



EXECUTIVE SUMMARY

Long Island Downtowns:

New Strategies for a Post-COVID World

APRIL 2021

RAUCH HR&A
FOUNDATION

The cumulative impacts of auto-oriented development, the emergence of online shopping, and, more recently, the economic shock from COVID has severely impacted the viability of Long Island's downtowns.

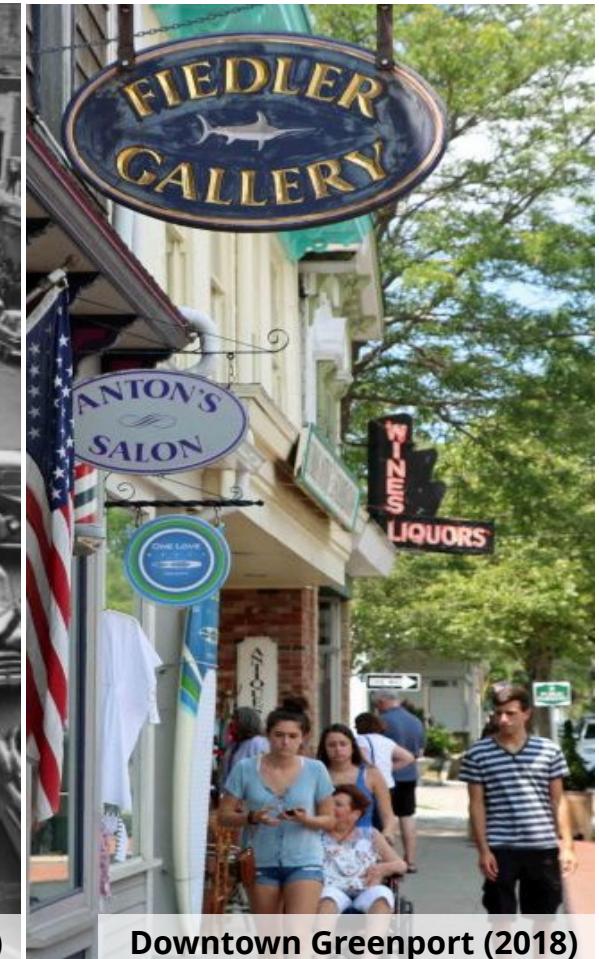
Long Island's growth was driven by the development of the LIRR in the late 1800's, which transformed it from an agricultural community to a diversified economy. By the 1950's, Long Island's downtowns had become centers of civic life and employment hubs.

Capitalizing on auto-oriented development in the 1950's, mass shopping centers emerged, and many small retailers left downtowns. But some downtowns found ways to adapt, redeveloping to accommodate auto traffic, pivoting to increase food & beverage and local services, or becoming centers of business.

More recently, however, e-commerce, and then COVID, have created new challenges, but also opened up new possibilities for our downtowns. This study examines the conditions of downtowns, identifies trends and trajectories, and recommends key interventions that will allow downtowns to embrace new ways of living, working, and shopping in the post-COVID future.



Downtown Hempstead (1953)



Downtown Greenport (2018)

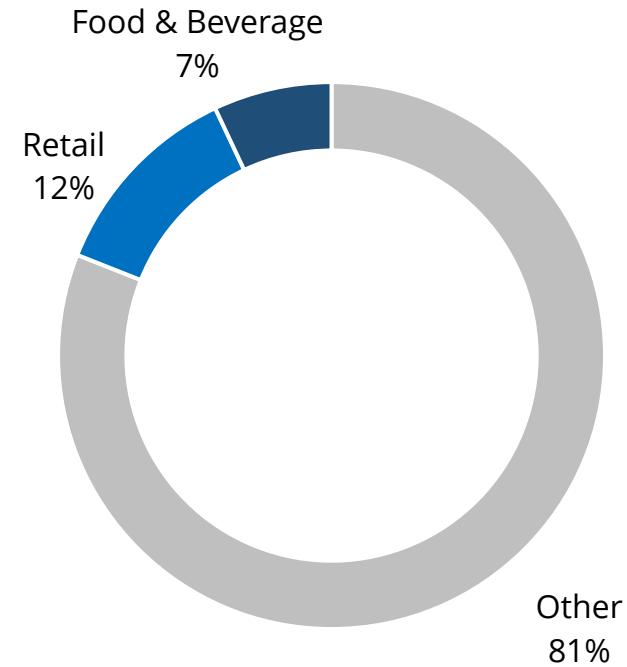
The Rauch Foundation engaged HR&A Advisors to assess COVID's impacts on Long Island's downtowns and to identify interventions to stabilize businesses and support downtown recovery and growth. HR&A's research approach included the following:



Retail and food & beverage sector jobs, which are often concentrated in Long Island's downtowns, accounted for one in five jobs on Long Island prior to COVID.

- **The retail and food & beverage sectors** drive downtown employment and occupy storefronts on main corridors.
- These sectors provide **accessible job opportunities** for workers without college degrees, including lower-income workers.

**Long Island employment by sector
(Feb 2020)**



Source: BLS

Although the majority of downtown businesses were growing prior to COVID, they also faced myriad challenges.

Business Growth

57%

of Long Island downtown businesses said they were **growing** over the past 2-5 years

Business Challenges

19%

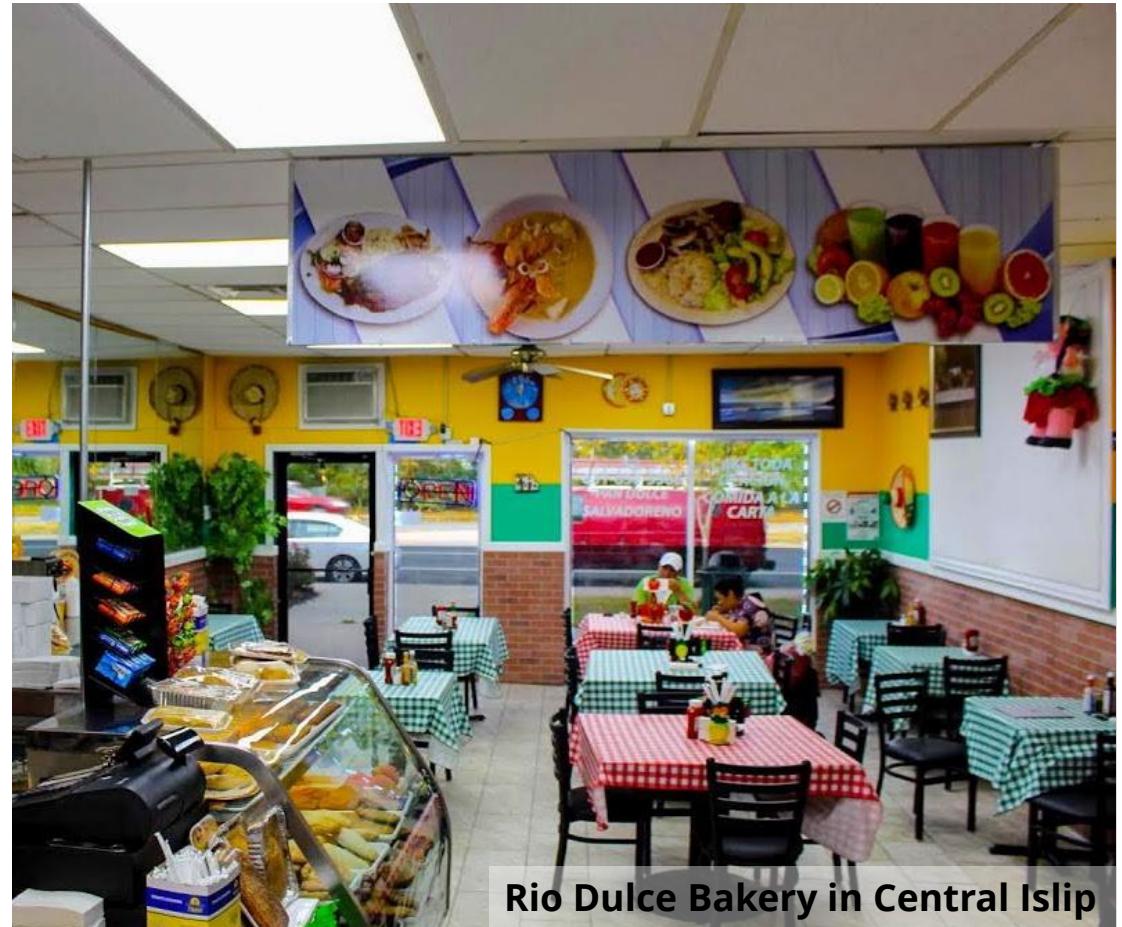
of Long Island downtown businesses said they were **experiencing challenges**, particularly:

- Competition with **online businesses and chains**
- Hiring **qualified workers**
- Unaffordable **rents**

Downtown survey responses include 36 food & beverage stores and 47 retail stores.
Respondents were asked about business growth and challenges over the past 2-5 years. Source: Rauch-HR&A Business survey.

Small businesses in lower-income communities and businesses of color were facing greater hurdles.

- Outreach indicated that many businesses in these communities on Long Island had **greater difficulties adopting technology and social media, obtaining permits, and negotiating leases**.
- These businesses also **faced greater obstacles to accessing capital**, in line with national trends. Nationally, new Black- and Hispanic-owned businesses start with about half as much capital as nonminority-owned firms.
- One civic leader noted that the Hispanic businesses in his Long Island community had **fewer connections to the local chamber of commerce**, missing out on valuable support for businesses in need of assistance.



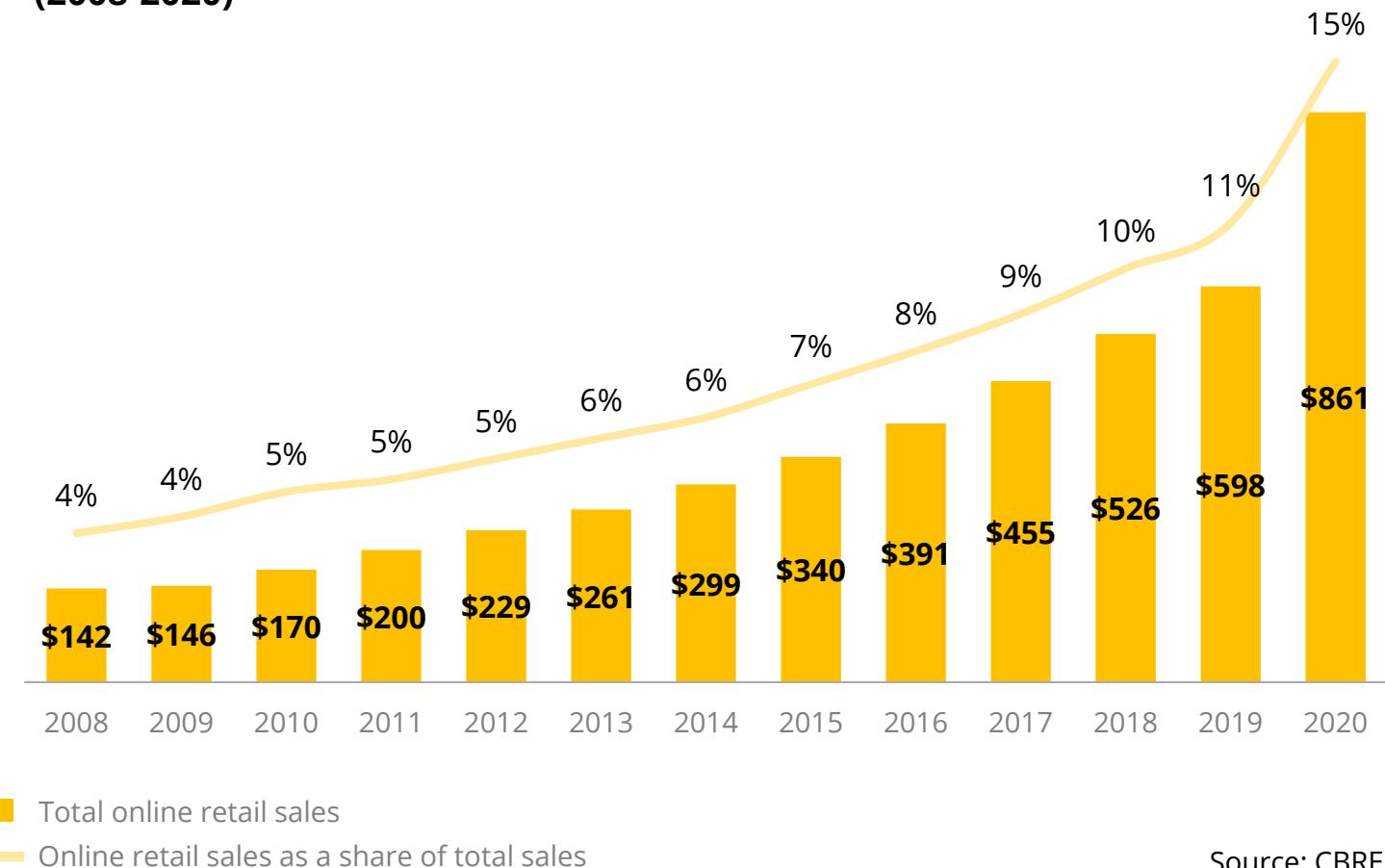
Rio Dulce Bakery in Central Islip

Source: Small Business Administration

E-commerce has been growing rapidly across the country, disrupting retail and competing with businesses selling consumer goods.

- Nationally, the total dollars spent in **online sales have steadily increased**. This trend has only been **reinforced** during COVID.
- While major e-commerce companies' business grew rapidly during this time, many **small downtown businesses have had difficulty pivoting to online sales**.
- Meanwhile, **food & beverage** and other businesses that provide **experiences and services not available online** have grown across the country and on Long Island.

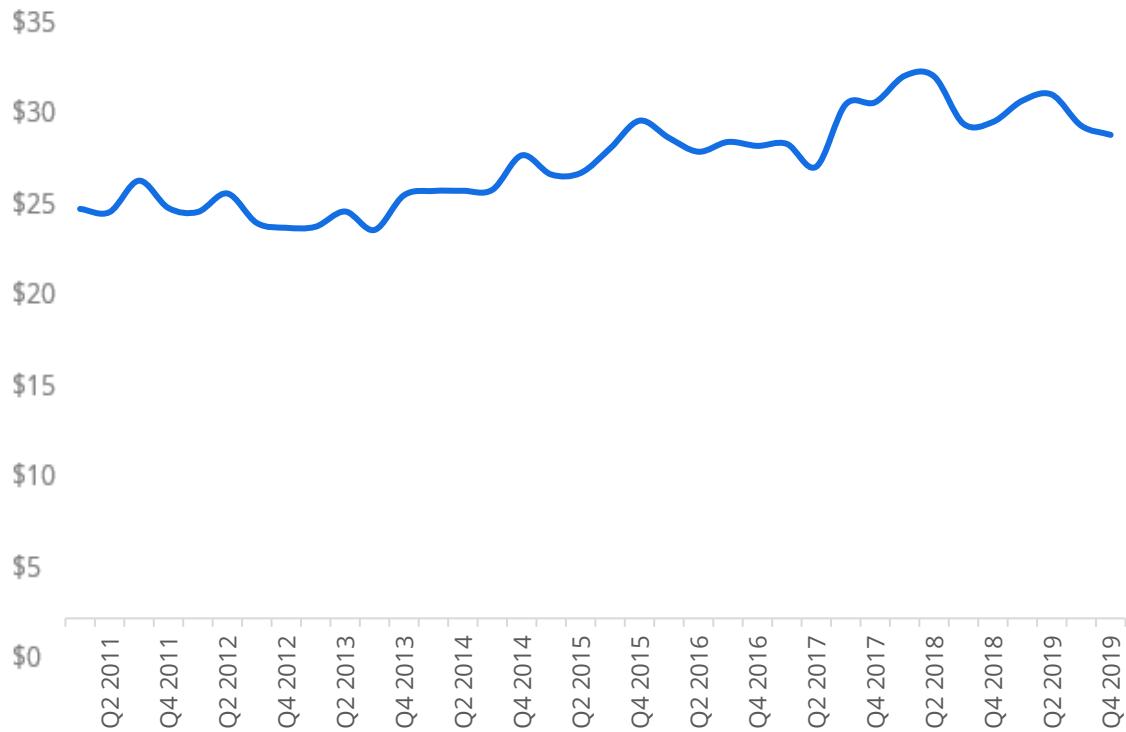
**U.S. online retail sales in billions
(2008-2020)**



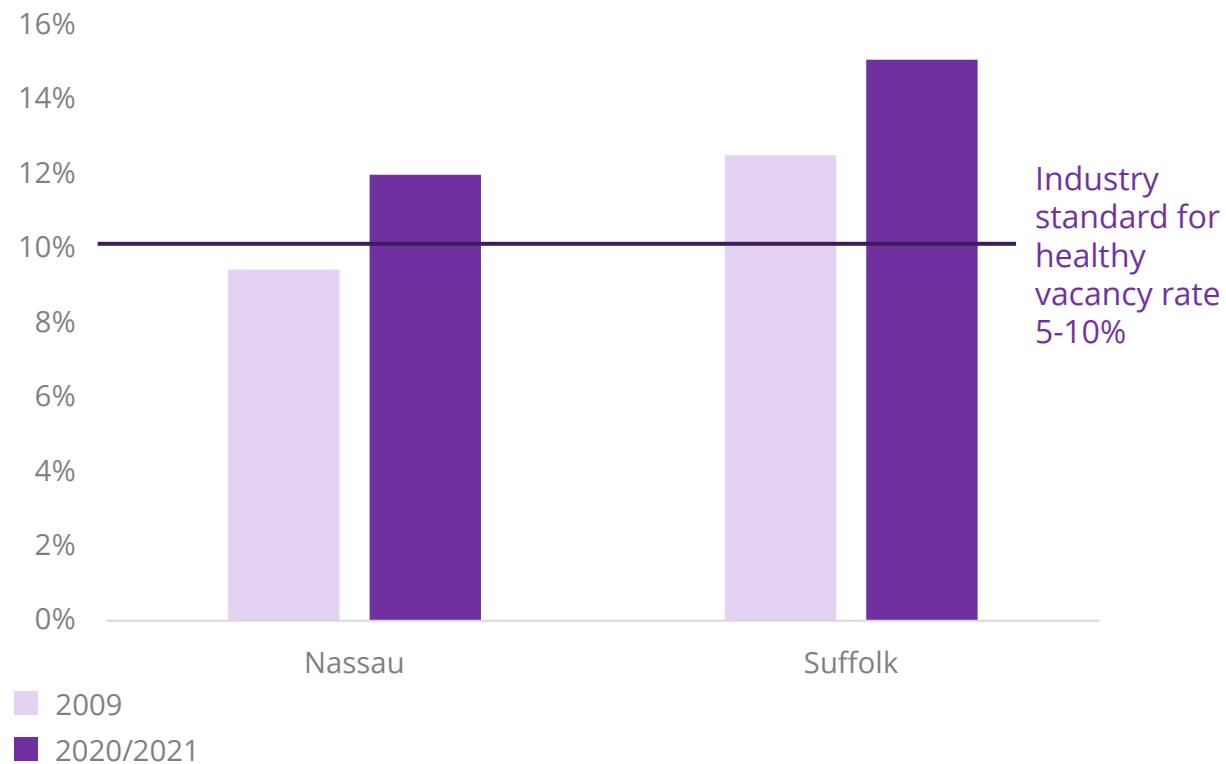
Source: CBRE

Retail rents have been rising in Long Island's downtowns, while vacancy has increased. Unaffordable rents and e-commerce disruption have both contributed to higher vacancy.

**Average retail rents (\$/SF) across selected downtowns
(Q1 2011-Q4 2019)**



Average storefront vacancy rate, selected downtowns (2009 vs Winter 2020/2021)



Retail rent data based on the 10 focus downtowns: Baldwin, Bay Shore, Central Islip, Garden City, Greenport, Mineola, New Hyde Park, Northport, Port Washington, Riverhead, and Roosevelt.

Vacancy rate includes storefronts that are unoccupied or contain permanently closed businesses in the 30 downtowns in which the vacancy survey was conducted. Source: Costar, Rauch-HR&A Vacancy Survey

Beyond these macro trends, the types of consumer bases that support Long Island downtowns vary widely.



**Residents of
multifamily housing
in Patchogue**



**LIRR commuters in
Port Washington**



**Office workers
in Mineola**



**Visitors to regional
attractions
in Riverhead**



**Patrons of food &
beverage destinations
in Northport**



**Seasonal visitors
in Greenport**

COVID caused steep job losses in the spring of 2020; unemployment has declined, but it is still well above pre-COVID levels.

Steep Job Losses

Early in the pandemic, Long Island observed some of the **highest unemployment increases** in New York State, reaching **16% unemployment**, and hitting low-income workers hardest. Long Island's **6% unemployment rate** as of December 2020 was still **nearly double** the rate in pre-COVID conditions.

Devastation of Small Downtown Businesses

38%

of downtown food & beverage and retail businesses
projected **50%+ loss of revenue** in 2020 compared to 2019

45%

of downtown food & beverage and retail businesses
projected **10-50% loss of revenue** in 2020 compared to 2019

Downtown survey responses include: 36 food & beverage stores and 47 retail stores.
Source: Rauch-HR&A Business survey, BLS Current Employment Statistics
Long Island Downtowns: New Strategies for a Post-COVID World | 10

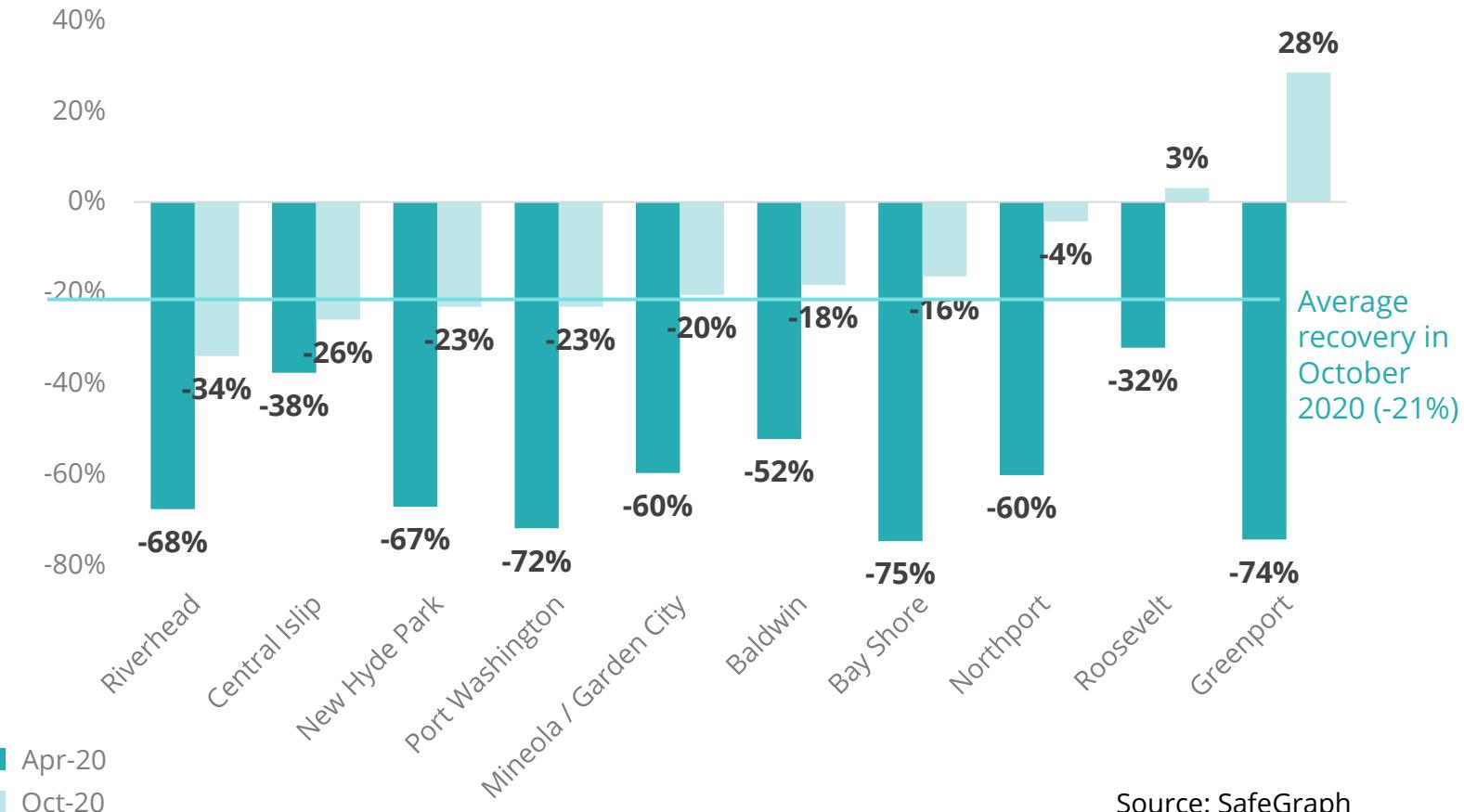
While COVID had broad impacts across Long Island, its impacts on individual downtowns have differed, driven by local conditions.



The rebound in downtown visitation has varied significantly across Long Island's downtowns.

- While visitation was down across the board in April during broad shutdowns, as businesses reopened in the fall, the **return in foot traffic has varied widely.**
- Downtowns that **rebounded more quickly** were generally leisure and food & beverage destinations.
- Downtowns that **rebounded more slowly** were dependent on visitors to destinations that were closed or at reduced capacity, dependent on LIRR commuters, or lower-income.

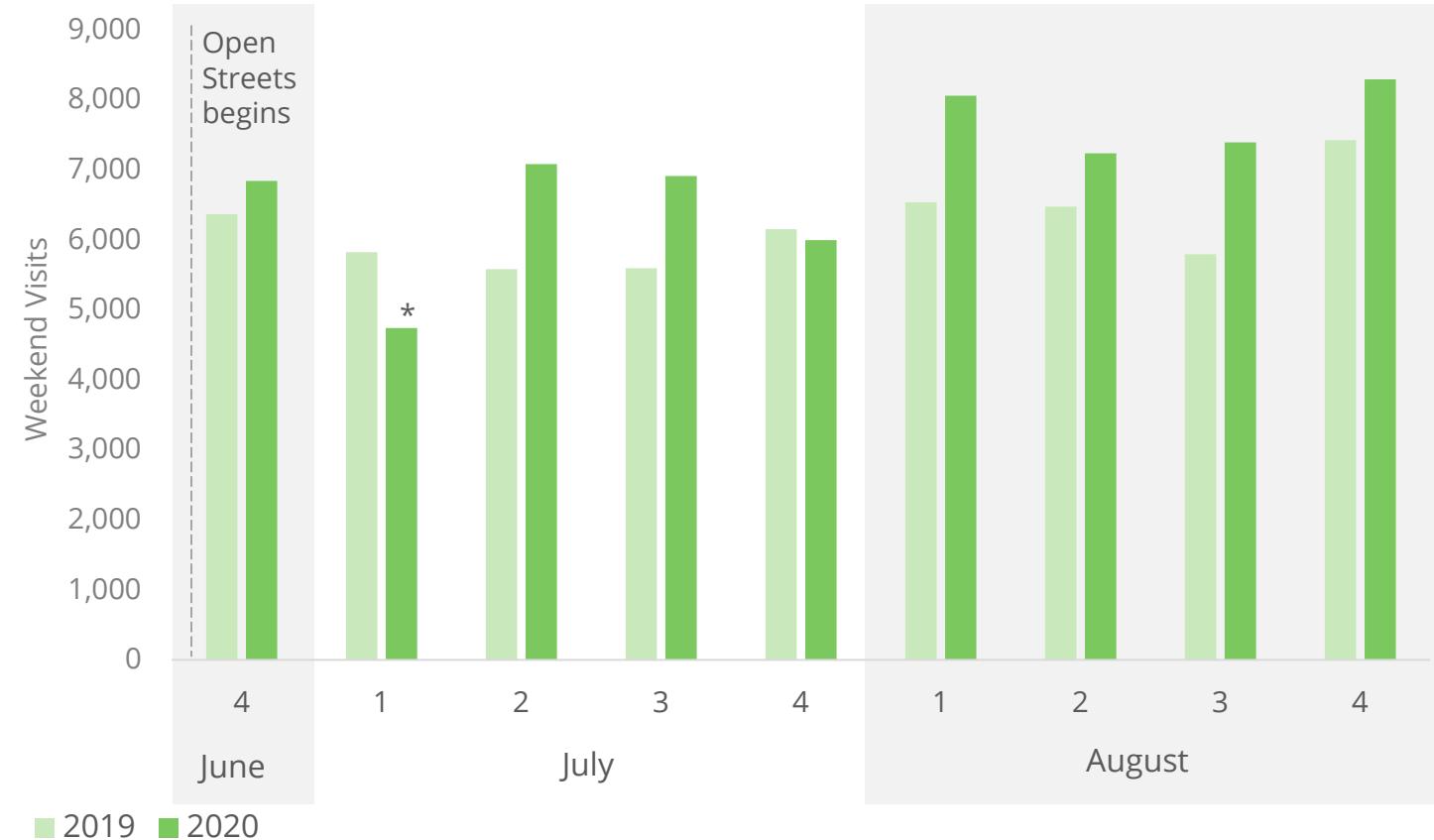
Change in storefront visitation
Apr 2020 and Oct 2020 compared to Nov 2019



Downtowns that embraced innovative uses of streets and public spaces were able to more successfully attract visitors.

- Garden City opened streets to pedestrians during the summer of 2020, which had a remarkable impact on visitation. On average, **businesses along 7th Avenue saw a 20% increase in foot traffic during open streets** weekends in 2020 compared to corresponding weekends in 2019.

Visitation to 7th Street Garden City storefronts by weekend



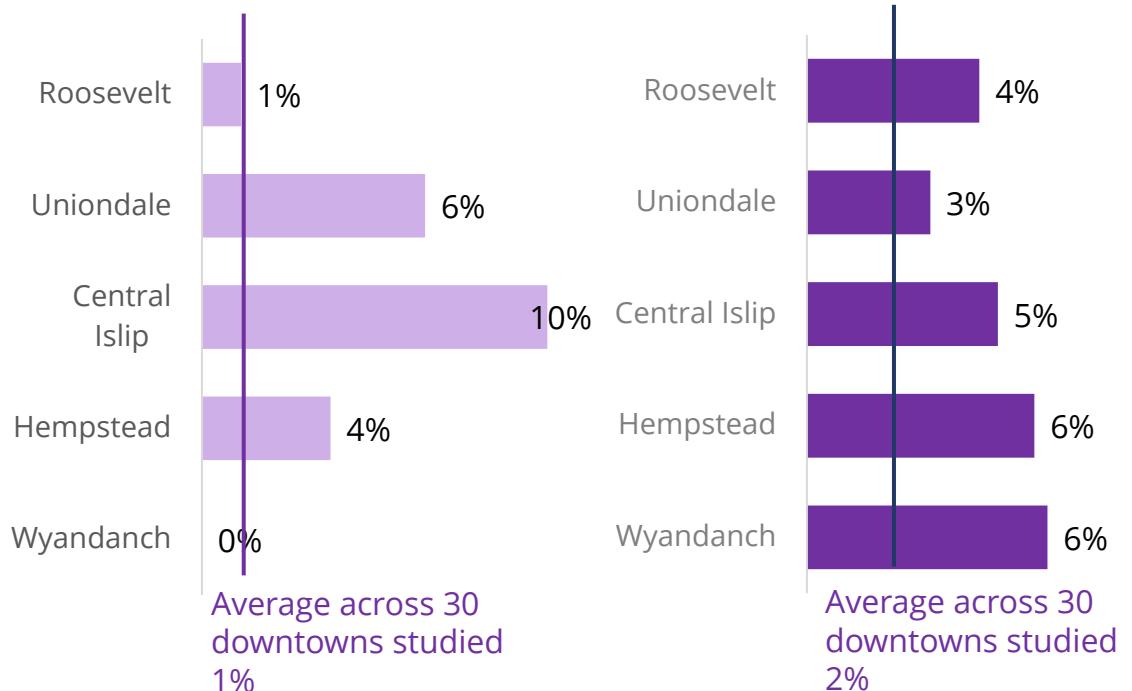
Beginning in late June 2020, Garden City opened 7th Street to pedestrian traffic between Franklin and Hilton Avenues. Weather on summer weekends was consistent across years. 20% increase in visitation traffic excludes the first week of July, as Independence day was a Thursday in 2019 and a long weekend in 2020.

Source: SafeGraph

The pandemic has been particularly damaging to businesses in lower-income communities and businesses of color.

- In these communities, businesses were more likely to lack **access to capital and online marketing**.
- They also had more **difficulty accessing Federal aid** due to barriers created by application requirements and lack of information.
- Surrounding **communities were hit harder** by COVID, reducing consumer spending.
- Accordingly, permanent store closures in lower-income communities were significantly higher than the average of 1% across 30 downtowns surveyed. **10% of storefronts were permanently closed in Central Islip**, far surpassing all other downtowns.

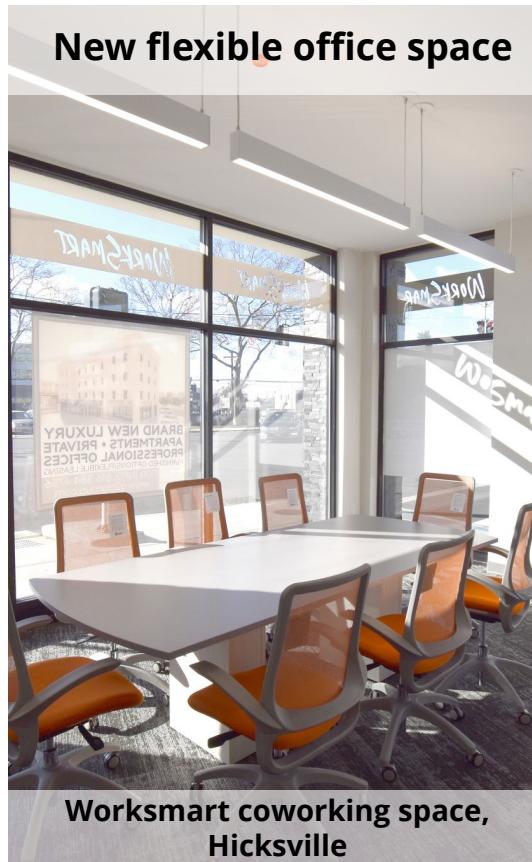
Storefronts permanently closed in the 5 lowest-income downtowns studied



Five lowest-income downtowns among the 30 visited for the vacancy survey. Income levels were determined by median household income from ACS 2019 data on Census Designated Places (CDPs). In cases where the CDP geography did not include certain areas directly adjacent to downtowns, this geography was adjusted to better reflect catchment areas. Source: Rauch-HR&A Vacancy Survey (Winter 2020/2021), U.S. Census ACS

Post-COVID, downtowns will require support from a broader cross-section of customers, including new residents and office workers; new storefront uses, including “experiential retail” that offers experiences/services not available online, will be key to attracting those customers.

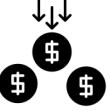
New visitation drivers



New storefront uses



Long Island's downtowns will need to address these systemic challenges and opportunities to thrive in the post-pandemic world.

-  **Small businesses in lower-income communities and communities of color** have been hit hardest by COVID – how can we ensure they recover and avoid a broad loss of businesses?
-  The **disruption of retail** has accelerated during COVID leading to **rising storefront vacancy** – how can municipalities, BIDs, chambers of commerce, and property owners work together to re-use storefronts with creative uses?
-  COVID has created a new appreciation for **innovative uses of public spaces** – how can new uses of public space be leveraged to reactivate downtowns and create the open-air gathering spaces communities want?
-  Prior to COVID, **food & beverage businesses** were growing rapidly, but they have been devastated by COVID – how can we ensure food & beverage businesses flourish and drive downtown recovery?
-  **Remote work** has fundamentally changed the function of offices in urban central business districts – how can Long Island's downtowns build and convert **flexible office space** to take advantage of this trend?
-  **New multifamily housing** is even more urgently needed than before to support downtown revitalization and accommodate Long Island's long-term growth – how can towns/villages foster new, inclusive residential development?

Recovery Principles

EXECUTIVE SUMMARY

Act quickly to stabilize downtown businesses.

“Stop the bleeding” and support businesses in crisis, particularly in lower-income communities and communities of color.

Create flexibility for the “new normal.”

Given many uncertainties, create flexibility around regulations and use of space to allow downtowns to evolve over time.

Make long-term investments to support downtown growth.

Make downtowns inclusive, vibrant places that can accommodate long-term growth.

Interventions

4

Immediate Actions to Stabilize Downtown Businesses

0-6 months

3

Medium-Term Interventions to Create Flexibility for the New Normal

6-12 months

4

Long-Term Investments to Support Downtown Growth

1 year +

Of the 11 interventions to support downtown recovery, we have highlighted six that are particularly critical and innovative in their design and impacts.

Stabilize Downtown Businesses

1. Double down on financial support for small business, especially in lower-income neighborhoods and communities of color.
2. Create small and downtown business support divisions at the County economic development departments.
3. Help small businesses adopt new technologies.
4. Provide resources for small businesses to increase revenues and reduce costs.

Create Flexibility for the New Normal

5. Reposition vacant storefronts for flexible, creative new uses.
6. Make outdoor dining permanent and cut red tape for food & beverage businesses.
7. Create year-round open streets.

Support Long-Term Downtown Growth

8. Engage in comprehensive, inclusive development in lower-income downtowns.
9. Build transit-oriented multifamily housing in downtowns.
10. Invest in complete streets and green infrastructure.
11. Invest in sewers and high-tech septic systems.

1. Double down on financial support for small business, especially in lower-income neighborhoods and communities of color.

- Design new grant and low-cost loan programs.
- Provide technical assistance to remove barriers to accessing aid.

Counties can tap into funding from the American Rescue Plan to design larger grant and forgivable loan programs without application requirements that are burdensome to small businesses. Precedents of programs targeted to such communities include La Fuerza + BOC Entrepreneurs of Color's [Entrepreneurs of Color COVID-19 Relief Fund](#) and New York City's COVID resources for [businesses in low and moderate income \(LMI\) communities](#).

Critically, Community Based Organizations (CBO's) can make businesses aware of funding, and technical assistance programs can help businesses apply for aid. For example, during COVID, Chattanooga, TN offered free [technical assistance webinars for businesses of color](#) applying for Small Business Administration (SBA) funds.



2. Create small and downtown business support divisions at the County economic development departments.

- Create small, agile new divisions within the economic development departments of each County.

These new divisions can ensure that coordinated resources are available to businesses in all downtowns and serve as "one stop shops" for business assistance.

The divisions should allocate additional resources and outreach to businesses owned by persons of color, women, immigrants, and/or veterans.

Divisions

ECONOMIC DEVELOPMENT
Agriculture and Fishing
Downtown Revitalization
Energy and Climate Action
Film and Cultural Affairs
Suffolk County Foreign-Trade Zone #52
Business Recovery Unit
*NEW Small Business Support Division

A similar multifaceted organization is the [NYC Department of Small Business Services](#) (SBS) which helps to create and coordinate BIDs and connects small businesses with technical resources, critical information, and promotional support.

3. Help small businesses adopt new technologies.

- Ensure businesses have affordable access to broadband and provide free Wi-Fi in downtowns.
- Create an online shopping portal to help small retail businesses compete against major online retailers and direct-to-vendor online food ordering systems.
- Provide technical assistance to help businesses adopt technology to remain competitive.

Leaders should subsidize internet and/or cellular services for targeted small businesses and work with providers to drive down the cost of internet access and encourage them to install fiber-optic cabling.

A common sales platform for small businesses offering low-cost or no-cost shipping, similar to [ShopInNYC](#), can help communities “shop local”. An independent food delivery app can keep the cost of delivery down for restaurants.

BIDs and towns/villages can also create programs to increase digital literacy and adoption among small businesses.



5. Reposition vacant storefronts for flexible, creative new uses.

- Implement creative zoning to increase flexibility.
- Facilitate interim uses in vacant storefronts.
- Acquire distressed spaces and offer low rents to incubate new businesses.
- Provide landlords with matching grants to renovate storefronts.



New zoning tools such as form-based code – which primarily regulates building form rather than use – can allow for an array of new commercial, community facility, or light manufacturing uses.

Lease templates can facilitate pop-ups; property owners can also be encouraged to embrace temporary uses in vacant storefronts such as art. Similar to Memphis' [Open on Main](#) program, offering low-rent spaces can be used to help new businesses grow. Finally, incentivizing landlords to renovate storefronts can remove blight and help fill vacant spaces.

6. Make outdoor dining permanent and cut red tape for food & beverage businesses.

- **Make the creative use of parking spots, sidewalks, and plazas for outdoor dining permanent.**
- **Codify the emergency relaxation of non-health and safety regulations during COVID.**



Both consumers and businesses want to see outdoor dining continue. Towns and villages should permanently allow outdoor dining, which can attract visitors to downtowns as they recover.

Even before COVID, red tape created major hurdles to opening or growing food & beverage businesses, which were increasingly driving foot traffic to downtowns and will be critical to COVID recovery. Towns/villages should relax and simplify regulations to better support these businesses. Towns/villages should also embrace rapid online self-certification processes for minor building improvements, as [Smithtown](#) did.

7. Create year-round open streets.

- **Make open streets permanent.**
- **Provide communities with the opportunity to suggest new open streets.**
- **Use Federal stimulus funds to fund management and programming of open streets in lower-income communities.**

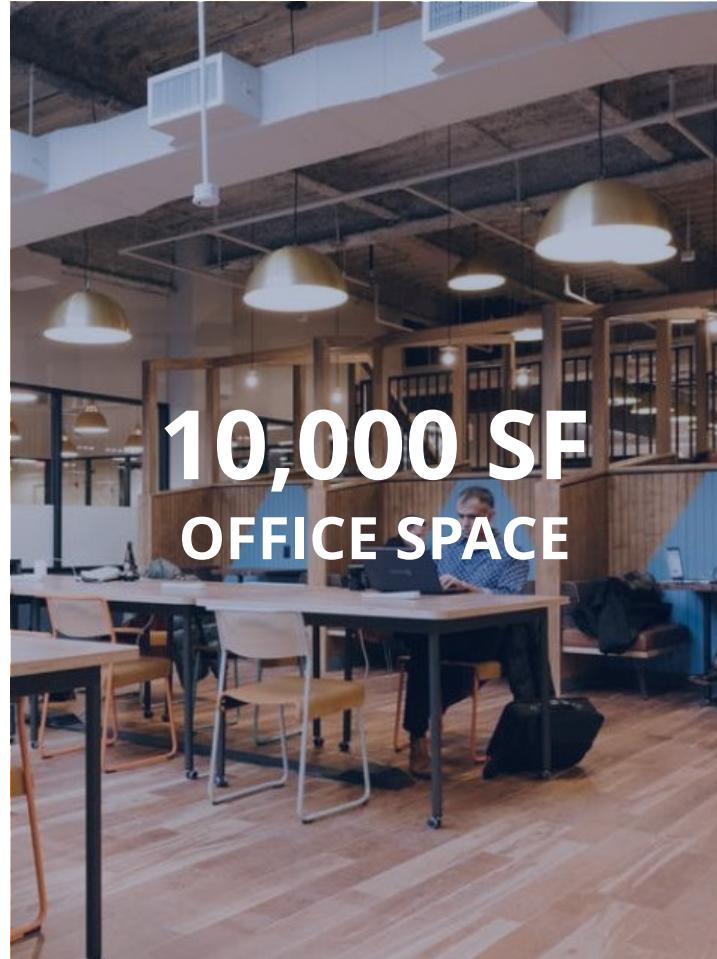


During COVID, many municipalities across Long Island and the country launched open streets programs, shutting down car traffic on certain days of the week to create open space and bring community members downtown. These innovative new ways of using public spaces helped to drive recovery and created a new appreciation for open air social spaces.

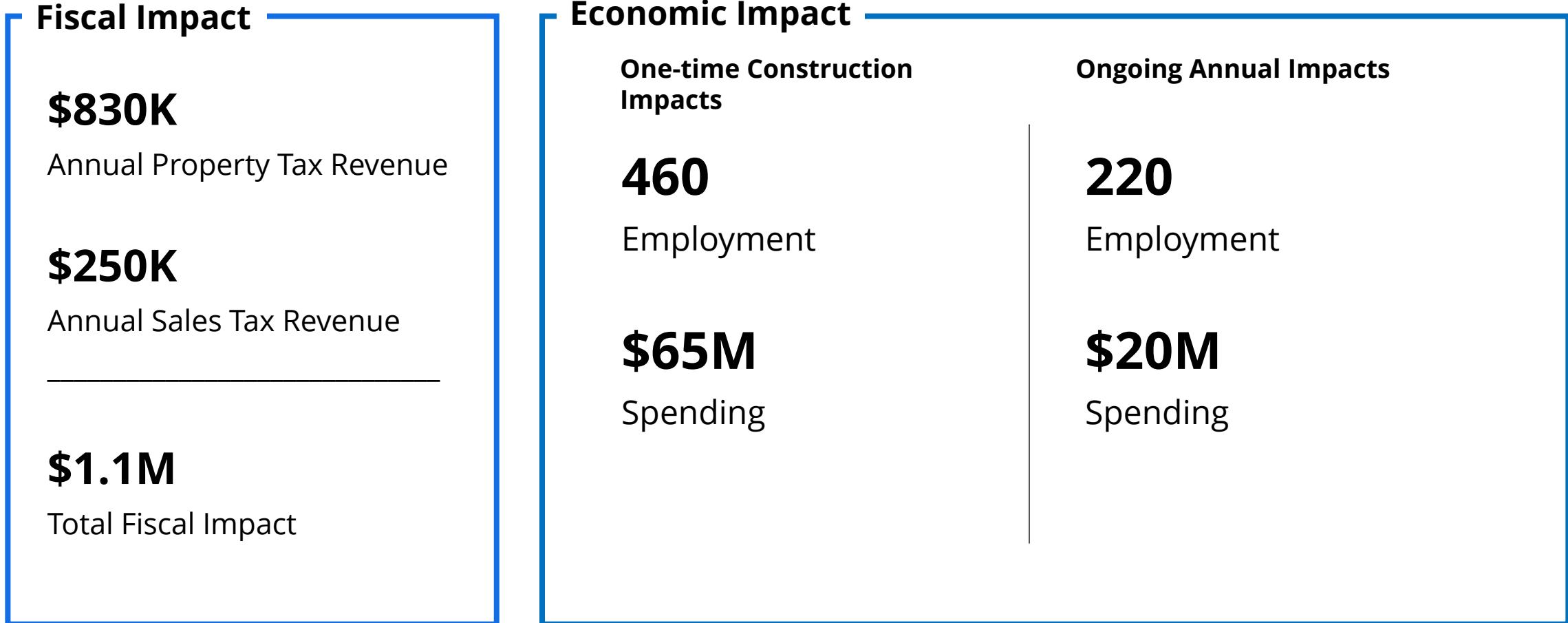
Towns/villages should make open streets permanent, as [New York City](#) has done, ensuring that lower-income communities have adequate resources to manage them.

In more auto-oriented areas, towns/villages should study alternative parking options to balance the needs for access and activation.

Combined, these interventions will result in development of new housing and flexible work spaces and more successful businesses in Long Island's downtowns. HR&A crafted a hypothetical development scenario in a prototypical downtown to estimate the economic and fiscal impacts of new multifamily units, office space, and new storefront businesses.

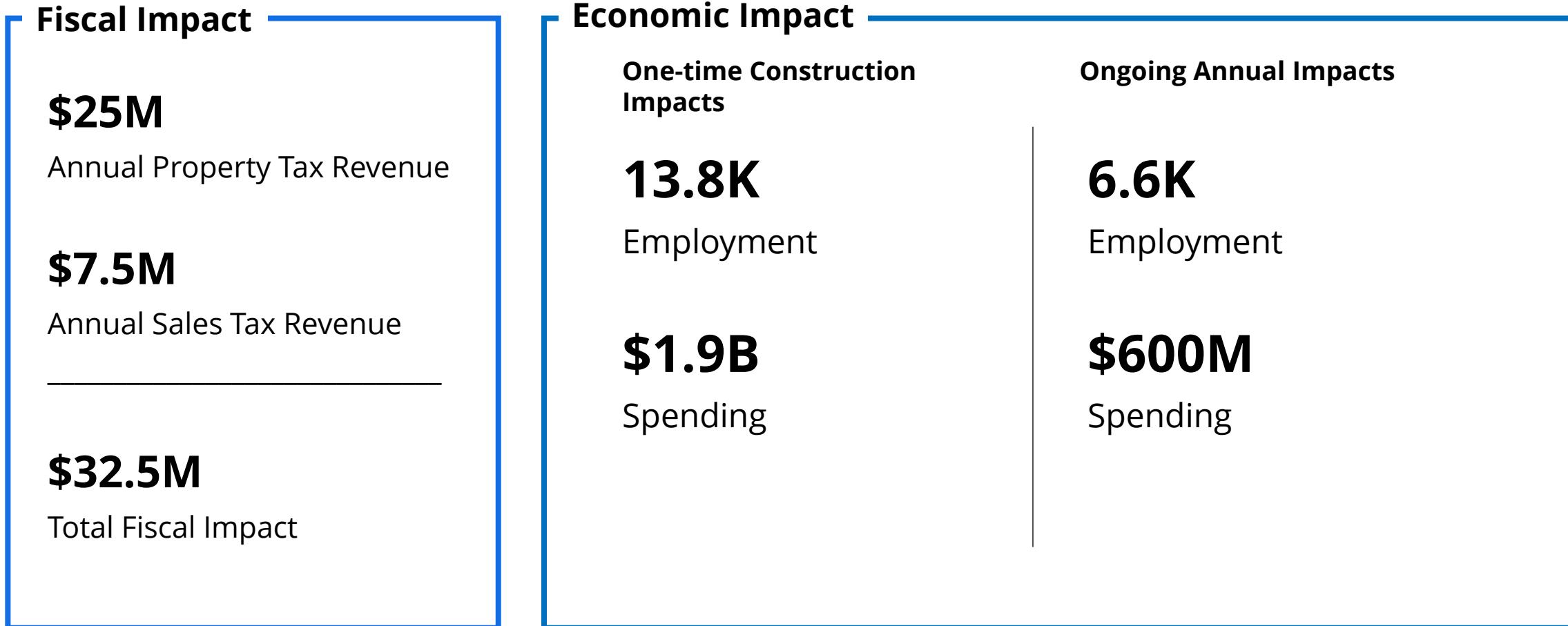


HR&A estimated the economic impact of this scenario on a prototypical Long Island downtown in terms of jobs supported, economic activity, and tax revenues.



Impacts include direct, indirect, and induced impacts on Nassau and Suffolk County economies. Construction jobs are full time equivalent. Property tax revenue excludes education costs associated with new school-aged children.

If implemented across our downtowns that were able to accommodate this growth, these interventions would have a profound regional impact. HR&A estimated the economic and fiscal impact of these interventions across a range of 30 downtowns.



Impacts include direct, indirect, and induced impacts on Nassau and Suffolk County economies. Construction jobs are full time equivalent. Property tax revenue excludes education costs associated with new school-aged children.

Beyond quantifiable new jobs and taxes, these interventions will re-imagine Long Island's downtowns for the 21st century, adapting to new ways of living, working, and spending, and deliver an array of qualitative impacts.



**Larger
Consumer Base**



**More
Entrepreneurship
Opportunities and
Jobs**



**Enhanced
Vibrancy**



**Broader Access
to Goods and
Services**



**Increased
Location Choice
for Housing and
Workplaces**



**Greater
Economic
Resilience**

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