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WEBINAR

STATE OF THE CAPITAL REGION 2021:
EXAMINING THE PANDEMIC'S IMPACT ON THE GEOGRAPHY OF JOBS

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P R O C E E D I N G S

MS. SCHUETZ: Hello everyone. Welcome. My name is Jenny Schuetz. I'm a senior fellow at Brookings Metro. Thank you for joining us for today's event, "State of the Capitol 2021: Examining the Pandemics Impact on the Geography of Jobs." As the D.C. region is starting to recover from the COVID-19 pandemic, we're facing a number of big questions about the future of work. And in a sense, this translates to questions about the future of cities. Will workers and companies who have been working remotely for more than a year return to their physical workplaces, to their offices and stores. What will happen to neighborhoods that had the highest job density before the pandemic, places like downtown D.C., Tyson's Corner, and Rockville. Today, we're going to talk about all of these questions.

We start our event today with a presentation from Leah Brooks, (inaudible) assistant associate professor at GW Trachtenberg School and the director of the Center for Washington Area Studies. Leah will present findings from this year as state of the Capital Region report, which looks at the geography of jobs before the COVID-19 pandemic and examines which industries have been hardest hit by job losses over the past year. After Leah's presentation, we will move to a panel discussion to the forward-looking implications. What will the D.C. region look like after the pandemic recovers? And we are pleased to have several experts on different parts of employment, economic development, and commercial real estate to lend their insights.

The panel will be moderated by Jerusalem Demsas and we're looking forward to joining our panelists, Victor Hoskins, Amy Rice, and William Spriggs. We encourage all of you at home to join in our conversation. You can follow this online. Send us our questions via Twitter @BrookingsMetro using #StateOfCapRegion. Thank you very much for joining us. We look forward to a lively conversation, including all of you.

So, now I'm going to turn the program over to Leah to start the presentation. Leah, welcome.

MS. BROOKS: Hello. Thank you, Jenny. Let me get my screen shared and we'll get started. So, I'm Leah Brooks. I'm one of the five co-authors of this year's state of the Capital Region report where workers live and labor. I want to make sure I acknowledge the contributions of the other co-authors. Jackie Begley, a non-resident senior fellow at George Washington University; Brian McCabe, professor at Georgetown; Jenny, who you just saw; and, Stan Veuger from the American Enterprise Institute.

So, before I get started, a few words about the Center for Washington Area Studies. The mission of our center at George Washington University is to improve the lives of people in the greater Washington area by studying the neighborhoods and communities of our region. To this end, we produce policy relevant research on the Capital Region, and we host events for the public on topical issues. Just like this one, we have another one coming up early next month, about how to map history for the public with an example of three different public history narratives that are online and visible. So, feel free to look on our website to sign up for that event.

This is, as Jenny said, this is our third state of the Capital Region report. In 2019, we talked about housing, in 2020, we talked about demographics and then had a COVID addendum. You can find both of those on our website. Next year, we'll be talking about transportation. But right now, I want to give you a set of highlights in brief from this year's report.

So, here are the things I'm going to show you some charts. First of all, a whole lot of us used to work downtown and maybe some of us are back now. Second, the Capital Region jobs are disproportionately in white collar industries. Third, jobs have rebounded in large part except for the leisure and hospitality industry. And I'm going to conclude by showing you that neighborhoods with a high shares of people in leisure and hospitality jobs are more likely to be low income. And we want to keep that in mind as we move forward and think about the panel discussion.

So, in this graph, I'm going to show you where people worked relative to the White House. So, on the X axis I've got distance to the White House, on the Y axis, I've got jobs per square kilometer. So, this first bar is showing you that well over 8,000 people per square kilometer work within five kilometers of the White House. And just to give you a sense, five kilometers of the White House means includes downtown, it includes the Pentagon, it includes parts of Arlington. And if you look a little bit farther, you see that the density of jobs falls off drastically. You get a little bumpier at 25 to 30 kilometers from the White House. That's about Tyson's and Bethesda distance, but you can see that jobs are densely concentrated, pre-pandemic downtown. And I feel like when you look at this picture concentrated isn't even enough. Those jobs are just stuffed in right by the White House.

And what kind of jobs are they? This picture is showing you workers in the Capital Region by their share in different industries. So, the thing that's most clear is that almost half of the regional workforce is either in professional and business services, or in government. There's a substantial share also in education and health. And now, is that like the rest of the U.S., or not? Here's the national share in all these industries and what immediately becomes clear is that in the Capital Region we have an outsized share a professional and business services, and an outside share of government workers. That one is surely no surprise. And at the very bottom of the chart, you can see that D.C. pretty much has no manufacturing workers.

The national average is just under 10, maybe around eight and D.C. has two or 3% of the workforce in manufacturing.

Now, what is this picture of workforce by industry look like over time? I'm going to show you now employment relative to January, 2020. So, this is showing you that in February, 2020 employment in each sector, each line I'm going to show here is going to be a sector, it was about the same as it was in January, 2020. Then the pandemic hits and employment just falls off a cliff.

So, what you see in this chart is that between February and April, 2020, employment and leisure and hospitality fell by more than 50%. And you can see that the declines aren't negligible in the other industries either. It's just that there's so huge in leisure and hospitality, that it sort of puts the other industries in the shape. Then we start to see some resurgence from April to about November, 2020. We see improvements in almost all sectors and some improvements in leisure and hospitality that we're still down 70% from jobs in January, 2020. And at the latest date for which we have data in March, you can see that the recovery seems to have, stalled is a harsh word, but maybe as an incorrect, hopefully newer data will give us a more optimistic picture, but you can see there's a lot of pain still in leisure and hospitality.

And then finally, because there's so much pain in leisure and hospitality, we wanted to think carefully about where are these leisure and hospitality workers and what this picture is showing you each dot here, each green dot is a neighborhood in the Capital Region. And we're plotting the share of neighborhood workers there in the leisure and hospitality industry on the X axis and the median income of that neighborhood on the Y axis. And what this graph is telling you is that higher income neighborhoods have a lower share of leisure and hospitality workers, and lower-income neighborhoods have a greater share of leisure and hospitality workers. And if we want to be concerned about a particular sector, or particular types of neighborhoods, particular kinds of workers, this is likely a place for great concern.

So, to help us understand what all this means going forward, we are delighted to have a fantastic expert panel moderated by Jerusalem Demsas, the politics and policy fellow at Vox and who some Googling revealed was the United States to defeat champion a few years ago when she was a senior at William and Mary. So, Jerusalem, I'm going to hand it over to your capable hands and we'll look forward to what the panel has to tell us. Thanks a lot.

MS. DEMSAS: Thanks, Leah. Hello, everyone. We're excited to be here with you today. Panelists, if you can turn on your cameras, I would like to introduce you all to the audience. So, first we have Amy Wright who is the vice president of Retail Leasing at JBG Companies. She focuses primarily on urban and mixed use projects. We also have Victor Hoskins, who is the president and CEO of the Fairfax County Economic Development Authority. He was also previously the deputy mayor of economic development in the District of Columbia. And finally, we have William Spriggs, who is the chief economist at the AFL CIO, and he's also a professor and former chair at the Department of Economics at Howard University. So, we have a really great panel here today, and we're excited to just dive right in.

So, first things right off the bat, D.C. is obviously facing several challenges as public health restrictions begin to be lifted. And there's this increased willingness to engage in previously dangerous economic activity. So, let's talk a little bit about what it takes to ensure a healthy and robust recovery. Victor, can you talk a little bit about the commercial office market and what the ideal bounce back will look like for that sector?

MR. HOSKINS: Yes. First of all, thank you so much Jerusalem, and I really appreciate Brookings for having me on today. Yes, we're talking about the new geography of jobs, which is extraordinarily important and we can't have a discussion without talking about Enrico Moretti who wrote the “New Geography of Jobs” back in 2012. But I have to say that in order for us to get back, it's going to be different from us coming out. And let me just say this, I think that the chart that was just shown about how hospitality dropped off and how all of these jobs were lost in almost every category, but severely in hospitality. That was because we were told to work from home. That restriction, that one restriction totally changed vacancy rates throughout the country. Work from home means that you're not in the office. That means that you're not having that interaction with your team, you're doing it all by some form of technology.

So, that condition can't go back as quickly as it occurred. So, we were all told, stay away. Work from home, but then getting back, it's going to be phased. We see very much focus on health. We've talked to a lot of tenants. We've talked to a lot of architects and engineers and a lot of health experts. And they're basically saying a couple of things. One, the environment has to be perceived as safe. Not just people vaccinated, but when they go in, that it is perceived as safe.

For example, a lot of organizations are putting in touchless door openers. That wave your hand and the door opens for the bathroom. You get on the elevator, you don't have to touch the button, you just have to get near the button and it lights up. So, these are the kinds of things that are going to make people feel comfortable in the workplace. They're places where there's intense interaction with the public. There may be Plexiglas up. There may be temperatures taken in the lobbies, but these are all the kinds of things that are being talked about, but the passage is going to be in steps. I've talked to some companies and they're talking about 10% in the office by July; 25% of the office by September; 50% of the office by November. And hopefully beginning of Q1, whatever that new normal is, whether that's 60% of the previous staff, or 80% of the previous staff, wherever it falls, they're talking about that. So, that's kind of just a general overview of what we're hearing, what we're seeing.

MS. DEMSAS: And then looking towards folks who have been working actually throughout the pandemic. I know for a lot of us it's been worked from home, but that has not been the case for a large degree of the workforce. William, can you talk a little bit about transit workers and the role that they're going to play in ensuring economic recovery for the whole region?

MR. SPRIGGS: It's going to be one of the great concerns. You can't get everyone back into D.C. If we're all going to drive and making transit workers feel safe, and then the passengers feel safe is going to be a big challenge. The continued confusion that some people were having a about wearing masks is going to be part of that concern. Transit workers, nurses have all expressed great concern about CDCs asking people to do the wearing of masks on (inaudible) basis. Those are reluctant to get vaccinated aren't always the type of person who has been in favor wearing the mask. And so there's going to be a lot of safety concern there.

What are passengers going to think about being that close to people once a day? And can we get it back to the level where people who are reliant on mass transit can actually use the transit to get to work reliably? That is a huge challenge that we're going to have to face. Currently, Metro is not at its full retro or statuses before ridership is down significantly. Thank goodness the rescue plan and the Cares Act all provided money for mass transit, but how quickly that money gets withdrawn is going to determine how safe and how reliable the transportation is going to be for those who are still being asked to go to work. And especially as you know, when you read the total report, you see there's not a clear alignment between where a lot of low income workers live and where the jobs are.

And as the central business district, we turns to greater capacity how easy will it be for those workers who rely on Metro to get about. It's going to be one of those big concerns and will state and local governments that have been contributing to Metro, fill the slack when we don't get ridership up as quickly as we need to in order to align with the service that's going to be needed to make everything accessible to those who have been at work.

For restaurant workers, this has been a total concern about the wearing the mask. And again, the CDC guidance is giving a lot of restaurant workers concern because customers are going to be in a less cooperative mood to provide safety for those workers. Until we can get the vaccination rates up much higher, that's going to be a challenge. And so we're hoping that the conservative approach of our local government so far to continue to require a mask in indoor settings. The continued requirement that people must wear masks on Metro and public transit will stay in place if the workers can feel safe, so that all of us can be safe and then using that as a way to get to work.

MS. DEMSAS: Backing off of what you just said, is there a concern that if these higher wage jobs are able to remain remote, even if it's just 60%, like Victor was saying earlier near the end of the year, that that's going to decrease ridership and how will that affect mass transit and the ability for folks who've been working in person all year to use those systems to get to work and get to play and get to school.

MR. SPRIGGS: That is a huge concern. And as Victor was laying out, this isn't going to be, everybody goes back at the same time and it -- in our region, of course, this is not a chicken or and egg. You really have to have both operating in order to make the transition back to work possible. And we're going to have to have Metro back up with the understanding that there are going to be periods it's going to continue to lose money. And that's where the cooperation of the regional governments is going to be very important.

We're going to need cooperation with the state of Maryland, state of Virginia, and the D.C. government to make sure that we can get mass transit up running reliably providing services so that we can get people back to the office. There's going to be a great concern among federal government workers, (inaudible) workers about hours. We will need to spread out what is the business day in order to make up for some unease using transit. And that means there's going to be a lot of cooperation needed between (inaudible), our federal government employees and their agency heads on what are going to be the core hours. If the core hours are going to continue to be very spread out for in-person workers, it's going to be difficult. It's going to be difficult to get everybody in and have them feel comfortable. It seems if we don't get another package from the federal government, or if we don't pass the American Jobs Act, which calls for a big increase of investment and infrastructure that the subsidization of mass transit is going to be a drag on local governments, that they're going to have to build into what's going forward.

MS. BROOKS: So, just continuing to kind of discuss what is going on with folks who are working in personnel last year, can you tell us a little bit about the struggles retail is having with getting staff now that they're starting to open up again?

MS. DEMSAS: Yeah, absolutely. And I think that is one of the things that's affecting retail the most and as we ramp back up and certain occupancy restrictions are being lifted in the different jurisdictions. But like, as Leah mentioned, nearly 2 million restaurant and bar workers lost their jobs between March and April of 2020, which is a huge, huge that showed the drop. What we're hearing and seeing from our different restauranteurs, and then I think this does even go beyond restaurants into the just general hospitality industry, couple of things affecting their return back to work.

One, I think a number of people left the industry altogether. When the restaurant shut down, those workers were forced to find employment elsewhere, in other industries, or turn to unemployment. And those that are currently employed elsewhere are going back, I think be the hardest workers to attract back into the industry. As those typically left their jobs are now in what I'd call maybe pandemic proof jobs like, retail, warehousing, fulfillment centers, etc. These jobs offer greater stability and security along with that lowered health risk, because it's not necessarily face-to-face with the general population.

We're seeing that a lot of the employers or the employees are rather on the still on the sidelines because they have children at home. I think that that needs to, we need to figure out how to get our schools to return to five days a week in person because that's leaving many and probably disproportionately mothers on the sidelines. I think probably to a little bit of a lesser extent in this region, but it is something that we're hearing.

The expanded unemployment benefits are sometimes outweighing the risk of returning back to the restaurant industry. And I think that that's -- we're seeing that just for like an example, Target and Amazon, which are very large employers have temporarily raised their minimum wage to $15 an hour nationally, which again, it was their attempt to sort of take some of these restaurant workers that were on the sidelines. And then I think as restaurants reopen and still with those restricted capacities for servers and bartenders specifically who are tipped wages, fewer patrons means less wages. So, economically they're putting their health at risk while making less money than they previously would. So, economics are definitely playing into that. And I think the one thing I would say sort of on the bright side of the current labor situation, because it's multifaceted, but the bright side is that I think this is causing owners and hiring managers of restaurants and retail in general, to reevaluate everything from wages to company culture, which were something that needed to be addressed pre-pandemic, but they now have to in order to get their staff back.

MS. DEMSAS: (Inaudible) multifaceted reasons. I know that there has been a lot of discussion around the effect of unemployment insurance in keeping folks at home. And there've been some states that have actually begun to give back the money to the federal government, says that they do not anticipate to pay that extended benefit. So, I know William, you have some thoughts on whether -- how big of a role that was actually playing in focusing decision to stay home. Can you speak a little bit on that?

MR. SPRIGGS: Yes, we studied, we meaning the economists, this extensively last summer when $600 was the debate, not $300. And again, getting to the geographic isolation of low income workers. One of the startling things was that workers who lived in lower income neighborhoods and work in those restaurants actually held onto do their jobs better. And again, in large part because the extra money meant that low income neighborhoods were stabilized by that extra money. And so giving away that money is actually dangerous to complicating an already complex problem. And thank goodness, the D.C., Maryland, and Virginia have decided not to revolt against the extra $300. That stability in those low income neighborhoods makes business in those neighborhoods more sustainable than it would have been.

There are a number of reasons why from an economist perspective. We wouldn't expect the extra money to make that much difference in this equation. First, we have to remember the magnitude of the job loss we're talking about. We are talking numbers worse than the Great Recession and remember the Great Recession, it was spread across many different industries. This is very intense for a specific set of skills in a specific set of industries. So, the workers likelihood that they can return to a job was pretty slim. And from an economist's perspective, what you're weighing when you're thinking, do I continue to search, or do I accept this job offer is what do I get if I continue to search. We're still at 70% below where we weren't. I mean, we were at 70% of capacity, so to speak, which is a pretty big drop.

The expected value of continuous search is pretty close to zero because we can't have an expectation that within the next month or two months or three months, that you're going to get the job back. And there's a penalty each time you (inaudible) unemployed, additional weeks of unemployment, makes your resume look bad. So, the idea that, Oh, I'll just call it the unemployment check and then I'll just wait until it runs out. When one's out, you're going to have six, seven months of unemployment and you're going to go and try and find a job. People who lived through the Great Recession found that that means you're never going to get a job because your resume is just going to get thrown away. You have too long a period of being unemployed. Employers will instantly be taking those who are new entrance, as opposed to you.

So, the idea that someone would take that gamble -- are there irrational people? Yes, there are some people who are irrational, but the rational person would take the job. But I think more to the point that Amy is raising, that's the real key here. The restaurant industry relied too heavily on job networks, using friends and family of existing workers to recruit. Those workers because of residential segregation, because of racial segregation, because of class segregation, we're pretty captive set of workers, but as she indicated, those networks have now changed.

Many of those workers did take the jobs at Target and Walmart where jobs were expanding. So, when they asked their friends, where is a job, they're looking at Target, Walmart and those jobs, and going back to the restaurants as Amy indicated. Networks help the employer because the employee has every reason, right, to only vouch for friends they think are good workers. Because you don't want to say to your boss, and this is a good worker when they turn out to be bed. But it's also the other way. I'm vouching for that employer to my friend. And I'm saying Bill's Pizzeria and Bill is a quirky guy, but he's really okay.

In an industry that has a very bad reputation. Me thinking that you're an okay employer is pretty tough for you to convince me that you're an okay employer. And if you're not offering me $15, $16 an hour, like other people in my network are now making, it's a tough sell to convince me that you aren't the same whole kind of bad employer as before. You're going to want to give me infrequent hours. You want to change my schedule and you can swear up and down, oh, no, no, no. We understand now we can't do that. We've changed, but the leper already has its spots. And so those industries are going to have to rethink, how do we recruit not using job networks? How are we going to have more open recruitment? And are we going to take chances on some workers we really wouldn't have taken chances on before? That's the big challenge and can we change our image so that people will have the sense that, oh, no, we're not abusing you again. You're in D.C. where the citizens voted to end tip wages, as Amy pointed out, this is a big issue. The tip minimum wage is very low. Relying on tips to make up the gap to get up to the minimum wage, especially in this region. We know that this is a region going towards $15 an hour. That tip minimum wage is less than $3 an hour. So, I have to make $12 an hour in tips. That's a lot of money to make in tips.

And so this set of restaurants in D.C. that we revolted and got the D.C. Council to override the citizens and give these restaurants a break. You see already they set a bad image. They're not on our side, if you're worker. So, there's a transformation. This industry is going to have to make. And it's going to have to realize that a different model was going to have to be in place for it to be revitalized.

MS. DEMSAS: Okay. Anecdotally, I can add to that. I have just now come out of my two weeks, second vaccine. So, I've started to put my feedback into the real world and going out to dinner. And so I've been out to dinner less than one handful of times, but two of restaurants that I went to had service fees built in on top of -- so you'd have your normal itemized bill and a service fee with a note that it was to help pay better wages to both front of house and back of house staff and then gratuities are on top of that.

So, I don't know if this is indicative of where the restaurant industry is going. One, but it was, or at least certainly for this region. But I thought that that was telling, because I do think some restaurants are starting to have that reckoning and realizing maybe first mover advantage of, if you do take care of your employee, you might be able to bounce back quicker. Well, it might take some of the others longer to get there.

MS. BROOKS: And switching gears a little bit, Victor, you brought up in recent writing, so, this question is for you. Let's talk more specifically about the geography of jobs and how we think things are going to actually shake out, not just in the next couple of months. And you spoke a little bit to that earlier, but how sticky do we think remote work is going to be in the Capital Region in a year from now, or two years from now, especially as during the presentation, Leah pointed out, we do have a higher share of workers in the D.C. Region relative to other places that can perform their jobs remotely. So, if you have any thoughts there and any idea of what kinds of factors the government would play in either making that a higher share or a lower share, I'd love to hear it?

MS. HOSKINS: So, in the new geography of jobs, Enrico Moretti talks about markets around the country that have these highly educated many technology focused, some non-technology focused on workers, service workers, essentially these professional service workers, by the way, which have driven a lot of the growth in restaurants in the country period. So, they're coming back to the office is actually going to affect the process of these restaurants opening up and even being able to hire, because you do not open your doors if you don't have customers. So, this is an interrelationship, but let me get, let me focus on your question, which is about what do we see in the longer term? So, I checked into a recent talk by Enrico Moretti and he said something very interesting. He said, this trend has been going on for a decade and a half, two decades. This is not a new trend that the high wage jobs are concentrating in cities like Austin, Texas, Silicon Valley, San Francisco, Seattle, Washington, D.C., the D.C. Region, Boston, Cambridge, New York. And if you look at the numbers, that's where they continue to grow. As a matter of fact, regardless of what's going on with office space, leasing, office space leasing, the announcements of jobs have continued to grow. Just in Northern Virginia and in my jurisdiction itself, we are past our job goal for this year. But on the square footage side, we're about halfway. So, that's a challenge, but what's going to happen is as people feel more acclimated to the health part of getting back to the office, we will see these companies start to sign these leases and move into these offices. But what he is saying, and basically what a lot of research is saying is only a portion of workers are going to be remotely out of the office. Because you have to look at the industry they're in, and you have to look at the job category they're in. Not everybody can work from home, even if you can technically work from home right now.

I have a lot of collaboration on my team. We have about 45 people. Probably somewhere around 80% of them will come back to the office full-time. Why? Because we're in sales, we got to see our people. We've got to see each other. We we've got to put together strategies. We've got to present, not everybody has to do that. A lot of people can do this as a way to get to collaborate. But if you really look at what he's saying, what a lot of the research from CBRE and JLL is saying globally, it is -- so, let's say it was 10% of pre-pandemic. It might be 20% remote post-pandemic depending on the industry. I've heard from a lot of the investment bankers, if everybody's coming back to the office.

Let me just tell you everybody's coming back to the office. So, there's that group that, so you got 100% of them coming back, but you don't have that with coders, for example, because you can go remote. The hybrid though is probably the one that is going to be out there. The hybrid model, how many days do you spend the office a week? Three days, four days three days in the office, two days out of the office in order to reduce your commute. When do you go to the office? We've already had extensive discussions on my team about when people will be coming to work because some of my people live way out. Some people live very close in. And what we're going to try to do is we're going to try to balance their arrival in the office and actually maximize collaboration among the team members.

So, you're going to see over the next couple of years, this is Enrico Moretti's prediction, is that things will go back to what will be a new normal where remote workers are higher. Where hybrid workers, which I don't know anybody who has a hybrid schedule right now in my office. I may have maybe 10% of those, maybe 15% of those hybrid and the rest of us are back in the office pretty much like we used to be because it's the nature of our work. So, I think it's going to, again, depending on the industry and it's going to depend on actually the relationship between the employer and the employee.

My younger workers want to get back in the office. My older workers like, yeah, I'd like a hybrid schedule. So, if you've already moved up in an organization, you're not trying to build the relationships that help you move up in the ladder of promotions. But if you just start, what you're going to work at home, you never meet the VP; you never meet the director; they can't see you; you're doing special projects; you don't take on additional responsibilities; you don't learn the secret path passageways as you navigate your career. Those things you learn in the office. So, my younger workers are clearly -- I understand them wanting to give back and some of the older workers, maybe not so much particularly those with long commute. And I understand that too. So, I think there's going to be a lot of negotiation as we've ventured back into the office.

MS. BROOKS: Yeah. Even with that conservative estimate, though, where you have maybe 10 to 15% more folks who are working hybrid. If you only have to commute maybe three days a week that opens up a lot of suburban, or ex-urban areas for people to move into. I mean, what -- how do you think that's going to affect the central business district if you end up having fewer people there, because there's obviously also the countervailing force of if you have less traffic or less congestion in central business districts and I think more attractive for people who want to live there as well. So, what are your -- do you have any thoughts on that?

MR. HOSKINS: Well, recently there was a survey of workers rushing back into New York City, 9,000 in a month. It was like one of those stunning revelations. Like, where are these people coming from? Well, they ran into D.C., I mean, into New York City because of the rents. Rents are down 15 to 20%. So, they're going in to take advantage of the rents. Also, sales prices have dropped for real estate. For condos and by the way, in all categories in the high end and the low end. So, I think this prediction that cities are going to disappear and we're going to have an Exodus like we did in the sixties when I was growing up, I don't think so. I think that cities are extraordinarily attractive to not just the millennials, not just to the boomers, but to every category of person that enjoys culture.

Now, when you hit a different place in your life and you are not interested in that, I think you tend to move further and further out. And I think you're going to see that anyway, that's a demographic trend.

MS. BROOKS: And Any, I know that you have this idea that you're really pushing for, this idea of a 15 minute city and there's a lot of opportunity there for that to become more of a reality as people are more free to live further away from where their work is. So, can you talk a little bit about the development of those 15 minute cities and what that would look like and how the government can encourage that?

MS. RICE: Absolutely. And I think for those who might be on the line who are not too familiar, but I think one of the most talked about methods of transforming a city into a smarter city in a post-pandemic world is by introducing the 15 minute neighborhood, which just in concept focuses on re-inventing the idea of urban proximity. Where work, home, shopping, healthcare, education, entertainment, etc, would all ideally be reachable within 15 minutes by foot, or by bicycle.

And then, certainly in markets where is exists by public transportation. But I think as we work towards the COVID-19 recovery, that 15 minute city is more relevant than ever. It does, because of all the different components that go into it, I think it does require multiple agencies, both public and private looking at it. But what it really does is helps reduce unnecessary travel across the cities.

It injects life into local high streets, so it's not concentrated in one downtown area. It strengthens the sense of community and promotes health and well-being. And it obviously improves the city's sustainability and livability. And I think because where Victor was talking, if whatever the percentage is, if part of our day or part of our week is going to be in a CBD, we've become accustomed to certain amenities being at that proximity.

And then if, and now on the flip side, if we're maybe three days in a CBD and two days a week at your home, the day-to-day needs of what you need to do on a Monday through Friday changes. And I think it's to make sure that in both areas, you can have everything that you need within 15 minutes.

From a retail perspective that's really where my lens comes to play. And I think we're starting to see now as retailers are recovering, those who've survived the pandemic are actively looking. I think I've talked to colleagues across the region on both tenant side, landlord side, and broker side.

We're seeing a re robust interest in some more residential neighborhoods where historically a lot of our retail activity had been in the CBD.

We're starting to see a lot more in residential neighborhoods that -- and use types that might not have been in residential neighborhoods. And so that's, I think, what helps to contribute to that 15 minutes city. And I think we're going to see that even more.

So, I think some retailers -- I think everyone thought and post-pandemic we'd have less retail. I think we might have more, but smaller because they're not servicing the full volume at one location. It might be 70% of volume, or maybe 60% volume here, and 40% volume in a secondary location.

MS. BROOKS: Are you seeing in the commercial office market changes in how leasers are expecting remote work to affect the future of their office space or their business space?

MR. HOSKINS: Definitely. The -- oh, I'm sorry.

MS. RICE: No, no. I was going to say, I would love to tap, like go back because we're hearing all sorts of -- we're one of we're one of the D.C. Metro Area’s largest landlords. So, we do have a good lens as Victor, obviously, you do too. I'll let you go, but I'd love to bounce this back off of you because I have ideas and thoughts as well.

MR. HOSKINS: So, in the commercial office side, we have -- there are some very distinct interesting things that are coming out, Zoom rooms, people are talking about Zoom rooms and that just changes the audio in the room; the way it's set up; the way the rooms are divided so that multiple people can be on zoom and not disturb one another which is extremely important because we do a lot on Zoom now. I think that's acknowledging something.

Another thing that we have been hearing a lot about is actually how much space people actually take down. Actually, there was a recent article guide house consulting decided to put their corporate headquarters and Tyson's, they're going be 75,000 square feet. Ultimately, they'll have 1500 employees there. They have about 600 to begin with and ultimately, about 1500.

The interesting thing is that they had initially been looking at more square footage, but after they did their analysis of what their workers do in the field; what their workers will be doing in the office, a reconfigured office some larger collaborative spaces, zoom rooms, and other kinds of things.

This is in a public article. I'm not saying anything out of school. It's has been in the Washington Business Journal, so, I feel free to say it, but I think that's a very -- that's a strong indicator of how their people are rethinking their space. But just in terms of trends, like if you look at like overall in the market, what we have seen in the last year and two months is a different behavior with companies that have 50,000 square feet and below and those that have are asking for 50,000 square feet and above.

Guide House was an exception. It's 75,000 square feet starting at a hundred plus going down to 75,000. That was an exception, but we have seen, is we've actually seen people take more. I'll give an example. In May of last year, Microsoft R&D facility, 1500 employees, they initially leased 400,000 square feet. Then two months later, they leased another 45,000 square feet, and then about eight months later, they decide to at least 150,000 square feet in Arlington. So, they're growing.

Same thing with Amazon Web Services, same thing with a lot of the larger companies. The smaller ones on the other hand, they're figuring out, well, I'm not going to sign my lease right now. I'm going to pass it. So, there are different behaviors happening. There are different design scenarios playing out, but the bottom line is I think that this is an adjustment period, and I think we're going to see this over the next 12, 18, 24 months. At the end of 24 months. I think we will understand what the market really looks like. But we're already seeing a surge in demand, primarily, because people are realizing, Oh my God, I do need to sign a lease. I'm hiring all these employees. They have to be somewhere and not all of them need to be at home. So, that's kind of where it's going.

MS. BROOKS: I have a question because the one tenant that you said that expanded in multiple locations, are you seeing where tenants, instead of if they're normal, I'm going to just say corporate headquarters was 150,000 square feet, are they doing instead of one large location, maybe three smaller ones so that they cover a larger jurisdiction?

MR. HOSKINS: Well, the one that I mentioned was Microsoft. They originally signed for 400,000 square feet in Reston. And then, they followed on with another 45,000 square feet. That was an R&D Center, not a corporate headquarters. And the corporate headquarters are distinctly different because of the nature of the workers. They're much smaller. Like the corporate headquarters for Nestle, it was 750 people. A lot of high wage workers, a lot of senior executives. So, it's very different. Those are very different typologies. I would say that the thing that you can rely on is that these companies are really looking at this pandemic as an opportunity to look at cost structure differently and look at talent acquisition differently.

Like we're working right now. We didn't work with companies on talent before April of, May of last year, really, May of last year, we now work with 170 companies, 140 universities, 40 of those universities, including Howard University are historically Black colleges. We are bringing them diverse candidates, thousands of diverse candidates. We do these virtual career fairs. We have one tomorrow. We have about a thousand people signed up.

This is what we call our college and recent grad virtual career fair where we're having it's again, it's about 28 companies in this one. They have about 5,000 jobs. It's about a thousand interviewees. Again, all these universities, 140 of them have an opportunity to send their students. It's free to them. It's free to the company, but we didn't do this before. The companies want you to help them attract talent as well as help them find a physical location like the JBG could provide. That's just one piece of it. JBG's advantages, number one, it had a lot of inventory, but number two, it had a great development pipeline and number three, Virginia Tech is located right down the road. So, you get these, these advantages and you play off those advantages.

MS. SHUETZ: William, just switching gears a little bit, like let's talk a little bit more about the workers that can't be remote and what we expect to see from their future. How does increase remote work affect their lives? And we've talked a little bit about in this conversation the ability for retail to be existing in multiple and more suburban locations, do we think this opens up the opportunity for service sector workers and folks who can't be remote are frontline workers to be living in what lower poverty neighborhoods and what should the government be doing to encourage that?

MR. HOSKINS: Our region is unique in that a lot of low-income families don't live near the central business district and scraping job opportunities outside of the central business district would be a big boom. The challenge is that our transportation networks are designed for getting me to the central business district. So, ironically, when you think about expanding job opportunities where residents, where the different neighborhoods are, you're confronted with buses go into D.C., but so many of those buses return empty. They don't -- we haven't really done this as well as we could. H

Hopefully, we will continue to improve that and the demand hopefully will make it clear and we'll get employers to participate in that. There are those who are concerned with using the transportation that worked to increase equity within the D.C. area, and a lot of businesses in D.C. understand that challenge and are willing to step up to it. And we hope that they'll continue to do it.

I mean, some of the challenges are very unique to D.C. many of the federal agencies are ecosystems unto themselves. Their childcare center is located there. Their cafeteria is located there. They're big implications. If Federal workers say, as agencies have now realized, you can work remotely and before agencies were very reticent to grant that. But now that workers have been out of the office for so long, two days a week, as opposed to one day a week, might be more of a norm.

And that means what happens to those cafeteria workers. What about those daycare centers? Where does it going to mean, will it not change that much? Because families are given being daycare five days a week, and some don't want to be in the office five days a week because of that, or are we going to see some other things shift because Federal workers aren't going to want to be downtown five days a week. There's going to be that application.

And the extra already absorbed a lot of people who are low income because of housing costs. And if we do ship board jobs, like I said, this may be advantageous to those workers. It may be advantageous to our transit system because a lot of the workers who are now saying they want to stay at home, are going to want some of those amenities they were used to in the central business district in terms of being able to go shopping or being able to go to lunch during a break. they're going to want some of that, even if they're working from home. And, and so it will be an interesting challenge to see if we can step up to make this a more equitable region.

MS. SCHUETZ: And do folks have audience questions, now is definitely the time to get those in. One question that we received for multiple people before this panel even began was this question of, is it possible to convert office space into residential real estate? If there ended up being less demand in place like central business district. Amy, have you seen kind of any increase in desire to do that? Are there challenges for rezoning those types of buildings into residential buildings?

MS. RICE: I think there are challenges with zoning to make the switch. I think generally speaking, you have to have the office building fully vacant office, but three floors in the middle are sandwiched in with residential. I think that becomes, I think that's complicated. JBG Smith has studied converting on a handful of occasions, old obsolete office buildings, or soon to be vacant office buildings into residential.

There are some inherent challenges just based on columns and column placements. What are good for office tenants are not good for residential units. Plumbing, requirements for plumbing, electrical, HVAC, much different on a residential side than a commercial side. So, we have not yet done it, but looked at it for sure.

MS. SCHUETZ: And Victor, do you have any thoughts about the ability to convert office space into residential space, especially in terms of ensuring we have a lot of residential segregation in this region, of course, and the creating more affordable housing units in low poverty areas could, of course, ameliorate some of that.

MR. HOSKINS: Mm-hmm, well, I will say that Amy nailed it in terms of a lot of the challenges. To be honest with you, on the design side, it's very difficult. We have a couple that are being renovated in Fairfax County and so it is possible. It's just that the price point has to be right on the acquisition in order to make the plumbing, electrical mechanical, which are really the difficult parts, work. And I've been in some buildings that have been converted and they are complicated. They -- strange experience, let's just put it that way.

And it's very, it's difficult for us as we live in mostly rectangular boxes, all of a sudden going to one where it's square and then you have a column in the middle of the room as Amy pointed out. So, it's just complicated, but it can be done. It's not impossible, but in terms of being done at scale, at a massive scale, doubtful, I'm doubtful that it'd be done at a massive scale.

MS. SCHUETZ: Yeah. And there's definitely been some conversation about this in New York City, where folks were discussing the difficulties with changing the physical buildings into one that would be up to code for residential living. So, it's not just a situation where you need just an empty building and as Amy was pointing out and to demand for it as Victor. But to make it at the right price point, like you discussed, you would actually need to make sure that you would redo all the windows, that you redo all the exits and things like that.

But William, I know this is one thing that has been happening in California and some other states is this idea of retooling hotels to be low-income housing, because those are already, of course, up to code for people to live in. And there's some sort of type of bed and bathroom and things like that that are assisting. I mean, is that a good tool, do you think for reducing residential segregation, both economic and racial in the region, or is this kind of a difficult tool to be implemented in the D.C. Region?

MR. SPRIGGS: It's a difficult thing. Remember that the hotels that are going to be the most stressed at the moment are in this central business district. And that doesn't exactly address the issue of racial segregation by converting those. And the price point comes back quickly, right? Even with increased density around Howard University, as an example, gentrification continues because the price is still very high. And it would be hard to think how we would do it without the D.C. government ensuring that a conversion would include some covenant to ensure there would be affordable units within what was taking place.

Otherwise, the pipe board was going to be as high as we have been seeing. And so that would be the challenge. Could I convert this hotel, meet a set-aside for affordable units and still want to convert the hote?. Chicago has seen some of its larger properties decide to close. We haven't had announcements equivalent in D.C. I believe that many of the hotels are quite confident that the tourism industry will come back and they're going to get their occupancy backed up. And aren't quite willing to throw in the towel on that same scale.

So, I'm not sure it would be the solution here. We do need to address the fact that when you bring in very high income people, you change the bids. And the solution with this build more housing for them means that you're asking builders to overbuild, right? I want you to overbuild so that we can drive down prices because we're going to get supply so high for the high income people that price point collapses, and then other people can second the vacancies.

And that -- it's not as easy as a lot of my economist colleagues make out when you have that high level of inequality that we're talking about. The solution most people have had is the one that we've been pursuing locally, which is we get more people unionized to get them higher pay. And so you do equality from the bottom up. You make sure that those at the bottom can continue to be competitive for housing. It's easier to solve the problem that way than it is to sell the problem the other way.

MS. SCHUETZ: One of the question, just a lightning round question for everyone here.

So, if there is one thing that you would hope that the Capital Region governments should do to ensure a strong, robust and equitable recovery, what would your ask kind of be of these governments? How should they engage in order to bring us back to a new normal that is better than where we were. So, Victor, I'm going to kick it off to you, putting you on the spot.

MR. HOSKINS: I think that one of the keys to really all the governments in this region is that they need to be flexible because if you don't have flexibility as we go back, it's just going to create a bunch of barriers for people not to go back. All you need to do is put in a roadblock in a way where a mother can't go back to work because she can't get childcare. So we have to be flexible in our overall system. And then I think employers and let's not leave all the responsibility on the government, but the employers also need to be flexible. And I think that they will be. I think it's just a practical matter they will be because they have a lot of talented staff, whether that staff is a cook or whether that staff is a programmer. I think that they want to keep their people. And to do that, you got to be flexible today. And I think flexibility is what we all need over this next 12 to 18 months so that we can get back to that new normal.

MS. RICE: I would agree on that. I want to I think locally our jurisdictions did a phenomenal job being flexible. For restaurants specifically in letting the nimbleness of being able to use public space for outdoor dining and the creative thinking of finding solutions, I would love to see that continue. Because I think the pandemic turned business off with a switch. It doesn't come on with the switch either. And these small businesses have 15 months, if I'm calculating over a year of lost revenue to recover from.

It doesn't just -- they don't get to go. Most of these breasts don't get to go to 120 or 150% occupancy to make up for lost revenue. So, I want us to continue creative thinking and let what worked during the pandemic to continue when we're back into "normal times"?

MS. BROOKS: (Inaudible) you can close us out.

MR. SPRIGGS: Well, I think we have to recognize when the restaurant industry was to the revitalization of downtown that provided the foot traffic that made retail successful in the downtown area. And it means that restaurants are going to have to step up. When you think about, governments responded quickly to those workers who are organized as opposed to restaurant workers. And when you think of the irony here, this is the restaurant workers who lost the most jobs, but the government was most responsive to industries where fewer workers lost jobs.

I think restaurants should take a hard look at how they treated their workers. And think about would this have been different if 20% of workers in the industry, millions of workers lost jobs, and they were organized in a powerful set of workers. How would they respond to the government been different?

And so squashing your workers is not a good idea. I hope they take a lesson and note how quickly we responded to the airline industry compared to how quickly we responded to the restaurant industry. Take some notes, learn some lessons.

MS. SCHUETZ: Well, thank you all very much. This is a great panel. And thank you, our audience for joining us today. That concludes our remarks. Thank you very much.

MR. HOSKINS: Thank you, appreciate it.

MR. SPRIGGS: Thanks.

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