



HR&A



# DMC COVID-19 Impact Analysis

**December 2020**

Rochester Area Chamber of Commerce | 2020 Economic Summit

**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



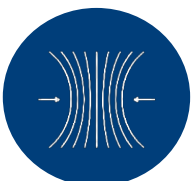
Economic Development  
Strategy



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





# National & Rochester Context



# NATIONAL IMPACTS A DUAL CRISIS

CUMULATIVE COVID-19  
CASES NATIONALLY  
(Mar 1<sup>st</sup> – Dec 1<sup>st</sup> 2020)



**We are facing a dual  
crisis—an  
unprecedented  
global health  
emergency...**

Source: COVID Tracking Project



# MONTHLY EMPLOYMENT TOTAL USA IN THOUSANDS(2000-2020)

NATIONAL IMPACTS  
A DUAL CRISIS

165,000

160,000

155,000

150,000

145,000

140,000

135,000

130,000

125,000

120,000

2000

2008

2020

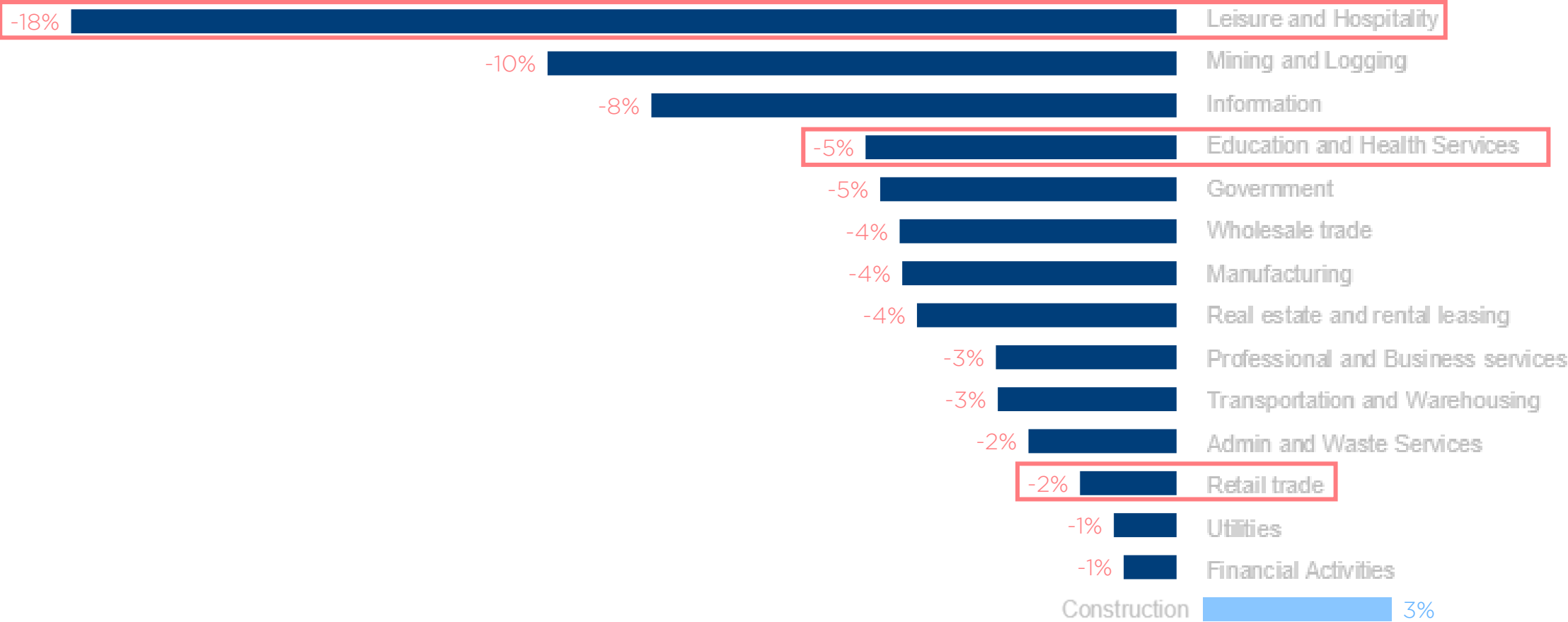
**...coupled with the  
steepest job loss on  
record.**

Source: BLS, Current Employment Statistics Data

# NATIONAL IMPACTS

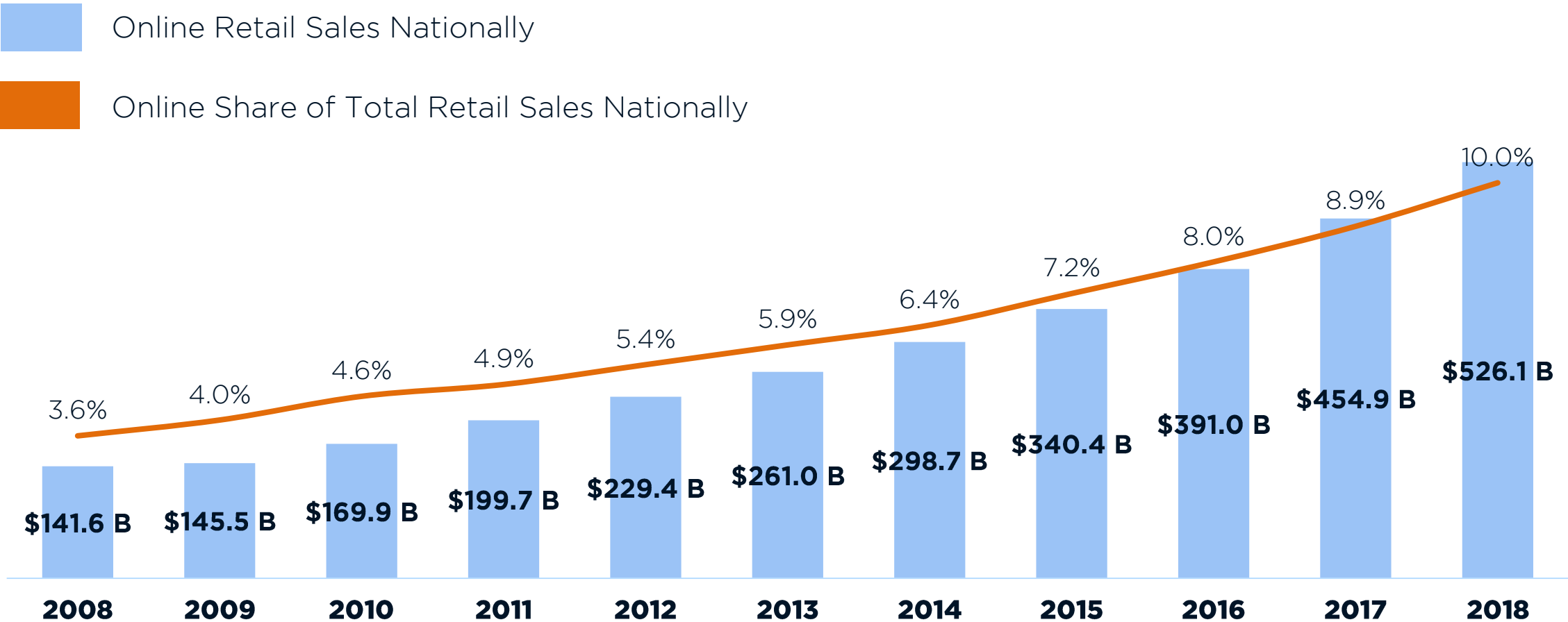
**Hospitality and tourism, education and health, and retail** – key Rochester industries - have been severely impacted.

% CHANGE EMPLOYED PER INDUSTRY (FEB - OCT 2020)



# INDUSTRY IMPACTS | RETAIL

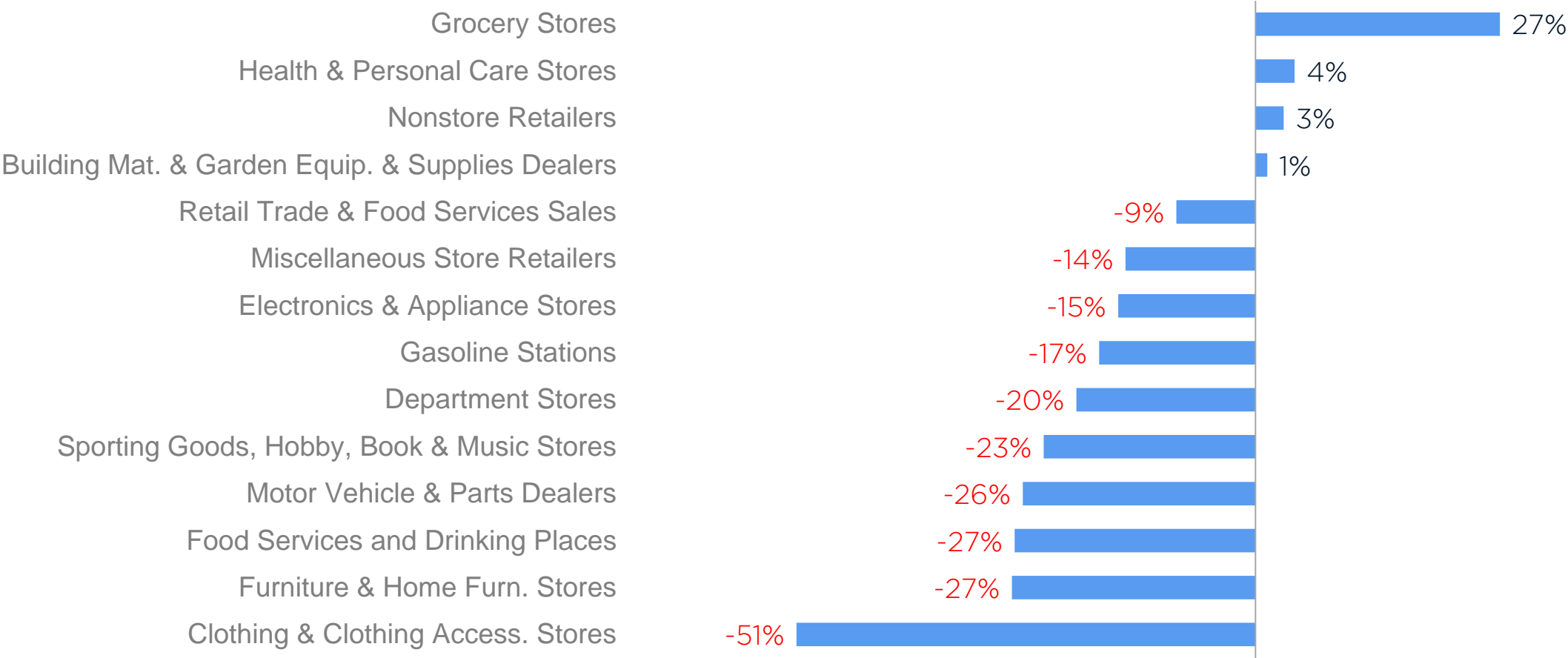
Brick and mortar retail was challenged....



# INDUSTRY IMPACTS | RETAIL

... but its post – COVID future is murky.

**NATIONAL MARCH RETAIL SALES IMPACTED BY COVID-19, FEB. TO MAY. 2020 (%)**



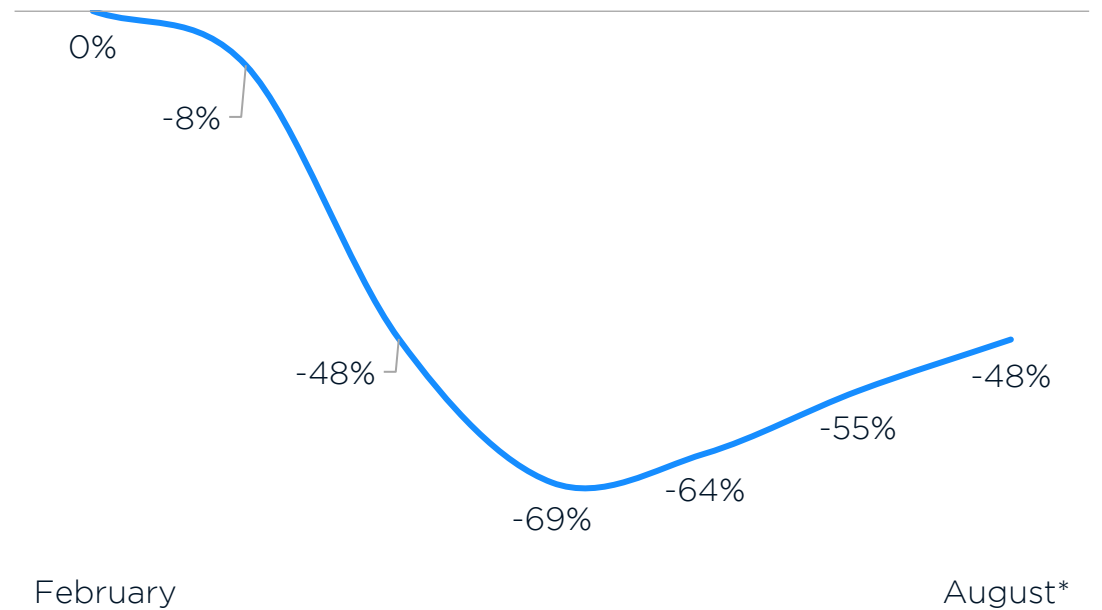


Travel bans have led to **dramatic decreases in air travel and international visitors to the US.**

**31%** decrease in visitor spending in the US

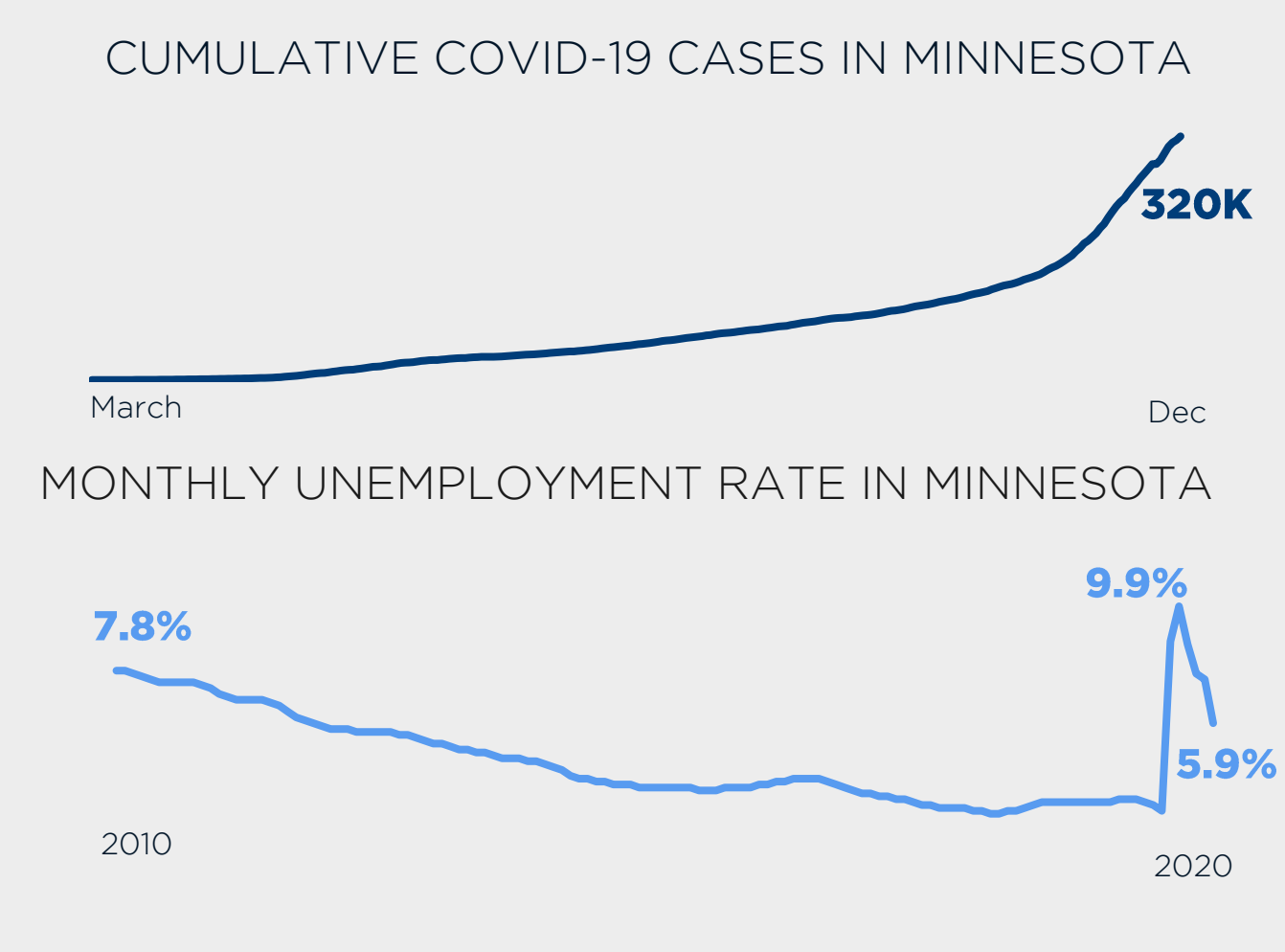
**42%** hotel occupancy compared to **66.5%** this time last year

% CHANGE FROM PREVIOUS YEAR FLIGHT FREQUENCY OF GLOBAL AIRLINES



# MINNESOTA IMPACTS

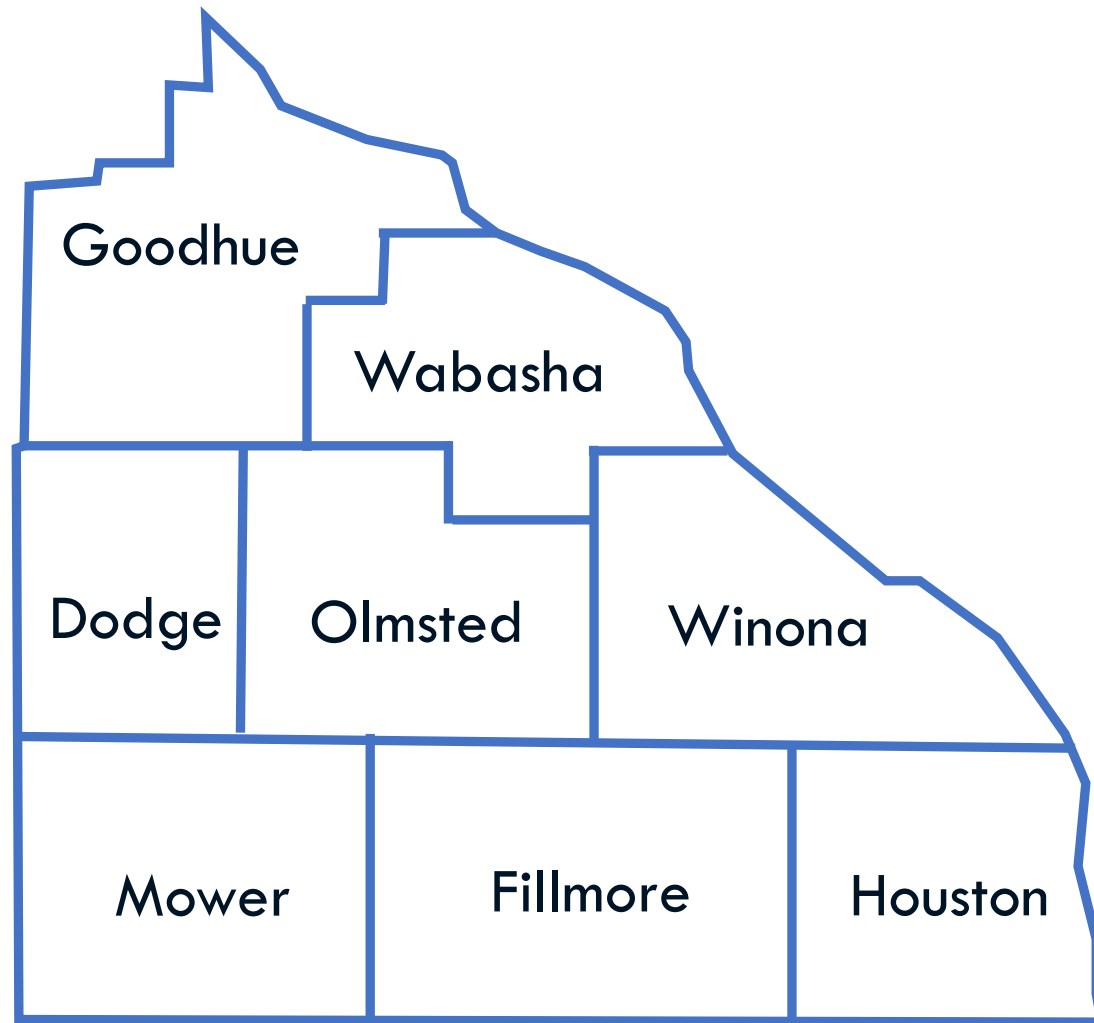
As the 3rd largest city in Minnesota, Rochester's recovery is critical for the state.





## ROCHESTER CONTEXT

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

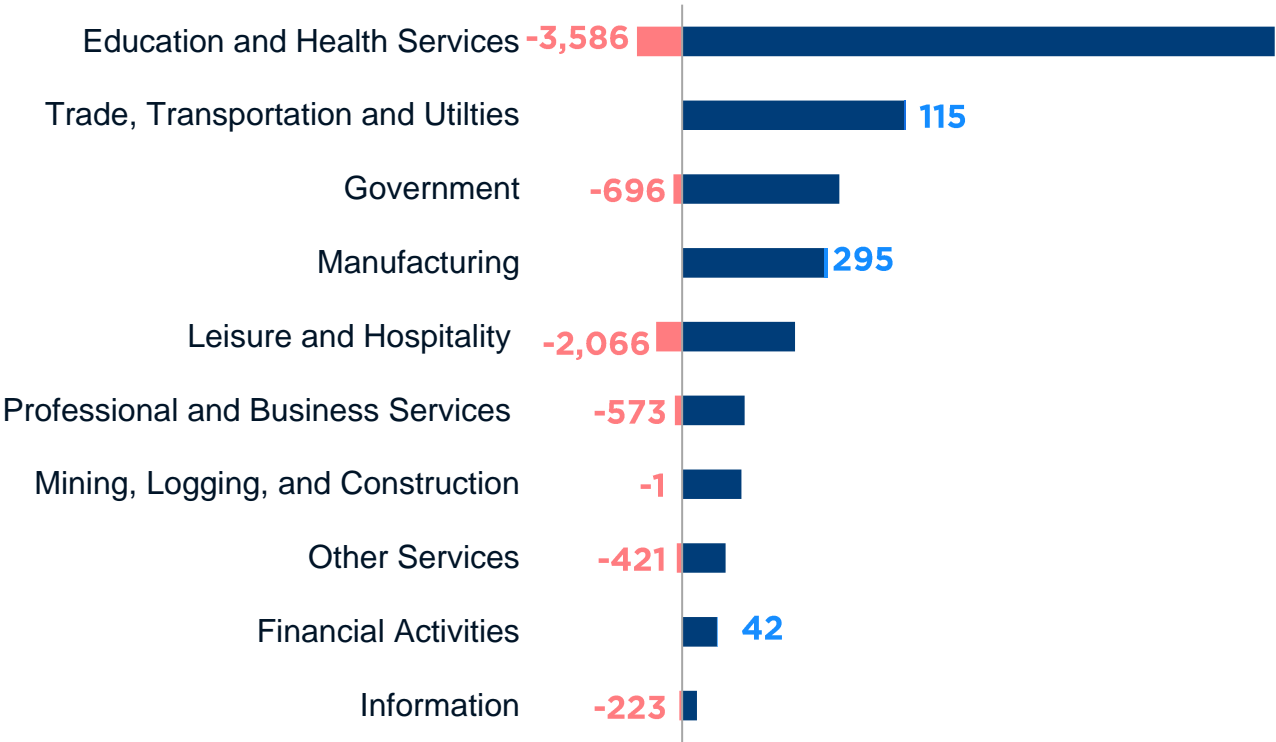


- Rochester is a significant **driver of economic activity** in Southeast Minnesota, in part due to the DMC's investments and future development plans.
- **Nearly half** of the 170K+ jobs in Southeast Minnesota are **located in Rochester**
- 31% of Downtown Rochester **workers come from outside Olmsted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

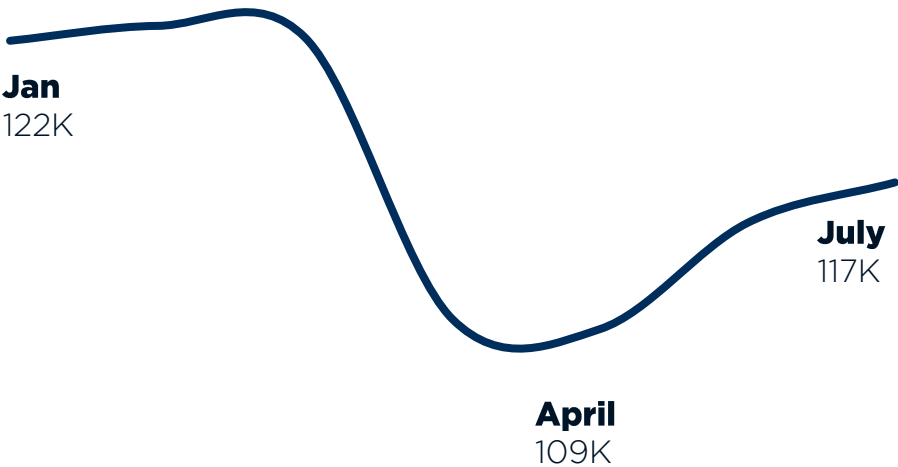
# ROCHESTER IMPACTS

Health services - the leading employment sector - and hospitality have been hit hardest. Unemployment rose to 4.2% in September from 2.2% in 2019. This is compared to the state's unemployment, which rose from 3.3% in 2019 to 5.9% in September 2020.

**ROCHESTER MSA CHANGE IN EMPLOYMENT  
JAN - JUL 2020**



**ROCHESTER MSA TOTAL EMPLOYMENT**



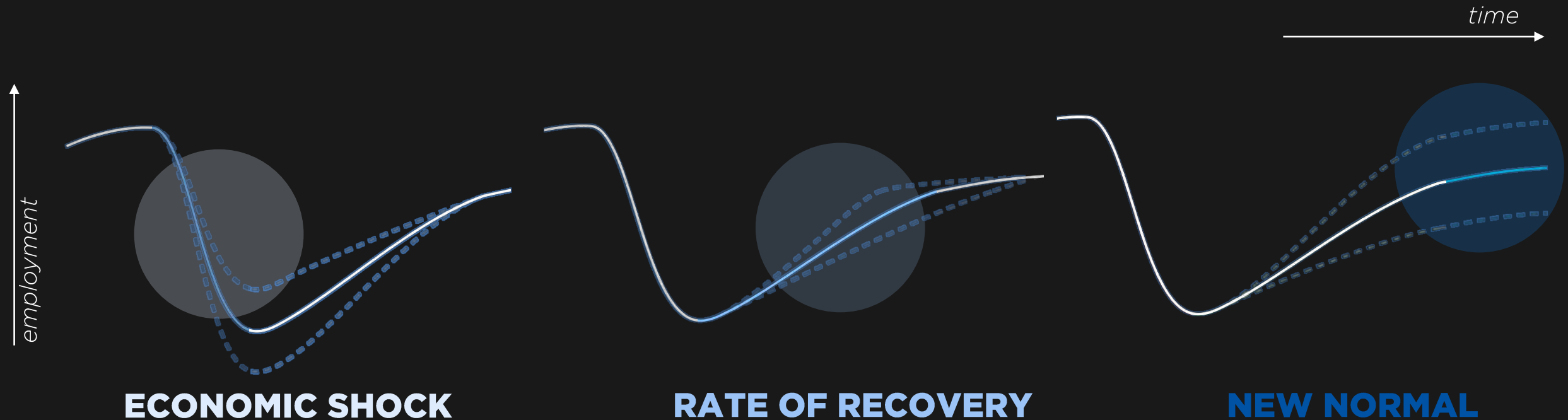




# Economic Recovery Framework

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?*

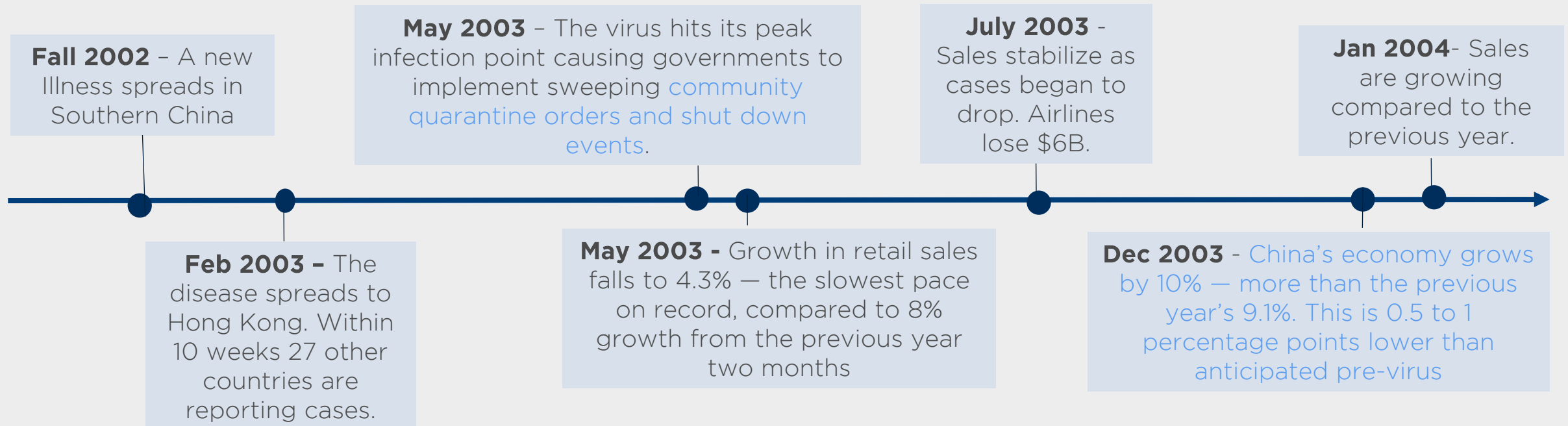


# PUBLIC HEALTH MILESTONES

Economic recovery is unclear but recent epidemics (SARS, MERS, H1N1) show recovery depends on key public health outcomes and policies.

## SARS EPIDEMIC (2003)

The turning point for virus containment was drastic decreases in cases as a result of **surveillance**, prompt **isolation of patients**, and strict enforcement of **quarantine**.

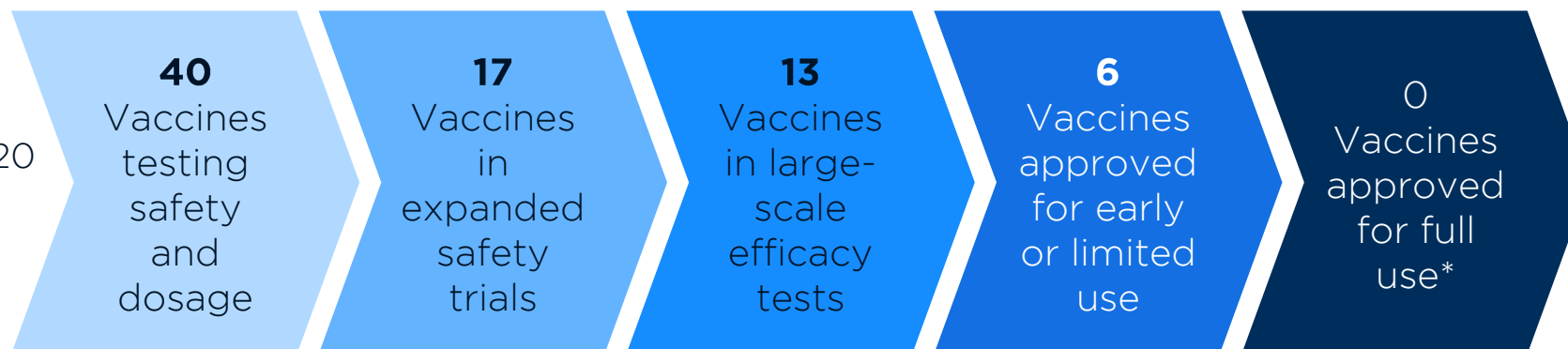


# PUBLIC HEALTH MILESTONES

While some vaccines will be approved in December it will take much longer for the majority of the population to be vaccinated due to distribution challenges and concerns over vaccine safety.

- There are efforts underway to prepare for **mass production of vaccines** before we have conclusive results, meaning it will be ready to deploy doses quickly.

## **Vaccine Progress:** As of 12/2/2020



*There are two vaccines currently under review in the US by the FDA, one of which has been approved in the UK*

moderna



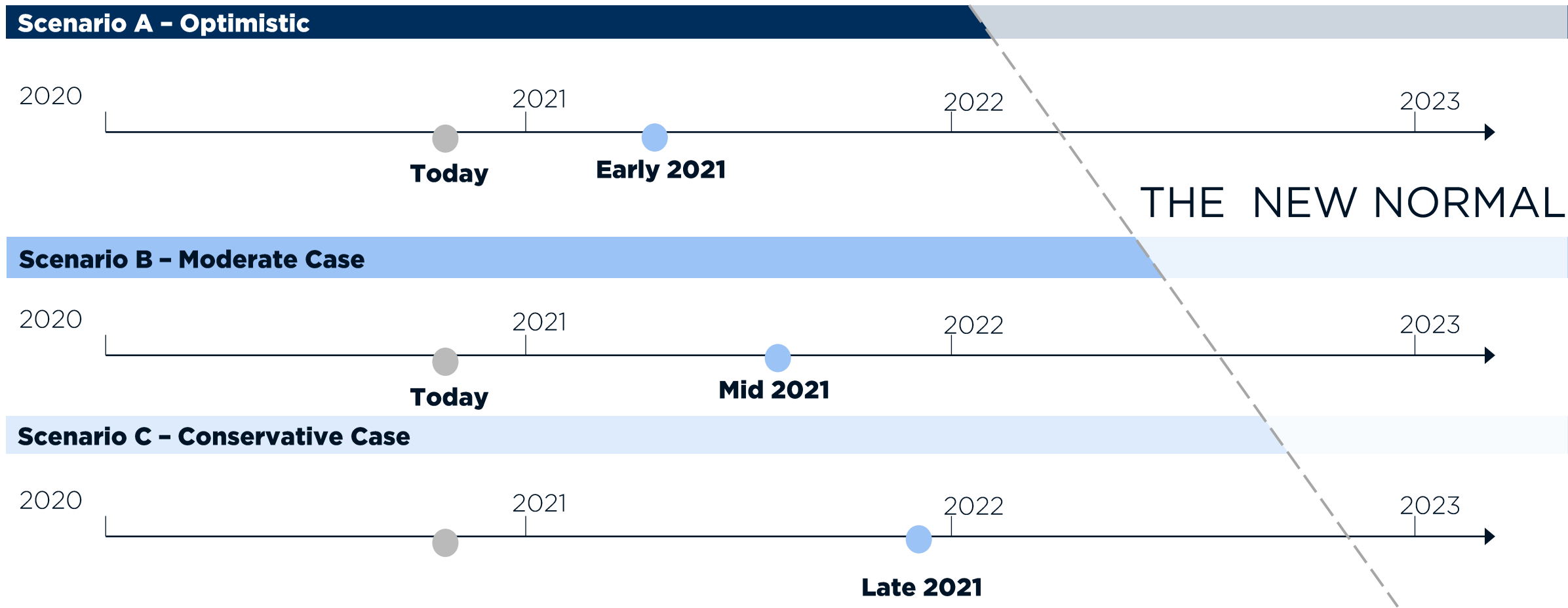
BIONTECH

\*\*Two companies, Moderna and Pfizer have applied to the FDA, review and approval is anticipated by the end of the year. China and Russia have approved three vaccines for limited use all which pose extreme risk given the lack of data behind them.

# METHODOLOGY - SCENARIOS

Public health milestones act as inflection points in the model.

## Transformative public health milestones:



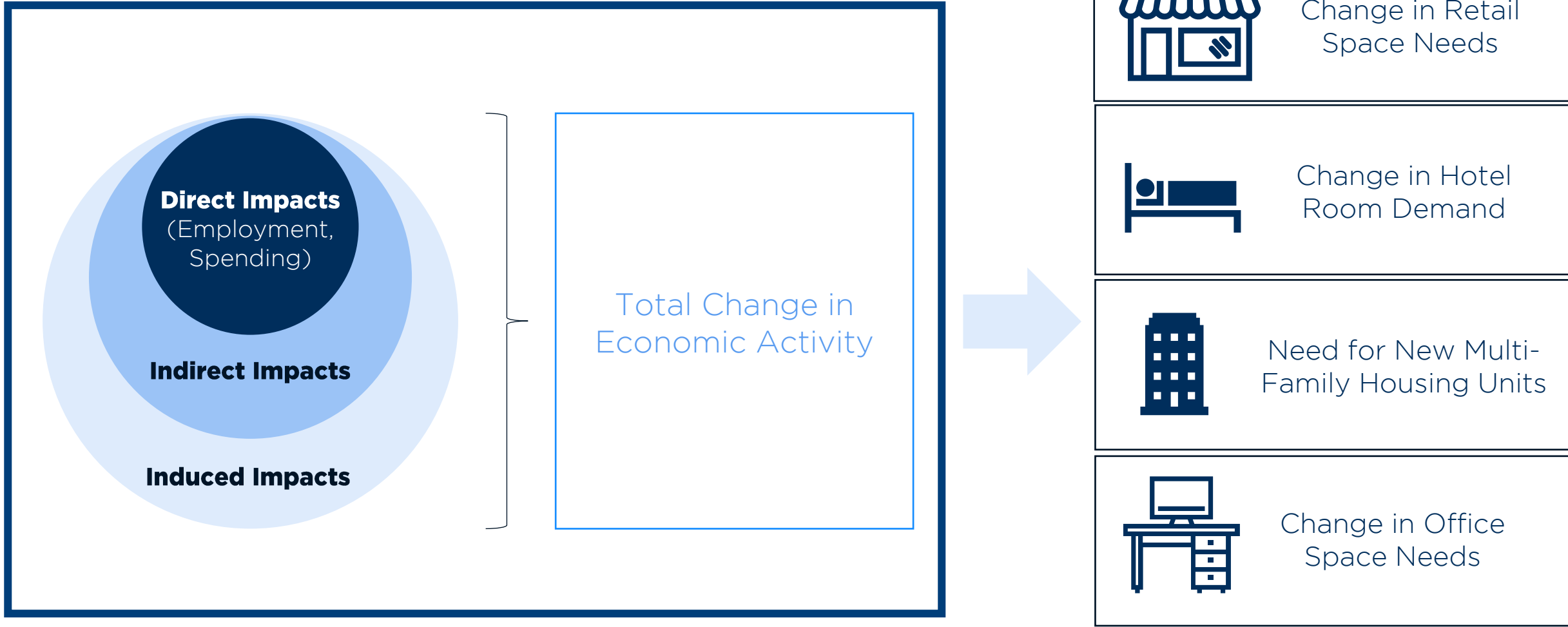




# Economic Impact Analysis and Findings

# METHODOLOGY

The outputs of the model allow us to extrapolate the impacts of COVID into findings contextualized for the DMC.



## METHODOLOGY

The primary drivers of Rochester's economy are its employment and visitors, which are interrelated.

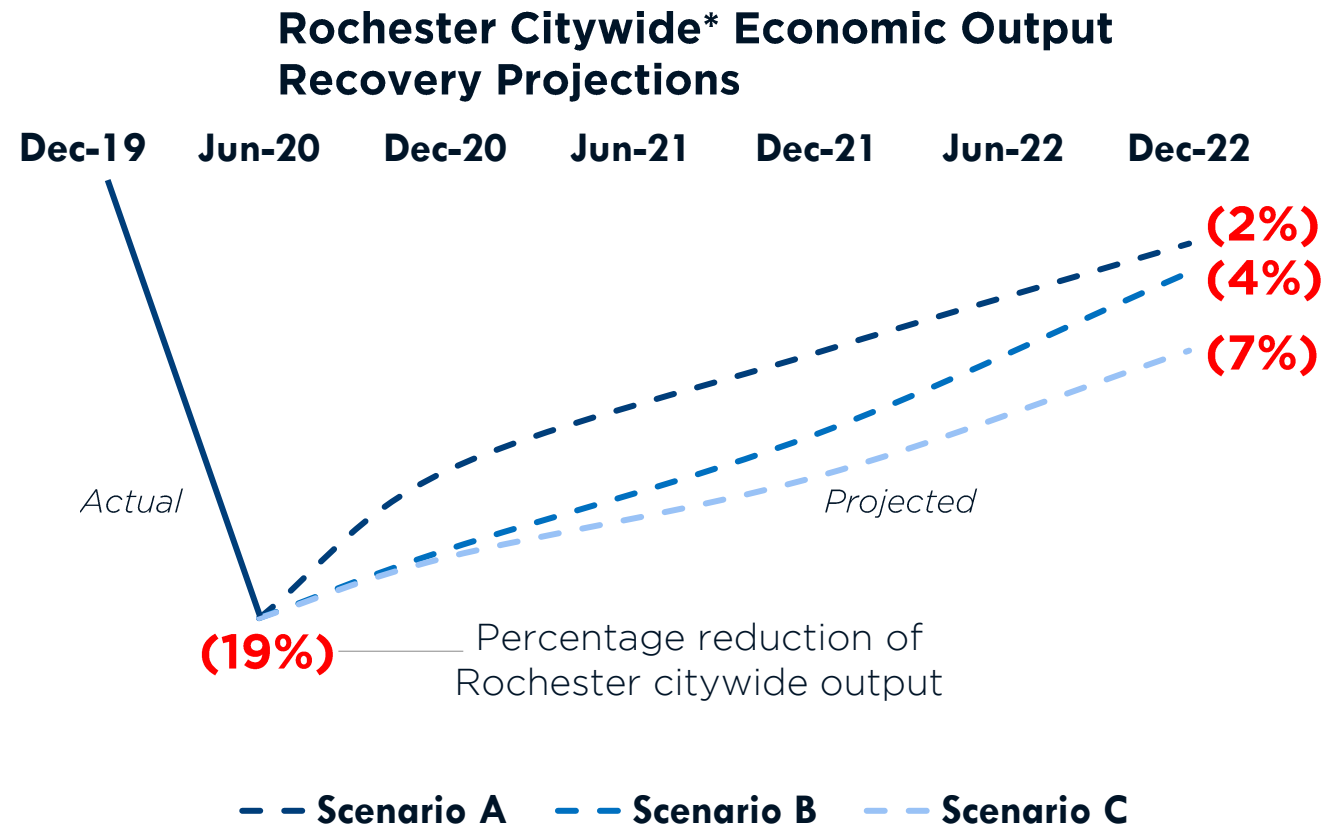




# FINDINGS

Following a significant loss in economic activity, HR&A projects a gradual recovery in the Rochester economy over the next 2+ years.

- Output reflects **annual economic activity generated by businesses, residents and employees in** Rochester.  
Projections include:
  - **Direct** impacts: loss in visitor and employee spending
  - **Indirect** impacts: loss in business-to-business purchases
  - **Induced** impacts: loss in spending of labor income
- Spending losses include employees who are **working from home on furlough or part-time**. The projections assume that their spending is significantly reduced.



\*Citywide estimate based on four zip code geography of 55901, 55902, 55904, 55906

## 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.
- Future economic development strategies should:
  - Support existing local businesses
  - Prioritize public infrastructure
  - Reuse excess real estate capacity creatively
  - Diversify the economy
  - Support development proactively





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