



# Main Streets and TOD post-COVID

Trends and strategies

ILCMA Financial Forecast Forum | January 21, 2020



VISION  
ECONOMICS  
STRATEGY  
FINANCE  
IMPLEMENTATION

# COVID 19's impact on downtowns and main streets

- How can communities adapt and help businesses through the COVID crisis?
- Will demand return for mixed-use places with active uses?
- Is transit – and building community hubs around it – still relevant?



# Main Streets & TOD: Pre-COVID trends

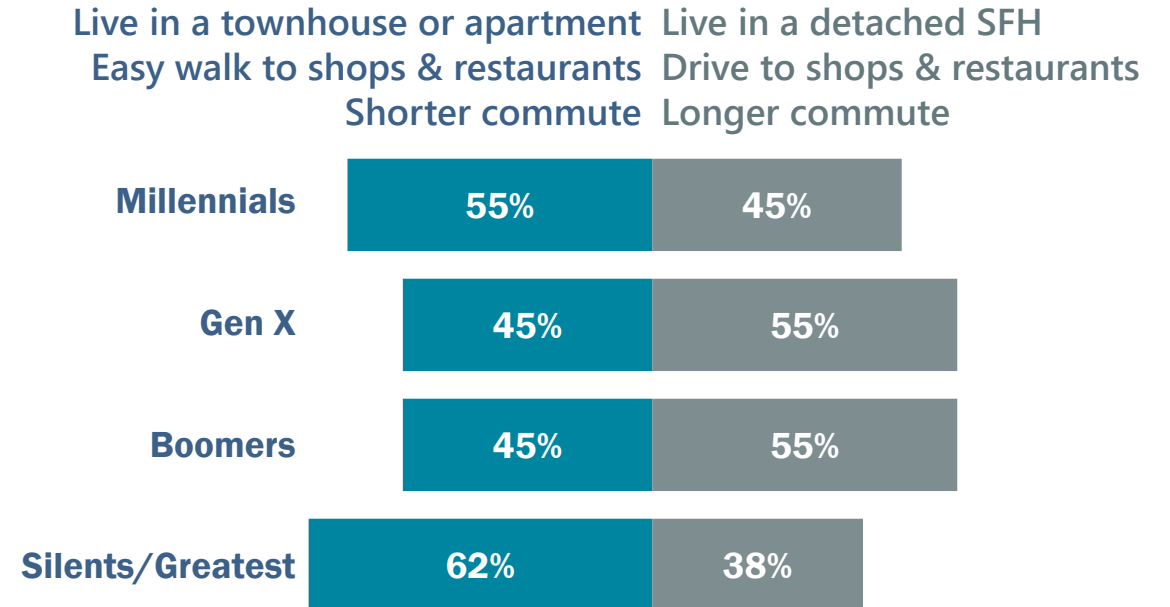
## Preference for walkability and proximity to services

In 2018:

The Chicago region had a **22% rent premium** for walkable office development

The region's suburbs had a **60% rent premium** for walkable rental apartment development

Source: "Foot Traffic Ahead" Smart Growth America Study



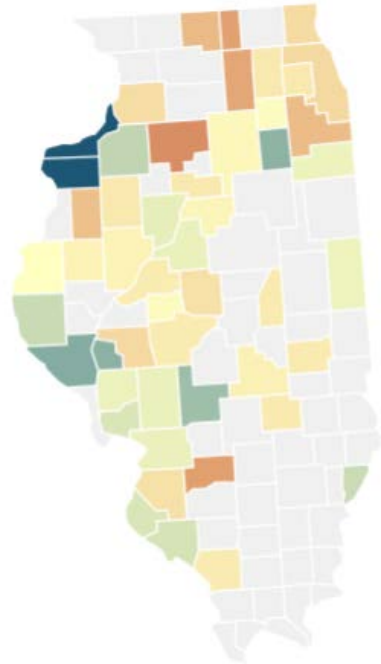
Community & Transportation Preferences Survey U.S. Metro Areas, 2017, National Association of Realtors, American Strategies, and YouGov

# Consumer spending on typical TOD uses is down

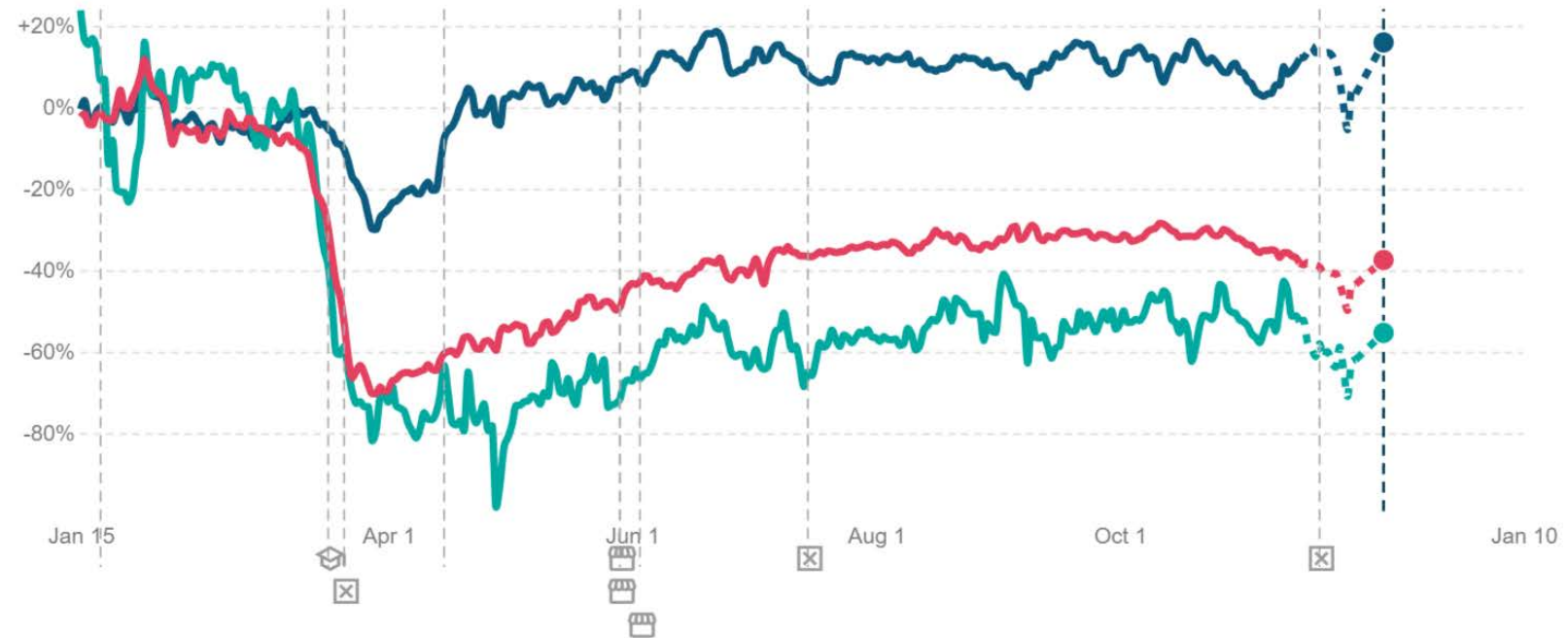
General retail has returned to normal levels in some places, but restaurants and retail remain low

## Illinois percent change in consumer spending, compared to January 2020

By county



By type of spending

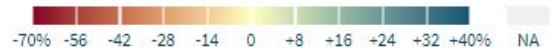


Week ending  
Dec 06, 2020

**+15.9%**  
Retail

**-37.5%**  
Restaurants &  
Hotels

**-55.4%**  
Entertainment  
& Rec.



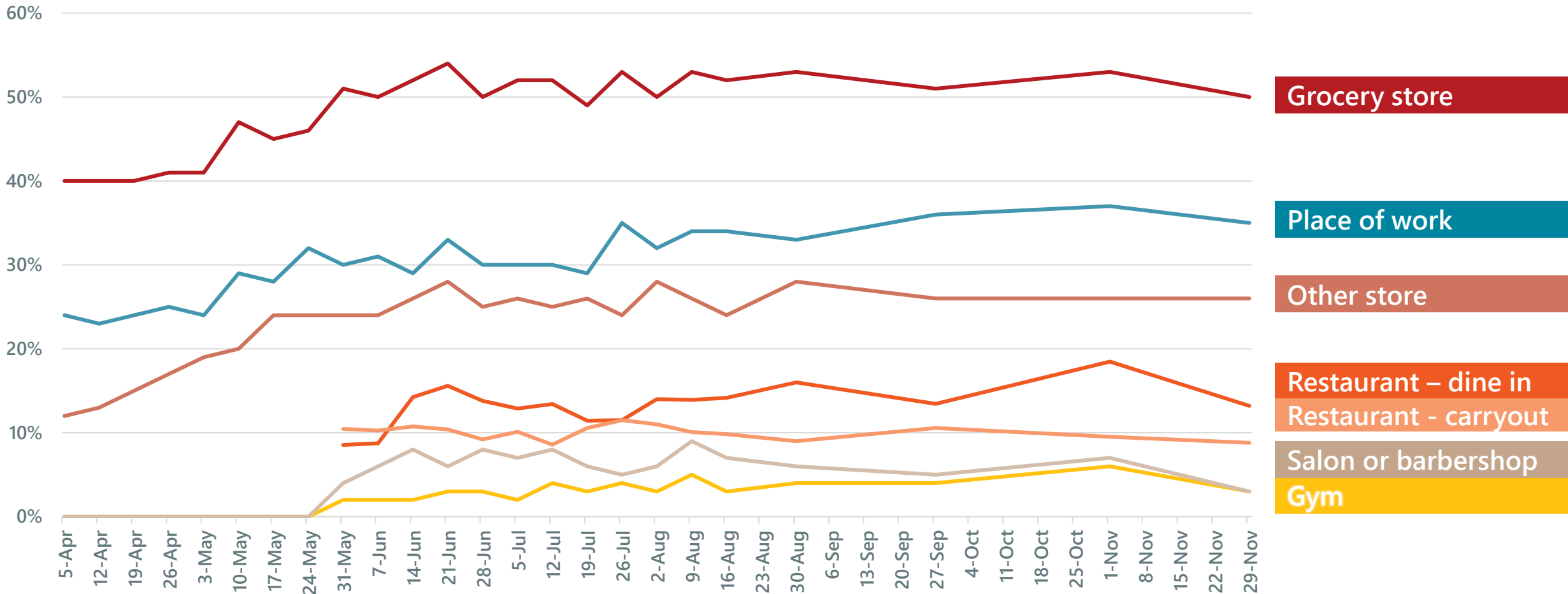
**Jan 20**  
First U.S. COVID-19 Case

**Apr 15**  
Stimulus Payments  
Start

# Work and essentials remain the core reasons to leave home

Consumers will shop or dine in-person, but in limited ways

In the past 24 hours, have you visited any of the following places? Please select all that apply.



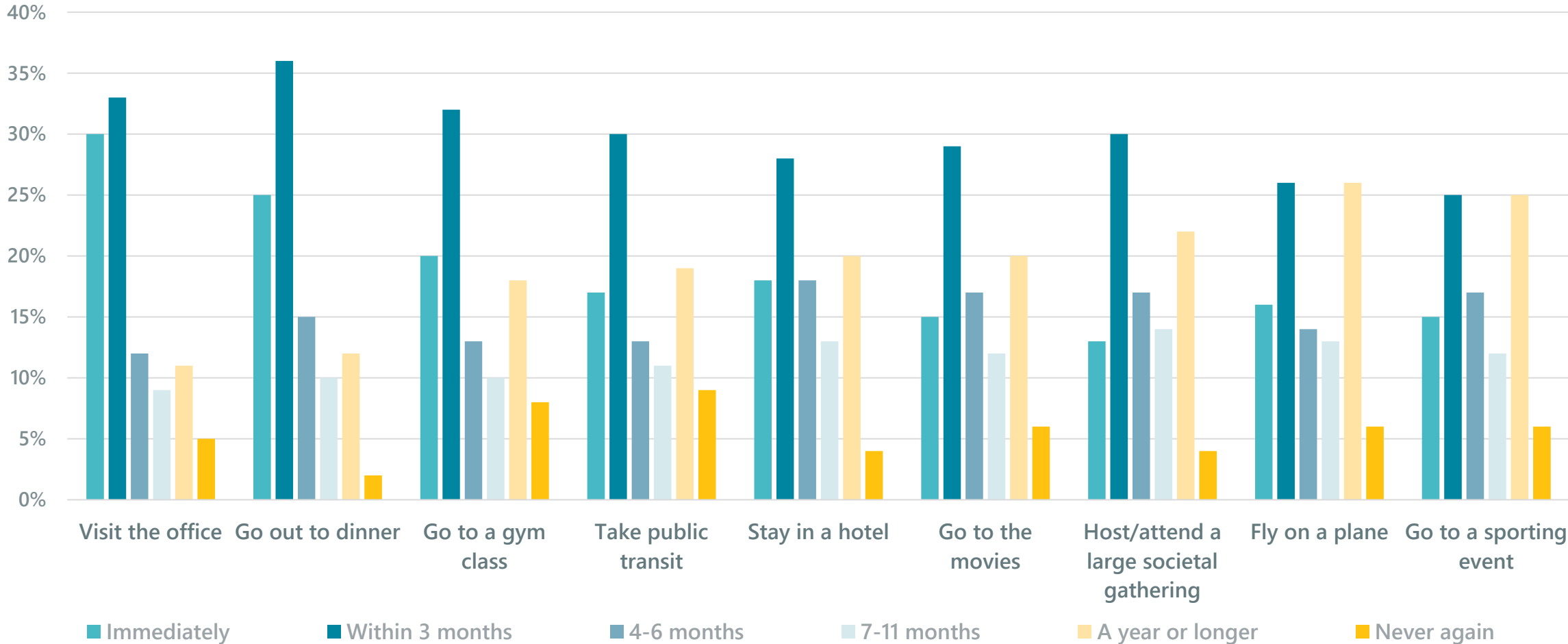
\* Date listed is the end of the 2-week polling period. Results are an average of the two week period.

Source: Gallup poll, September 2020; SB Friedman

# What activities do people want to get back to?

Working *at* work, eating out, and travel are priorities

Once the government provides information that the spread of the virus is flattening how long will it take you to do each of the following?

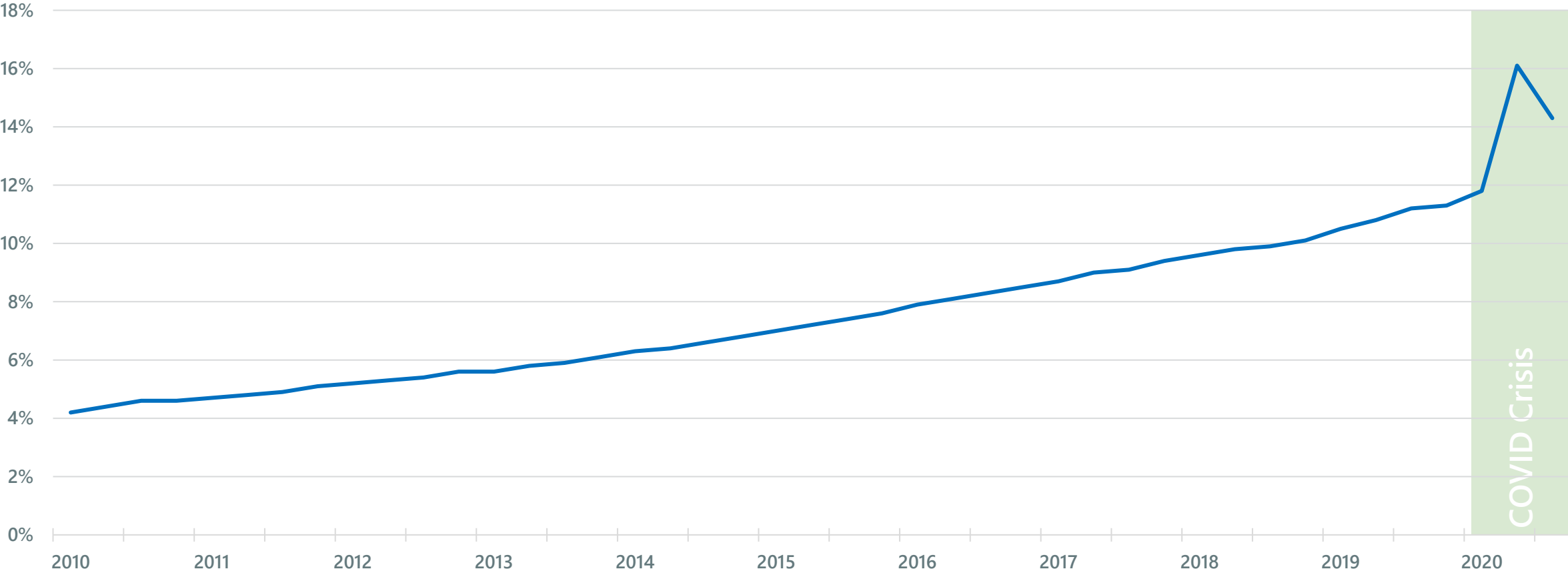


Source: Harris Poll, wave 40 (November 30-December 4, 2020)

# COVID temporarily accelerated e-commerce adoption

Consumers shifted spending back to brick-and-mortar retail once lockdowns ended

Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales

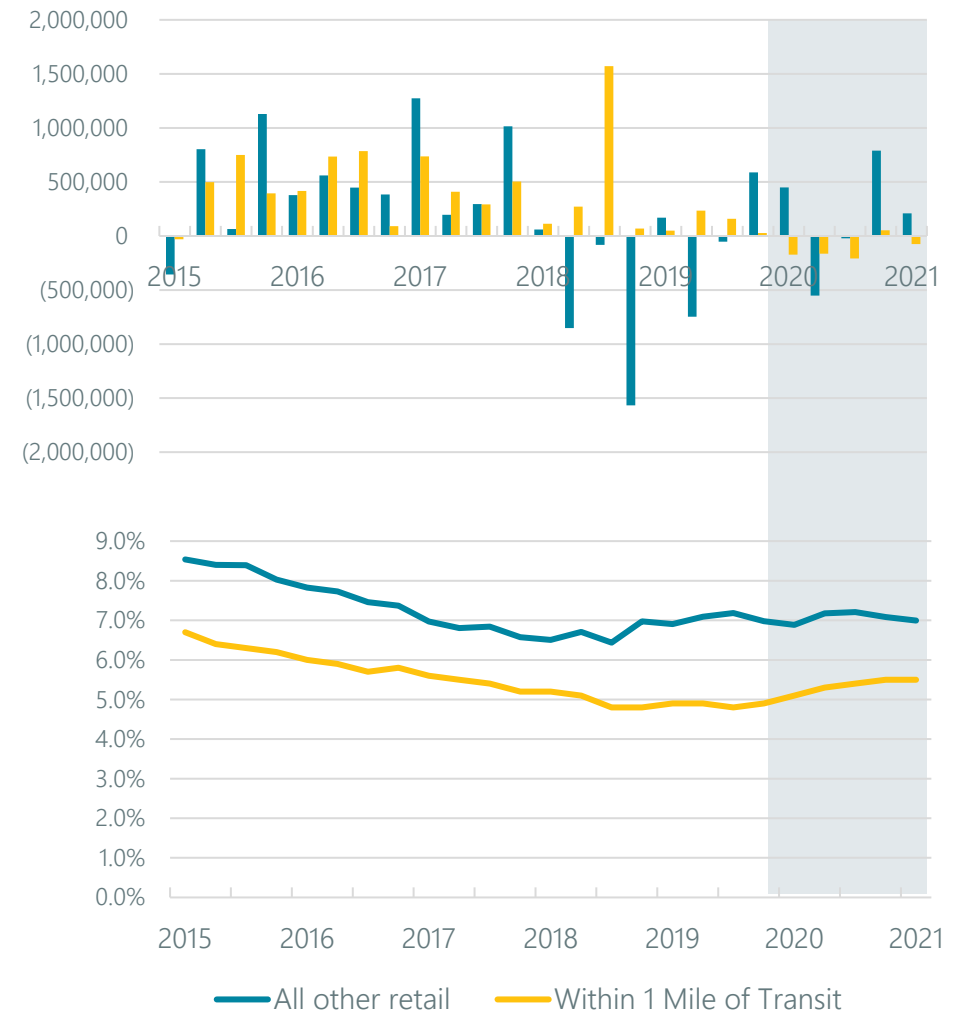


# Main street businesses adapt to major shifts

## Business closures, ghost kitchens, and eventual rent resets

- Cushman & Wakefield estimates that up to 1/3 of restaurants will close if pandemic shut-downs continue
- “Ghost Kitchens” have helped some restaurants operate delivery out of a shared kitchen, reducing costs and expanding markets
- Small shops have transitioned to online storefronts, workshops, and expanded services
- Increased vacancies from closures offer opportunity:
  - Reset on rents in high-demand areas
  - Communities can plan for / seek out more desirable tenant types or uses

**Retail Net Absorption and Vacancy within 1 Mile of Transit vs Remainder of Chicago Region**





# Strategies

# A few key factors will drive recovery

- **Regulations:** Federal, state, and local decisions on reopening timelines
- **Behavior:** Vaccine uptake
- **Capital:** Public or private funding available to remain open, retool, and rehire
- **Market:** Consumer perception on safety, income sufficient to purchase goods, and persistence of COVID-era adaptations in housing choices
- **Federal Assistance:** Economic aid to highly vulnerable populations and businesses

# TOD and entertainment district strategies

Be flexible and plan for the many Consumers who are ready to return to experience-oriented districts

- Support affected businesses
- Implement short and long-term Placemaking strategies
- Plan for post-COVID priorities

# Support affected businesses

## Link businesses to resources and adjust local policies and fees

- Connect businesses to resources:
  - PPP utilizes private lenders – many small or minority-owned businesses need help establishing banking relationships
  - Advertise EIDL and other SBA resources
- State of IL – <https://coronavirus.illinois.gov/s/resources-for-business>
- Counties and non-profit coalitions offer small operating grants
- COVID CDBG funds can be utilized for small operating grants to businesses meeting local priorities
- Temporarily adjust regulations and policies:
  - Allow outdoor dining or sales, shifted hours of operations, etc.
  - Suspend or defer fees for all businesses or certain types of operators

# Entertainment businesses have relief ahead

- Limited relief from PPP funds because venues could not reopen
- Save our Stages – a “Main Street” focus:
  - \$15 billion
  - Grants up to 45 percent of 2019 revenue
  - Includes performance, cultural, or hybrid venues
  - Targeted relief for businesses with <50 employees



# Expand Placemaking Strategies

Consumers are likely to continue to seek urban amenities

- Short term:
  - Use public ROW flexibly (outdoor dining, winter activities, street closures, etc.)
  - Test shared streets and other multimodal options
- Long term:
  - Improve mobility options
  - Zone for a mix of uses
  - Pursue innovative use of the public realm

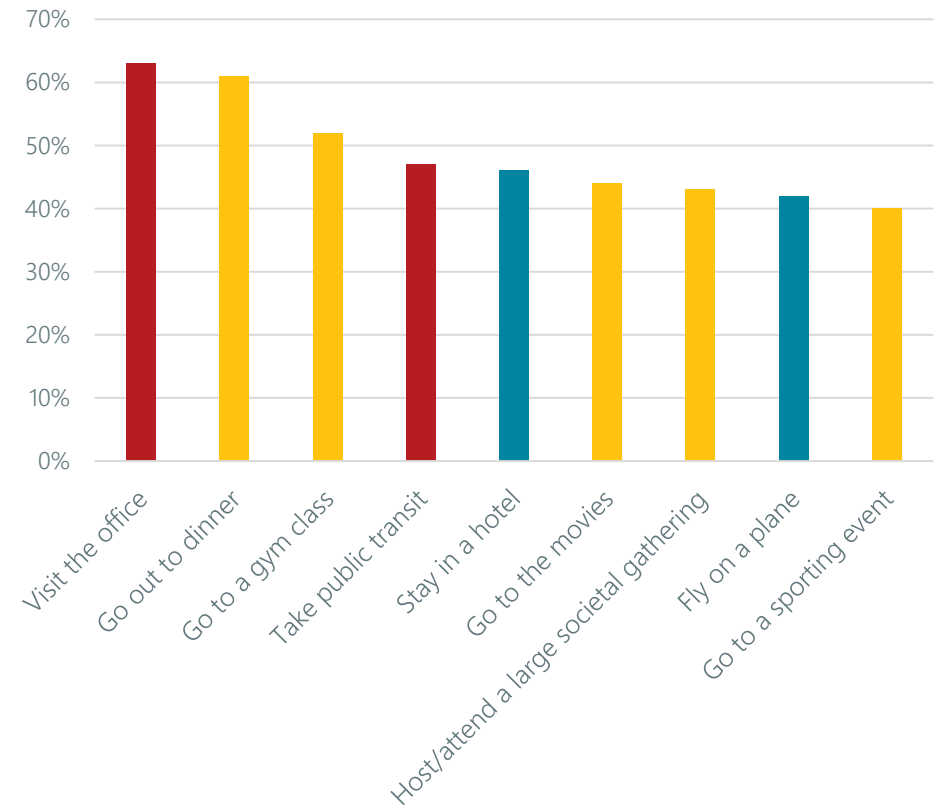


# Mid term: Plan for post-COVID priorities

Post-vaccine, many consumers are ready to return to experience-oriented districts

- Plan for post-COVID economic development priorities
- Identify market opportunities for vacant space
- Update zoning, development policies, etc.
- Put in place BIDs, TIFs, etc. to aid post-COVID reinvestment

**Percentage of consumers wanting to return to an activity within 3 months of reduced COVID spread**



Source: Harris Poll, wave 40 (November 30-December 4, 2020)

# Questions



# COVID 19's impact on downtowns and main streets

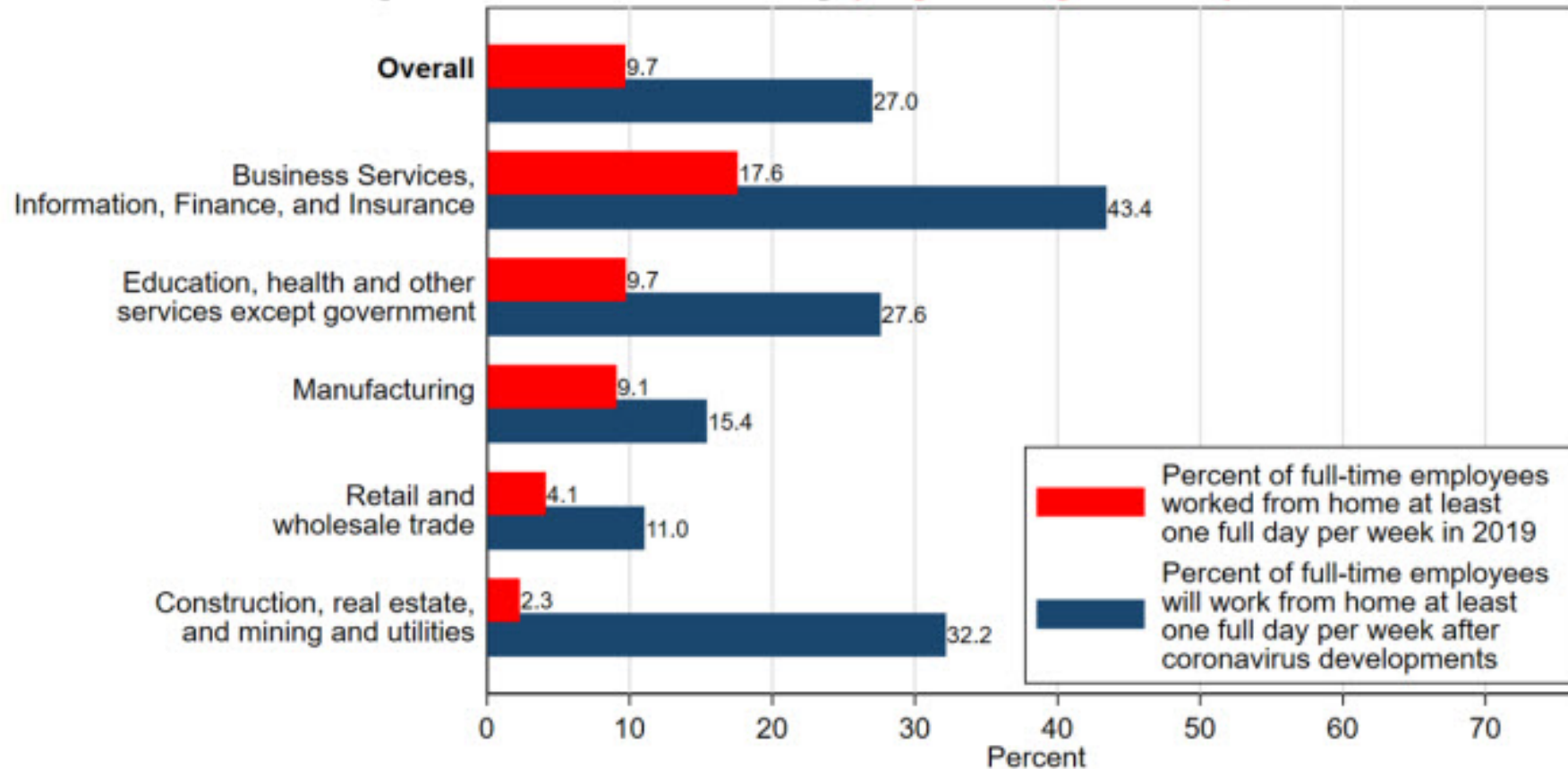
- Placemaking:
  - Social hub
  - Active and varied uses
  - Comfortable and safe
  - Accessible or central

# Class A Office: What might happen?

Post-COVID, more people are likely to work from home some days of the week

Working from home at least one full day per week, pre- and post-COVID, by industry

Survey of Business Uncertainty (May 11–May 22 2020)



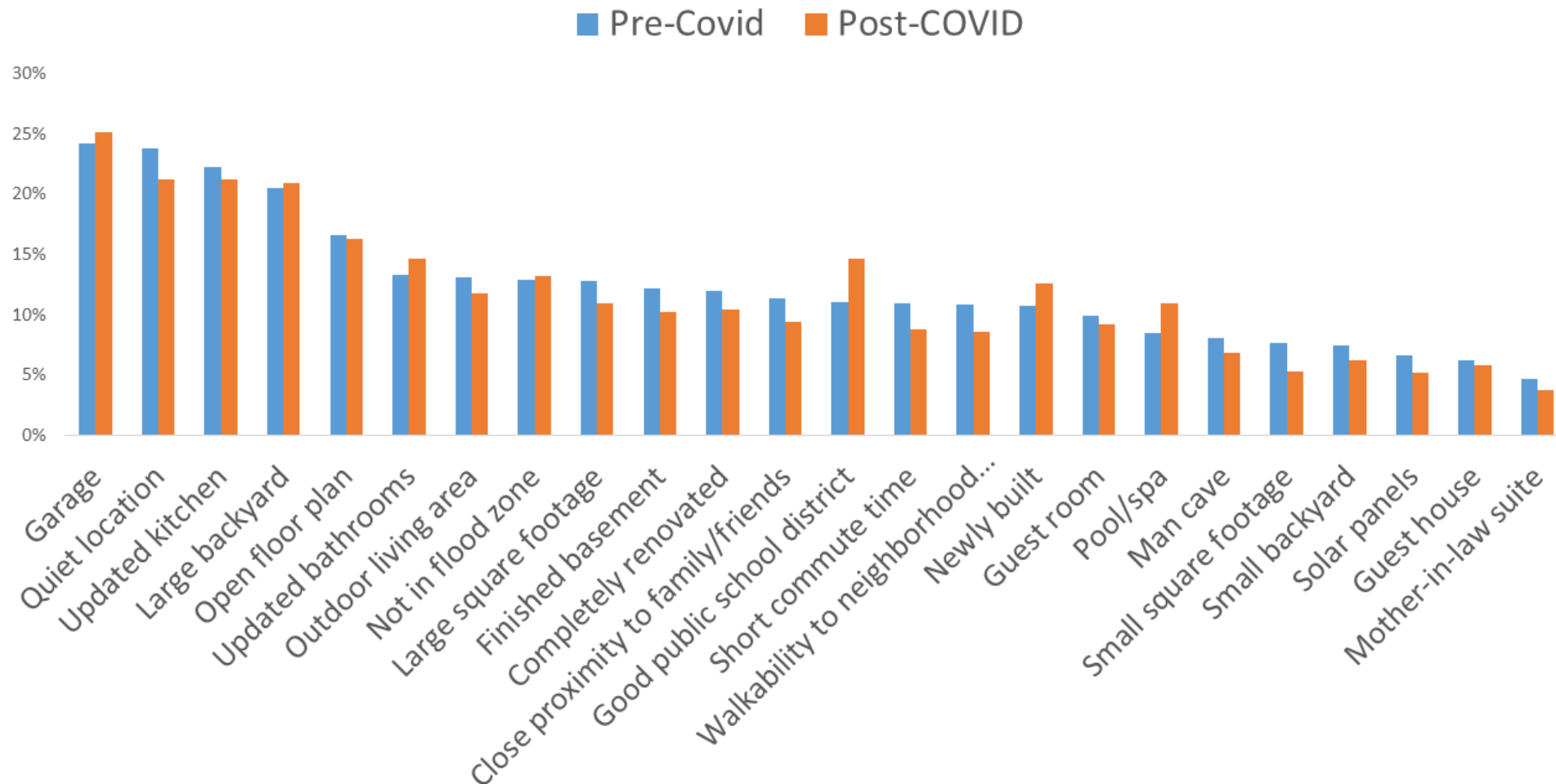
Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business

SB Friedman Development Advisors

# Residential: What's happening now

Homebuyers are willing to increase purchase prices, but desired amenities have changed minimally

Change in desired home amenity features, July 2020

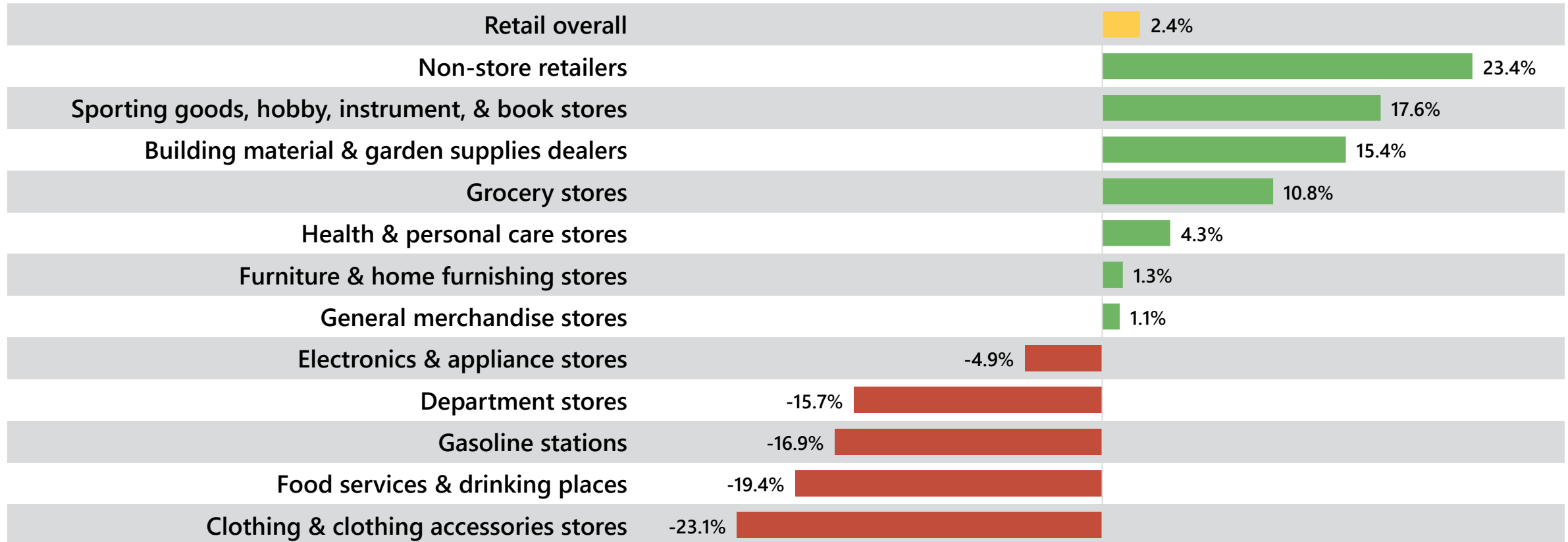


Source: Realtor.com, July 2020

# Retail: What's happening today?

Discretionary purchases and entertainment are down, while home improvement and hobbies are up

## Percent change in select types of retail and food sales (July 2019 to July 2020)



Source: US Census Monthly Retail Trade data, August 2020 dataset