Downtowns Rebound

The Data Driven Path to Recovery

A detailed examination of the impact of the pandemic and subsequent events on the state of recovery in 26 of the nation’s largest downtowns

Released October 2023

Summarized in short article in Urban Land; Jan 4, 2024

America’s Downtown Recovery: What Does the Data Say?

By Paul R. Levy
January 4, 2024
The decade 2010-2019 was one of robust, private sector job growth in our largest downtowns.
Downtowns across the country diversified & became great places to live, work & play

Arts, entertainment, sports, downtown living All grew robustly
Then came the pandemic: 2020

All but essential businesses directed to close
Downtowns across the country & world emptied out

Downtown pedestrian volumes plummeted 70%-80%

Figure 8: Average Daily Visits to Core Center City: Residents, Workers, and Visitors

Source: PlanGrid
Recall the horror & emptiness after 9/11;
Time limited & site specific: NYC & Washington DC

Median Recovery Rate in 26 Core Downtowns for Residents, Workers & Visitors, 2020-2023

2020 shut-down & health safety concerns lasted months everywhere
Nearly all downtowns lost private sector jobs between 2019 and 2020

FIGURE 10 CORE DOWNTOWN PRIVATE EMPLOYMENT, PERCENTAGE CHANGE, 2019-2020

New technology was ready to deploy: alternative to the office
Pandemic was an accelerator of pre-existing trends
Many quickly claimed the office is dead & we can rely on a virtual water cooler

Even worse: Academics declared downtown is dead. We’re all trapped in an inexorable downward spiral: The Urban Doom Loop

Every newspaper wrote this story; 3 times
Even Professor Doom Loop has now recanted

You mean NYC ain’t dying?! 

‘Doom Loop’ author re-‘works’ forecast

Steve Cuozzo

REALLY CHECK

WEIRD! The sky isn’t falling on the Big Apple after all. The recent “Doom Loop” summary was that things might be looking up for New York City, despite the earlier forecast that less office space would be needed.

Even Professor Doom Loop has now recanted recently that population is falling in New York City. He’s now projecting a 20% increase in office space over the next few years. Despite the earlier reports, it seems that the Big Apple isn’t as doomed as previously thought.

Mark Twain

“Reports of my death have been greatly exaggerated.”
We knew from tracking trends in Center City Philadelphia that the doom loop scenario simply wasn’t true.

Having launched the Center City District (BID) 1990: Dirty & dangerous.
Substantial ground & upper floor vacancy

Downtown was a place to avoid: Been here before; “it is 1990 all over again”
We wanted to see what was happening across the country

*Atlanta, GA
*Austin, TX
*Boston, MA
*Charlotte, NC
*Chicago, IL
*Columbus, OH
*Dallas, TX
*Washington DC
*Denver, CO
*Fort Worth, TX
*Houston, TX
*Indianapolis, IN
*Jacksonville, FL
*Los Angeles, CA
*Lower Manhattan, NYC
*Memphis, TN
*Midtown Manhattan, NYC
*Nashville, TN
*Philadelphia, PA
*Phoenix, AZ
*Portland, OR
*San Antonio, TX
*San Diego, CA
*San Francisco, CA
*San Jose, CA
*Seattle, WA
*State Capital

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A detailed examination of the impact of the pandemic and subsequent events on the state of recovery in 26 of the nation’s largest downtowns

Released October 2023
Builds upon 2013: *Downtown Rebirth: Documenting the Live Work Dynamic In 21st century U.S. Cities (150 cities)*

Prepared for the International Downtown Association
By the Philadelphia C.C. City District
Paul R. Levy and Lauren M. Whitman

Used Local Employment Dynamics (LEHD)/On the Map
Product of Census Bureau & State Labor Market Agencies
Enabled us combine & cross-reference data about firms, jobs & their locations with information about the people who hold those jobs.

(a) We defined commercial downtowns by job density & defined surrounding downtown adjacent neighborhoods.
San Francisco's job dense areas placed within census tracts
Core commercial + 1 mile adjacent mixed-use area = “Greater downtown”

Used the same methodology
26 of the largest downtown (by # jobs)
(b) Used Placer.ai anonymized cell phone data
Separates visitors, workers & residents & tracks their return downtown

Get Insights for Any Place
Unprecedented visibility into consumer foot-traffic

Recovery is happening everywhere but at different rates
Comparing year-end 2023 to year-end 2019
Residents + workers + visitors back at 93% in San Jose & 68% in San Francisco
But before cheering for San Jose & weeping San Francisco,
the story is far more nuanced
Comparative look at all 26 downtowns: from San Jose to San Francisco

Recovery of workers, visitors & residents combined

<table>
<thead>
<tr>
<th>City</th>
<th>Recovery Percentage</th>
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<tbody>
<tr>
<td>San Jose</td>
<td>93%</td>
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<tr>
<td>Nashville</td>
<td>92%</td>
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<tr>
<td>Phoenix</td>
<td>88%</td>
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<tr>
<td>San Diego</td>
<td>84%</td>
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<tr>
<td>San Antonio</td>
<td>84%</td>
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<tr>
<td>Philadelphia</td>
<td>83%</td>
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<td>Jacksonville</td>
<td>83%</td>
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<tr>
<td>Boston</td>
<td>82%</td>
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<tr>
<td>Charlotte</td>
<td>82%</td>
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<tr>
<td>Columbus</td>
<td>80%</td>
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<tr>
<td>Memphis</td>
<td>80%</td>
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<tr>
<td>Los Angeles</td>
<td>80%</td>
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<tr>
<td>Dallas</td>
<td>79%</td>
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<tr>
<td>Median</td>
<td>79%</td>
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<tr>
<td>Austin</td>
<td>79%</td>
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<tr>
<td>Houston</td>
<td>78%</td>
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<tr>
<td>Indianapolis</td>
<td>78%</td>
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<tr>
<td>Fort Worth</td>
<td>77%</td>
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<tr>
<td>Lower Manhattan</td>
<td>76%</td>
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<tr>
<td>Seattle</td>
<td>76%</td>
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<tr>
<td>Chicago</td>
<td>75%</td>
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<tr>
<td>Denver</td>
<td>74%</td>
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<tr>
<td>Atlanta</td>
<td>73%</td>
</tr>
<tr>
<td>Washington DC</td>
<td>72%</td>
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<tr>
<td>Jacksonville</td>
<td>71%</td>
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<tr>
<td>Portland</td>
<td>70%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>68%</td>
</tr>
</tbody>
</table>

Four key variables that impact recovery

(1) the composition of downtown economy/employment
(2) the length of commute for workers
(3) leadership exercised by business, civic & political actors
(4) perceptions of safety

While safety dominates headlines, the report finds, it may not be the most important variable.

Like any complex issue, this is multi-determined & variables interact with each other.
Overall average daily downtown composition

In 2019: visitors were 60.6% of those present
Largest share of those downtown in all 26 cities

Workers constituted 32.2%
Residents = 7.3%

Visitors = shoppers, diners, tourists, patients, convention, music & sports venue attendees (neither live, nor work there)
Visitors were the first to disappear; easier than workers to bring back
The decision to shop, dine or be a tourist requires far less commitment
Than signing a lease or commuting 4-5 days per week

Different downtowns specialize & excel in different industries
Significant variations in the return rate of different types of workers
Biggest challenge has been getting office workers back

But the industries that fill our office buildings impact the rate of recovery
When we look at just non-resident worker recovery rate: 12/23

4 of the top 5 cities

<table>
<thead>
<tr>
<th>City</th>
<th>Recovery Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Antonio</td>
<td>79%</td>
</tr>
<tr>
<td>Midtown Manhattan</td>
<td>79%</td>
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<tr>
<td>San Diego</td>
<td>76%</td>
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<tr>
<td>Nashville</td>
<td>73%</td>
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<tr>
<td>Memphis</td>
<td>72%</td>
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<tr>
<td>Philadelphia</td>
<td>70%</td>
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<tr>
<td>Lower Manhattan</td>
<td>68%</td>
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<tr>
<td>Fort Worth</td>
<td>67%</td>
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<tr>
<td>Boston</td>
<td>67%</td>
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<tr>
<td>Houston</td>
<td>66%</td>
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<tr>
<td>Austin</td>
<td>66%</td>
</tr>
<tr>
<td>San Jose</td>
<td>64%</td>
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<tr>
<td>Milwaukee</td>
<td>63%</td>
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<tr>
<td>Columbus</td>
<td>63%</td>
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<tr>
<td>Washington DC</td>
<td>63%</td>
</tr>
<tr>
<td>Columbus</td>
<td>60%</td>
</tr>
<tr>
<td>Midtown Manhattan</td>
<td>60%</td>
</tr>
<tr>
<td>San Antonio</td>
<td>57%</td>
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<tr>
<td>Lower Manhattan</td>
<td>56%</td>
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<tr>
<td>Jacksonville</td>
<td>56%</td>
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<tr>
<td>Seattle</td>
<td>55%</td>
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<tr>
<td>Denver</td>
<td>53%</td>
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<tr>
<td>San Francisco</td>
<td>53%</td>
</tr>
<tr>
<td>Portland</td>
<td>50%</td>
</tr>
</tbody>
</table>

Responses to the question:
- For each day last week, did you work a full day (6 or more hours), and if so, where?

Sample: Data are from the July to December 2023 WWA waves. The sample includes all wage and salary employees who pass the attention-check questions. We exclude mining due to insufficient observations and agriculture to focus on non-farm jobs. We re-weight the sample of JS residents aged 20 to 64 earning $10,000 or more in a prior year to match Current Population Survey on age, sex, education, and earnings.

N = 16,033

December 2023
San Antonio, Nashville & San Diego & Memphis …

Have largest share of their downtown employment in hospitality & entertainment Jobs which can not easily be performed remotely
When we look at the cities with lowest recovery rate of Non-resident workers

Excel in information technology, a sector long comfortable with remote work
So industry mix matters

Figure 17 Core downtown/recovery rate vs percentage of jobs that can be done remotely

Percentage of jobs that can be done remotely vs. recovery rate for different cities. The top 3 in job recovery have the highest share of jobs that can be performed remotely.

Source: National workforce recovery rates from Reissel and Center City District estimates of percentage of downtown jobs that can be performed remotely. Data is reprinted with permission from the Reissel. National workforce recovery rates from Reissel and Center City District estimates of percentage of downtown jobs that can be performed remotely. - Jones and Brand Neuer, "How many jobs can be done at home?" Journal of Public Economics, 88 (2005). NBER.

Plays out even within our downtowns
Different employment clusters have different recovery rates
(2) Significant differences in the rate return of workers based on their distance & mode of commuting

Did you notice that the capital of “doom loop” theory, Midtown Manhattan was #2 nationally in worker recovery?
Why is Midtown Manhattan so high on the list of worker recovery? Even with a high percent of jobs that can be performed remotely?

Because they have the highest number of workers who live close by. Almost 60% of working residents in Midtown work in Midtown, so their “commute” is very short.
In Midtown Manhattan in the return rate of those who live within 2 miles (100%+); compared to those who live 10+ miles away (61%).

Philadelphia: those within 2 miles 85% return to work; over 10 miles = 55%.
San Francisco, return rate of those living within 2 miles (80%+) compared to those living 10+ miles away (below 40%)

The live-work downtowns we have all been building
Are yielding recovery dividends
Downtown residential growth an on-going success story

Yes, converting vacant office buildings to residential use is an important & necessary step
Because Philadelphia has been a slow growth city, we passed a 10-tax abatement for conversions in 1997. Between 1998-2023, 40 major buildings converted downtown to residential or hotel use: 10 million sf of office space.

We call it the office district.
But we’ve added a significant inventory of **residential**

We call it an office district, But we’ve added a significant number of **hotels**
Dramatically diversified land-use downtown

Long-term success: create a mixed-use city center
Single use blocks are a formula for failure
Don’t want to exaggerate the residential factor
On average only 15% of downtown workforce lives within 2 miles

But the good news: while nearly all downtowns lost residents in 2020
Nearly all have more people living downtown in 2023 than in 2019

FIGURE 20 NET MIGRATION TO CORE DOWNTOWN, 2020-2022
While many cities briefly lost downtown residents in 2020, nearly all regained them in 2021 and most surpassed prior population levels by 2022.

Source: Mcube
Comparing 2019 to 2023
Visitors stayed constant at 60.6% share to 61.7% share
Workers contracted from 32.2% to 27.1%
Residents grew from 7.3% to 11.2%

(3) Importance of leadership
Office jobs are backbone of city tax bases & of our BID assessments
Densest containers of the most diverse jobs:
Hold high-wage, mid-level & entry-level jobs

Hair & nail salons, shoemakers, dry-cleaners, delis & restaurants

What other jobs are lost if office workers don’t return?
Those who don’t have the option to work remotely

Every 500,000 square feet of occupied office space:

- Provides 3,333 office jobs, 5 building engineering, 18 cleaning and 12 security positions.
- Supports 11,000 hotel rooms filled with business travelers.
- Generates $2.8 million in retail demand.
- Hair & nail salons, shoemakers, dry-cleaners, delis & restaurants.
Many blue-collar urban jobs depend on the presence of office workers.
Put simply: remote work may not be consistent with inclusive growth.

63% downtown jobs require less than college degree
33% require only a high school diploma

PERCENT OF JOBS BY LEVEL OF EDUCATION, WORKERS 29 AND OLDER

<table>
<thead>
<tr>
<th></th>
<th>High School or Less</th>
<th>Some College/Associate</th>
<th>Bachelor’s Degree or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Center-City</td>
<td>33%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>36%</td>
<td>30%</td>
<td>34%</td>
</tr>
<tr>
<td>Metro Area</td>
<td>36%</td>
<td>30%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Longitudinal Employer Household Dynamics, 2017
25% of working residents in each neighborhood work downtown
There is a broader economic impact of not coming back
On the economic ecosystem & vitality of neighborhoods

This is where local leadership matters
If the choice is between this........
… and this, the office probably loses

But working from home comes with its own challenges
Employers need to focus more on quality space
Gensler: “Office as destination, not obligation”
A place for interaction; enriched with programming

Increasing amenities within offices
Some providing lunch or breakfast
Guest speakers

If not, missed opportunities for mentoring younger staff
Missed opportunities for innovation that comes from collaborative work & random, accidental conversations in the hallway & on the street.

Let's be clear that the duration of working from home....

Strengthened the hand of labor in workplace negotiations

Chapter 11: The Rich in Times of Crisis from the Black Death to COVID-19

“There is little doubt that the Black Death (1347-1352) was the rare catastrophe in Western history which tended to be relatively advantageous for those among the survivors who had relatively humble origins…

(about half of total workforce of Europe died)

Being forced to offer better economic conditions to laborers obligated the economic elite to share more of bounty of the post-pandemic years.”
Current conditions are nowhere near so extreme; But it is good to keep this historical reference in mind

Remote Workers Reluctant to Return to the Workplace

“Office as destination, not obligation”
(4) Perceptions of safety

Westfield’s San Francisco Centre mall became the latest major business to leave amid rampant crime problems.

We looked at available citywide data about violent crime

And available citywide data about property crime

Limits of crime data

- Not available for all cities
- Not available for just the downtowns, though several studies found it dropped in many city centers; quality of life offenses & retail theft are usually the major challenges
- Crime outside the downtown is well-reported & so the line between actual crime rates & perceptions of crime are blurred
- Discussions about crime are highly sensationalized & politicized
- Our experience is while some forms of crime went up, this is more about perception than reality; but perception becomes reality
CCD’s own surveys:
While actual crime numbers went down;
Perception of safety also declined
Quality of life challenges became paramount

Q2: What situations/conditions make you feel most unsafe in Center City?

BIDs (Business Improvement Districts) made for moments like this
CCD = $32 million annual budget
2020: Kept all manual & mechanical cleaning staff working
Pressure washing & graffiti removal; 7 days/week

Continued to deploy uniformed, unarmed, safety ambassadors:
Eyes & ears for the police; visibility was key to reassure public
2021: Added a public safety bike patrol
Seven days per week

Doubled our public safety deployment
As police deployment has been constrained
Since 2018: Deployed Ambassadors of Hope
CCD funds: CSRs, Project Home & CIT trained police
CCD provides dedicated van to transport to shelter

Co-service delivery model; 3 teams, 6 days/week
In 2023: 300 individuals transported to shelter, services & housing
No arrests or citations
2022: Upgraded landscaping: enhance curb appeal

Greening bike lanes
Since 2003, CCD renovated & currently manages 4 parks

We programmed events for families with children
Story telling & music

Dilworth Park in our center square
Completed $60 million renovation in 2014
Kept the fountain running in spring and summer

Added roller skating
Continued winter ice-skating

Holiday markets: 9.3 million visitors in 2023
To support return to work: extended programming with office plaza activations

Working in cooperation with building managers
This was about changing perception
Morning events to welcome back commuters: surprise & delight

After work happy hours
But public sector policing also needs to change
Patrick Sharkey: police as warriors ....

Or police as guardians of community defined standards of public safety
Partnerships between police & social services
Restore community policing with a focus on quality of life
Four key variables that impact recovery

(1) the composition of downtown economy/employment
(2) the length of commute for workers
(3) leadership exercised by business, civic & political actors
(4) perceptions of safety

There is no one single cure for recovery, we need to move simultaneously on multiple fronts