Discontent." *New York Times*. Jan. 16, 2022. https://www.nytimes.com/2022/01/16/theater/broadway-omicron-closings.html

or more of the 2019 leisure foot traffic in 2021, but two of the 13 BIDs for which there are Placer data did. Notably they were Houston and Austin, both in TX, a state proud of its lack of pandemic related regulations. It's notable that the Hobby Center for the Performing Arts in Houston nevertheless has rigorous requirements about vaccinations and mask wearing and improved its air circulation. This may reflect the older average age of arts venue audiences who probably are also above average in their support for such precautionary health measures.

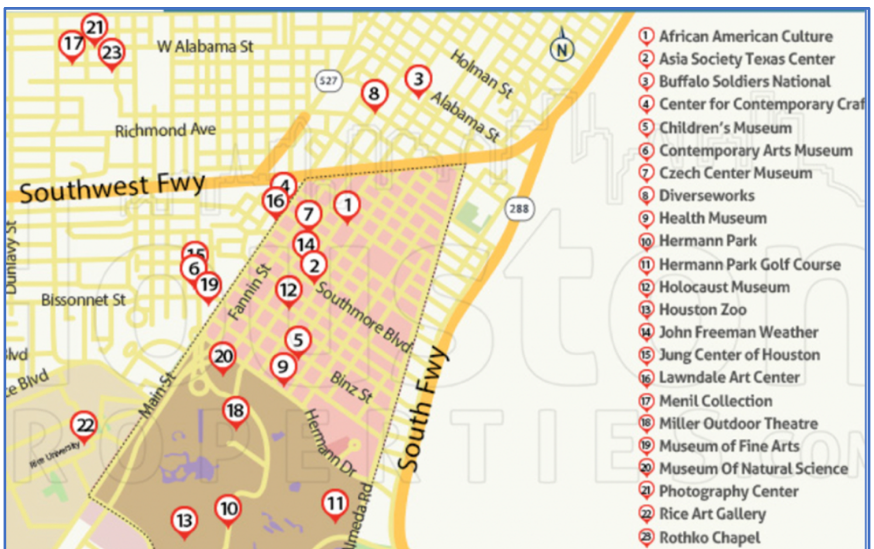
The Importance of Tourists to Attendance at Some Major NYC Entertainment Venues

Est. Number of Tourist	Percent Touris	Venues
18,900	14%	Joyce Theater*
121,000	22%	Brooklyn Academy of Music
8,052,000	66%	Broadway League
1,587,000	46%	Lincoln Center**
4,650,000	75%	Metropolitan Museum of Art
2,250,000	75%	Museum of Modern Art*
957,000	87%	Guggenheim Museum*
12,000,000	30%	Central Park
1,200,000 to 2,400,000	20% to 40%	Bryant Park

*Nontourist= NYC and met area residents. Otherwise= NYC residents.**Based on ticket sales numbers. Data from 2014

Tourism. According to the American Alliance of Museums: "Seventy-six percent of all U.S. leisure travelers participate in cultural or heritage activities such as visiting museums. These travelers spend 60 percent more on average than other leisure travelers."[32] And, as demonstrated in the above table, for some of NYC's major leisure venues tourists can account for most of their attendance.

This is especially true of those arts/cultural institutions with "world class" stature such the Guggenheim, Metropolitan and MoMA museums and Broadway's theaters-- tourists account for 64% to 87% of their attendance. Consequently, it is interesting to note that the Placer data show that among the 19 cities there is a r=.52 correlation between domestic tourism foot traffic and leisure foot traffic, but that correlation for the BIDs is far weaker and negative, r=-.13. It may well be that this low correlation between leisure foot traffic and domestic tourism reflects the differentiation in the types of leisure venues that locate in and outside of our major downtowns, as well as their differences in when they



Houston's Museum District

[32] See: https://www.aam-us.org/programs/about-museums/museum-facts-data/#_edn3 .

reopened. The theaters that downtowns tend to have were inclined to reopen later than the major museums that are often located elsewhere in the city such as Houston's Museum District. See map above.

It should be noted, however, that tourism is not always as important a factor for leisure venue attendance as it is for the world class venues among them. For example, the Joyce Theater in NYC is well known for its dance related performances, but in 2014 just 14% of its patrons were tourists. Generally, the smaller and less magnetic these leisure venues are the less likely they are to attract large numbers of tourists. *Consequently, they are also less likely to be harmed by the pandemic induced decline in foreign tourists.*

Household Income Levels. The type of tourists who come back to our downtowns is also very important. Many tourists stay with family or friends to save money. Others can afford to spend quite a bit for hotel rooms, restaurant meals, and museum, concert and theater admissions. For example, prior to the pandemic, according to the Broadway League, "the average annual household income of the Broadway theatregoer was $261,000," an income level that probably is handy when the average ticket price is about $145.[33] Precrisis box office ticket prices for some shows had reached $500, and in the secondary market they had soared into the $1,000+ realm. The recovery of these theaters will very much depend on either the return of the affluent theatergoers, or significant changes in their operating costs that allow meaningful reductions in ticket prices. The fact that about 19% of their audience prior to the crisis came from other nations means that their recovery could also be significantly impacted by a decline in foreign tourists.

On the other hand, as noted above, these affluent households have come through the crisis remarkably strong financially, with lots of unspent discretionary dollars and plenty of unmet psychological demand for going back to the theater and other arts and entertainment venues. Theatergoers are often ardent fans: "The average number of attendances by the Broadway theatregoer (precrisis in the 2018-2019 season) was 4.4 in the past year. The group of devoted fans who attended 15 or more performances comprised only 5% of the audience but accounted for 28% of all tickets…."[34] The recovery of these theaters will not depend on penetrating a huge portion of the general population, but mostly on the return of smaller, wealthier market segments who already know them, like them, and have plenty of money to spend on them.

[33] https://www.broadwayleague.com/research/research-reports/
[34] Ibid.

Average Expenditures by Quintiles for Entertainment: Fees and Admissions in 2017

	QUINTILES				
	!st 20%	2nd 20%	3rd 20%	4th 20%	5th 20%
Quintile Income Info					
Low	n.a.	$20,739	$39,609	$66,898	$109,743
High	$20,738	$39,608	$66,897	$109,742	n.a.
Mean Incomes	$11,394	$29,821	$52,431	$86,363	$188,103
Average Quintile Expenditures					
Average HH consumer expenditures	$26,019	$39,300	$50,470	$67,604	$116,988
Fees and Admission HH $s	$214	$278	$509	$796	$1,955
Quintile's % of fees & admissions $s	5.7%	7.4%	13.6%	21.2%	52.1%

Source: BLS: Table 1101. Quintiles of income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation, Consumer Expenditure Survey, 2017

That may not be the case for regional and/or nonprofit theater companies. In the decade prior to the crisis, they often were facing tough times financially. Spending for admissions to leisure venues comes mostly, about 52%, from households in the top income quintile. (See table on left). Our large downtowns tend to attract such households, while the non-profit theaters are often located in downtowns and neighborhoods where such households are less numerous. The presence of these high-income households within an easy walk or cab ride of the downtown's leisure venues will certainly facilitate their recovery given some other factors are present such as the venues are open, pandemic conditions have eased, and there is no fear of public disorder.

Recovering From the Pandemic. The SMU Data Arts program recently posted two very insightful reports based on research it did on ticket sales at 51 performing arts organizations in 22 states across the country, which ranged from $1 million to $167 million in total annual expenses pre-pandemic. They used these data to first produce a model to predict ticket sales and then to simulate three scenarios about the recovery of performing arts ticket sales. This information is presented in its blog post titled: "Encouraging Signs from Three 'What-If' Scenarios this Holiday Season."[35]

The study looked at a wide range of variables:

- "organization characteristics (budget size, number of performances, prices)
- household characteristics associated with the transactions inferred from census data for the household tract (number of households, income, education, age)
- market characteristics (e.g., traffic flows, number of competitors and complements), and
- COVID-related measures (local case counts, vaccination rates, restaurant employment levels)"[36]

Their key initial findings based on data from June 2021were:

> "…(D)emand for these performing arts organizations in June 2021 was determined more by COVID vaccination rates than by managerially controlled variables associated with how many performances to offer or how to price them. Specifically, ticket sales increase

[35] https://culturaldata.org/pages/attendance-prediction/

[36] Ibid.

> 15% (from 7.75 to 8.9 tickets per household census tract [HHCT]) with a 20% rate of increase in COVID vaccination rates (from 47% to 56% vaccination rate). Ticket sales increase by only 6% with a 20% increase in number of performances and by 5% with a 20% price discount.”[37]

This shows that vaccination rates, having performances that people can attend and making ticket prices cheaper all serve to generate ticket sales, but very importantly that a higher vaccination rate was about three times (15%) as influential as the other two variables (6% and 5%).

Two Simulations on Arts Venue Ticket Sales of Covid Cases, Vaccinations, Performances and Ticket Prices in 2021*

	June 2021	September 2021
Covid Case Rate	-2%	-3%
Vaccination Rate	15%	6%
(assumed rate)	[56%]	[69%]
Number of Performances	6%	9%
Ticket Price Discount	5%	7%

*Based on 20% increases in cases, vaccinations rates and performances and 20% decreases in ticket prices. Source: https://culturaldata.org/pages/attendance-

The findings of the second round, based on data from September 2021 were somewhat different, and shows that while the impact of pandemic management will continue to be strong, it will be channeled primarily in a different way. The September report stated, for example that:” We also estimated that lagging vaccination rates cost this industry around $10M per month for every unrealized percentage point in vaccination rates. This negative effect for lagging vaccination rates is also largely unchanged in our analyses, even though the results clearly point to diminishing effects as vaccination rates increase towards 100%.” [38] As can be seen in the above table, the estimated increase in theses simulations in ticket sales produced by a 20% increase in local vaccination rates dropped from 15% in June to 6% in September as the assumed vaccination rate grew from 56% to 68%. Not only is that vaccination rate getting closer to 100% and thus has less statistical room for growth, but as of December 2021 about 61% o the population were fully vaccinated and about 73% has at least one shot.[39] Moreover, other experts now estimate that about 15% of our adult population is firmly unvaccinated and unlikely to alter their positions, so again there is an impediment to growth in our vaccination rates.[40]

However, the September report also noted another important causal path by which vaccination rates influence arts ticket sales: “But a 47% vaccination rate (i.e., 20% below average) leads to 14% fewer ticket sales. Thus, lagging vaccination rates still have a strong effect on ticket sales, even as increasing vaccination rates are associated with a diminishing impact on sales.”

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[37] Ibid.
[38] https://culturaldata.org/pages/attendance-prediction-spring2022/
[39] https://www.mayoclinic.org/coronavirus-covid-19/vaccine-tracker
[40] https://www.nytimes.com/2021/12/25/us/omicron-unvaccinated.html

Of course, for these arts venues to receive the ticket buying public they need to stay open, so the SMU Data Arts analysts looked at three future scenarios. They found that the realistic worst-case scenario, the realistic best-case scenario, and an idealized best-case scenario predicted ticket sales reaching by December 2021 57%, 65% and 79% respectively of a previous 4-year high. Their analysis suggests that just in the July-December 2021 period the average arts organization in its sample would lose about $1.5 million in ticket sales, and that would be on top of their prior loses during the crisis.[41] Of course what the study does not go into is the fact that many of the organizations it studied were already facing severe audience retention and financial problems even before the crisis. The Metropolitan Opera Company, for example, in the fall of 2019 had a credit rating change after two years of small deficits.[42] During the crisis it lost over $150 million due to the cancelation of its 2020-21 season. The Met expected its box office revenue to drop to $49 million in the fall of 2021 from the $88 million the company made in the 2019-20 season cut short by Covid.[43] Anecdotal reports, however, indicate that recent performances were very well attended by happy and excited audiences.

The Morning Consult data discussed above signal that there is significant pent-up demand to attend arts events.

When it comes to survival, our world class arts organizations have some key assets to leverage. Their powerful boards and their networks of contacts are potent tools for raising large amounts of funds. They also often hold very valuable assets in the form of real estate or art. One estimate of the value of the art at the Metropolitan Museum of Art is $100 billion to $400 billion.[44] Facing a $150 million deficit earlier this year the museum considered the unusual and very controversial step of "deaccessioning" some of its lesser seen art works.[45] Also, arts organizations owing $150 million may be too big to fail both from the viewpoint of their lenders as well as those of the general public and very powerful local leaders who want them to stay in existence.

Smaller and less magnetic leisure venues will not have such strong assets to help them survive the layer of financial hardship Covid has added on to probable pre-existing financial stresses. For instance, museum attendance prior to the crisis was below the levels of 1992 and 2002, though our population has grown.[46] Still, overall, the leaders of these venues are feeling more secure. They may be seeing a light at the end of the tunnel. For example, a survey done for the American Alliance for Museums in April 2021 found that about 15 percent of directors believed there is significant financial risk of their museum's permanent closure in the next six months

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[41] Ibid.
[42] https://www.nytimes.com/2019/11/20/arts/music/metropolitan-opera.html
[43] https://operawire.com/metropolitan-opera-offers-furloughed-employees-financial-relief-in-exchange-for-long-term-paycuts/
[44] https://www.quora.com/What-is-the-approximate-value-of-the-Metropolitan-Museum-of-Arts-collection
[45] https://www.artforum.com/news/met-contemplates-deaccessioning-to-cover-deficit-84976
[46] https://www.amacad.org/humanities-indicators/public-life/art-museum-attendance

(the equivalent of over 5,000 US museums), that was a meaningful drop from the 33% found by a previous survey conducted in October 2020.[47]

The real assurance of a strong rebound for the leisure industries continues to be for Covid to be under better control. The higher the vaccination rate, the more tickets will be sold, and the stronger the leisure industries' organizations will be financially. However, many health experts believe that Covid will not completely go away, though it will be better managed by having effective updates to vaccines and therapeutic medicines.[48] The key issues for almost all downtown venues, however, will be if social distancing, masking, and proof of vaccination will still be required in this managed state of the disease and, if so, will the public continue to abide by these requirements? They become all the more important should new Covid variants appear.

Public Safety/Disorder. The SMU Data Arts researchers did not look at how the fear of crime or the concern about public disorder might impact arts ticket sales. However, by looking at Covid related variables their analysis did consider an analytical fear vector, just one where the fear is caused by a virus, often carried by people in enclosed spaces, rather than fear caused by disorderly or criminal behaviors engaged in by people encountered on sidewalks and public spaces.

My research on crime and disorder back in the 1980s found that fear of crime did not so much keep people from coming downtown during the day (although in some instances it could) as it changed the way they used the downtown.[49] They became far more cautious. They needed to come to Jamaica Center and Downtown Brooklyn to catch the subways, go to government and medical offices, to even go shopping, but they were very cautious about when they came, how long they stayed, and where they went. These districts bustled with pedestrians during the day but were deserts at night when the fear of crime also kept them away. The difference between fear levels for the daytime and after dark were stark.

People were far less afraid to come to places they knew would be crowded and that had considerable magnetism for them such as Broadway shows, Knicks games, museums, great restaurants. Then Jamaica Center and Downtown Brooklyn lacked such assets. In contrast, Sammy's Romanian Steakhouse was in one of the worst drug user/sales parts of Manhattan, but it was usually crowded, with patrons coming and going in limos or taxis, but not walking.

Fear of crime reduced the number of destinations visitors would go to and thus hurt the key competitive advantage that these downtowns once had: the ability to generate large numbers

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[47] Wilkening Consulting. "National Snapshot of COVID-19 Impact on United States Museums. April 2021. " American Alliance for Museums. https://www.aam-us.org/wp-content/uploads/2021/05/2021_Third-Snapshot-Survey-on-the-Impacts-of-COVID19-on-the-Museum-Field.pdf

[48] See for example: https://www.washingtonpost.com/health/2021/11/21/pandemic-antiviral-pills/

[49] https://www.ndavidmilder.com/wp-content/uploads/2012/05/dt_crime_article.pdf

of multi-purpose trips. It changed where pedestrians would and would not go in the downtown, and when. If this analysis holds true today, then fear of crime and disorder probably will not significantly deter their potential audiences from attending very magnetic leisure industries' events, but it may well impact how they travel to and from the arts destination, whether they attend matinee or evening performances, or whether they go out to eat or browse the area before or after an event. It could deter attendance, however, for the less magnetic venues.

In recent years we have seen the resurgence of actual disorders in the form of riots, arson, and public violence. When such disorders occur in a downtown their arts, cultural and entertainment venues understandably see a drop in attendance.

Remote Workers. While remote work will probably have some meaningful negative impacts on the revenues of eateries and retailers in our large downtowns, that will most likely not be the case with their large leisure venues. The major reason being that the most magnetic and well attended of these venues usually draw patrons from a comparatively large market area, and while downtown residents and workers are certainly among them, they are greatly outnumbered by those who live and work afar. Moreover, the relevant remotes probably live in the suburbs or have recently moved there, and they are still within the catchment areas of these leisure venues. For those remotes working in a hybrid system, attending events at these leisure venues on the days they are downtown should be convenient, little different from the situation when they were not remotes.

Movie Theaters.[50] For most downtowns and neighborhood commercial districts, cinemas are important parts of their CSFs. They are broadly accessible and have fewer user frictions than many other kinds of formal entertainment venues. Cinemas and public spaces are the most affordable entertainment venues for the general public in our large downtowns.
While many large downtowns have movie theaters, today they are not as critical to their economic and social well-being as those in suburban and smaller towns/cities. Unfortunately, those in our smaller communities are facing enhanced threat levels because of changes in how the movie industry works that were strongly magnified during the pandemic.

Movie theaters have been under stress since TVs entered American homes. Initially, the problem was the reduced demand of consumers, but more recently it has become the supply of films to movie theaters. Though they have passed the digital projection/distribution divide just a few years ago, they remained vulnerable. Pre-crisis they were still threatened by home and electronic device movie watching – that is how most movies now are viewed. More importantly, they were vulnerable to some influential Hollywood execs who, because theaters provide such a small slice of their overall revenues yet still take a sizeable slice of sales

[50] See: N David Milder. "Downtown Movie Theaters Will Be Increasingly In Great Danger." DANTH, Inc. 2008. https://www.yumpu.com/en/document/view/6958697/downtown-movie-theaters-will-be-increasingly-in-danth-inc and "Downtown Formal Entertainment Venues Part 4: Movie Theaters." May 25, 2014. https://www.ndavidmilder.com/2014/05/downtown-formal-entertainment-venues-part-4-movie-theaters

revenues, want same day release of new films through both the theater and purely electronic distribution channels. Goodbye first run theaters.

The pandemic badly curtailed movie attendance. Ticket sales in 2021 are just 30% of 2019, though far better than 2020.[51] About 20% of the movie theaters open in 2019 are still closed in 2021. In response, many of the movie making companies went strongly into “streaming.” That has entailed:

- Producing movies that go directly to online websites such as Netflix, Amazon, Hulu, HBO, Showtime, or their own websites (e.g., Disney). Some may be available free to subscribers, but others, often those that will also appear in theaters, may require paying an additional fee. For example, we recently paid Amazon $19.99, in addition to our monthly Amazon Prime fee, to view *No Time to Die* in our home.
- The increasing release of new films to theaters on the same day as they are released online.
- A growing number of movies that are only suited for online release, and a growing concern that only “blockbuster” movies can still win sufficient audiences to warrant their release to movie theaters.[52]

Recently young movie goers again have been more numerous than older ones, probably because of Covid related concerns, but that is also the normal pattern of past decades. That is bound to influence which films are sent through which distribution channel.

Many independent movie theater operators are very concerned about this situation. Without movies to show they cannot stay in business. Will there be enough blockbusters? And with same day release, will they make enough money from them to survive?

Some movie theaters in our large downtowns may have an opportunity to capture some of the market share let loose by closing movie theaters located elsewhere in their region. They already are relatively large, with many screens and tap a relatively large market area. Realizing this opportunity would require turning the movie-going experience into something very special, a movie experience strong enough to warrant the trip downtown instead of viewing the movie in their homes. In many respects, it would be making movie-going akin to seeing a Broadway show. This, of course, was the level of magnetism Midtown Manhattan cinemas like the Radio City Music Hall and the Roxy had back in the 1940s. Today, this might require presenting the films in an IMAX format, special seating, and tying it in with appealing and unique nearby restaurants and public spaces, and perhaps even retailers. Many theater operators had used one or more of these tools precrisis, but they will need to be employed in bundles in the future. The much larger drawing area would also require appropriate advertising and promotions.

[51] https://www.cnbc.com/2021/10/22/2021s-us-box-office-trails-2019s-movie-ticket-sales-by-70percent.html
[52] Ibid.

Right now, the movie industry is undergoing an upheaval and its full ramifications remain unclear.

Annual Attendance at Selected Downtown Parks Compared to Other Attractions

Attraction	City	Year	Attendance
Central Park	NYC	2021	42 million
Central Park	NYC	2019	42 million
Riverwalk	San Antonio	2021	7 million
Riverwalk	San Antonio	2019	14 million
Millennium Park	Chicago	2016	12.9 million
Bryant Park	NYC	2019	12 million
Discovery Green	Houston	since 2008	1.5 million
Dilworth Park	Philadelphia	2018	10 million
Met Museum	NYC	2019	7 million
41 Bdway Theaters	NYC	2018-2019	14.8 million
NY Yankees	NYC	3021	1.96 million
NY Yankees	NYC	2019	3.3 million
NY Philharmonic	NYC	2018-2019	246,923

Public Spaces. Downtown parks and public spaces must be discussed along with these arts and other entertainment venues, because they, too, are really in the entertainment business – and they attract extraordinary amounts of visitors. (See the table on the left.) Unfortunately, Placer does not provide any public data about parks and public spaces, though it does for subscribers. As a result, data was collected for 2019, and where possible 2021, from various websites about a limited number of downtown parks and some other types of attractions to which they could be compared.

Some observations:

- The Met has the highest attendance of any museum in the US, 7 million, but it could not match the attendance of many downtown parks. Its 2019 attendance is equal to the that of Riverwalk in *2021 during the crisis*!
- The attendance at Broadway theaters is by far the highest of any theater district in the nation. 14.8 million. There are 41 theaters, but both Bryant Park and Millennial Park individually come close (12 million) to equaling all of them as a group, while Central Park (42 million) creamed them *even during the crisis*.
- Yankee attendance, 3.3 million, has long been the envy of other MLB teams, but it is badly beaten by all but one of the parks listed.
- It also should be noted that in less than a decade prior to Covid both Millennial Park in Chicago and Bryant Park in NYC doubled their attendance That's strong evidence not only of their popularity, but also of *the growing popularity of such parks across the nation before the crisis.*

The attendance at these parks usually depends on three market segments: local residents, people employed within a reasonable walking distance, and tourists. Those, such as Central Park, that have residents as their largest user base probably have fared fairly well during the crisis. Indeed, Central Park has maintained its extremely strong attendance through the crisis. Other downtown parks have valiantly stayed open and ran several complex and attractive programs. The return of domestic tourism promises to raise the attendance, but the lag in an equal recovery of foreign tourism will be a limiting factor. The critical return of office workers to their downtown workplaces could be critical to their recovery approaching 2019 attendance levels.

It's important to also keep in mind that with some of these downtown parks the reduction in attendance may not mean a commensurate reduction in the quality of their offerings, or their ability to be the cornerstones of successful commercial areas. Both Bryant Park and Millennial Park were admirably doing those jobs back when they only had about 6 million visitors/yr, years before they reached their 12 million by 2019. Indeed, I liked Bryant Park back then a whole lot more because it was far less crowded than it became by 2019.

Developing housing near these parks that have depended so much on office workers to grow their attendance may be good for both. The impacts of great parks on apartment desirability and pricing cannot be overestimated. Apartments with views of Central Park are notoriously more coveted and expensive and the prices in one building constructed near MoMA were much higher on units on upper stories with northern exposures from which Central Park, about 0.5 miles away, could be seen.

Pamper Niche Venues.

The Placer industry categories of Spas/Beauty and Fitness are two of the most important components of pamper niches that also includes such elements as martial arts, Yoga and Pilates studios. While retail has encountered increasing growth stagnation and industry turmoil over the past decade, the pamper niche industries have enjoyed consistent, and at times, even very impressive growth. For years, these personal service firms were snickered at by downtown leaders and deemed far less desirable than retailers as tenants for downtown storefronts. In some suburban towns, when their numbers were seen as becoming too large, zoning was used to geographically separate them and reduce their numbers. Antipathy frequently emerged toward them when they paid the high rents that retailers could not afford and took key storefronts out of retail. They were then often cast as ruining the health of the downtown's retail.

My own epiphany about pamper niche firms was occasioned when, back in 2005, my wife made me aware of how many of them we were seeing as we walked around downtown Beverly Hills. I consequently did a deep dive on them and learned they have many characteristics that now make them particularly interesting to observe as they pass through our pandemic crisis.[53] They are, with some notable exceptions, basically small businesses that are easy to open or *reopen,* largely Internet proof, and most do not require expensive buildouts or costly inventories of merchandise. Consequently, they can spend a higher percentage of their annual revenues on space costs than can independent retailers. They are likely to open in our smaller towns where they can operate in homes or storefronts before any comparison-shopping type retailer appears, while they can operate in storefronts, department stores, hotels, and office buildings in places like Midtown Manhattan and downtown Chicago. They attract people with discretionary dollars to spend. In many towns and neighborhoods, they are important third places serving important social functions. The comparatively expensive rents in our large

[53] Re my epiphany and follow up see: https://www.ndavidmilder.com/downtown-revitalization/perspectives#g

A Comparison of Foot Traffic Recovery by Industry in the Cities and BIDs Studied

	Dining	Leisure*	Spas/ Beauty	Fitmess
Averages				
Cities	93%	78%	110%	77%
BIDS	76%	76%	75%	67%
Number >100%				
Cities	5 of 19	0 of 19	17 of 19	0 of 19
BIDS	4 of 20	2 of 13	2 off 5	1 of 8

downtowns mean that the spa/ beauty firms they attract must have significantly more employees and/or have much higher sales per employees than the average operation.

In contrast to most other pamper niche operations, fitness establishments usually require fairly large spaces and can require a substantial initial investment. For example, a typical Planet Fitness gym has an initial investment of between $530,000 to $1,433,000 and the gym would require a space of about 16,000 SF.[54] In smaller downtowns independents can occupy 5,000 to 7,000 SF.

The excellent report on retailing in 2021 in the Center City District in Philadelphia found that there are 69 fitness operations in the district, and they occupy about 2.3% of its storefronts.[55]

The size of the spaces they need and their revenue potentials impact where they will locate within our large downtowns. A review of Google Map data did not reveal precisely how many independent gyms are located in Midtown Manhattan between 31st Street and 60th Street, river to river, but I stopped counting at a meaningful number, 51. However, very few were in the most expensive office core area that basically runs between Park and Sixth Avenues from about 42nd to 57th St. Most were either around the periphery of this area or in the clearly residential neighborhoods like Hell's Kitchen. Of course, also within the Midtown core are several Ivy League university clubs as well as other prestigious social clubs, and many of them have gyms.

The report on retailing in 2021 in the Center City District in Philadelphia found that there are 255 beauty salons in the district, and they occupy about 8.6% of its storefronts.[56]

A similar review of Google Maps for hair salons found similar results. There are at least fifty in the area, and they are fewer in number in the core office area, but at a higher proportion than is the case with the gyms. Both Bergdorf Goodman and Saks Fifth Avenue have long had hair salons featuring well known stylists. Most of the salons are located on the streets, not the more expensive Avenues, and many are in office buildings in what otherwise would be office spaces.

As can be seen in the table below, for all 19 cities studied, foot traffic for Spas and Beauty salons are now at 110% of pre-crisis levels. And this strong recovery is widespread with 17 of the 19 cities analyzed having foot traffic recovery rates of 100%v or more. Most of these

[54] https://www.franchisechatter.com/2012/03/05/franchise-chatters-top-fitness-franchises-of-2012/
[55] See footnote 4
[56] See footnote 4

establishments were forced to close early in the crisis, but earlier foot traffic reports strongly indicated that they were quickly recovering when local regulations allowed them to. These findings are consistent with the prior assertion that they are comparatively easy to reopen. Yet at the BID level things appear to be different, with data available for just five of the 21 BIDs analyzed, and they averaged 75% of their foot traffic to spas and beauty salons returning. Again, this is not a shabby number for a crisis situation. It might be hypothesized that the reduced number of people working in nearby offices accounts for this lower number. However, Manhattan's Grand Central Partnership BID (GCP) has a huge amount of office space, and only 52% of its domestic tourist travel has come back, yet Placer reported that 102% of its spa and beauty foot traffic had returned. It also lacks any sizeable residential population, so who these spa/beauty patrons might be is a mystery. The other BID that has more than recovered its precrisis level spas/beauty foot traffic, 104%, is in downtown San Jose. It also had a return of domestic tourism that strongly exceeded prior pre-crisis levels, 132%. Also, very puzzling is why there were no available data for 16 of the 21 BIDs. Since such traffic has returned in their cities, it probably is not a result of crisis related regulations.

Fitness venues across the nation were forced to close and often subjected to stricter regulations than other types of businesses. They also were often among the last to be allowed to reopen. While they were shuttered many of the customers bought equipment so they could work out at home. Some bought machines from vendors such as Peloton that also electronically took them through their workouts. How much of the home workouts will impair the recovery of the fitness operations is a critical question. Recent reports that Peloton's revenues have declined suggest that some people are returning to their gyms, but the investments they've made will be a pull for some to continue at least some home workouts. This may fit well with their parttime remote working patterns.

The Morning Consult survey showed that about 20% of its respondents were both already feeling comfortable going to a gym *and* excited about going to a gym when the pandemic is under control. That would indicate that any greater use of downtown gyms will not be *directly* due to Covid related factors, but to the increased presence of many downtown workers and some tourists.

The fact that spas and beauty salons have so strongly recovered their foot traffic also suggests that the weaker recovery in downtown BIDs is now a function of the decreased size of market segments, though their character may differ with each BID.

Housing. Getting more people downtown to work, visit, and especially live will probably help increase the foot traffic to spas, beauty salons and gyms. Most people have hair, and most people like to be pampered. As argued above, the best way to compensate for the loss of office workers and tourists is to develop more housing within a reasonable walking distance. The long-term potential for increasing the number of downtown residents is sufficiently viable to warrant serious study. The demand side of such projects could be met by traditional live-workers as well as remote workers and reverse commuters. However, the fast-growing seniors' market should also be seriously considered.

Looking to the Future?

In closing, I want to look a little into the future and describe how I now believe some of the CSF venues might turn out *if and when the virus gets under adequate control*.

One possible scenario:

- New remote workers will be about 16% to 22% of office workforces, but that will add to the estimated 5% to 14% who were already working remotely precrisis.
- An important question then becomes how many days a week they will work remotely.
- Also, attendance at CSF venues may again be substantial, but still meaningfully below precrisis levels, maybe by 15% or so.
- Under this scenario it will take some time for these venues to adapt and for downtown leaders to formulate their strategies for replacing lost downtown users.
- Hopefully that will involve working on housing development and attracting new users and uses such as more remote workers, reverse commuters, and firms with strong hybrid work programs.
- From the perspective of their being still strong, vibrant, interesting places to live, work and visit, this 15% does not have to translate into an important diminution if quality is maintained.
- Also, many CSF venues, especially restaurants and some arts operations, have learned how to operate leaner and meaner.
- As a result, I do not expect the quality of the offerings of CSF venues to decline. On the downside, their lower attendance may mean lower incomes that impact financially on city finances and the revenues of other companies.

Another possible and more optimistic scenario is that:

- The pent-up demand and the spending of its associated saved up pile of discretionary dollars by affluent households will produce a kind of boom town environment where restaurants, arts and entertainment venues, and pamper niche operations benefit from a strong surge in revenues. Such spending could more than make up for the lost revenues of lost office workers and tourists in the short term.
- However, this may require consumer-facing businesses and CSF venues to become more focused than they have been in the recent past on attracting people who live within 15-minute walks and rides from their shops.[57]
- Of particular strategic importance, because of their spending power and willingness to take risks, are the young and affluent creatives.

[57] According to research cited by Boris Pushhkarev and Jeff Zupan in their classic book *Urban Space for Pedestrians* New Yorkers walk twice as far as most Americans.

- Corporate leaders become more remote work friendly and change their organizational structure to allow more informal work-related conversations and meetings to take place in nearby coffeeshops, bars, restaurants, and public spaces. While office workers may be fewer in number, their spending and use of CSF venues could substantially increase.
- Office-prone firms concerned about keeping and recruiting top talent and looking for a congenial place to operate under a hybrid work model will begin to lease office spaces in these downtowns. Since hybrid models will aim at maximizing the number and effectiveness of social interactions among those working in the workplace, the downtown's nearby parks, coffeeshops, bars, and restaurants could be viewed as very valuable assets.
- The large downtowns start marketing -- by packaging the types of lifestyles they offer in terms of living, working, and playing -- to attract new residents and new businesses. This will require greater awareness that recruiting people has become as or even more important than recruiting firms. For example, a downtown's pamper niche establishments, full-service restaurants, bars and nightclubs, fine hotels, and world class level cultural attractions could be packaged to attract:
  - Those with annual incomes over $250,000 who live within a three-hour trip (door to door) as a weekend destination or even a place to have another home. This will require very targeted marketing, and a lot can be learned about how that can be done from the luxury retailers and hotels.
  - Remote workers, reverse commuters, and firms committed to the hybrid remote/in office model of organizing work. The hybrid remote firms probably will be more interested than non-hybrid office-oriented firms in how CSF assets can stimulate their remotes to visit their office workplaces. They also may be interested in how these assets can turn large parts of the downtown into parts of their "offices." Again, this will benefit from a targeted marketing campaign.
  - Affluent seniors. They have high net worths, do better in safe walkable environments, appreciate the proximity of medical care, and generally are frequent users of many CSF venues such as restaurants, cinemas, libraries, museums, concert halls and theaters. They are the core market segment for "high culture" arts venues. Partnering in some way with the AARP may provide a marketing advantage.

Based on the above analysis, I expect that restaurants, bars, public spaces, hair salons and museums will lead the way as we recover. However, live music, the theater, other arts venues, and some venues not discussed here such as libraries and childcare centers, could blast off as the regulatory shackles and fears related to Covid-19 disappear. The potential dampers on this are 1) a continued stream of new Covid variants and/or 2) a wave of intense public disorder events that involve lots of people engaging in violence and arson that also leads to intense antagonism between public authorities and members of the public.