



DATE            January 25, 2021

TO                DVP Board

SUBJECT        Update memo on downtown economic recovery

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When we met with you all on the Patagonia campus on January 16, 2020, our assignment was to do a “light” update to our 2006 market analysis, articulate forward-looking downtown strategies, and establish measurable benchmarks for those strategies. Within two months, though, the world took a sharp turn.

Because of the pandemic, we paused our work and began monitoring its impacts on downtowns, small businesses, commercial real estate, and consumer behavior. We have remained in close contact with Dave and Kevin throughout this period. For obvious reasons, we have shifted the focus of our assignment instead on downtown’s survival through the pandemic and its economic recovery going forward.

Hearing about the creative solutions that the Downtown Ventura Partners has initiated and the ways in which downtown Ventura businesses continue to adapt has been inspiring to us. It is not hyperbole to say we are living through unprecedented times.

With a goal of being as practical as possible, in the next few weeks we will deliver a brief report to you focused on three things:

1. Post-pandemic changes for the public space
2. Post-pandemic changes for downtown businesses
3. Post-pandemic changes for DVP and downtown strategies

The purpose of this memo is to give you our preliminary thoughts before offering our formal recommendations.

## 1. POST-PANDEMIC CHANGES FOR THE PUBLIC SPACE

“Main Street Moves” – the DVP-initiated permit to close six central blocks of Main Street and a block of California Street to vehicles – has particularly helped restaurants survive the pandemic by allowing expanded outdoor dining. Now the question being asked is, Should this change be made permanent?

Our advice is to continue to request extensions of the street closure in six-month increments, while monitoring and making adjustments, as needed. The program has been widely praised, but the civic and business support has come under unique circumstances. The pandemic continues to be fluid (it is currently surging), and people continue to adapt their behaviors in response. When and if vaccines are distributed widely enough to provide herd immunity, the behavior of downtown users will change. People may continue to expect more socially distanced seating at restaurants, even after they are vaccinated. This would support the concept of continued, expanded outdoor seating capacity. At the same time, downtown foot and vehicle traffic will begin to return. As more people return to “regular” life, downtown auto traffic will increase, and drivers will want access to Main Street.

One of the few silver linings of the pandemic is that it has encouraged experimentation in many realms, including urban design. Turning six blocks of Main Street in downtown Ventura into a pedestrian mall was something civic and business leaders were willing to try without doing a formal study. And the experiment has worked well to mitigate some of the crushing economic impacts of the pandemic.

While still in the middle of the experiment, this is a good time to think about long-term solutions for downtown. In urban design formats that favor pedestrians over vehicles, there are three categories of street configurations. From most rigid to least restrictive, they include:

- **Pedestrian malls** close streets entirely to vehicles, permanently. While California has a few long-term successful examples (perhaps most famously, Santa Monica’s Third Street Promenade), almost all pedestrian malls that were created during the height of their popularity in the 1970s have since been re-opened to traffic because they had adverse effects on commerce.
- **Complete Streets** accommodate multiple modes of transportation with a goal of safety for all users. This is often achieved through the use of dedicated travel lanes or spaces, such as dedicated public transit or bike lanes (including protected bike lanes), raised crosswalks, and design features intended to calm traffic (such as fewer or narrower driving lanes).

- ▶ **Shared Streets** blur the travel modes so pedestrians, cyclists, and cars commingle in the same shared right-of-way. Pedestrians aren't restricted to walking in crosswalks; cyclists aren't restricted to bike lanes. Design cues such as distinct pavers, minimally-raised curbs, or tighter turn radii at corners – rather than barriers or speed limits – cause everyone to pay more attention to their fellow users and respect each transportation mode.

While we're not urban designers or traffic engineers, we advocate exploring a shared-streets model as a more permanent design solution for Main Street Ventura.

We also advocate examining urban design concepts in the context of downtown's economy and downtown's future, beyond COVID-19. What does DVP want to achieve in downtown overall? Any street redesign should serve those goals. We will expand on downtown strategies in our report.

## 2. POST-PANDEMIC CHANGES FOR DOWNTOWN BUSINESSES

It is impossible to know how the pandemic will ultimately affect downtowns, but we anticipate some foundational changes in downtown economies as well as the operations and performance measures of downtown businesses. Several things seem likely:

- ▶ **Omnichannel will be the norm.** Before the pandemic, the vast majority of retail and restaurant customers entered through the front door – that is, they came into the physical establishment. The pandemic has accelerated a trend that was slowly emerging for mom and pop businesses and which was already quite developed for chain retailers: Small Main Street businesses have started to sell their goods and services through more channels, including e-commerce, home delivery, curbside pickup, store-in-store sales, and others. Customers have adapted and will expect omnichannel shopping options in the future. Our report will include examples and tools for key business sectors represented in downtown Ventura.
- ▶ **Customers will expect a new level of convenience.** During the pandemic, customers have come to expect that buying goods and services from a downtown business should not require leaving home. Coming downtown for an experience will still be a central motivating element for trips, but leaving home will no longer be necessary and consumers will expect businesses to continue to cater to this expectation.
- ▶ **The commercial real estate market is changing.** Office space will be valued differently, as fewer people will come into an office every day. It may become normal for knowledge workers, and even support staff, to come into an office just once or twice per week. There may be a lasting expectation that desks be spaced farther apart, or there may be demand for additional private offices. These adjustments will

lower the number of workers per square foot – and reduce the value of the space. Certain types of spaces, such as those with operable windows (or retrofitted with operable windows) will likely see higher demand.

- ▶ **Some of the adaptations restaurants have made are likely to remain permanent.** Ghost kitchens, specialty grocery sales, curbside pickup, and deliveries are likely to remain, even for higher-end restaurants that previously only catered to dine-in customers. In the near term, if diners continue to expect greater spacing between tables than had been typical pre-pandemic, it will either change the value of the space (because a given space will generate less revenue) or it will change the metrics of restaurant businesses (e.g., higher prices, less staff).
- ▶ **Business churn may accelerate.** Although many small businesses folded during the pandemic, the number of applications for federal employee identification numbers, a key indicator of new business starts, are at their highest level since 2007. For older downtowns, like downtown Ventura, this could mean that there will likely be both more vacancies and new market opportunities in the coming few years.
- ▶ **Young entrepreneurial talent will be crucial to economic growth.** Millennial and Gen-Z entrepreneurs are digital natives with an innate understanding of the omnichannel retailing that will be crucial to successful commerce.

### 3. POST-PANDEMIC CHANGES FOR DVP AND DOWNTOWN STRATEGIES

DVP has taken on an expanded role over the past 10 months in response to the pandemic and the needs of downtown businesses. This has been an opportunity for DVP to broaden its services and advocacy. In increasing DVP’s visibility, it sets the organization up for leading on related future initiatives. For example:

- ▶ **Advocacy on delivery-fee caps.** Delivery apps like Postmates, GrubHub, and DoorDash have experienced a backlash for charging excessive fees and for setting up their own shadow websites for restaurants. Restaurants have regularly seen fees of 30% on orders and some restaurants have been charged as much as 50%, including marketing fees. In response, scores of cities – including more than a dozen in California – have capped third-party meal delivery and marketing fees at 10-15 percent. We will provide model ordinances that Ventura could consider adopting.
- ▶ **Managing design of the public space.** Whatever final form “Main Street Moves” takes, it will require a more formal design plan than the current temporary outdoor seating arrangements. DVP is in the best position to lead this process, including problem-solving around the regulatory aspects of outdoor dining.

- **Leading on downtown strategy.** We will have more to say about this topic in our report. In the middle of a pandemic that has continued to reshape our lives for almost a year, it can be a stretch to envision downtown's future direction. We anticipate that at least some of the public-health responses to Covid will be with us for another year and perhaps longer. We see downtown's future strategies as having to accommodate those responses while not being driven by them.

There will also be increased roles for DVP in the areas of small-business assistance and, likely, in parking management. We will expand on these topics, as well as the changed nature of marketing and promotional events, in our report.