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Requiem for the American CBD:
The Impact of COVID-19 and a Dispersed Workforce

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Abstract

Digital communication technologies have rendered the American Central Business District (CBD) obsolete, and one can expect the corporate headquarters function to be removed in varying degrees from the CBD as this decade further unfolds. The COVID-19 pandemic forced corporate America to widely embrace a dispersed workforce model. We argue that corporations will continue to embrace this model for profit driven reasons, while employees will also demand its continuance for another set of reasons: some monetarily based with others rooted in flexibility and the ability to reside anywhere. In the meantime, the public will perceive such moves as environmentally friendly and enhancing worker safety. The traditional CBDs and their adjoining sports/entertainment districts will likely face significant near-term fiscal challenges, which for some cities will be magnified by poor public policy decisions and increasing crime.

Keywords: Central Business District (CBD), downtown, dispersed workforce, COVID-19 Pandemic, digital communications technology

1. The American Central Business District (CBD): Origin and Evolution

Rooted in the late 19th Century when steel structures along with electric elevators, lights, and streetcars allowed businesses to accentuate a vertical profile to emphasize face-to-face communication both within the firm and with allied services such as: law firms, advertising agencies and financial institutions, the American Central Business District (CBD) was located often within a short distance from transportation hubs (docks & rail facilities) and areas of manufacturing or processing. Although the building's vertical nature intensified throughout the 20th century, its general office design and layout remained mostly unchanged (Ford 1994, 35-38).

From a broader perspective, the urban geographer, Professor Larry Ford (1994, 11) asserted the emergence and sustainability for the American CDB at close of the 20th century was governed by:

> "…the interweaving of four separate dimensions – the functional, the cultural, the technological, and the political."

The dynamics of Ford's model have changed incrementally. While most CBD's have experienced some migration geographically to suburban business parks, the downtown towers intensified (grew taller), and continued to utilize their foundational principles, namely the ability to quickly facilitate meetings within and between large companies and those entities that provide support services (advertising, legal, technical support, etc.). Another reinforcing downtown urban landscape change occurred in the late 20th and early 21st Century with the evolution of a sports and entertainment district involving re-gentrification adjacent to the CBD, thus forging an additional functional linkage. San Francisco, Denver, Baltimore, and Minneapolis serve as examples. Higher fuel prices in the early 21st century, low interest rates, along with active redevelopment plans facilitated mixed use redevelopment in what Larry Ford (1994, 83-84) referred to as under-utilized "zones of discard," often located contiguous or adjacent to the CBD. The Gas Light District in San Diego, the China basin in San Francisco, and the area between the Mississippi River and the Minneapolis CBD comprise recent examples.

Larger corporations with local government endorsement often embraced the traditional CBD model with signature towers showcasing their success. This has been an American tradition dating back to the 10-story Rand McNally building in Chicago (1889–1911) to the Chrysler and Empire State Buildings (circa 1930) and modern skyscrapers such as the World Trade Center in New York City (1978-2001), Chicago's Sears Tower (1973) and today's Freedom Tower (2014). Such signature towers symbolize success and power (Meinig 1979, 181), while on other occasions their unique form of architecture, as with San Francisco's Trans-America Pyramid (1972), showcases the city's skyline (Jakle 1987, 31-32).

The emergence of the modern CBD focused on large high-rise buildings for business efficiency. The CBD also served as the traditional center of retail shopping and entertainment as well. The streetcar lines and/or subways-elevated trains further reinforced such concentrations. These modes of transportation changed in the 1950's when suburban development and the transition to an auto-centric culture occurred based on a rapidly constructed national Interstate freeway system complete with metropolitan by-passes as well as through traffic arterials near the CBD (Jackson 1985, 190-217). Consequently, suburban shopping malls soon challenged and supplanted to varying degrees the traditional downtown retail function.

Paralleling this situation, urban renewal of the 1950's brought about the concept of the corporate campus. Large tracts of land with moderate to low towers that offered significant green space, and more importantly, large areas of free employee parking became a CBD alternative. Campuses, such as the 3M campus in Maplewood, MN, set their headquarters in a semi-park like setting designed to impress (in a different way than a tower) both customers and potential employees alike. Free parking, an environment that was clean and fresh compared to the CBD, and the absence of long lines for elevators, were intentional design tactics. Further development of suburban business parks occurred as the downtowns became more intensely developed and congested and zoning ordinances became more difficult to surmount per new construction. The Bishop Ranch and ATT corporate parks in suburban San Francisco are prime examples.

However, the movement of a corporate headquarters to the suburbs was never that far, often less than 25 miles. A company's knowledge base exists with its employees, and any significant move in distance involving more widely dispersed facilities, would potentially result in a loss of key personnel or make internal communications more difficult. The ability to move paper files and the creation of relationships with different support companies comprised other hindrances. For these reasons, most large corporations have remained in the area proximate to the traditional CBD and typically only made major relocations when mergers and acquisitions occurred as when Norwest Banks acquired Wells Fargo and moved its corporate headquarters to San Francisco from Minneapolis in 1998, while keeping the Wells Fargo name (CNN Money, 1998).

Nonetheless, traditional high-rise buildings also possess major drawbacks because of their design. For example, (1) they require tremendous capital outlays to construct, (2) significant floor space is lost because of elevator and utility shafts, (3) intense forced heating and cooling along with water movement systems are required, and (4) the significant maintenance thereof are problems inherent to such buildings. Challenges also exist in moving a work force in and out of such buildings at the start and end of the business day (the elevators being the main constraint) along with trying to accommodate a more concentrated area of commute traffic with ancillary parking issues. By contrast, a more widely dispersed set of low-rise buildings fits the communication and transportation infrastructure of the 21st century.

2. The 21st Century and the COVID-19 Pandemic

We posit that the digitally based communications technology of the 21st Century directly challenges the foundations of the traditional CBD model. Beginning in the late 1990s, Symantec pioneered remote server access, which at the time allowed for certain tasks to be accomplished remotely, albeit at a high price (Greene 1998, 8). With technological improvements and a wider adoption of technology, costs for doing business remotely decreased and the ability to accomplish a wider array of office functions became easier or more feasible. This technological situation became manifested on March 13, 2020, when the outbreak of the SAR-CoV-2 virus (referred to as COVID-19), forced President Trump to declare a national emergency (National Conference of State Legislatures, 2020). Subsequently, most State Governors quickly shut down their states for varying periods to all but essential workers.

What followed profoundly affected the way America conducts business. Indeed, the COVID-19 pandemic forced nearly all businesses to implement immediately a 'dispersed workforce' model utilizing Zoom and Microsoft Team Viewer and a host of other office software packages that bridged physical distance by means of closing the virtual distance through high-speed internet connections. With everyone being forced into this model, several corporations and their employees readily embraced it. For example, on December 2, 2020: Hewlett Packard announced that it was moving its headquarters from Palo Alto, CA to Houston, TX. where a new campus will become operational in two years, while its San Francisco Bay Area operations will be consolidated into one location. Their CEO, Antonio Neri released a written statement explaining why:

> "As we look to the future, our business needs, opportunities for cost savings, and team members' preferences about the future of work, we are excited to relocate HPE's headquarters to the Houston region," (Benveniste 2020)

The HP decision was followed soon on December 11, 2020 by Oracle's announced move from Redwood City, CA, to Austin, TX. Their press release read:

> "Oracle is implementing a more flexible employee work location policy and has changed its Corporate Headquarters from Redwood City, California to Austin, Texas. We believe these moves best position Oracle for growth and provide our personnel with more flexibility about where and how they work," (Associated Press 2020)

These moves are significant. Such relocations by technology leaders will attract the attention of corporations worldwide. The technological upgrades that companies were forced to implement during the COVID-19 pandemic make this type of move feasible for a larger percentage of corporations. This transition to a "Dispersed Workforce," will enable companies to attract a larger more talented pool of employees at a lower cost. Instead of expensive amenities to attract employees, the greatest amenity can be offered – the ability to work and live where the employee desires, including his/her residence wherever it may be located.

From a corporate perspective, the cost per employee includes more than the costs per square foot of the property. For instance, additional expenses ranging from office furniture, supplies, break rooms and their sundries, to bathrooms and toilet paper along with cleaning, maintenance, and utilities can be reduced greatly when moving to a dispersed workforce model. These costs, which can run into thousands of dollars per employee, do not simply vanish. Instead, they are shifted to the employees when they work from home.

For the employees incurring such a transfer of costs, they avoid the costs of commuting and parking both in terms of time and money, thus a win-win situation increasingly results both for the business and the employees. For example, we conservatively calculate the elimination of a typical commute results in saving 100-125 gallons of fuel per month, roughly $150-200 per month in downtown parking and another $200-250 in lunch expenses along with minimizing work attire expenses. One can easily realize a $750 per month tax free raise by simply staying home. Aside from monetary costs, the employee can eliminate approximately 30 hours of commuting per month and has the flexibility to do something as simple as picking up the kids from school—something that the traditional CBD model precluded completely.

Returning to a business perspective, work from home during the COVID-19 pandemic has resulted in an increase in productivity. This situation is manifested in several ways:

(1) Fewer sick days are being taken. An at-home employee who may not feel well enough to go into the office – or has a sick dependent, will often still work when at home. This is also true during bad weather and the employee may not commute but will work from home.

(2) Phone/video meetings allow an employee to log in at the appropriate time, participate in the meeting, and then log off. Even if they get coffee or use the restroom, the distance covered is significantly less than in an office. In addition, if a document is needed, it can be sent via email nearly instantaneously or retrieved immediately from a file server or their local hard drive. Consequently, no one needs to run back to their workstation for a document or report.

    Related to this situation are the reduced costs associated with business travel. First class airline tickets, five-star hotels and restaurants along with other travel expenses such as car rentals and so forth are simply avoided altogether or greatly reduced. Indeed, Google realized a minimum of $371 million saving in travel during the pandemic (Bergen 2021). We view these circumstances as a permanent fixture that is not likely to change in the post Pandemic era.

(3) There is less time lost to non-business-related interactions between employees. For example, standing in each other's workstations and talking about sports, politics, gossip, television, or other non-business topics becomes minimal to non-existent.

(4) Finally, employees have a greater sense of flexibility. As noted, a parent can often take 30 minutes to pick up a child after school and then make up the lost time in the evening or early morning. A similar situation exists with children that are ill or not feeling well. The traditional CBD model or even suburban office park precludes any of these interactions with one's own family during the business day including the time of commuting.

3. Post-Corona Pandemic Ramifications

What does this "dispersed workforce model" mean for the American CBD and its future? According to Larry Ford, there is "cause for alarm" when the downtown or traditional CBD:

> "has suffered significant absolute losses in prime office space, high-end retailing, cultural venues, entertainment, and public space..." (Ford 2003, 24)

Prime office space comprises the keystone. Large corporations and their towers bring in tens of thousands of workers daily and provide a customer base for retailing, entertainment and use of public spaces. If large corporations exit or drastically reduce the number of on-site employees, then the adjacent sports and entertainment districts are primed for significant revenue losses. This situation when combined with the reality and/or perception of civil unrest and increasing crime, a seemingly perfect storm is developing, that may partially or totally terminate the pre-Pandemic CBD.

The intense development of downtown housing that many cities have recently experienced, caters primarily to workers employed in the downtown office towers. If their employment moves elsewhere, or they are given the option to work remotely, will such residents remain? Will the property values (tax base) also fall? Will these recently re-developed areas revert to zones of discard? Will the CBD itself become a zone of discard or a semi-zone of discard? Many cities are facing or will face such questions. Should current trends of increasing crime, combined with the inability to use public spaces because of homeless encampments and their associated problems (sanitation and crime), traditional CBDs, their adjoining areas, and the central cities in which they are located, may experience trying economic times from which there is no immediate "undo" button.

Moreover, if people stop commuting and/or the large companies exit, a resistance to using the adjacent or adjoining sports-entertainment districts will likely occur. As Ford (2003, 89) noted, "the longer someone lives in suburbia, the more foreign and psychologically remote the downtown landscape seems." Combined with media reports of increasing crime and the desires of city councils to "defund" police departments, along with accentuated civil unrest, the increasing perception (whether real or imagined) that downtown is simply too dangerous, will likely result in a significant if not precipitous drop of such visitations (Ford 2003, 33-35). Indeed, this scenario presently fits Minneapolis quite well, yet two years ago in 2019 such a scenario would have been all but unthinkable.

That leads to the question: Will traditional American central city downtowns (CBDs) survive? While they will remain, they are likely to change significantly in the next ten years. This situation will be especially true in cities experiencing the exit of Fortune 500 companies. Moreover, when such companies depart the CBD, the property values (tax base) of the buildings and associated residences will likely drop. With falling land values, and an out-migration from the CBD and possibly its adjoining residential areas because of reasons previously stated, city councils will have less money to spend on the city itself. With no money to combat decline, a fate mimicking the Detroit, MI experience becomes possible, as the central city becomes a sad relic of what was once an aspiration for others to emulate. Even a relocation to a nearby suburb will result in a loss of tax base for the central city and a gain of tax base for the suburban entity.

Moreover, the abandonment of the CBD will likely be applauded. Corporations embracing the dispersed workforce model will increase simultaneously both profits and good will. Signature towers and sprawling corporate campuses of the pre-Pandemic era are now models of inefficiency both in terms of energy and human work hours. The dispersed workforce model allows corporations to move from a high cost and tax urban core location to a significantly smaller energy efficient location in a lower cost and tax setting.

Looking ahead, we envision the following scenarios as common place in a post-Pandemic new normal:

(1) Companies will accentuate their small, green, carbon neutral footprint as a means of promoting goodwill and corporate citizenship. A Leadership in Energy and Environmental Design (LEED) certified campus combined with the elimination or minimization of the commute for most employees. As such, corporations with a small energy efficient campus possessing solar panels will laud their contribution towards reducing smog, carbon emissions and the wear and tear on public roads.

(2) By moving to a dispersed workforce model, companies will be able to claim the following benefits for the employee moving to the smaller campus: (a) the ability to work from anywhere there is high speed internet access, (b) costs saving accruing from avoiding the daily commute and/or residing in areas with lower housing costs (c) enhanced worktime flexibility and (d) the avoidance of areas perceived as unsafe because of crime.

Shareholders and CFO's will instigate this profit driven movement for four reasons. First, the cost savings are undeniable. Whether through ownership or leasing, buildings cost money and each employee cost the company thousands of dollars a year. For example, during the first 12 months of the Pandemic, Google reported a total $1.5 Billion cost savings from its employees working at home (Bergen 2021). The dispersed work model not only offers the cost savings, but the ability to grow the work force with minimal costs, without having to be as concerned about procuring physical office space. Second, we posit that having a dispersed workforce will be an asset for attracting top talent. Workers who perform exceptionally well, can work for any company and from anywhere with this model. For example, couples can work at opposite end of the country while living anywhere they desire, and employees can change jobs without the anxiety and hassle associated with a physical move. Further, it will allow companies to attract office employees who may not want to work in a perceived unsafe CBD.

Third, the public is demanding that corporations be more environmentally friendly. For some corporations, this situation is becoming a practice. The public will see a small campus, with partial or complete solar power, requiring less square footage to heat, cool and light. Fourth, moving a corporation today is significantly easier than in the pre-digital or analog era. Digital files can be easily transferred, and many support services that once required face-to face communication can be done easily and effectively from remote locations utilizing Zoom and/or Microsoft TeamViewer.

Other internal contextual factors will also come into play. For corporations leasing office space, the default option is to move. In other words, let the lease run its course and one must legally exit the present location. For those entities, leasing facilitates a clean exit. For those who own the building, the inherent interest is to utilize what is owned. However, this situation will be tempered by the degree to which the building is fully depreciated or is owned outright versus the extent of debt. Finally, can office remodels and maintenance actions be delayed or avoided by selling to someone else and moving elsewhere? These situations will come into play as various corporate entities weigh the pros and cons of staying downtown versus exiting such a locale.

Other external factors include moving from a high-tax and high-regulation state to a low-tax and low-regulation state, something that can be done relatively quickly in a digital era because the internet has closed the distance gap between the home office and its need to connect with its employees and ancillary agencies. Moreover, building a new campus in a low-tax and low-regulation environment is not only accomplished in a timely manner, but the personal tax savings to senior corporate officers commanding high six and seven figure salaries will result in a boost of personal income, especially from states possessing no personal income tax.

Had a company announced such a move prior to COVID-19, their “goodwill” may have been tarnished as they would have been decried as greedy and self-serving. By contrast, in the immediate future corporations can garner public support while saving money. Indeed, some workers can choose to remain in their present locations, thus keeping in-tact relationships with family and friends. Creating a green footprint will comprise a positive public relations theme as the reduced corporate office minimizes commuting and utilities (fossil fuel consumption). Moreover, the relocating out of the CBD in central cities where high crime and defunded and/or understaffed police departments prevail, can be justified under the auspices of promoting employee safety. In summary, the dispersed workforce model offers benefits both to the employees and the environment while saving corporations significant costs and furthering profitable operations.

We argue that the technology and practices that corporations adopted during the COVID-19 pandemic, not by choice but through necessity, have moved the prime function of American CBDs to a virtual realm allowing companies a means by which to exit the traditional CBD and move to locations that are both safe and more profitable. For the traditional CBD and the urban core, this exit of corporate office workers will create a fiscal hardship, if not crisis. The loss of the workers will be felt even in the most robust CBD. Restaurants, bars, music clubs, retail outlets, theater districts and even sports venues will face many challenges and/or failures. With a decline in downtown amenities, tourist and convention traffic that once brought in outside dollars could steeply decline resulting in additional losses of tax revenue. The latter becomes an even more probable reality in cities experiencing recent civil unrest with defunded and/or under-funded police departments. For the cities in which these CBDs reside, decline will occur. Meanwhile, the states in which they are located, may or may not have the wherewithal or desire to bail them out.

3.1 Past Pandemic Precedents: Concepts for the 21st Century

Looking back at the last Pandemic, the Spanish Flu of 1918-1920, one also finds certain trajectories that were already in place became accentuated in the aftermath of that situation. For example, use of public bathhouses in St Paul, Minnesota peaked in summer of 1918, immediately prior to the second wave (and most fatal outbreak) of the Spanish Flu and afterwards never recovered as indoor baths and showers in apartments and single-family homes became more common following the Pandemic (Forgotten Minnesota 2014). Indeed, building codes forced builders to construct bungalows and apartments with indoor bathtubs and/or showers based on improved sanitation. In the case of New York City, steam radiators were mandated because they could heat apartments in the winter with the windows open, as access to fresh air was viewed as a primary means of fighting the Spanish flu and like diseases (Sisson 2020).

Although these trends were already occurring on their own, the Spanish Flu pandemic greatly accelerated them. Similarly, the switch from near dependence on mass transit in the central city became lessened by the automobile following the Spanish Flu. Again, this trend was in place, however, customers rushed to a mode of transportation that inherently possessed social distancing, especially when compared to the default options of crowded streetcars, subways, and elevated railways of the immediate Post World War I era. Back then, Ford, General Motors and the various Standard Oil Companies proved the big winners. Today, we argue that communication technology companies and green energy providers stand the most to gain.

4. Conclusions

Ultimately, will contemporary urban centers (CBDs) based on late 19th and 20th century conditions reinvent themselves? It is a legitimate question, one in which Detroit, for example which experienced civil unrest (race riots) in 1967 and the implosion of its auto industry in the middle 1970s, has yet to fully answer. Indeed, it may take decades or more for some cities to achieve anything close to their pre-Pandemic status. As with the loss of the railroads, retail, warehouses, and manufacturing that occurred in the post-War 20th Century, the 21st Century CBD will see the corporate headquarters and/or large office complexes relocate elsewhere with a dispersed workforce because of the ability to reduce costs and lower its carbon footprint, while employees will demand a safe working environment that avoids long commutes, parking hassles or utilizing mass transit. These factors will be magnified by: (1) poorly thought-out public policy; and (2) the communication technologies foisted upon them by the COVID-19 Pandemic that make exiting a much more feasible option than was the case even at the opening of the 21st Century.

While this trajectory would have occurred without the Pandemic, we argue it would have unfolded at a much slower rate over the next 20 to 25 years. Instead, we expect this change to occur quickly as this decade further progresses. Although CBDs everywhere will be subjected to such pressures, we expect such pressures to be accentuated in high-tax, high-regulation, and high crime cities where an unwillingness to go downtown to work and to its adjacent sports and entertainment centers for pleasure will sound the alarms Ford (2003, 24) stated were critical for possessing a healthy CBD and downtown. Factor in homeless encampments in public places where crime and sanitation issues comprise very real concerns, one has yet another set of circumstances working against the traditional downtown (CBD).

Unlike past urban land use exits, the corporate headquarters office tower is not likely to be displaced by another form of business. Do not expect an office tower to morph immediately into loft condominiums. For many cities, challenges that only a few years ago would never have entered public discourse will now sit squarely before them because Ford's (1994) functional, cultural, technological, and political dimensions, which underpinned CBDs and downtowns have fundamentally changed. For those with an interest in urban landscape morphology, this decade certainly will be dynamic and full of changes that only a few years ago would have been viewed only as more muted and distant possibilities.

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