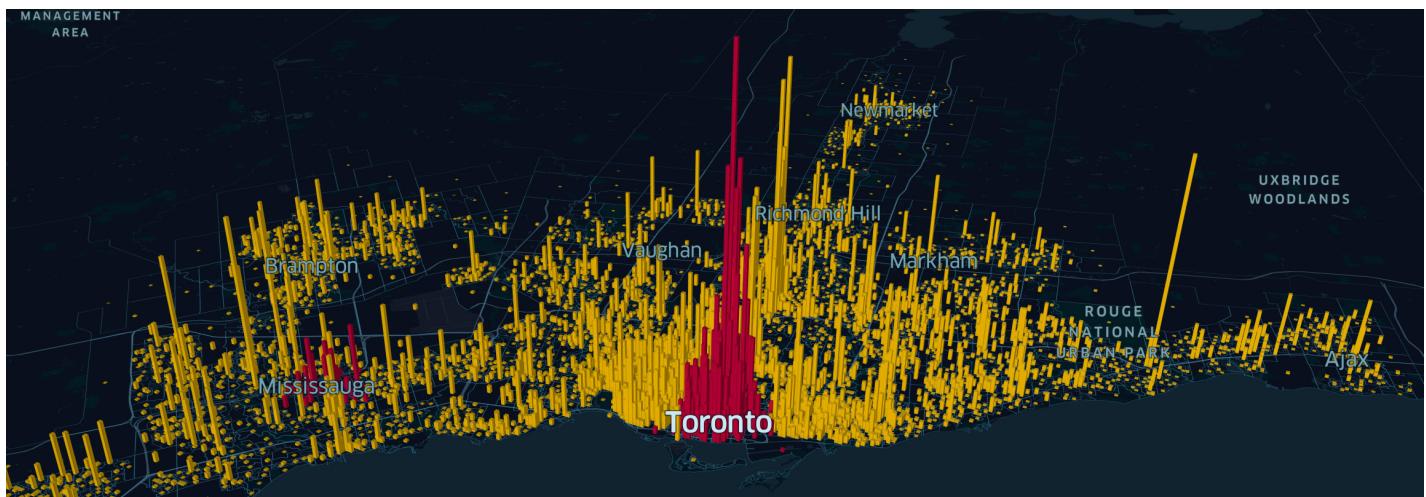




The Death of Downtown?

Pandemic Recovery Trajectories across 66 North American Cities

Karen Chapple, Michael Leong, Daniel Huang, Hannah Moore, and Laura Schmahmann



Introduction

The onset of the Covid-19 pandemic renewed long-term debates about the future of downtowns in North America. The last forty years have seen, in turn, the rise of suburban malls and downtowns, a back-to-the-city movement, and new patterns of remote work.¹ In the process, many downtowns have transitioned from daytime-only office zones to lively 24-hour mixed-use spaces. But with the initial shock of the pandemic, downtowns emptied out. And even as life has gradually returned to malls and neighborhood commercial corridors, the urban core is no longer a bustling center of activity. Is this finally the death of downtown?

Researchers typically measure downtown vitality via three key indicators: office vacancy rates, public transportation ridership, and retail spending. But the growing availability of mobile phone data with user locations creates a direct measure of downtown activity. In this research, we examine

visits to downtown using mobile phone data, comparing current (as of February 28, 2022) activity to pre-pandemic levels. We find wide variation in the extent of recovery, with activity ranging from a low of 20% of pre-pandemic levels in San Francisco to a high of 97% in Salt Lake City. The key factors driving recovery rates are the density of population and businesses downtown and reliance on the car for the commute, along with the presence of sectors that are continuing to support remote work (such as tech and finance). To survive in the new era of remote work, downtowns will need to diversify their economic activity and land uses.

In the following we describe previous research on downtown recovery, detail our data and methods, rank the performance of the 66 largest cities across the United States and Canada, and identify the key explanatory factors behind recovery. A conclusion outlines policy implications and next steps for research. For more detail about this research project, visit downtownrecovery.com.

Understanding downtown recovery

Economic activity and employment tend to agglomerate in the dense core of a city-region, which can facilitate access to labor and markets as well as knowledge spillovers.² Today's regions often are often polycentric, as suburbanization has created new centers that include not just office but retail and leisure activity.³ Even though many downtowns are adding new housing, offices continue to dominate, comprising, on average, 71% of real estate.⁴

Early in the Covid-19 pandemic, the media began reporting significant migration out of cities, particularly a flight of knowledge and tech workers towards the suburbs or other cities.⁵ In general, places with a higher share of employment in knowledge-based industries and occupations, and/or more highly paid workers, are more likely to shift towards remote work.⁶ Surveys suggest this shift will be permanent for up to half of the workforce in cities that are large and congested (e.g., New York), or powered by the tech sector (e.g., San Francisco).⁷ The new remote work may result more from long-term trends related to the affordable housing crisis in leading urban centers and the shortage of highly skilled labor than from the pandemic.⁸ Either way, a lively debate is emerging about whether the pandemic will lead to a full-blown, 1970s-style urban crisis or more of the adaptive bounce back we saw in many downtowns after the Great Recession.⁹

Early studies suggest that downtowns will struggle to recover from the pandemic, due to their disproportionate share of business closures, the lessening demand for downtown real estate due to remote work, and challenges associated with the loss of business travel and rise of ecommerce; however, the resurgence of leisure and hospitality spending is one bright spot.¹⁰ Although small and mid-size cities may benefit from the influx of new population, the pandemic is likely to have a disproportionate impacts on older industrial or "legacy" cities.¹¹ Using mobility data to measure activity like we do, analysts

have observed that certain countries or cities have been slow to bounce back, but to our knowledge no other studies focus explicitly on downtown or analyze causes.¹²

The pandemic has led to a plethora of ideas for the reinvention of downtowns, with leaders suggesting that the vacuum left by office workers be filled by cultural and recreational uses, along with new residents.¹³ Despite these opportunities, cities have generally been slow to recreate their downtowns, watching to see if activity will return before making any major changes.¹⁴ Should we start planning for the new downtown? Our analysis provides some clues.

Methods and Analysis

SafeGraph POI Data and Downtown Definitions

To measure the level of economic and social activity in a downtown at a point in time, we aggregated mobile phone trajectory data documenting the number of visits to Places of Interest (POI) downtown from SafeGraph, Inc. Patterns dataset. SafeGraph obtains GPS location trajectories of 18,000,000 smartphones throughout North America and reports the visits to each POI

scaled by the state device sampling rate. Visits to POIs are determined by an algorithm which uses machine learning to detect stops within POI geofences based on proximity, duration of stay, and characteristics of the POI such as opening hours, industry, or type of place. SafeGraph makes the full dataset of visits by POIs, which include but are not limited to businesses, offices, shops, restaurants, parks, community facilities, and stadiums, available for use through academic licenses and COVID-19 data sharing consortiums.

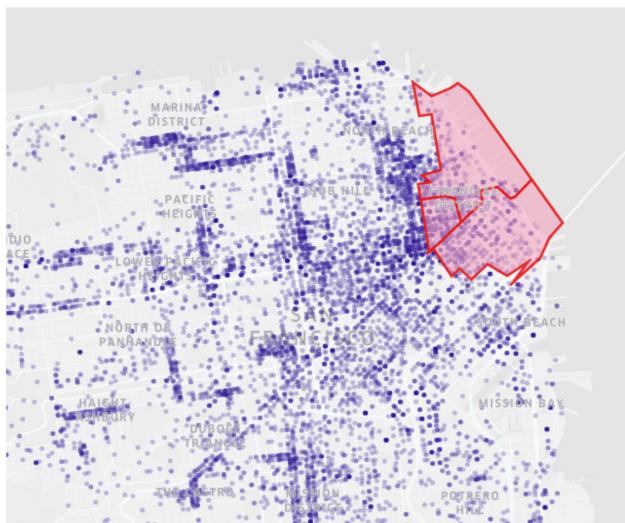
For this study, the research team compiled aggregated raw visit counts of each POI normalized

"To survive in the new era of remote work, downtowns will need to diversify their economic activity and land uses"

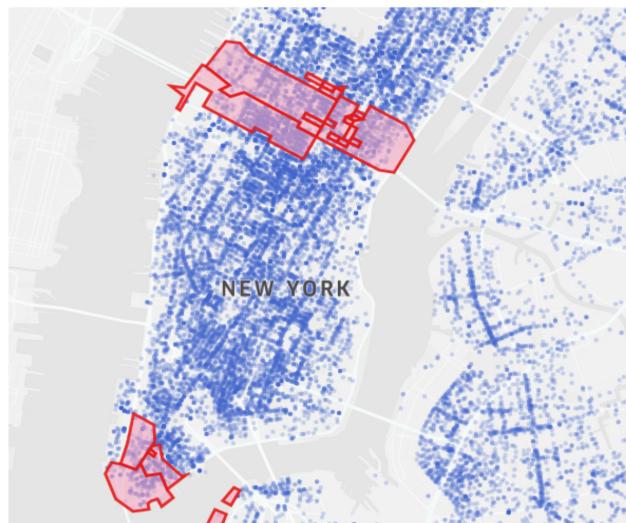
by the state sampling rate to represent the overall economic and social activity levels within and outside a defined downtown. For the purpose of this study, downtowns are defined as the locations with the greatest employment density, based on a Kernel Density Estimation (KDE) and rules-based definition method by Sergerie et al (2021) from Statistics Canada.¹⁵ This report defined downtowns as a set of Dissemination Areas (DAs) by using an appropriate initial boundary from KDE analysis, as

well as contextual boundaries from water bodies, arterial roads, freeways, or other natural landmark boundaries. We used these boundaries for Canadian downtowns; for United States downtowns, we used employment data from the United States Zip Code Business Patterns to replicate this method at the Zip Code Tabulation Area level. Figure 1 shows the POI locations and downtown definitions of Toronto, New York City, Chicago, and San Francisco.

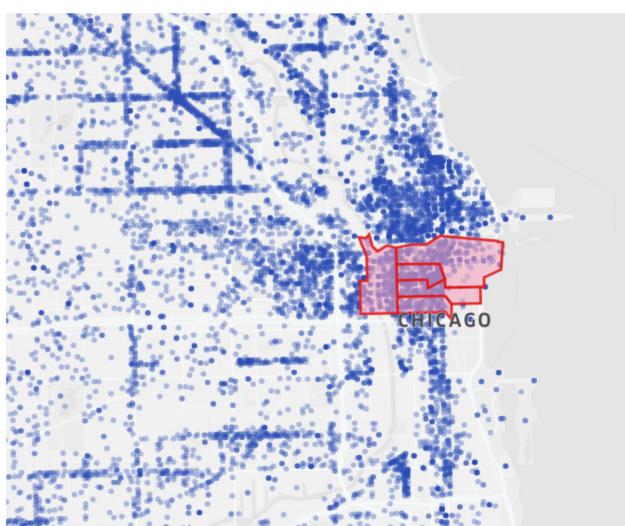
Figure 1: Downtown Definition of Select Cities



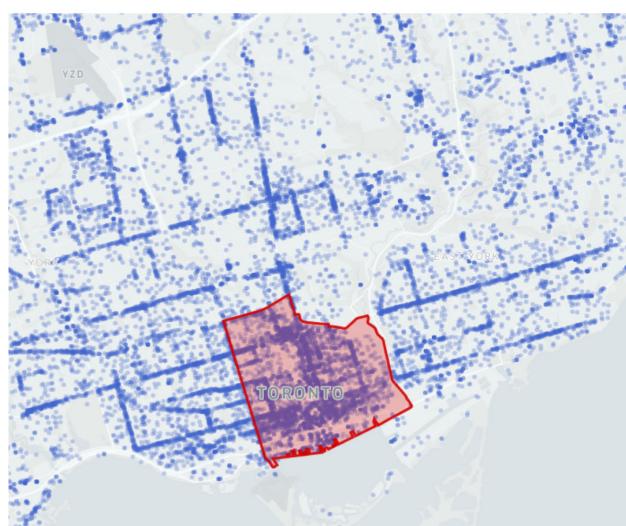
Downtown San Francisco, CA



Downtown New York, NY



Downtown Chicago, IL



Downtown Toronto, ON

Downtown Recovery Rankings

Our analysis comprised data spanning a two-year period agglomerated monthly from March 2020 to February 2022, for 66 cities across the US and Canada with at least 350,000 in population. We then calculated a Recovery Quotient (RQ) for both downtowns and entire cities by comparing the total normalized device counts from the most recent 6 months of data compared to the first 6 months of data.

The calculation formula for Recovery Quotient (RQ) is shown below:

$$RQ = \frac{\text{Device Count in August 2021 to February 2022}}{\text{Device Count in March 2020 to August 2020}}$$

Figures 2 and 3 present the ranking of downtown recovery across the top 22 metropolitan areas in the United States and Canada.¹⁶ The X axis is the RQ, which shows the percent of activity that has come back (e.g., almost 75% in Tampa). Most of the downtowns that have bounced back are in the southern U.S., while the downtowns that have struggled are primarily in the north. The Recovery Quotient for the entire city is often higher than the downtown areas alone, indicating that downtown areas have been consistently lagging behind in activity recovery as remote working and the digitization of services continues.

Figure 2: Ranking of Downtown RQ in Large Metropolitan Areas

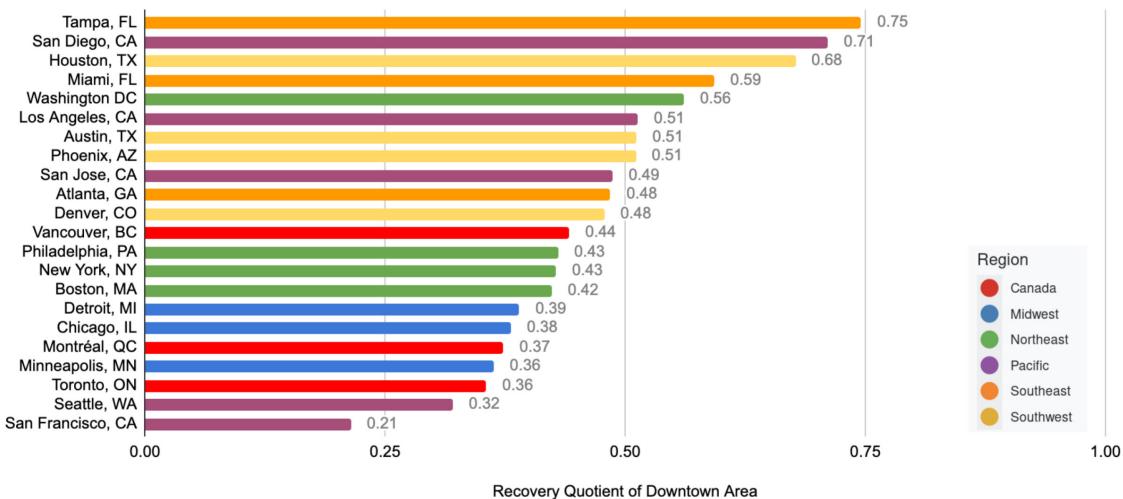
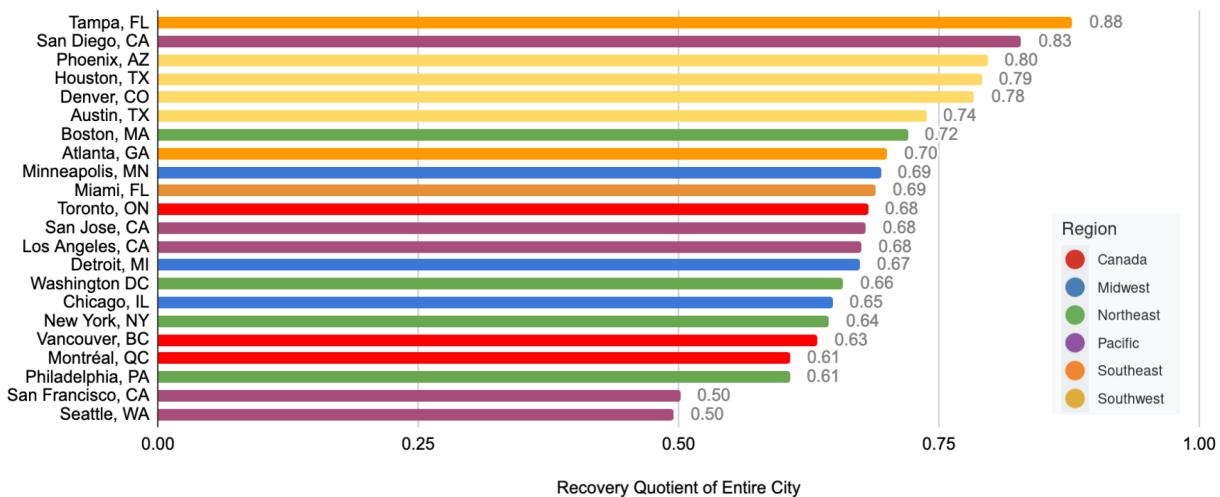


Figure 3: Ranking of Entire City RQ in Large Metropolitan Areas



Downtowns within medium-sized metropolitan areas (Figures 4 and 5) have generally recovered more quickly than the large metros, and the high-performing downtowns are more dispersed across North America. Like the large metros, the RQ for the entire city is often higher than that for downtown. A handful of medium-sized cities had recovery quotients over 1, indicating that they are seeing more overall activity now compared to pre COVID-19.

Time-series recovery patterns can also be used to track downtown recovery at different phases of the

pandemic, when the public health situation and accompanying policies were constantly changing, and varied regionally. Figure 6 displays this for large cities in the United States and Canada.

Other metrics, such as the Location Quotient measuring the recovery of downtowns relative to the rest of the city, as well as the rate of recovery of downtowns, can be found on our [website](#). Interactive widgets allow for a customized comparison of multiple cities' recovery trajectories over time.

Figure 4: Ranking of Downtown RQ for Medium-Sized Metropolitan Areas

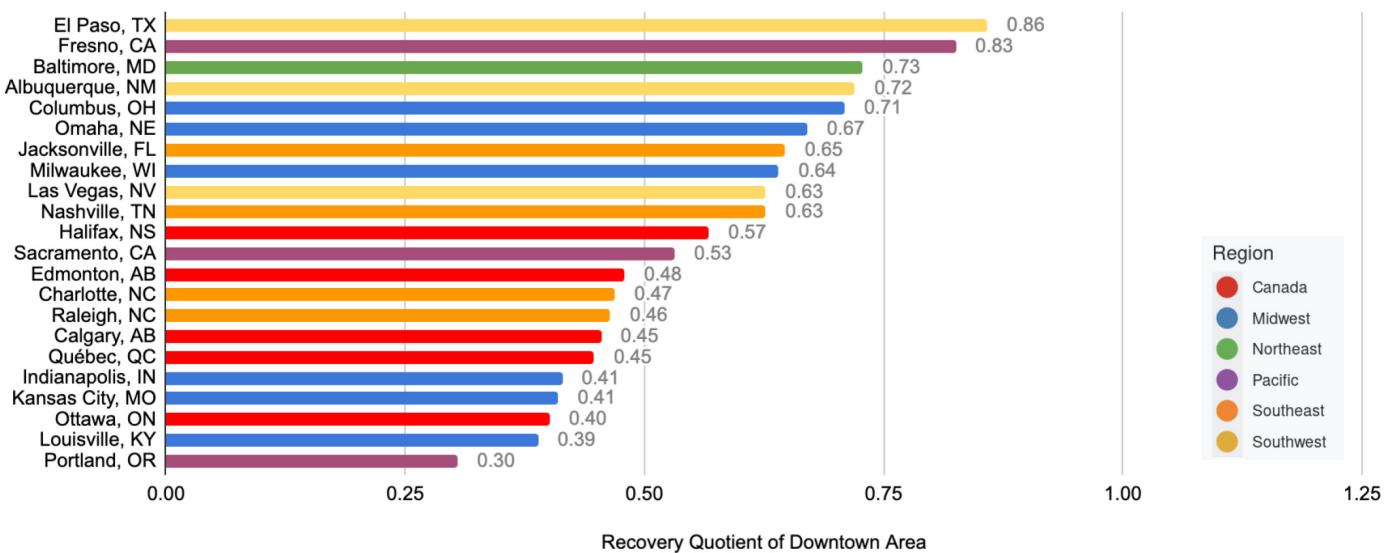


Figure 5: Ranking of Entire City RQ in Medium-Sized Metropolitan Areas

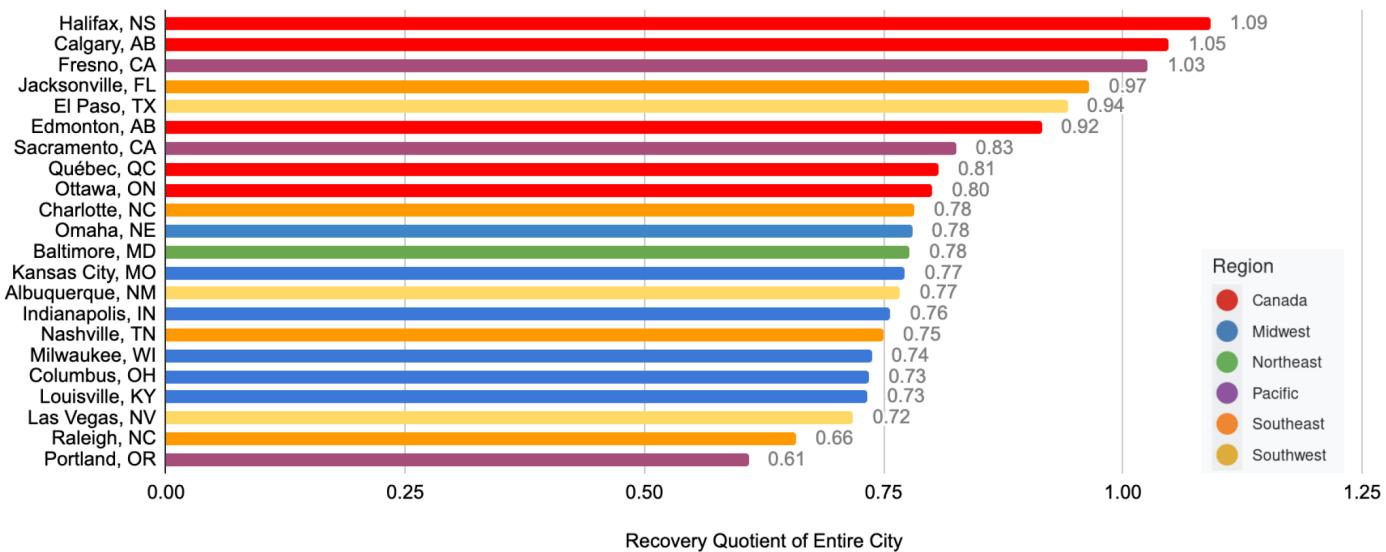
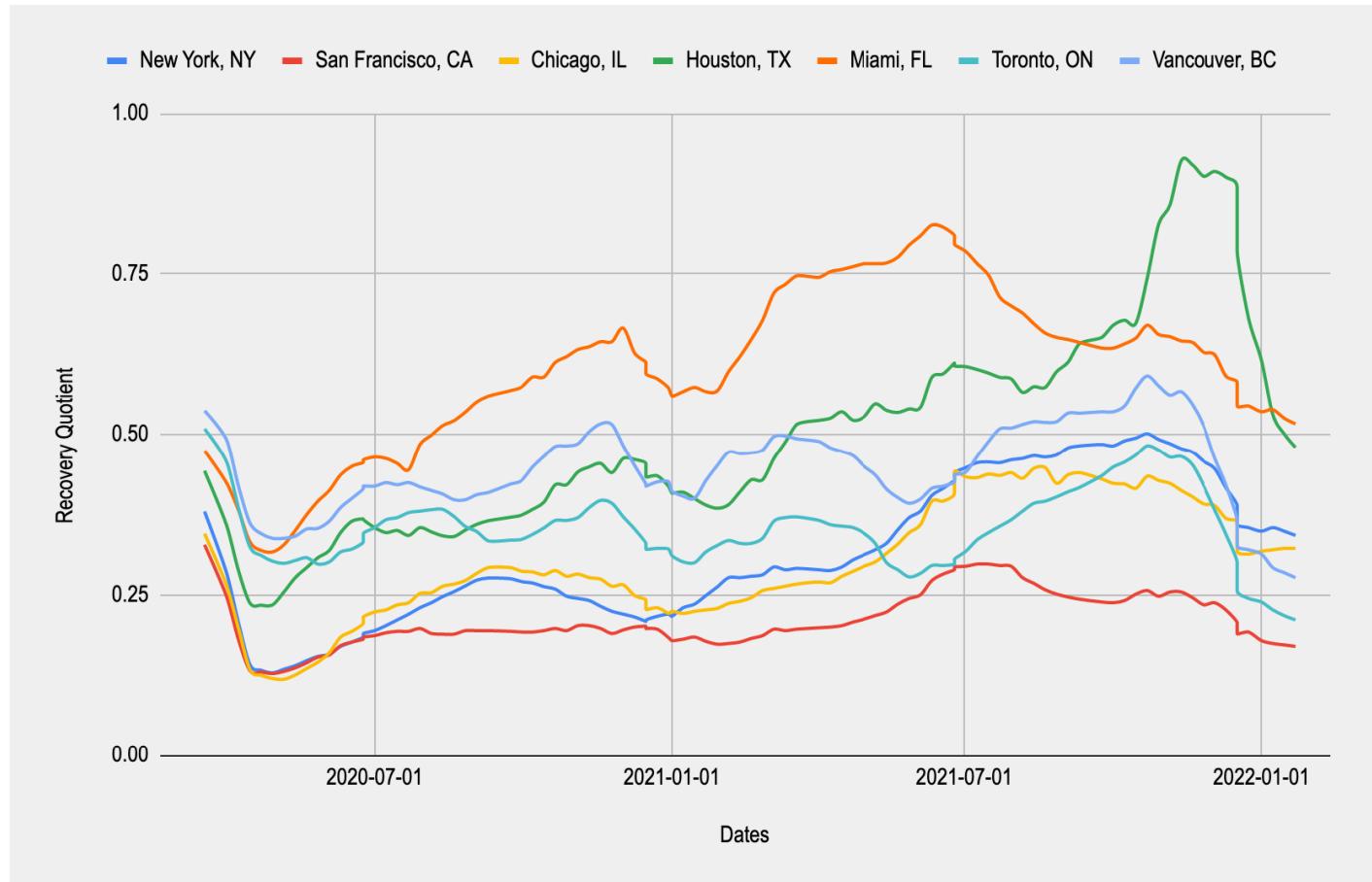


Figure 6: Recovery Quotient Trajectories in 7 Large North American Cities



Explaining Recovery: Downtown Employment and Socioeconomic Explanatory Variables

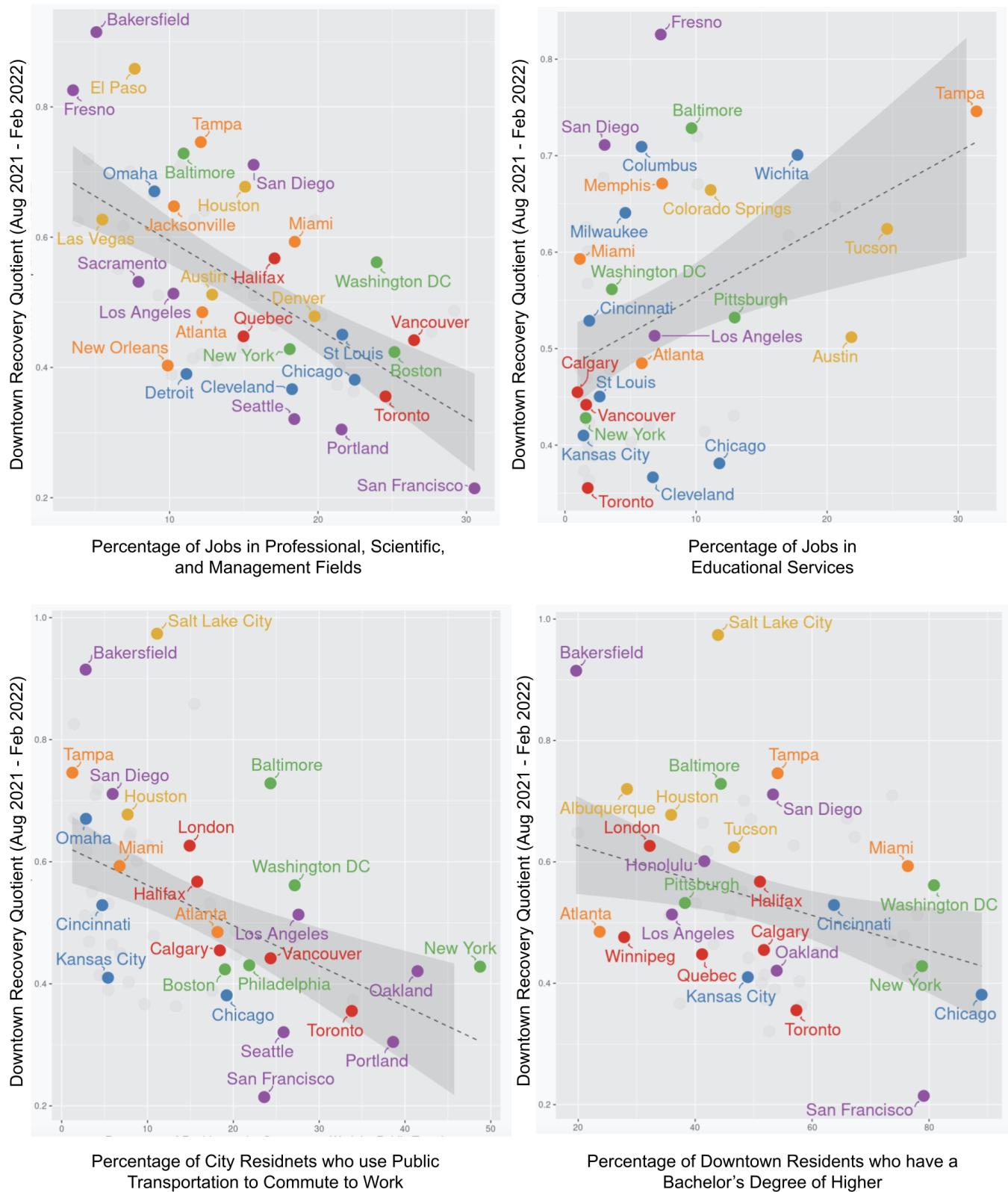
In order to explain recovery patterns, we then joined downtown POI data to 44 explanatory employment and socio-economic variables representing the industry mix of downtown employment and the characteristics of downtown residents (see Appendix). We collected data at the zip code level from the United States Census Bureau and at the Dissemination Area level from Statistics Canada, and then aggregated into the defined downtown regions.

Next, the research team ran random forest and linear regressions to determine the importance

of these variables in explaining the variation of Downtown Recovery Quotients. Based on the results of the models, the most important and correlated variables included the percentage of jobs in information, professional scientific and technical fields, healthcare & social assistance, and finance & insurance. Recovery Quotients were also highly correlated to mode share to work, education level of downtown residents, business and population density, and the percentage of single-family homes in downtown area housing stock. Figure 7 shows some of the correlations between these explanatory variables and the RQ of downtown areas.

More factors, such as employment by all NAICS industries, socio-economic variables, and commuting variables can be found on our [website](#).

Figure 7: Most Strongly Correlated Explanatory Variables for Downtown RQ from August 2021 - Feb 2022



Conclusion and Policy Implications

This research shows that downtowns throughout North America are recovering more slowly than the rest of the city, and that a distinct set of downtowns – typically older, denser downtowns reliant on professional or tech workers and located within large metros – continue to struggle to come back. Recent surveys suggest that remote work will likely be a permanent feature of these types of metros.¹⁷ Although many employers are beginning to enforce in-person work requirements, tight labor markets for high-skilled workers mean the employers have little leverage.

Although many employers are beginning to enforce in-person work requirements, tight labor markets for high-skilled workers mean the employers have little leverage.

Thus, particular for these large metros, it may be time to reinvent downtown. Most importantly, downtowns should look to diversify their economies to focus on resilient sectors such as education, health, and government. Cities should help developers convert older (Class B and C) office buildings to residential, institutional, and recreational uses.

But as a recent policy hackathon held by Politico suggests, downtowns also need to be proactive about recreating downtowns for people.¹⁸ This could mean creating outdoor spaces with cultural events; rethinking streets for transit, bikes and pedestrians; moving parking to the outskirts of downtown; and attracting diverse segments of the population to visit (both in terms of age and race/ethnicity). Unlike past recoveries, this may take significant public-private collaboration to accomplish, given the extensive intervention required to remake space.

This policy brief offers a glimpse into downtown recovery at this point in time, but it will be important to continue to track recovery with this data granularity, in order to pinpoint trends. Future research should also examine the role of lockdown policies, political leanings, weather, and new downtown development

in the recovery. In the meantime, we hope that www.downtownrecovery.com will become a information hub for policy makers seeking to shape downtown's next chapter.

About IGS

The Institute of Governmental Studies is California's oldest public policy research center. As an Organized Research Unit of the University of California, Berkeley, IGS expands the understanding of governmental institutions and the political process through a vigorous program of research, education, public service, and publishing.

About the Authors

Karen Chapple, Ph.D., is Professor Emerita of City & Regional Planning at UC Berkeley, and Director of the School of Cities/Professor of Geography & Planning at the University of Toronto.

Michael Leong completed his Bachelor of Science in Civil Engineering at UC Berkeley and will be pursuing a Masters of Science in Transportation at MIT. He has been a lifelong enthusiast in his research interests on the intersection of data science, urban development and mobility patterns, and the future of cities.

Daniel Huang is a data scientist studying Development Engineering at UC Berkeley. His research interests revolve applying machine learning and econometrics techniques to explore urban development and sustainability problems.

Hannah Moore completed a B.A. in Data Science at UC Berkeley and is currently a research data analyst with IGS.

Laura Schmahmann is a Ph.D. student in the Department of City & Regional Planning, UC Berkeley.

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Appendix

Employment Variables
Total Jobs in Downtown
Employment Density in Downtown
Employment Entropy in Downtown
Percentage of Jobs in Agriculture, Forestry, Fishing, and Mining
Percentage of Jobs in Mining, Quarrying, Oil, and Gas
Percentage of Jobs in Utilities
Percentage of Jobs in Construction
Percentage of Jobs in Manufacturing
Percentage of Jobs in Wholesale Trade
Percentage of Jobs in Retail Trade
Percentage of Jobs in Transportation and Warehousing
Percentage of Jobs in Information
Percentage of Jobs in Finance & Insurance
Percentage of Jobs in Real Estate
Percentage of Jobs in Professional, Scientific, and Management
Percentage of Jobs in Management
Percentage of Jobs in Administrative Support & Waste Management
Percentage of Jobs in Educational Services
Percentage of Jobs in Healthcare & Social Assistance
Percentage of Jobs in Arts, Entertainment, and Recreation
Percentage of Jobs in Accommodation & Food Services
Percentage of Jobs in Public Administration
Percentage of Jobs in Other Categories

Socioeconomic Variables

Total Population Downtown
Population Density Downtown
Total Housing Stock Downtown
Housing Density Downtown
Percentage of Rented-Occupied Units in Downtown
Percentage of Single-Family Homes in Downtown
Median Age of Downtown Residents
Percentage of Downtown Residents with a Bachelor's Degree or Higher
Percentage of Vacant Housing Units in Downtown
Median Rent of Downtown Housing Units
Median Household Income of Downtown Residents
Percentage of White Residents in Downtown
Percentage of Black Residents in Downtown
Percentage of Hispanic Residents in Downtown
Percentage of Asian Residents in Downtown
Percentage of Residents with Other Races in Downtown
Percentage of Residents who Commute to Work by Car
Percentage of Residents who Commute to Work by Public Transit
Percentage of Residents who Commute to Work by Bicycle
Percentage of Residents who Commute to Work by Walking
Percentage of Residents who Commute to Work by Other Modes

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