



Economic Recovery Action Plan

Any disaster paradoxically also brings opportunity. Now is the time for developing an Economic Recovery Action Plan for cities, businesses, customers, employees, and homeowners that will sustain long after the Coronavirus disappears.



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AFTER COVID-19: A STEP-BY-STEP ECONOMIC RECOVERY ACTION PLAN

COVID-19 has upset everything and everyone that makes a city a city. The streets and sidewalks are empty of people; business, retail, manufacturing, hotel, education, and entertainment venues are closed; restaurants are either shuttered or dependent on takeout, drive-thru, and delivery; and city government is scattered, with staff working from home, furloughed, or laid off.

Yet, cities and their business communities will recover. The question is: *how and when?*

To begin with, City Council representatives, city staff, and key stakeholders in the business community will have to take a fresh and layered approach to economic recovery:

- In the near term, analyze the current situation—city finances, projected revenue, local and state orders related to, for example, medical disclosure, social distancing, and benefits—to establish a baseline for future action.
- In the mid-term, rise to the challenge of enticing fearful customers, students, and employees, support businesses that are struggling and recruit businesses to replace those that failed.
- In the long term, redefine a sustainable downtown and business environment, along with sustainable sources of city revenue.

Any Economic Recovery Action Plan will require a combination of in-house and outside talents to counter the effects of COVID-19 on a city's finances and the future for its businesses, downtown, and the people who work and live there.



Financial Recovery for Cities

At this moment, City Councils across the country are wrestling with fiscal concerns and revenue shortfalls for 2020. Local governments are estimated to lose billions of dollars in tax revenues over the next fiscal year. Those that rely on sales tax and lodging tax revenues will be hit particularly hard. Some states have initiated tax deferral programs to assist small businesses and property owners. These deferrals will lead to short-term cash flow challenges for many local governments. As a result, City Councils are facing mounting difficulty in:

- Projecting future tax receipts after a severe drop in sales and hotel tax revenues from the business community.
- Deciding which community services will be reduced or eliminated due to the drop in revenues, when the priority is to maintain core safety services (fire and police services).
- Retaining, attracting, and growing jobs when the business community has changed so drastically.

Because of the chaos created by this pandemic, meeting fiscal challenges now and in the future will be problematic unless cities have a firm grasp on how to project, monitor, and offset any shortfalls in the collection and distribution of revenue.

Recovery for Businesses

One of the business segments hardest hit by the pandemic is the restaurant industry. In April, the National Restaurant Association reported that three million jobs had been lost in California alone and that 20% to 30% of the state's restaurants would fail without action by the state legislature. Nationally, more than eight million restaurant employees have been laid off or furloughed and the restaurant industry was expected to lose \$80 billion in sales by the end of April. The restaurant industry serves as the most visible example of challenges the entire business community confronts.

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1. Evaluate in-house expertise on projecting revenue and developing new resources.
2. Establish ties with state and county government to prepare for legislative changes and obtain guidance on, for example, allowed seating capacity in restaurants and other public venues.
3. Outline a phased and safe approach to bringing back public services.
4. Begin lining up in-house resources and professional consultants to plan now for recovery.

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5. Research the needs of independent business owners, entrepreneurs, sole-proprietors, and remote workers to support the local business community and employees.
6. Establish ties with state and county government to help forge and disseminate government regulations and financial opportunities, in line with local needs.
7. Explore loan and incentive programs to assist small businesses.
8. Streamline current local building policies, procedures, and fees to help builders and developers respond quickly to changing needs, such as infill buildings and extensions for home offices; continually ask, "Why do we do that?"

While small, independent businesses like local restaurants may be suffering more than national chains, both are being hit by a failing supply chain. For example, in Los Angeles, the largest port in the U.S., cargo volumes have already dropped 23% and more and more vessels are cancelling voyages.

With that level of devastation, City Councils and city staff must face challenges in:

- Defining a "business leader" to include the smaller, independent businesses that may have been overlooked in the past.
- Preparing for the possible loss of large office spaces filled with workers, as the demand increases for smaller offices that anchor an employee pool of remote workers.
- Evaluating policies, development review processes, and building regulations that, for example, allow restaurants to provide larger take out areas and more drive-thru options while continuing to offer small grocery market components.
- Anticipating more and different state and federal rules associated with controlling the spread of disease.

Many independent businesses, entrepreneurs, and sole-proprietors are unaware of the resources available to them. The city can help by providing a centralized resource, be it a website or physical location, urging larger businesses and residents to allocate a percentage of their spending locally. “Shop Local” campaigns promote economic recovery for all.

Recovery for Downtown

Even as social distancing relaxes, stores and restaurants reopen, and formerly nonessential businesses and manufacturers call back their employees, will employees and customers be willing to return in the same numbers, to the same businesses, and at the same frequency? This pandemic has created both a greater urgency and a greater opportunity to consider:

- Alternatives in transportation, land use, and affordable housing, including addressing pre-existing problems with, for example, e-scooters and e-bicycles.
- Finding sustainable businesses that the population will support in terms of cultural, educational, and environmental fit.
- Promoting new or recovered businesses and the downtown itself as places that are safe for customers, visitors, and employees.
- Promoting more mixed-use development to incorporate more rooftops into downtown areas.

The effort to re-imagine downtown will be helped by establishing a Downtown Recovery Task Force, combining businesses, citizens, and city staff, and perhaps a Downtown Technology Team to help businesses make use of the latest sanitation, communication, and marketing technologies.

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9. Envision a downtown with affordable housing where people, work, live, shop, and relax, generating 18 hours of activity that, among other benefits, brings in more revenue to local businesses and city government.

10. Lure boutique hotels, micro-breweries, independent restaurants, small stores, or similar businesses to fill newly empty spaces in keeping with the city's identity.

11. Make transportation safer and more convenient through more walkable downtowns, fewer seats in public transport, sanitization of e-transport, and other changes

12. Provide support to businesses for protecting employees, visitors, and customers with new sanitation technologies, workplace practices, and changes in sick leave policies.



Recovery for the Population as Customers, Employees, and Homeowners

In just four weeks, the Coronavirus led to 22 million jobless claims —equaling all the jobs created in the previous 9.5 years. The loss in personal income will undoubtedly delay a return to discretionary spending and may plummet some residents into homelessness and food insecurity, stretching the resources of the city to provide relief just as its own revenues decline.

People will expect changes in the places where they work and do business and in the city itself. Some changes will fuel their fears and some will spur their desire for normalcy. Change in itself is challenging; but without a population open to change, any Economic Recovery Action Plan will ground to a halt. Cities have to be concerned with:

- Gaining support for changes that the population may have resisted before, such as more drive-thrus services, affordable housing, and mixed-use development while respecting the fear of high density.
- Helping the new and increasing number of those seeking social services or financial relief following the pandemic.
- Facing the increase in remote workers and meeting their needs for in-home working, education, and/or child-care.
- Looking for alliances that may not have existed before in figuring out how to effect change while the city itself is financially strapped.

People not only need to feel safe, they need to know that the changes being proposed will contribute to their physical, mental, and financial well-being. Experts in change management for business stress the need for ongoing communication, research into people's real needs, and the solicitation of feedback.

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13. Help residents to avoid unnecessary travel on public transportation by promoting downtown infill and mixed-use development near places of work.
14. Meet the demand for faster, more reliable internet and appropriate spaces for remote workers and students, as well as the demand for social services.
15. Investigate what neighboring, even competing, cities are doing to provide and bolster employment, encourage business incubators, and relieve employee stress.
16. Bring in a 3rd-party perspective to help navigate between the business community, local residents, and the City Council/staff to smooth the road to change.

A Glimpse of Things to Come

Any disaster paradoxically also brings opportunity. In this case, there is an opportunity to consider whether car traffic and pollution can be permanently reduced; whether the fear of density is stronger than the push to convenient access to work, stores, and entertainment; and how vulnerable populations can be strengthened before the next crisis hits.

The answers to these critical questions can enhance or prevent a city's ability to survive any future disaster—yet much depends on how the city identifies itself and how willing the population is to change or modify that identity. To find the answers, make decisions that the population supports, and calculate the city's financial capabilities to effect change may require outside help. But there is now a window of opportunity for developing an Economic Recovery Action Plan that will sustain cities long after the coronavirus disappears.

About HdL: HdL Companies partners with local governments nationwide, providing a full assortment of public agency revenue management, tax administration and revenue forecasting services. The HdL ECONsolutions team delivers key economic development consulting services and products to cities and government agencies to support local economic development efforts.