ADRR Board Discussion

Are the Challenges Our Larger Downtowns Now Face Properly Scoped Out? Downtown Offices, Remote Workers, and Hybrid Models

May 6 to 11, 2022

INTRODUCTION

Since its inception, members of the American Downtown Revitalization Review's (ADRR) Board have engaged in a near continuous e-mail dialogue about a wide range of issues, trends and opportunities that do not, in our opinions, always receive the attention they need and deserve in other media outlets and industry publications. The vitality of these conversations is evident in the number who join and/or read these back-and-forths more than two years after the ADRR's launch; indeed, over time, non-Board members have added to the ferment with their own observations and insights.

As most others concerned about downtown revitalization, we at the ADRR have been trying to understand the challenges the Covid19 pandemic has generated and to identify effective strategic and programmatic responses to them. To help speed progress in this effort, our editor, David Milder, wrote "Are the Challenges Our Larger Downtowns Now Face Properly Scoped Out?" It can be accessed at:
https://theadrr.com/wp-content/uploads/2022/05/Are-the-Situations-Our-Large-Downtowns-Now-Face-Properly-Scoped-Out-MW-edits-0426222.pdf

In it he looked at: the strength of downtown offices and how they are being impacted by remote work; downtown housing; downtown retail, and downtown public order and safety. After reviewing a draft of that article, the ADRR board engaged a in discussion of these challenges. The edited transcript of these discussions is being posted to The ADRR website in four parts, one for each challenge, as they are completed. They are also being distributed via our MailChimp emails. Below is the transcript on downtown offices.

PARTICIPANTS

Mike Berne, MJB Consulting
Charles Buki, CZB
Dave Feehan, Civitas Consultants
Richard Florida, Rotman School of Management, University of Toronto
Paul Levy, Center City District, Philadelphia
Andrew Manshel, author, attorney, former BID manager
David Milder, DANTH, Inc and The ADRR

DATES for complete discussion:
May 4 to 12, 2022

THE DISCUSSION

David Milder May 3, 2022, 10:01 AM

Welcome: I want to welcome ADRR board members to another of our email discussions, as well as some esteemed guests.

Let the discussion begin! To start things off, I was going to ask how endangered you think are our downtown offices, and the financial stability of our office buildings as a result of remote work and other Covid crisis impacts, such as lower mass transit ridership and public disorder? The to and fro that emerged last night about Ozemik's article and Paul's response seems to me to fit under that question, so why don't we continue with that? Andy's addition this morning raises the important point of economic equity, from both geographic and class perspectives. He also, by noting the importance of marginal activity, raises the issue of just how widespread remote work is, as well as its potential in the future. I also would note something that Ozemik mentioned, in light of the article Rich shared with many of us last week about how virtual meetings are not good for generating ideas, and that's that they are getting better, with a lot of money and talent now being thrown at improving them.

But feel free to raise other points if you want to start from there.

BTW: Here's a really good article on the homeless in today's NYT: https://www.nytimes.com/2022/05/02/opinion/california-homelessness-crisis.html

> Editor's Note: : Here are those earlier posts shown indented below
>
> **Dave Feehan** May 2, 2022, 3:58 PM
>
> New article about remote work.
>
> https://noahpinion.substack.com/p/think-bigger-about-remote-work?s=
>
> …
>
> **Richard Florida** May 2, 4:01 PM
>
> Thanks Dave!
>
> Two of my favorite people/thinkers. Noah Smith and Adam Ozemik. They are both really nice people as well as sharp thinkers. Both really broad.
>
> What's especially interesting is both are trained as PHD level academic economists from great schools. Both decided not to go near academic life with a 10 foot pole.
>
> I am finding more and more of this. The sharpest broadest minds are deciding to stay away from the university.
>
> …

Paul Levy May 2, 7:32 PM

There is so much wrong with this piece. And at the risk of falling into "a myopic pessimism that focuses on the direct costs and not on the wider benefits and potential of remote work" let me try to count the ways I think it is wrong headed.

Let me start by placing myself among 1990's "new democrats" who believe that the private market is a powerful engine of growth, that can tend to excess, but which can generate innovation and opportunity and provide the revenues to the public sector to moderate its excesses and compensate for it failures. That is why I believe that without growth in our cities, there can be no equity. But my enthusiasm has been tempered by the backlash to the arrogant, breezy, free-trade, free-market oriented folks who left behind ruins in many parts of the country that wound up voting for Trump. If you want to read a critique of New Democrats from the left, see Lily Geismer's new book Left Behind: The Democrats Failed Attempt to Solve Inequality. In either case, when someone tells you that "though you are losing your job due to this change, it's good for you" - be wary.

So, when I read lines like ”Remote work is in many ways similar to transportation technology. It is a way for employers and employees to work over vast distances with low cost." And "You can now create brand new places, far from existing labor markets, and lure in skilled remote workers with nice amenities." And "when remote workers (and their spending) reallocate themselves out of large urban areas, that creates new demand and new opportunities for service-sector workers in the places they move to." And while this change will temporarily hurt all those urban service workers whose education and skill levels don't give them the opportunity to work remotely, "This change should cause service workers to gradually follow the shifts in demand created by the new economic geography of remote work."

Watch closely, this is like a game of three-card Monte or perhaps digital urban renewal. All those communities of color, committed to places with families, churches, community centers, will just pick up and move to.....rural areas in Montana? The new digital village outside Delhi, New York or near Santa Fe? ^ Perhaps I'm enough of a conservative not want to build Brasilia in the jungle or Canberra in Australia because I believe existing cities are important places of history, human memory, arts, culture and architecture.

And what about this supposed mass "exodus of people out of large urban areas." A lot has been made of 2021 ACS numbers which are a sample of how people behaved in 2020 at the height of Covid-fear and civil unrest. Is NYC really hollowing out? That certainly isn't happening in Philadelphia as residential rents and sale prices quickly rebounded in 2021 in and around the downtown. And if people are leaving, is crime not a factor that needs to be addressed?

…

Andy Manshel May 3, 1:06 AM

Paul, like economists, most of the time, they are talking about changes at the margins. Their logic seems right to me, AND I can see this increasing equity.

> I don't see in this a wholesale demise of downtowns, but rather the market self-correcting a bit for high urban residential costs for folks with lower skills. It's like a pressure valve letting off some steam.
>
> Thanks for sharing, Dave.

…

David Milder May 4, 2022 at 12:12 PM

Dave, Jerome, Paul and Kate,
As experienced managers of big city BIDS, I'd appreciate your thoughts about how endangered you think are the vitality of our downtown offices, and the financial stability of our office buildings as a result of remote work and other Covid crisis impacts, such as lower mass transit ridership and public disorder?

Certainly in the media there is a strong projected image of our downtowns/CBDs failing because their offices are going to hell in a hand basket.

If there are problems, are there also steps that can be taken now or soon to mediate them? Or should we wait to get a better idea about how things are turning out?
…

Dave Feehan May 4, 2022 at 2:32 PM

I'll be talking with Steve Cramer in Minneapolis, one of the hardest hit downtowns, late this afternoon. My sense is that office building owners are going to see a rolling challenge; right now, most companies are still paying rent and waiting to see how teleworking is affecting them. But if they can reduce their space or consolidate when leases expire, that's when the pain will hit. I've heard some firms committing to unlimited teleworking, others saying that there is a firm deadline to return to the office. Meanwhile, Minneapolis, which suffered civil unrest and looting more than most big cities, has not recovered in terms of retail and restaurant activity. My brother the architect described downtown Minneapolis as a "ghost town" the last time he went to City Hall to pull a permit.

My guess is that in the cities where I keep in touch, somewhere between 10% (Des Moines and Sioux Falls) and 30% (Minneapolis/St Paul) of pre-pandemic office space in going to be in real jeopardy once leases expire. Some buildings that are in less desirable locations, are older and in poorer condition, could be "see-through" buildings for a long time, and may have no economic future. Average rents will decline, relative property owners will come up with new ways to fill empty floors, and street level merchants will struggle. Downtowns will have challenges attracting street level tenants, and BIDs will become much more aggressive and innovative in business recruiting. Might we see a revival of the old IDA retail management programs? It will depend on BID leadership and capacity, and private sector leadership and willingness to cooperate. Downtowns may look like 1980 all over again.

…..

David Milder May 4, 2022 at 3:22 PM

Jerome,
That was quite an analysis! Certainly, got me thinking. Might I suggest that just as we saw a surge toward digital during the pandemic, increasingly now and for maybe a year or two forward we will see a reversal of that with a surge in visits to downtown B&M venues and public spaces. Revenge retail and revenge dining and entertainment venue visiting , just as there already has been revenge tourism. We have MISSED doing these things and visiting these places so much. Later, a new equilibrium point between B&M and digital will set in.

Dave,
Extremely interesting observations. Minneapolis seems a bit of an outlier. Impacted by remote work, an already troubled Nicollet Mall, a nearby strong rival Uptown district, all topped by a citywide public safety problem. My understanding is that downtown Minneapolis had not developed much upmarket housing. The decline in the use and demand for office spaces does not seem to be this downtown's major problem. Instead, it seems that the crisis exacerbated several pre-existing conditions.

Des Moines seems to be a counter example. U cannot help but remember all the positive things you have reported about this downtown even before the pandemic. Among them have been the development of lots of new housing and attractive public spaces.

I also wonder about any differences in the quality of local leadership and EDOs in the two cities. downtowns?

…

Paul Levy May 4, 2022 at 4:47 PM

I agree that Jerome has provided really thorough and nuanced look at conditions in NYC and it clear from Dave's reporting from both Minneapolis and Des Moines that local context and local leadership really matters. We are releasing our State of Center City report tomorrow at an in person forum and will be making the case for full return. I can share the links to everything tomorrow. But what I see as three key variables: (1) how far along are different downtowns on the diversification of land-use and moving beyond an over-dependence on office buildings (2) how much thoughtful, responsive leadership or pure passivity is being provided by business, civic and political leaders and (3) how far along are cities in rebuilding reformed, but enhanced public safety and community policing programs that are effective and have credibility across diverse racial and ethnic groups so they are able to restore a safe and quality experience to downtown public spaces

…

Dave Feehan May 4, 2022 at 2:10 PM

Just following up on my post and David's response, the Uptown District is dead as a competitor to downtown. It's in worse shape than Nicollet Mall, high vacancies, very serious security issues. Minneapolis just released a major report on bias in the police department - damning in most respects. In terms of upmarket housing, downtown Minneapolis has been a leader for many years. My friend Ray Harris built the first market rate housing in downtown, Greenway Gables https://www.apartments.com/35-greenway-gables-minneapolis-mn/9zgjts7/and Ray also launched the renaissance of Uptown by building Calhoun Square. St. Paul is actually getting its act together - the new mayor, a young African American is bright and works well with the private sector. St. Paul business leaders are stepping up more than Minneapolis. And Des Moines has been blessed for years with exceptional private sector leadership and competent city government. Many of you know Patricia Zingsheim, former head planner for downtown DC, but she and I worked together in Des Moines for five years, and planned the major projects task force. It would have been unthinkable for a city the size of Des Moines (200,000) to take on so many multimillion dollar projects at once. Maybe Oklahoma City has done this, but few others. The other attachment is a wonderful short autobiography by Moe Coleman, a great civic leader in Pittsburgh who passed away a couple of years ago - friend of Richard's for sure.

…

Michael Berne May 4, 2022 at 7:14 PM

- Can sometime tell me why the need to convert from sterile, office-only Downtowns to more diversified ones complete with residential is worth of so many articles these days? Haven't Downtowns been moving in this direction for a quarter-century now? Has the CS Monitor staff been living under a rock for three decades? What am I missing here? Why is this new or news?

- Give me a worker-driven Downtown retail mix and I'll show you a lackluster collection of businesses with little to no capacity to attract anyone beyond captive markets. Like I said in my last rant/e-mail, worker bees are vastly overrated in what they do (or no longer do) in this respect.

- I will defer to the office-market experts in this thread and pose the question: am I wrong in remaining circumspect about the future of remote work while we're dealing with a labor shortage? Like Jerome said, employers must be holding back on making any demands for fear of losing current employees or missing out on new hires, no?

…

Paul Levy May 4, 2022, at 7:29 PM

Amen to this: “Haven't Downtowns been moving in this direction for a quarter-century now? Has the CS Monitor staff been living under a rock for three decades? What am I missing here? Why is this new or news? “

Attached are the first 6 slides of my presentation for tomorrow morning

…

David Milder May 4, 2022 at 11:59 PM

Paul and Mike,

I think that downtown interests have been leaning in that direction at least since the late 1930s, if I read Fogelson right. But there are two problems:

1) That so much still needs to be done in that regard, and that the highest and best use far too often means a strong preference for office buildings and office activities keeping people in them. Paul, your first variable is evidence that non office functions still need to be strengthened significantly,, and the rezoning of Midtown east in Manhattan as basically an office cluster shows the real estate industry has not yet learned that lesson in NYC.

2) More and more people are coming downtown for reasons other than work. Some claim people now come downtown to spend money not make it, others say they come downtown to be entertained, and Rich and I think they come to be socially connected. Re that later point, there is an argument that if remote work remains significant, that downtown office work spaces will specialize in work tasks that involve meeting and being with people.

After 60 years, downtown leaders are still working on it? Come on guys, still working on it really doesn’t cut it.

Paul this is where our basic disagreement is and has been. I think other non-office functions are and should strongly grow in our downtowns and believe that they may well ultimately be more important than their office related functions that certainly will not disappear. *It is urban living, not urban working that is increasingly distinctive and alluring.* I agree with Jane Jacobs that pure office clusters kill downtowns. And too many of our downtowns still have such monofunctional clusters in them.

All that said, I thought that CSM article was a dreadful piece of journalism. More like a piece in a HS paper.

…

Dave Feehan May 5, 2022 at 7:50 AM

So is downtown an economic entity? A social entity? An entertainment venue? A neighborhood? Is there a primary raison d'être? It strikes me that this is like asking if marriage is an economic entity, a social entity, and entertainment entity, or a place to live. Of course, a downtown and a marriage are all of these. Which is primary? It all depends.

If I am the City tax assessor, perhaps it is the economic entity driven by office occupancy. Remember, Dr, David Lawrence found that Downtown Des Moines pays $19 in tax revenues for every one dollar in city services consumed. David Milder argues that it is the social meeting place that is primary. People come downtown because they need to interact with others, and the suburban cut de sac doesn't offer enough of that. Why do we build stadia, theaters and public squares in downtown? Those are not necessarily the highest and best uses. Don Shea and I wrote about this issue for the LA Times years ago, arguing that the acreage necessary for a downtown football stadium could be put to far better uses. According to the latest count in 2019, 51,288 people live in downtown Minneapolis, and that is mostly in up-market housing. Sorry David, but I think your perception is off, and it is downtown residents keeping much of downtown Minneapolis alive. One could argue that it is culture that makes downtown unique. You can find offices, retail, dining and entertainment in the suburbs, but most cultural venues (museums, galleries and theaters) want to be downtown.

An interesting debate: but what is the old saying in politics? Where you sit defines where you stand on any given issue. Paul makes a good argument for offices. David, Richard, Mike and Andy have other opinions. Kate, you and Jerome should weigh in on this.
…

Paul Levy May 5, 2022 at 12:06 PM

We released our State of Center City report today at an in-person former with panelists from Comcast, CBRE, Thomas Jefferson University, the Pennsylvania Convention Center Authority and the Philadelphia Police Department.https://centercityphila.org/research-reports/socc-2022
…

Andy Manshel May 8, 2022 at 12:39 PM

Paul,

Thanks for this. From where I sit, the news looks to be almost uniformly good for DT PHL. The only statistic that jumped out at me was the persistence of the retail vacancy rate. It would be odd to me if that was driven by the slow state of return to office in the downtown. I'm not convinced, as I've been writing, that rates of RTO are really going to matter to DTs in the medium term. I would be upbeat about the important leading indicators for DT PHL. Pedestrian counts, office and residential development, rents psf are all moving in the right direction. The anchor legacy institutions in eds, meds and cultural seem to keep barreling along.

The macro issue that stood out for me was the question of the relationship between the DT economy and improving city poverty statistics. And what is the actual impact on Philadelphia generally and of its lower income families of a decrease in low skill service jobs in the DT, leaving aside the usual political posturing?

We may once have had an idea about how this might work, but I'm not sure we still do. I don't even think we have a good definition of what urban poverty is and how we want to ameliorate it – given the wide-spread opposition to "gentrification." What is improved quality of life for low income people, if it doesn't come with the non-displacement markers of gentrification? Certainly, the mal-distribution of wealth and income in the US right now is an appalling problem. But it is mostly driven by Federal tax policy – and that's where its solution lies. What does it mean to make the quality of life of people in low income neighborhoods better? Is it clear that DT job growth produces higher neighborhood incomes? Do we have a handle on what the economic circumstances are of the bottom quartile of households, if we include benefits and transfer payments? And how do we make that better for those folks? Is it only about increasing transfer payments to them? Would they take jobs with more hours with higher hourly pay DT for which they have the skill sets? I don't think we really know – although the political conversation makes certain assumptions about this that can't be discussed.

What I do know is that we could be doing much better in providing support and services to people with serious mental health issues and the undocumented (who are essential to the urban economy). They are the truly disadvantaged in the US today and we are failing them for political reasons.

This is all by way of saying that things are looking pretty good for center city thanks in large part to the leadership of the CCD. It certainly can't be held responsible for solving all of the city's problems all across the region.
…

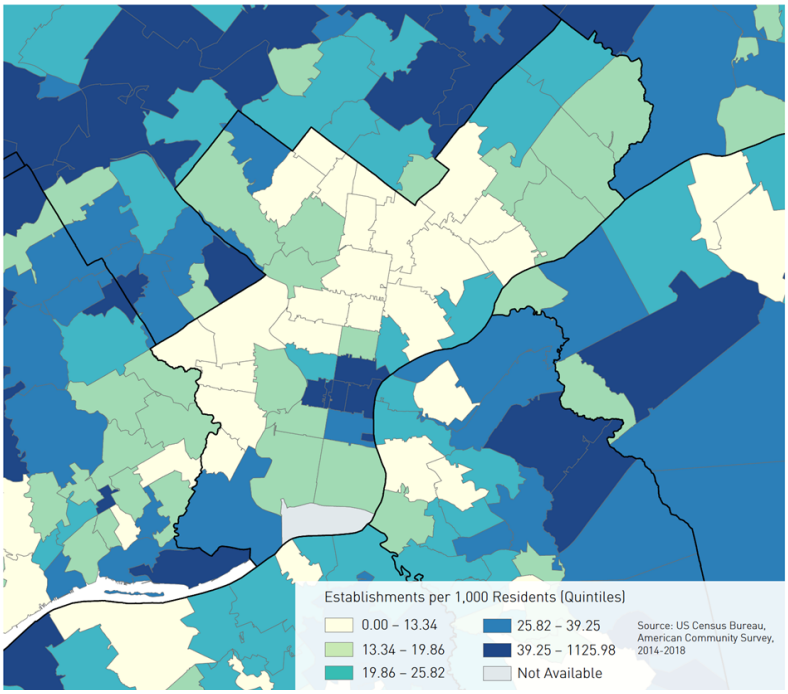
Paul Levy May 8, 2022 at 1:05 PM

Thanks for taking the time to read this ^ While there are multiple factors that account for Philadelphia's appallingly high poverty rate, near the top of this list is our failure to grow jobs citywide. The map below or attached speaks volumes about the absence of business density outside the downtown. It is drawn from a report we did just a year ago on the impact of Philadelphia's perverse tax policies. The first link is a recent advocacy piece I did on the City budget priorities and tax policies in response to a truly wrong-headed column.

https://thephiladelphiacitizen.org/yes-we-are-taxadelphia/

https://centercityphila.org/research-reports/a-small-down-payment-on-growth

Figure 6: Where Businesses are Located Within the Region



…

David Milder May 8, 2022 at 6:36 PM

https://www.yahoo.com/finance/news/jpmorgan-goldman-sachs-monitoring-often-123000471.html

Paul, I suggested this was the case in my paper: THERE NEVER WAS 100% ATTENDANCE PRIOR TO COVID, SO WHY PUSH IT NOW?

"Mark Ein, chairman of Kastle Systems, a property management and security firm, tells Fortune. “Aside from attendance, people are trying to figure out what the new world of work will look like, and they want to see how workers are utilizing the space.”

Some of Ein’s clients deeply believe the office is important for “getting the most out of a company,” he says. **“But they have to remember: White collar workers were in the office 60 to 70% of the time pre-COVID anyway. They were on business trips or offsite meetings. One hundred percent attendance doesn’t have to be the goal.”**

…

Paul Levy May 8, 2022 at 7:14 PM

Yes – really important point to track what were conditions pre-covid

…

David Milder May 8, 2022 at 7:53 PM

Paul, given you district's numbers re RTO, I think you should onsider **proclaiming victory.** Also, as Andy noted, the overall statistical picture painted in your strong state of the CCD report shows a robust recovery.

Here's my relevant revision in my article:

"Much has been made from key card entry data published by Kastle. Those data, however, have not been closely scrutinized. The data are said to refer to a pre-Covid baseline, but back then there were several reports based on key card data that as many as 30% 40% of the workers attached to some office buildings were not there on an average day. That was recently confirmed by Mark Ein, chairman of Kastle Systems, who acknowledges that :"White collar workers were in the office 60% to 70% of the time pre-COVID anyway. They were on business trips or offsite meetings."[1] These absent workers were also probably either sick, on vacation, or just working remotely from home. This is an extremely important point. It not only means that 100% attendance doesn't have to be the goal, but that trying to achieve it is needless and extremely foolish, just asking for unnecessary problems. **It also means that downtowns where 50% to 60% of their office workers have RTO, are in a very strong recovery mode."**

It also means that Bloom's estimates of sales dollar's lost may be WAY OFF."
Jane Their. "JPMorgan and Goldman Sachs are monitoring how often employees are coming into the office—but experts say that approach could backfire." Fortune May 7, 2022, https://www.yahoo.com/finance/news/jpmorgan-goldman-sachs-monitoring-often-123000471.html

Andy Manshel May 9, 2022 at 7:52 AM

Yes, but…

How do we know that there is a causal relationship between the DT economy and neighborhood economic conditions? Yes, we progressive symbolic manipulators have long assumed this to be the case – but, what if it's not.

Let's have a Moynahanian moment.

Paul, what are your restaurant and hotel operators telling you about the labor market? Are they having trouble finding people to fill jobs, as in so much of the country (and Western Europe, apparently)? Maybe low-income people in Philadelphia don't want to take those jobs? What if that's the case. And what if there are more folks like that in Philly than in other coastal

cities because of historical vectors? What jobs will they take that meet their skill set? What if they have unrealistic expectations about their economic prospects (want to be their own boss, want to make high incomes, want work schedule flexibility that isn't economically possible [which I experienced a lot of in Southeast Queens]*?). What then?

*Like the very nice guy I knew who was a "chef," and wanted to run his own restaurant, but was unable to get food onto tables fast enough to have a restaurant that was a going concern. The community loved him, and insisted that we provide him with working capital, even though he was a pathetic entrepreneur. And he ABSOLUTELY said he would not work in someone else's kitchen. His ventures were serial failures.

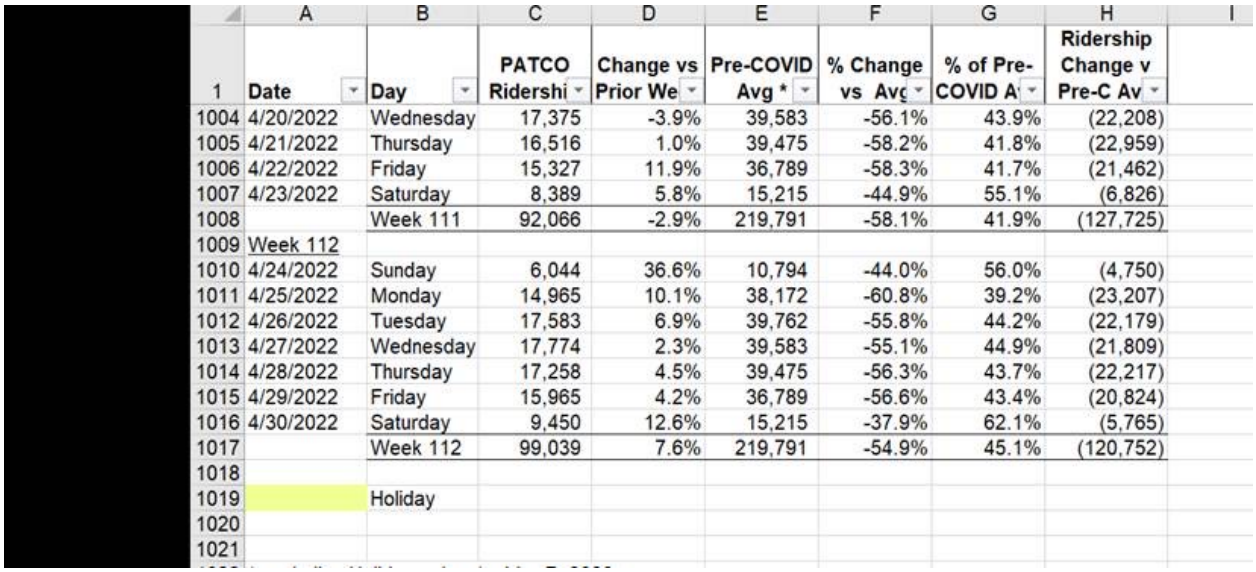
If the above were the case, there are social problems involved that CCD can't and shouldn't be expected to solve. The best that can be said is that the health of the DT is important to generate tax revenue to support services to the neighborhoods. Even given the rubric, the wage tax can be shown to be a bad idea if in the medium to long term it can be shown to reduce aggregate tax revenue by reducing economic activity and the greater amount of taxes (real estate taxes on assets that can't be moved) they might generate. Which is more than highly likely.

I have similar views, by the way, about urban education. In NYC we've tried just about everything to improve educational attainment – more money, smaller classes, changes in the ethnic makeup of staff. Nothing works (except some charter schools which skim the most motivated families). 25% (+/-) of the system is among the best urban educational systems in the country. The rest just drags along for reasons we (except for maybe DPM) haven't identified.

…

Paul Levy May 9, 2022 at 7:56 AM

What you are missing is that many office buildings that are approaching 50% RTO are doing so on 2 or 3 day work weeks. So the correct comparison is between 5 day work weeks at 70% to 80% percent pre-pandemic, if those numbers are to be believed, and 2-3 day work weeks, post pandemic at 50% return. That is still a lot of missing foot traffic on Mondays and Fridays from office workers. This can be seen in numbers from PATCO, a small light rail line that brings workers into Center City from South Jersey – look at the week beginning April 24th which is typical. PATCO was at 42% pre-pandemic levels in April, SEPTA, a much bigger system was at 52% but with similar patterns. Being off 15% between Wednesday and Monday doesn't seem huge, but it was much worse 2-3 months ago. Both systems numbers are rising steadily since bouncing back from Omicron in January – but without emergency federal support, neither system can continue to provide pre-pandemic frequencies with 50% of the riders. So for those cities with strong transit systems this has significant implications.



	A	B	C	D	E	F	G	H	I
1	Date	Day	PATCO Ridershi	Change vs Prior We	Pre-COVID Avg *	% Change vs Avg	% of Pre-COVID A	Ridership Change v Pre-C Av	
1004	4/20/2022	Wednesday	17,375	-3.9%	39,583	-56.1%	43.9%	(22,208)	
1005	4/21/2022	Thursday	16,516	1.0%	39,475	-58.2%	41.8%	(22,959)	
1006	4/22/2022	Friday	15,327	11.9%	36,789	-58.3%	41.7%	(21,462)	
1007	4/23/2022	Saturday	8,389	5.8%	15,215	-44.9%	55.1%	(6,826)	
1008		Week 111	92,066	-2.9%	219,791	-58.1%	41.9%	(127,725)	
1009	Week 112								
1010	4/24/2022	Sunday	6,044	36.6%	10,794	-44.0%	56.0%	(4,750)	
1011	4/25/2022	Monday	14,965	10.1%	38,172	-60.8%	39.2%	(23,207)	
1012	4/26/2022	Tuesday	17,583	6.9%	39,762	-55.8%	44.2%	(22,179)	
1013	4/27/2022	Wednesday	17,774	2.3%	39,583	-55.1%	44.9%	(21,809)	
1014	4/28/2022	Thursday	17,258	4.5%	39,475	-56.3%	43.7%	(22,217)	
1015	4/29/2022	Friday	15,965	4.2%	36,789	-56.6%	43.4%	(20,824)	
1016	4/30/2022	Saturday	9,450	12.6%	15,215	-37.9%	62.1%	(5,765)	
1017		Week 112	99,039	7.6%	219,791	-54.9%	45.1%	(120,752)	
1018									
1019		Holiday							
1020									
1021									

…

Andy Manshel May 9, 2022 at 8:26 AM

Great data!

…

David Milder May 9, 2022 at 10:13 AM

Paul, I hear you, but I think the Kastle numbers are supposed to be for a week. In any case, I argued that their stats needed to be further scrutinized, and I still think that is the case. They have to be far more forthcoming about their data. They should be publishing the pre covid data with their current findings, and clarify the time periods they cover — like how many days a week. Nick Bloom's attempt to estimate the total hours that will be worked per week is probably what the Kastle data has to be converted into for it to be properly understood.

But two things I feel increasingly confident about and around which I think we need to better scope out the situations are: 1) That far more office workers, even at very high levels in their orgs, were seriously engaged in remote work prior to the crisis and their corps did not get into a culture loss tizzy; 2) Far fewer office workers were at their desks 40 hours a week than 100% of them. A 100% rate would mean that no one was sick, on vac, on a distant biz trip or on an out of office visit to clients or suppliers. That makes absolutely no sense. It even counters the argument that downtowns being where it is easy for people meet is one of their strongest biz assets.

Data presented without an appropriate context is always likely to produce problems about understanding what they mean and their import. I do not think Kastle has done a good job in that regard.

Whatever, the true RTO rate is now, both Mike and I believe that the impact of low numbers on a few categories like take out/delivery/fast food places may be important, but most retailers and sit down eateries will not be all that hurt since they never has all that much sales to office workers. Is that not the case in the CCD?

David Milder May 9, 2022 at 10:28 AM

Andy,

I don't know that downtown orgs cannot help their nearby out of district neighborhoods. In Cincy, I think the downtown org has played an important role in the Over the Rhine revitalization, and Downtown KC's whole new strategy is focusing on helping the economic conditions in surrounding neighborhoods get meaningfully better. And not by just providing DT jobs.

Yes, I also have encountered those who believe that they, in their first jobs, should be the CEOs, or that because of past racial injustices they should be highly paid and given prized positions. But I also have met a number of very capable young people who are very adept entrepreneurs, organizers and analysts.

That suggests the problem is an old one of sorting the wheat from the chaff.

So, how was Paris and its 15 min neighborhoods?
…
Richard Florida May 9, 2022 at 10:42 AM

100% agree. It might be worth talking to somebody at the bureau of labor statistics about this
…

Paul Levy May 9, 2022 at 10:43 AM

Two things to keep in mind: Kastle's data is regional and suburban return rates are generally higher than in cities. Second, I can't speak for other cities, but in our downtown, not even a majority of buildings use Kastle as their entry system. This crisis has given them strong brand identity -- but as to accurate and representative, that may be a different story.

…
Richard Florida May 9, 2022 at 10:49 AM

The great irony in all of this -- and I caveat this by saying I have worked from home the great majority of the time mainly because I am a writer and I can't tolerate the distractions, and I would only use my office for scheduled meetings -- is that virtually everyone I know who is a

professional or knowledge worker and working at home is doing so because they don't have another choice. Almost to a person, they would prefer to be back in the office.

There is such a hub bub made about remote work. But what from I can recall most people thought I was strange for working at home. How do you get work done there? Don't you go crazy? How do you deal with all the chaos of being at home?

Most people I know preferred to go to the office.

I don't understand how that changed so quickly overnight …

Now, I understand about terrible commutes, and fear of subways. That part I get.

But what I don't get is that somehow a switch went off and a huge new percentage of workers decided they loved working from home and hated the office.
…

Andy Manshel May 9, 2022 at 10:58 AM

I enjoyed Paris more than on past trips – in part because we stayed in a hotel that I found comfortable for the first time in the 6th.

We walked a lot. Lots of kids on bikes and scooters, although it is true that Parisians HATE Mayor Hidalgo. Lots of street life. Very few retail empties.

I enjoyed the Louvre French renaissance galleries. But the experience was a nightmare, getting in and getting out. The Italian galleries are a zoo (I guess because of La Gioconda). Le Carousel de Louvre (underground mall you are forced through to leave the museum) is a chaotic horror.

Real estate psf in the core seemed about 1.5X NYC. Great places draw people from everywhere. And Paris is like the platonic form of a great neighborhood.

…

Charles Buki May 9, 2022 at 11:33 AM

If I may weigh in:

This makes me think of the somewhat famous Hemingway observation about how bankruptcy happens, where he is said to have said or written that "gradually, then suddenly".

I am 58 and entered the workforce after college in the mid/late 1980s. So for me and my cohort, there was no email, and gradually a bit of it, and then it was ubiquitous. There was no internet, then early Netscape vehicles then I remember being in Harvard Sq in 1999 and Google was handing out t shirts and it was nowhere then everywhere. I bought a few books from Amazon which had nothing else and I was able to talk to a person on a particularly large book

order, then it became the retailer of record for everyone. I'm just suggesting that some in this thread have, correctly I think, observed that lots of pulling away from offices as the central focal point of work was already occurring in the same manner than Hemingway spoke of bankruptcy and what the last 24 months have really done is quicken what was already long in gestation.

My own firm has always been "virtual" so since 2001 a handful of us have worked separately and remotely. About 2013 we started using early versions of zoom. I kept an actual office with an actual lease under the notion that my old professor Richard Zeckhauser once told me "if you don't have an address you don't have a real business", but used it decreasingly until really only as needed. What happened was the definition of "as needed" began to inform the question "which of us is needed to me where, and when and for what purpose?" So much has been written on the subject that my inclination is not that the virtual office shall replace the bricks and mortar address, or that some kind of revanchism will send us all away from zoom and back to bricks and mortar, but that a new kind of metric has emerged, which every business is now obligated to use as a filter, which is some version of the "necessary and sufficient" test. Is it necessary for us to see each other in person every day? Is it sufficient to conduct business virtually x% of the time? etc etc

I'm fascinated to see how big data may help us roll all this into a predictor of SF of space in our downtowns, or other locations. FWIW my wife oversees about 600 people, and her post covid workforce seems divisible into two kinds of opinions - productivity aside - and that is about 2/3 of her people report as more extrovert and feel a gravitational pull to return, sensing they are energized by being in a room with others, and 1/3 report as more introverted and are thrilled to simply meet quarterly.

I know in a few of our projects now doing comprehensive plans and new zoning codes, we are having a helluva time estimating demand for office downtown.
…

Paul Levy May 9, 2022 at 11:59 AM

Philadelphia is a city of extremes – pre-pandemic, a very vital and thriving downtown and University City (53% of all city jobs in 8% of Philadelphia's land-area), many strong working class and middle income neighborhoods and the highest poverty rate of the 10 largest American cities. In what we call Greater Center City 43% of working residents work downtown, 10% work in University City; citywide 25% of all workers work downtown, with a hub and spokes transit system that makes this possible. When we have had pro-growth, new-Democrats as Mayors, they promoted growth downtown, touting the citywide benefits and also invested in neighborhoods. The pendulum in cities always swings between "downtown" oriented and "neighborhood" oriented mayors, but in the progressive era, the pendulum swung not only to neighborhoods, but the success of the downtown was represented as the *cause of poverty* in neighborhoods, so we have several progressive council people trying to carry out national, redistributionist politics at the local level – a proposed wealth tax, proposals to increase

business taxes and in the middle of the pandemic, *raising the wage tax* on suburban workers who worked in Philadelphia. So fight against remote work for me is not academic – it is about restoring downtown vitality, restoring the semi-skilled and unskilled jobs downtown that remote work undermines, all the while pushing back against those, motivated by misplaced class bias, who are putting their fingers on the scales and discouraging the return to work with foolish tax policies.

So all of my citywide advocacy work is focused around the economic importance of the downtown to all neighborhoods + public investments in and private venture capital for Black and brown businesses in our neighborhoods + competitive tax policies that promote business growth city wide. I'm not doing my job as downtown leader, if I am not active on citywide issues that impact the viability of all neighborhoods

…

Andy Manshel May 9, 2022 at 1:33 PM

I hear you. Thanks for this.

I have suggested to Council leadership on a number of occasions that I would like to do a few talks to Council members on basic economics. That suggestion has never been enthusiastically received. I am sure that a substantial minority of the NYC Council don't understand how supply and demand work. This is a serious problem for policy making. And it's hard to deal with without sounding pedantic and condescending.

The theme has to be that because the DT is the driver of the City's economy, what's good for DT is good for the neighborhoods. This is an issue that is easy for Council members to take demagogic stances devoid of facts.

You, Paul, are the master of managing this discourse.
…

Paul Levy May 9, 2022 at 2:22 PM

Sitting in PA senate hearing on Septa at which I will be testifying and the GM just said pre-pandemic they covered 37% of operating costs from the fare box and they are now at 18% but providing 90% of service frequencies- with federal money covering the difference. So recovering ridership is essential
…
Dave Feehan May 9, 2022 at 2:59 PM

I think this debate misses the earlier signs of the "out of office" trend. In 1975 or thereabouts, I was running an organization called the Minneapolis Communications Center. We functioned as the "back office" for a number of nonprofits - producing media materials, organizational

development consulting, and two growing services - financial management/accounting and phone in dictation. This allowed small nonprofits with one or two staff persons to work from home, and we were their virtual office. An executive director could dictate letters and memoranda by telephone, and our staff would prepare finished letters on the NPO stationery and envelopes, ready for pick-up later that day. We also did the accounting for over 100 small nonprofits on a minicomputer, at a price less than any accounting firm; plus we could provide financial management advice. At about the same time, a few of my board members who were with Big Eight (Remember Big Eight?) accounting firms were "hoteling" - accountants working outside the office and only using space in the office a couple of time s week. More later.
…

David Milder May 9, 2022 at 4:04 PM

Paul,

I certainly understand your desire to see the financial health of Septa re-established, and that getting ridership back would help that happen. Indeed, I think that the transit situation is more serious for our downtowns than is the remote work threat.

But I have become skeptical about farebox incomes being able to properly support big city transit operations, and think that other ways of financing them are needed.

That's why I am so interested in TIFs and other financial tools that can provide strong new revenue streams for them by capturing the increased values on nearby properties they create. Instead of it going all for the new housing, some or all needs to go to the transit agency.

I also think that we need to think less -- not never -- about core oriented big transit projects, and more about the maintenance of the existing systems and how micro-transit vehicles can provide the needed capacity in the 3 to 5 mile range.

Have you read Jerome's reaction to riding NYC's subways? A lot of former subway riders like him and me have soured on this mode of travel. My wife urges me to take an Uber whenever I go to the city, fearing that I will be attacked on the subway.

Also, did you read the NYT's articles on the building of the 2nd Ave subway and why it was so late and much more expensive than "planned"? The incompetency of the MTA does not engender trust that even if ridership should return, they could financially manage to stay in the black.

I don't know about Septa, but the MTA and the Metro in DC were in deep trouble even before the crisis and the loss of ridership. Also, I think pre crisis that APTA data showed the vast majority of our big city transit systems were in the red. Bringing back ridership will only bring us back to the prior level of severe stress.

We need a wider/deeper look at transit's problems.
…

Paul Levy May 9, 2022 at 7:08 PM

^ I believe in using TIFs for transit and SEPTA is working on a new regional funding supplement which different counties can opt in for their own county. But, as pragmatist, I've decided to work with the hand we were dealt. ^

…
Paul Levy May 10, 2022 at 8:56 AM

Not a lot new knew in here – but a good overview with helpful national comparisons

https://www.cushmanwakefield.com/en/insights/office-of-the-future-revisited