



Ville de Montréal

The impact of the pandemic on the downtown areas of Canada's six major cities

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Summary

	Objective	Why
<p>Measuring the impact of COVID-19 on large Canadian city centres, and aiding their recovery</p>	<ul style="list-style-type: none"> To paint a portrait of the six major Canadian city centres and diagnose their pandemic situation. To identify and recommend measures to support city centres immediately and sustainably. 	<ul style="list-style-type: none"> Downtown areas are at the heart of Canada's economic activity owing to their power of attraction and centrality. City centres are the areas hardest hit by the effects of the COVID-19 crisis. Cities need a strategy to avert a cycle of decay in their downtown areas.

Major trends accelerated by the COVID-19 crisis, which affect the functions of city centres

- Technologies supporting telework will transform the geography of work. Although some office workers will return to their workplaces once vaccines are widely available, the shift to telework means that a significant number of employees will return to the workplace only part-time, if at all.
- Tourism is one of the industries most affected by the pandemic due to travel restrictions. Tourism is expected to return to levels similar to those prevailing in 2019 over a two-year horizon, boosted in particular by local tourism and the "nature" segment. Business travel will not recover as easily, especially because short-term business meetings have been replaced by virtual meetings.
- The use of e-commerce has surged at a very rapid pace during the year, and street-front businesses will feel the impact. Retail outlets will need to emphasize the physical factors that set them apart, including the customer experience.
- The current crisis is accelerating and accentuating transformations in the way cultural goods and services are consumed. Some trends will outlast the crisis, notably the proliferation of online broadcasting platforms, which are already having an impact on the music and film industry. However, arts, culture and entertainment enthusiasts do not view the technology currently available as an adequate substitute for the face-to-face experience.
- Several educational institutions had to turn to online platforms during confinement. Yet this model has shortcomings, particularly regarding the quality of teaching, continuity of research activities and students' mental health. When the crisis winds down, students should return to campuses. Nonetheless, universities will face greater competition on the global scale when it comes to attracting international students.

Challenges facing Canada's six major city centres

The main challenge lies in the devitalization, or decay, of the city centres. Taken together, the adaptation measures adopted to limit the spread of the virus have affected the dynamism and vitality of city centres. In the immediate term, the reduction in trips downtown caused by the closure of offices and campuses, the interruption of major events and fears about the use of public transit have triggered a drastic drop in volume of people heading downtown. In the longer term, there is a risk of a downward spiral of urban decay at the city centre: a sustained decline in visitor traffic could lead to the closure of businesses, restaurants, bars and theatres that depend on the daily influx of workers, tourists and students. The disappearance of these establishments, which are instrumental to the vitality of downtown areas, would reduce the attractiveness of downtown areas for residents and employers, who might choose to leave the city centres or not to consider them in their choice of location, and so on.

Impacts on each of the city centres observed

1. Workplaces

The massive shift to telework and the development of technologies that support it are likely to endure beyond the crisis. Regarding the growing use of hybrid models in the organization of work, one possible scenario would be a roughly 10 to 20 percent decrease in the number of people who go downtown, which would entail an equivalent reduction in the space used for offices. Indirect impacts would be felt in the retail and restaurant sectors, and municipal revenues would also decline. In addition, households may migrate away from the city centres.

In the short term, all downtown areas will have to deal with the loss of commuters due to the imposition of telework for services deemed non-essential.

In the long term, the vulnerability of city centres to telework will depend on multiple factors, two of which seem particularly crucial in predicting permanent impacts:

- The proportion of industries with the capacity to pivot to telework within the industrial fabric of city centres
 - Toronto, Montréal, Vancouver and Calgary are particularly at risk.
 - Ottawa and Edmonton, where the public sector is more prevalent, are potentially less at risk because this sector is less likely to adopt structural changes.
- Commuting time could deter workers from returning to the downtown core
 - Toronto and Montréal are particularly at risk.

The indirect consequences of telework could be felt differently by each city centre:

- A loss of customer volume for businesses that depend on a daily influx of workers
 - Vancouver may be more affected because it has the highest ratios of stores and restaurants per 1,000 workers.
- Reduced demand for commercial and office space and a loss of tax revenues for cities
 - Toronto, Vancouver, Calgary and Montréal could be more adversely affected by a downward valuation of the retail and office space stock due to the size of these markets in their downtown areas.
 - Given the low affordability of office space in the Montréal and Vancouver markets, these cities may see more businesses reduce their space or move out of the downtown core entirely.
- An exodus of households to outlying districts and suburbs
 - Toronto and Vancouver are the city centres most at risk because of their affordability issues. In fact, this phenomenon has already started to be observed in Montréal and Ottawa. Downtown Edmonton is also grappling with competitiveness issues with the suburbs.

2. Tourist activities

In the short term, downtown areas will have to contend with public health and travel restrictions, low occupancy rates in hotels, and the inevitable closure of stores, restaurants and other businesses depending on the tourism sector. In the long term, the loss of flagships, talents and a reduction of employment could have consequences on visitor experience. The pandemic has affected tourism sectors, including leisure travel, meetings and conventions, major events and business trips. The recovery will be long and uneven. If leisure travel, supported by local tourism, is expected to recover more quickly, the decline in short-term business trips should continue. In general, all city centers will have to deal with new public health practices, technological developments, and the integration of digital technology platforms in corporate events offer, meetings, conventions, but also for festivals and major events..

In the short term, the level of vulnerability of city centres to tourism will therefore depend on the following factors:

- The importance of the sector in the economic fabric of the downtown area
 - Given the importance of the tourism sector for Montréal, Toronto and Vancouver, economic activity based on tourism will be affected by the temporary or even permanent closure of some businesses.
 - In Ottawa, tourism is neck and neck with the high-tech sector, just behind the public sector, for its importance in the economy. As the nation's capital, the city has several national attractions and historic sites, most of which are in the city center or within a kilometer from the central business district.

- The importance of business and event tourism
 - As important business locations, Toronto, Montréal and Calgary are particularly at risk, especially given the frequency of short-term business trips. Further, because they also host many internationally renowned festivals, Toronto and Montréal face an even higher risk. Calgary was already experiencing an oversupply of hotel rooms prior to the pandemic, and there is no indication that the situation will improve in the years 2021-2022.
 - Vancouver could also be affected until economic activity fully recovers, given the prevalence of large conventions and business meetings. Although this segment is expected to rebound within the next two years, after the crisis ends, some technological adjustments and a shift to hybrid models will be required.
 - Edmonton's tourism and hospitality sector is heavily based on business conventions, making the city vulnerable to sharp declines in these events in the short term.
 - Business tourism in Ottawa is notably driven by political and diplomatic events. Given the city's status as the capital of a G7 country, the sector is relatively protected. Even if some of these events were to shift to digital platforms, there will still be a need for face-to-face meetings after the crisis subsides.
- The ability to reposition rapidly when reopening begins will be key to mitigating the impact of the pandemic and revitalizing the industry. The recovery will hinge on cities' ability to engage the public nationally and internationally, and build on synergy with "nature" tourism.
 - Vancouver, Calgary and Edmonton might see a faster recovery in leisure tourism propelled by the local tourism segment. These cities are gateways to various national parks, and the outdoor tourism segment is the most promising for the years 2021-2022. These attributes would accelerate their recovery.
 - Ottawa could also be well positioned for the recovery of leisure tourism, given the abundance of green spaces, outdoor recreation opportunities, national attractions, the canal Rideau (UNESCO World Heritage Site) etc.
 - Toronto has the advantage of having one of the most diverse populations in the world and could benefit from the arrival of international travelers for leisure trips out of the crisis.
 - Nevertheless, even if, in the short term, some city centers will succeed in benefiting from local and pan-Canadian tourism, this prospect will not succeed in offsetting the losses linked to international tourism and business.

In the long term, the quality of tourism ecosystems that prevailed before the pandemic could contribute to the cities' recovery if measures are implemented to support businesses. With business tourism expected to decline, cities should focus more on leisure tourism. However, there will still be a need for major business events beyond 2022. Downtowns that can offer a high quality experience for business events through a state-of-the-art technological infrastructure could return to pre-pandemic levels of activity:

- Toronto, Montréal and Vancouver have well-developed tourism infrastructures and a significant supply of entertainment and cultural activities that would allow them to position themselves favourably in the leisure tourism segment. In addition, these downtowns are well positioned in business segments such as life sciences, technology and finance, which are conducive to a rapid recovery in terms of business events. Montréal also has the advantage of its European character and positioning within the French-speaking community.
- For Edmonton and Calgary, leisure tourism is less likely to offset losses related to business tourism because this activity was less developed before the pandemic.

3. Online business

Downtowns face some common challenges to the vitality of their commercial sector: The rise of e-commerce and its attractiveness to consumers, as well as competition with suburbs and their large, diverse and more accessible shopping malls. The extent of the impact will depend on the composition of the downtown areas and their usage, along with retailers' resilience of to these challenges:

- Projected visitor volume in the downtown areas: Measured by the number of workers and their vulnerability to the shift to telework, the number of students, the tourist attraction capacity and the portion of residents.
 - Montréal, Toronto and Vancouver are particularly at risk because they are the downtown areas where the greatest decline in visitor traffic is expected compared with the pre-COVID-19 situation, due to the shift to telework, their dependence on the tourism sector and the size of their student population (slightly smaller for Vancouver because UBC is mainly situated outside the downtown core).

- Toronto and Vancouver are also facing a loss of residents owing to affordability issues.
- Downtown Ottawa commercial businesses are concentrated around the Rideau Center and the Byward Market, at a walking distance from the concentration of office towers. The absence of public and private sector workers, tourists and students has had a negative impact on retail, food service and services, and many uncertainties remain as to their return to the city center.
- Downtown Edmonton can rely on the resilience of the public sector to mitigate the migration of workers away from the downtown core. In addition, relatively high and stable wages may fuel strong consumption.
- Calgary's downtown commercial sector is at risk because the offer has been designed based on the strong presence of a business clientele and business meetings. A significant decrease in these elements, particularly due to difficulties in the oil sector, could hinder recovery in this sector considerably.
- **Downtown accessibility:** Measured by the quality of the offer of public transit, active transport and accessibility by car.
 - Montréal is well served by public transit, yet there are several obstacles that keep residents of the suburbs and outlying areas from going downtown, including lack of parking spaces, traffic congestion and major construction work. The arrival of the REM (electric rail network) could make the downtown area more accessible in the coming years.
 - For Ottawa, the completion and expansion of the light rail system should alleviate this factor and potentially encourage suburban residents to go downtown.
 - For Vancouver and Toronto, the quality and supply of public transport could draw residents of outlying areas to the downtown core, but a lack of parking and traffic congestion may discourage visitors from outside the city.
 - Downtowns in Calgary and Edmonton are fairly easy to reach by car, a factor that could help the area by attracting people from outside the downtown core. However, a less efficient public transit system could hamper pedestrian and bicycle traffic. Nevertheless, in recent years these cities has developed its alternative transportation offer, notably through the introduction of e-scooters and their cycle track infrastructures which connect to the city center. In addition, Edmonton inaugurated a new light rail train (LRT) in 2021, which should improve transit options.

4. Culture and entertainment

In the short term, all the downtown areas are facing the same issues related to the disruption of face-to-face activities in the culture and entertainment sector. They are thus experiencing the collapse of the ecosystem and the loss of creative talent. In addition, changes in long-term consumer habits could result in a permanent loss of audiences.

In the short term, the impact of COVID-19 on the cultural and entertainment sectors for each of the city centres will depend on:

- **The relative importance of the sector**
 - Montréal, Toronto and Vancouver have the downtown areas with the highest concentration of cultural institutions among those under study. Thus, the impact of the disruption of activities will be greater there. The strength of the ecosystem could be compromised, which could dampen the vitality of the sector if no measures are implemented to support culture and entertainment over a fairly long period.
 - The cultural sector in Ottawa, Calgary and Edmonton is also affected by the COVID crisis. By example, Edmonton's arts district (in the heart of downtown), composed of a large concert hall, a theater, art gallery, museum and library, has greatly suffered from the pandemic. Normally, this district attracts visitors downtown, which also supplies local shops: cafés, restaurants, pubs, bars. A good number of them were affected and had to close their door. On the other hand, the relative importance of the culture sector in these three cities is not as strong of those of Toronto, Vancouver and Montreal. Nevertheless, the importance that culture will play in the recovery and revitalization city centers are no less.

In the long term, the quality of the cultural ecosystem that prevailed prior to COVID and the political will to support the sector could facilitate the recovery:

- Once again, Montréal, Toronto and Vancouver have cultural sectors that are well integrated into their identity and brand image. The importance of this sector is generally recognized and there is every indication that cities will benefit from the presence of major institutions to ensure their recovery and their attractiveness. However, uncertainty remains as to whether they will be able to preserve the smaller-scale cultural players that contribute diversity and richness to the cultural ecosystem of these city centres. Ottawa will also benefit from its brand image, which is closely linked to the federal institutions as for example.
- Calgary and Edmonton were, prior to the crisis, in the process of developing a strategy to revitalize their downtown areas, including significant investments in the cultural sector. Moving forward with these projects could prove to be an important factor in the recovery.

5. Online education

Higher education institutions are an integral part of the dynamism of city centres not only because of the population they attract, but also because they cultivate the downtown area's brand image internationally.

In the short term, the challenge for city centres lies in the absence of the student population, which contributes to the vitality of local businesses. The cities of Toronto and Montréal are particularly affected, in that many institutions are located directly downtown. Downtown Ottawa also hosts a university campus and the absence of studnets affects its economic health. For Vancouver and Edmonton, the impact is also important, but it should be noted that their university campuses are not directly located in the city center.

In the longer term, it is estimated that students will return to campuses, but competition between universities may intensify, particularly when it comes to attracting international students. International students may opt for online education or look to countries that have opened their economies more quickly (admittedly, a short-term consideration). Thus, universities that are more dependent on international students may be vulnerable to some extent.

The universities located in Montréal, Toronto and Vancouver attract the largest numbers of international students to the country. If they are unable to maintain their international positioning and outreach, they may have difficulty attracting international students to their campuses. An indirect effect would be a decrease in revenue from the higher tuition fees charged to international students. Ultimately, this could also affect universities' ability to invest in research, which is particularly important for cultivating their outreach and forging links with the private sector.

Reflection to strengthen the role of city centres

Short- and long-term objectives

- Foster a social continuum by focusing on residents' well-being and the integration of marginalized populations in the downtown area.
- Focus on development that is in line with the ambitions of ecological transition.
- Ensure and diversify the revenues of cities, to enable them to deliver all their services and contribute to economic recovery.
- Protect and improve the economic fabric of city centres by supporting private companies, which are the driving force behind the economy, vitality and profile of city centres.
- Provide support for the digital transition required to make process management more efficient, for the benefit of residents and businesses alike.
- Increase city centres' resilience to the environmental, social and economic challenges they may face.

The seven proposals to reinforce the role of city centres

Reinvent downtown areas

- Make city centres more attractive by reducing reliance on mechanized transportation and promoting the pedestrianization of existing corridors and the offer of bicycle lanes. Focus on the construction of public spaces for winter use and rethink the positioning of downtowns as commercial destinations.
- Promote the greening of city centres.
- Bring more subway lines into service or light rail lines heading downtown from other parts of the city.
- Introduce programs to convert office and residential buildings in line with new market needs without changing their role.
- Increase the supply of social housing.
- Create industrial zones based on the “15-minute city” model.

Build on resilience

- Establish diagnostics and build a strategy to achieve proactive adjustments.
- Promote actions to ensure the continuity of economic activities.
- Preserve an environment that meets essential needs.
- Include resilience criteria in the acceptance process for new projects.

Accelerate the implementation of the smart city

- Build a clear legislative framework to ensure data security.
- Earmark a budget to support technology transformation, including 5G.
- Deploy an information campaign surrounding the concept of smart cities.

Strengthen the role of higher education institutions

- Enhance the budgets of research centres working in strategic sectors.
- Rebuild the relationship between companies and applied research centres.
- Mandate colleges and universities to develop training programs for reskilling of the workforce.
- Involve universities in the development of smart cities.

Offer more budgetary autonomy

- Ask higher levels of government for additional financial resources.
- Focus more on eco-taxation based on the user-pay principle.
- Reduce restrictions on deficits.
- Establish a standing committee of the six major Canadian cities, together with provincial and federal representatives.
- Recognize city centres as “superclusters.”

Provide support for sustainable sectors that need help to weather the crisis

- Recognize the key elements that will ensure the recovery and revitalization of city centres and provide adequate support to ensure their long-term sustainability and competitiveness.
- Adapt support programs to take into account the reality of downtown areas.
- Provide financial support and promote initiatives to stimulate local and national tourism.
- Financially support projects and initiatives that contribute to strengthening the image of city centres internationally.
- Encourage the development of an exemplary tourist destination.
- Support the innovation and creation ecosystem in downtown areas.

Encourage visitors to return downtown via public transit and active transport

- Establish a clear, robust and scientifically proven health protocol for public transit.
- Improve transit service delivery, while recognizing the temporary physical distancing requirements.
- Establish a communications strategy that will demonstrate to civil society that government, business and transit operators are working together to eliminate silos and facilitate a safe return to the office.
- Ensure an adequate supply of means of transport perceived as safer from a health standpoint: bicycles, e-scooters, etc.