



HR&A



# DMC COVID-19 Impact Analysis

**February 2021**

DMC – City – County Collaborative Session

**HR&A** is a real estate and economic development consulting firm working at the intersection of the public and private sector. Our work transforms communities and revitalizes urban environments in the United States and abroad.

**PRACTICE AREAS:**



Real Estate Development  
Advisory



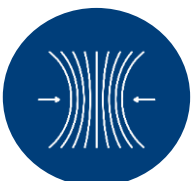
Economic Development  
Strategy



Inclusive  
Cities



Transit-Oriented  
Development



Urban  
Resilience



Urban Tech &  
Innovation



Parks &  
Open Space



Affordable  
Housing



Program Design &  
Implementation

**LOCAL EXPERIENCE:**



**SOUTHEAST MINNESOTA REGIONAL ECONOMIC STUDY**  
ECONOMIC DEVELOPMENT IMPLICATIONS & SOFTWARE TRAINING



**TWIN CITIES EXPERIENCE:**

Edina Urban Vision  
Symposium

Panoway on Wayzata Bay

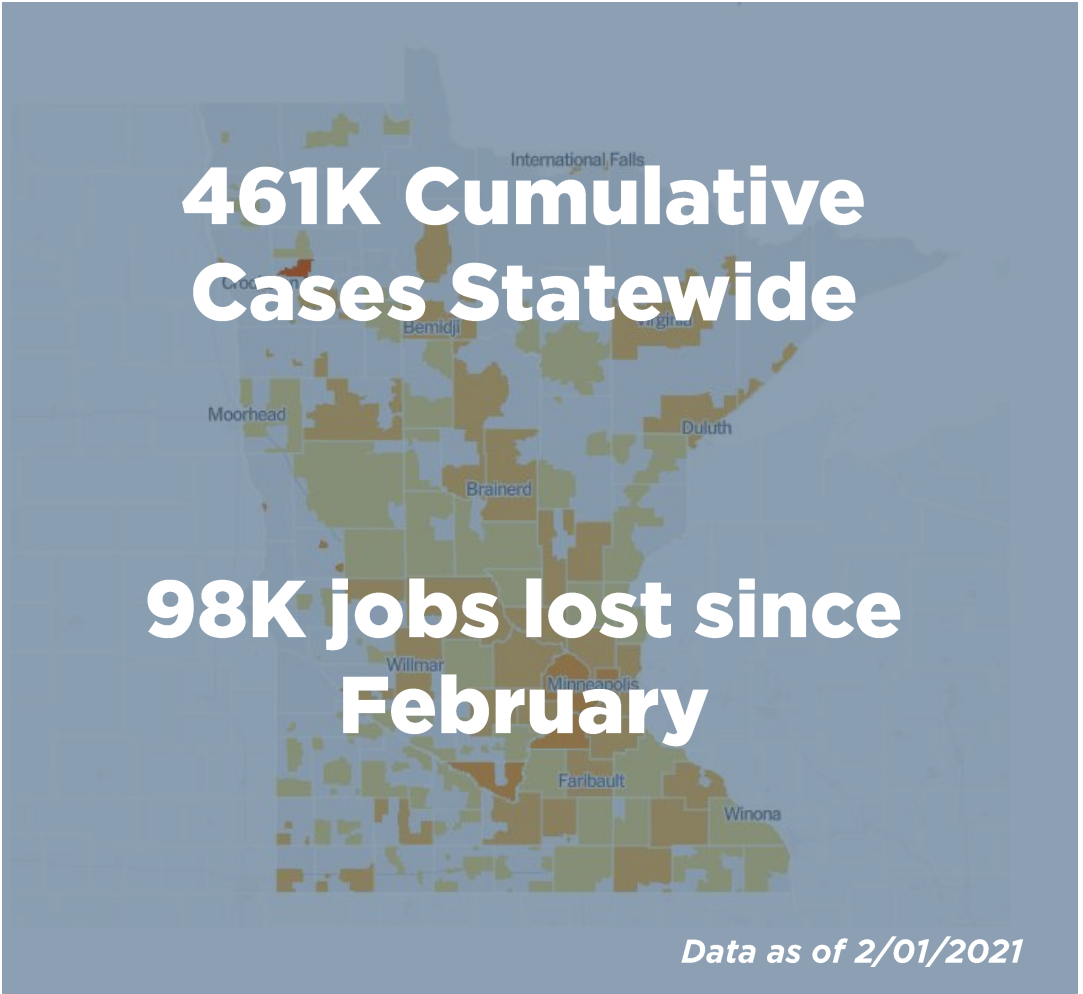
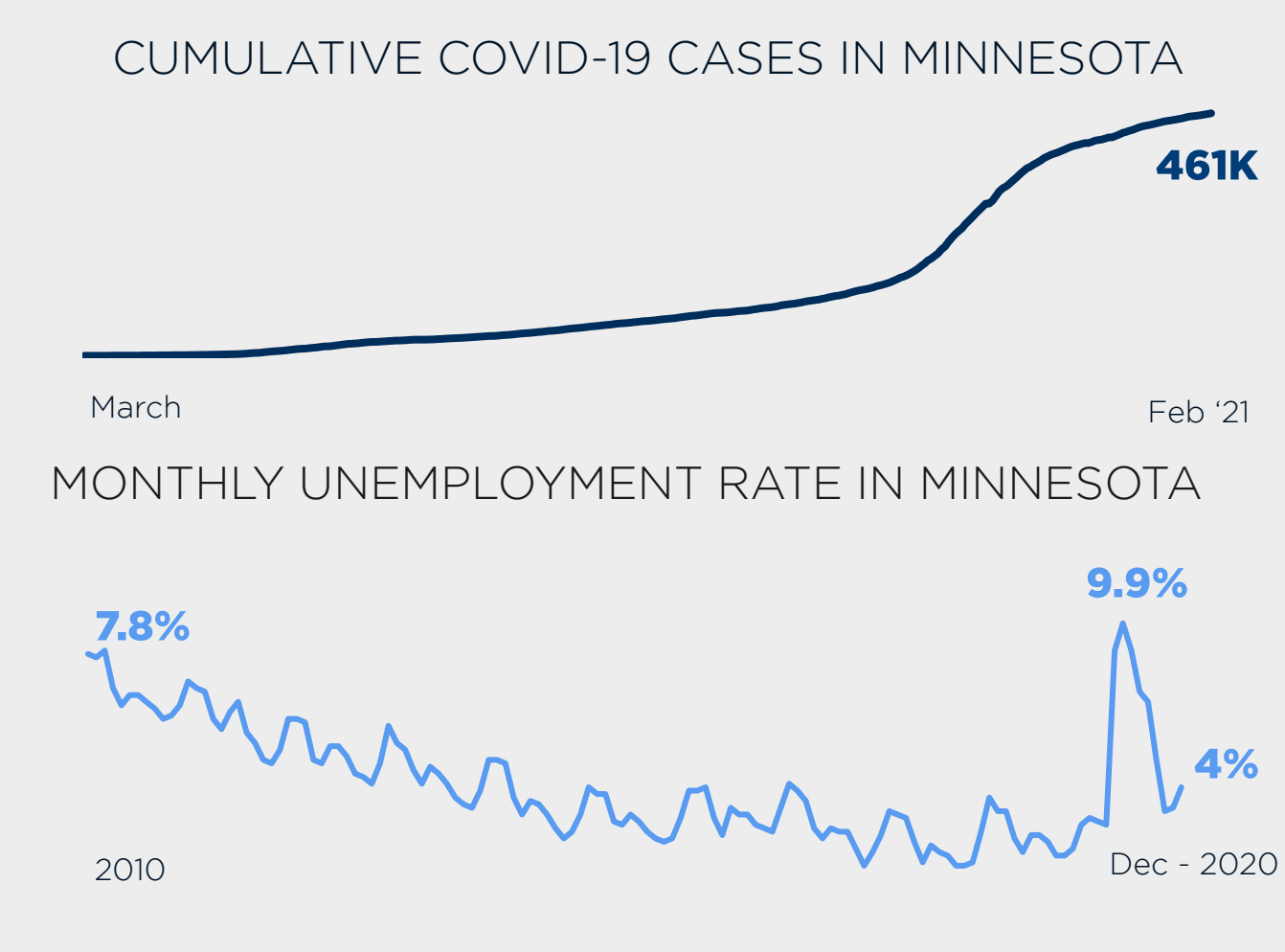
Minneapolis Commons Park

Saint Paul River  
Learning Center

West Broadway Transit  
Alternatives Study

CONTEXT

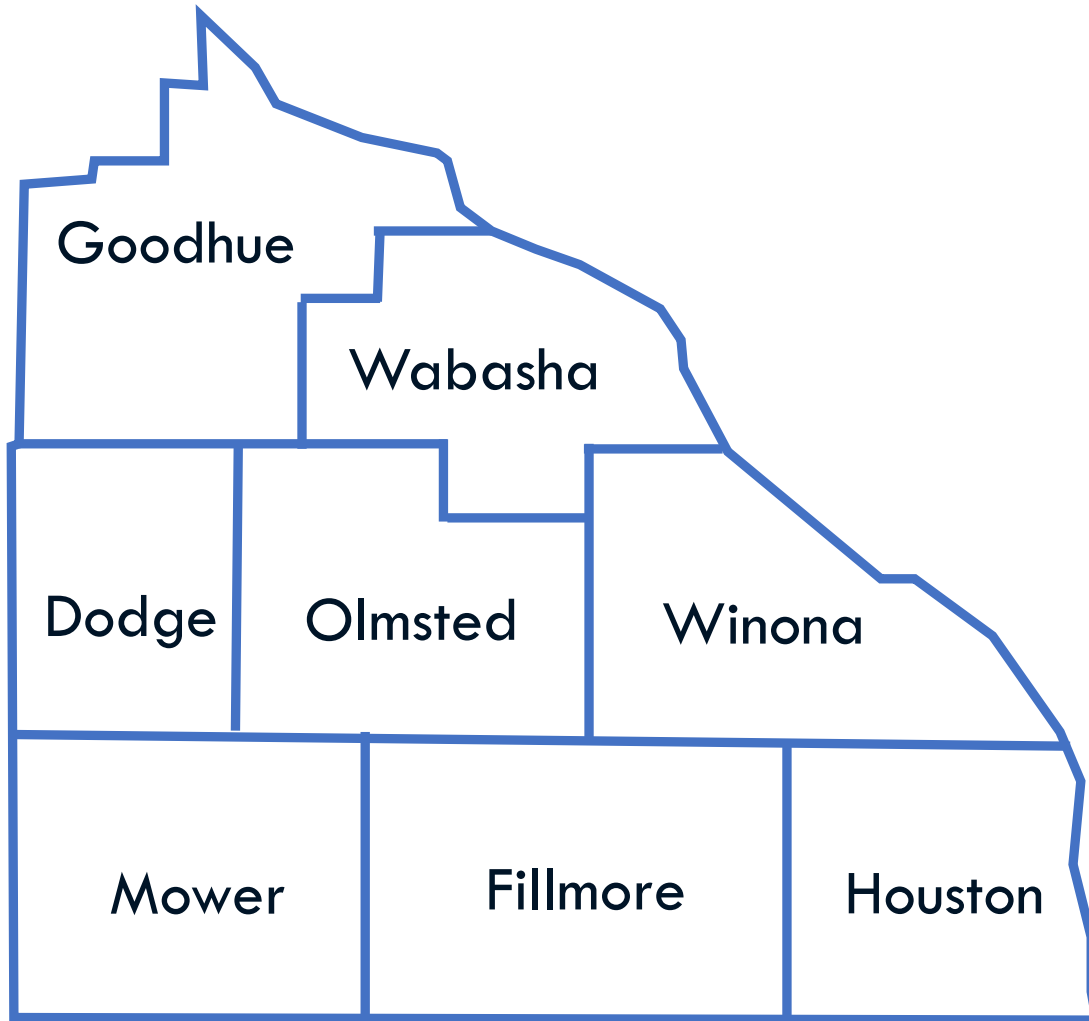
As the 3rd largest city in Minnesota, Rochester's recovery is critical for the state.





## CONTEXT

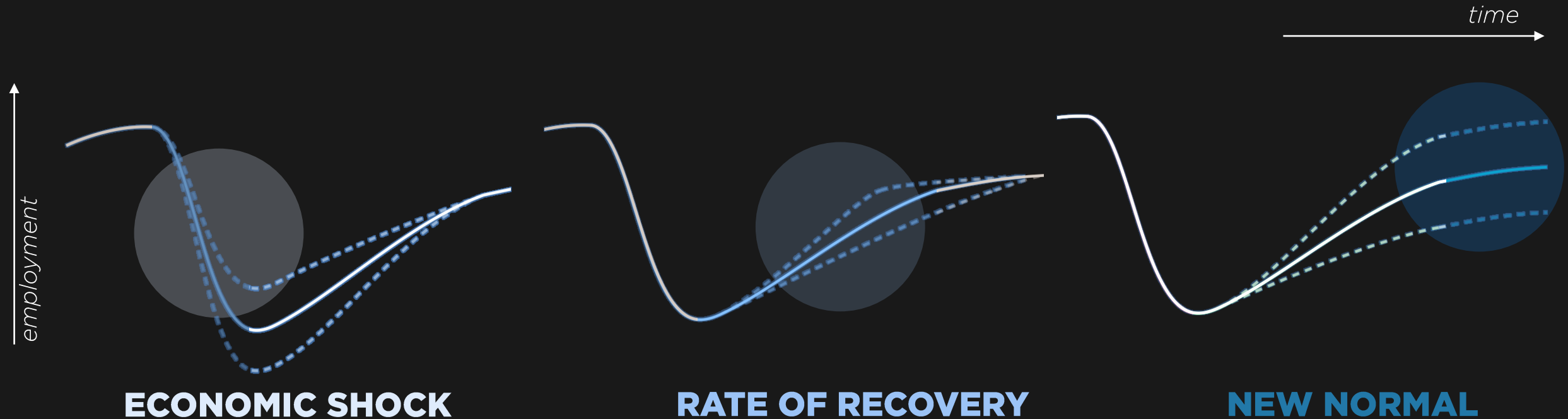
Rochester's economic recovery from COVID has broad implications for Southeast Minnesota.



- Rochester is a significant **driver of economic activity** in Southeast Minnesota, in part due to the DMC's investments and future development plans.
- **Nearly half** of the 170K+ jobs in Southeast Minnesota are **located in Rochester**
- 31% of Downtown Rochester **workers come from outside Olmsted County**, the majority of whom live in other parts of Southeast Minnesota.

The economic recovery from COVID will take place over three stages.

**Careful planning and thoughtful interventions can help to bend this curve.**



*How deep is the initial impact of business shutdowns and reductions in consumer demand?*

*When will businesses reopen?*

*What share of pre-COVID jobs will recover, and be located in Downtown Rochester at stabilization?*

## KEY TAKEAWAYS

HR&A applied its economic impact findings to update the DMC Phase 2 development plans.

- There is a lot of uncertainty around the full impact of COVID-19.
- Pre-COVID-19, Rochester had a growing economy. Development was largely aligned with demand.
- Rochester will have excess capacity in downtown office space due to job loss and growth in remote work.
- Downtown retail and restaurants that are dependent on employees and visitors will be disproportionately affected when compared to counterparts with a broader customer base.
- Hotels have experienced a precipitous drop in occupancy rates. With Rochester's hotel pipeline, the market will continue to see occupancy rates below historical averages.
- Housing demand appears to be remaining relatively strong. Growth in downtown residential will help to support the core's retail businesses.

## PATH FORWARD

The DMC and downtown development will need to remain nimble as economic recovery becomes clearer.

- Unlike natural disasters, this pandemic hit every city in the country. However, not all are developing recovery strategies.
- Despite significant losses, Rochester has fared better than other cities.
- Rochester is starting its recovery from a place of strength. It had a robust and growing economy, the healthcare industry and Mayo Clinic provide stability during weak economies, and the city has the tools from the DMC to support growth.

## PATH FORWARD

Future economic development strategies should...

1. Support development proactively
2. Prioritize public infrastructure
3. Diversify the economy
4. Support existing local businesses
5. Reuse excess real estate capacity creatively
6. Attract work-from-anywhere talent



# PATH FORWARD

Future economic development strategies should...

## **SUPPORT DEVELOPMENT PROACTIVELY**

- Zoning and land use
- Expedited entitlements and approvals
- Financial incentives like TIF and tax abatements for mission-aligned development
- Land banking



# PATH FORWARD

Future economic development strategies should...

## PRIORITIZE PUBLIC INFRASTRUCTURE

- Infrastructure makes cities more livable and attractive
  - Public realm
  - Streetscape
  - Transit and mobility
  - Broadband





# PATH FORWARD

Future economic development strategies should...

## **DIVERSIFY THE ECONOMY**

- Rochester brand and research can help to attract spinoff jobs and adjacent life sciences industries
- Leverage regional assets like the airport for potential distribution



# PATH FORWARD

Future economic development strategies should...

## **SUPPORT EXISTING LOCAL BUSINESSES**

- Short-term funding focus
- Restaurants located on wide sidewalks, parking lots, or public spaces adapted to outdoor eating, but were constrained in winter.
- Longer-term strategies may consider:
  - Diversify customer base to grow demand
  - Business support services like technical assistance for tech adoption, marketing assistance, grants for façade and other capital improvements
  - Grow retail cluster to support vibrant destination





# PATH FORWARD

Future economic development strategies should...

## **REUSE EXCESS REAL ESTATE CAPACITY CREATIVELY**

- Urban hotels have become temporary offices, schools, emergency housing, and homeless shelters
- After the Great Recession, urban cores with high office vacancy rates, low rents, and demand for multifamily housing saw some Class B/C office properties converted to residential
- Property owners facing ground floor vacancies may need to reconsider their tenanting approach by lowering rents to retailers and/or creatively using spaces, like for art installations, medical offices, community centers, or product showrooms
- Obsolete real estate products become prime redevelopment sites in the long-run



## PATH FORWARD

Future economic development strategies should...

### ATTRACT WORK-FROM-ANYWHERE TALENT

- Cities should strive to attract those with work-from-anywhere jobs
- High quality-of-life will drive decisions, and include:
  - Affordable and accessible housing
  - Broadband
  - Amenities of city-living (e.g. restaurants and bars, walkability) and access to open space
  - A unique and distinct city brand
  - Airport access

**CITYLAB**

### **Paying Remote Workers to Relocate Gets a Pandemic-Era Boost**

As jobs go remote due to coronavirus, several cities are doubling down on incentive programs to lure tech workers to work from home in a new location.

**BUSINESS  
INSIDER**

### **Dropbox will let all employees work from home permanently as it turns its offices into WeWork-like 'collaborative spaces'**





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