

Rebuilding Main Street After COVID-19: Four Years Later

Recommendations for and reflections from
Portland, Maine

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May 2024



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Market Street in the Old Port. 2023. Photo credit: Katia Dermott, Portland Downtown

Introduction

The arrival and persistence of the COVID-19 pandemic created one of the largest shocks to the ecosystem of America's downtowns since the Great Depression. The pandemic prompted the sudden need for most businesses to close, and reductions in disposable income affected stores once they reopened even with a range of public health precautions in place. At the time, financial assistance and thoughtful balancing of public health and commerce were seen as leading ways to help in the short-term.

In October 2020, a study from the Massachusetts Institute of Technology's Department of Urban Studies and Planning, "Rebuilding Main Street After COVID-19," sought to better understand what the future might look like for downtowns of small and mid-sized American cities. The work of former student Emma Gonzalez Roberts and faculty member Jeff Levine looked through the lens of six cities in New England and the Upper Midwest. The report considered potential long-term changes in lifestyles related to downtown commerce, necessary changes for downtown business to continue to thrive, and the role of public policy and planning in supporting these changes.

Since then, news outlets, researchers, government leaders, businesses, and residents alike have speculated what the so-called "new normal" would be for our downtowns. Much of the initial and recent research, however, has focused on larger cities. Four years later, our study once again looks to small and mid-sized cities to see how their downtowns and business owners are doing now.

This smaller-scale report specifically focuses on Portland, Maine, a city of roughly 68,000 residents and one of the six originally studied cities. Like many cities early in the pandemic, Portland took measures to ease restrictions that repurposed space and generated new outdoor programming downtown to support small businesses and larger public health and economic goals. While some of these changes are still in place, others have morphed or reverted back to pre-COVID conditions.

Our project is centered around the following key questions:

1. What challenges faced by businesses have persisted since the onset of the pandemic?
2. During the pandemic, small businesses adapted to new realities. These modifications may have included the use of new technologies, a higher share of online or takeout orders, changes to storefronts, and more. How have these types of changes impacted businesses in the long-term?
3. How has the physical downtown environment shifted since the early pandemic and what implications has this had on small business activity?
4. And as before, what role will public policy and planning play in supporting the ongoing success of small businesses?

The goal of this study is to better understand the long-term impacts of COVID-19 on small businesses and how smaller local governments and nonprofits working on downtown vitality can better serve their communities.

Methods

Interviews: We conducted two 45-minute interviews with Cary Tyson, the Executive Director for Portland Downtown, and Eamonn Dundon, the Director of Advocacy at the Portland Regional Chamber of Commerce. These are the two primary organizations that advocate on behalf of small businesses in downtown Portland. Following a ten-question rubric, we discussed the current health of small businesses there, shifts in the downtown’s physical, economic, and social landscape since 2020, and ongoing changes in downtown employment and housing.

Survey: We developed a survey designed for downtown small business owners and asked our contacts to distribute it to their respective list serves. We received a total of 24 unique responses from small business owners. The survey asked about ongoing business and employment challenges, changes to their business processes and physical commercial spaces, and policy shifts that would be most helpful.

Key Findings

1. Businesses want more public restrooms.

2. Location matters even more than before. Downtown Portland has experienced an uneven recovery. While the small business activity in the Old Port has largely bounced back, other areas such as the businesses along Congress Street have continued to struggle.

“The biggest issue for “Rebuilding Main St[reet]” is offering public bathrooms. This is the #1 complaint/request from customers. I have several stores in the [Old Port], one of which is on Commercial, which has a significant amount of foot traffic, and there is still no plan for multiple, nearby bathrooms for these customers.”

3. There is not a blueprint for how businesses have shifted their practices since peak pandemic, though most businesses have certain practices related to social distancing still in place. Some of these are still in place for customer comfort.

“The long-term effects are felt most in debt, labor to maintain/update our online presence and inventory, and in acknowledging that some of our customers still require attention to respect their needs for some protocols (whether because of immune system vulnerability or anxieties about close contact).”

“While we have seen a significant increase in foot traffic in Portland, the cost of doing business now with increased labor cost and cost of goods, there is no more profitability for us. The increase in commercial rent in Portland is squeezing out the local small business and creating a perfect storm for big corporations to take over this area.”

4. There is a concern that the rising cost of commercial and residential rents downtown will push out small businesses and undergirds challenges related to hiring and a having sufficient customer base. Small businesses consistently spoke to the need to build more housing downtown, and specifically at rates accessible to locals.

5. Many of the primary challenges mentioned in 2020 have persisted, while the major concerns from 2020 of social distancing have unsurprisingly subsided. Business owners reported continued losses in revenue, hiring challenges, and shifts in where people work that they feel are impacting their businesses.

“The Free Street/Congress Square shut down the summer following Covid was the epitome of bullshit. The city should have reimbursed these businesses [that were] directly affected by their poor communication and planning. That could have been the summer we gained some momentum following the COVID slaughter, but no; they were more concerned with their stupid project. Insanity.”

Portland, Maine

Racial demographics

- White: 71% Black: 7.1%
- Latina/o (any race): 11.1%
- American Indian or Alaska Native: 3.1%
- Other: 9.4%

Household median income

- \$69,046 in 2022
- \$56,977 in 2019

MAINE'S LARGEST CITY, Portland is home to about 68,000 residents. With its downtown located on a peninsula, the city's economy was founded on fishing, shipping, and manufacturing. Naval shipbuilding became a major industry in response to the demand from World Wars I and II. Today, the marine industries and manufacturing still play an important role in the city's economy in addition to healthcare, education, and government services. The city is also known for its restaurant scene, nightlife, music events, and relies on tourism especially in the summer months. In recent years, the city has attracted several new technology companies including Tilson, Idexx, and PTC—an industrial automation company.

Organizations working to strengthen the economy of Portland's downtown include Portland Buy Local, Portland Regional Chamber of Commerce, the city's Economic Development Department, and Portland Downtown.

In Summer 2020, Portland eased various restrictions and supported programming downtown from a concern to support small businesses and provide spaces for safe community gathering. These included allowances for more outdoor dining and food trucks, some streets closed off entirely to cars and others for designated "Open Air Sundays," group fitness classes in public parks or parking lots, and more.



Photo credit: Portland Downtown.

Education

- 61% of residents have a bachelor's degree or higher

Rent Burden

- 47% of Portland residents spend over 30% of their income on housing.

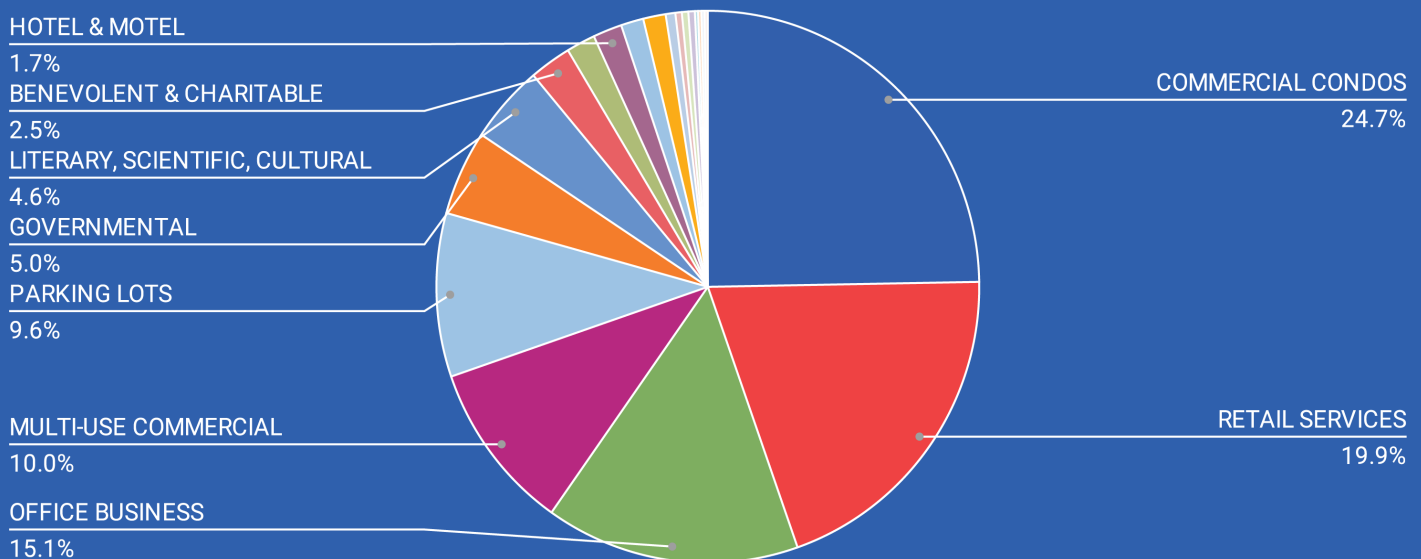
The Makeup of Downtown Portland

As shown in the map opposite, Portland's Downtown is divided roughly into four districts— Old Port, Arts District, Government District, and Waterfront District. The Old Port is the city's tourism hub and as shared through our conversations and survey, appears to have had a stronger small business recovery compared to the other districts.

The following pie chart starts to give a sense of the breakdown of non-residential uses in Portland's Downtown. Compared to some other small cities, the downtown includes quite a bit of housing. During our interviews we heard that this presence of housing and residents has contributed to the downtown's economic recovery by helping to maintain foot traffic and activity for small businesses even as hybrid work schedules have persisted for many companies.

Non-Residential Land Uses in Downtown Portland

Number of Parcels by Type



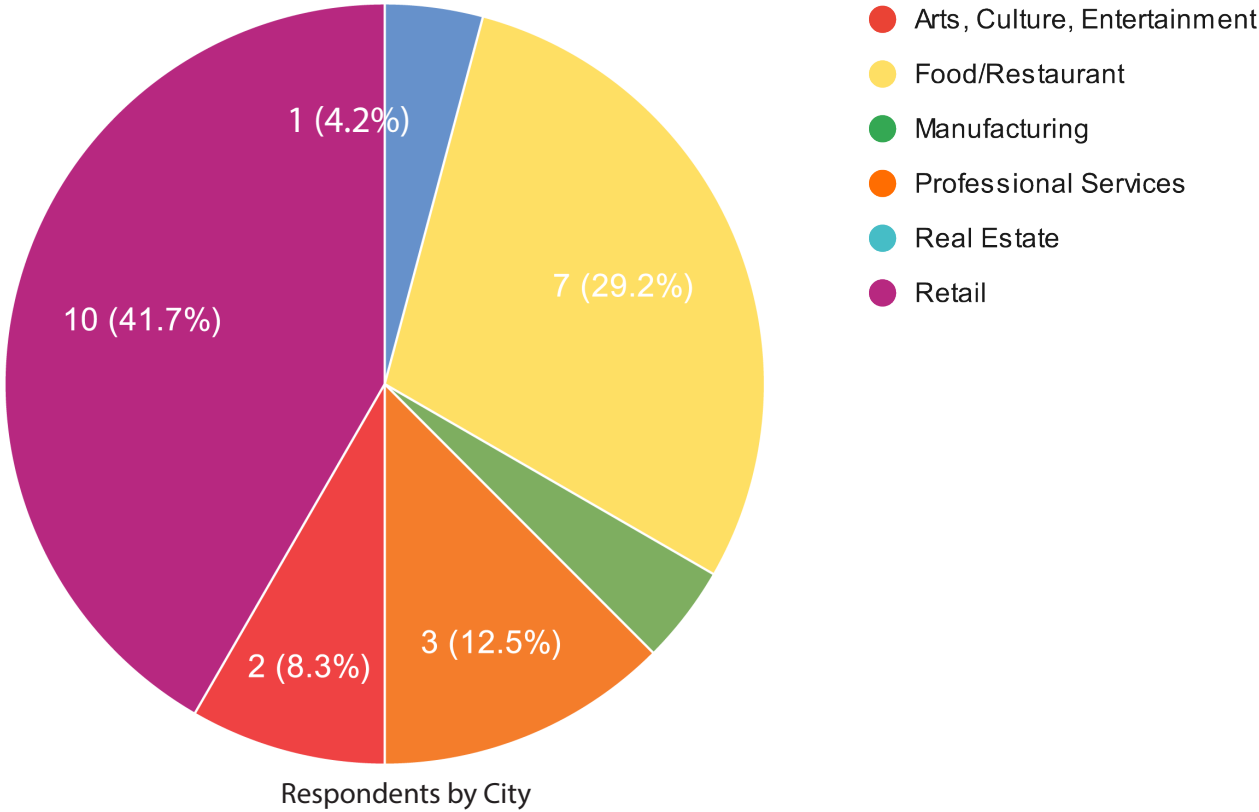
Small Business Survey Results

A total of 24 unique small businesses responded to the survey. Portland Downtown circulated the survey on our behalf.

In an optional question, twelve businesses identified as woman-owned.

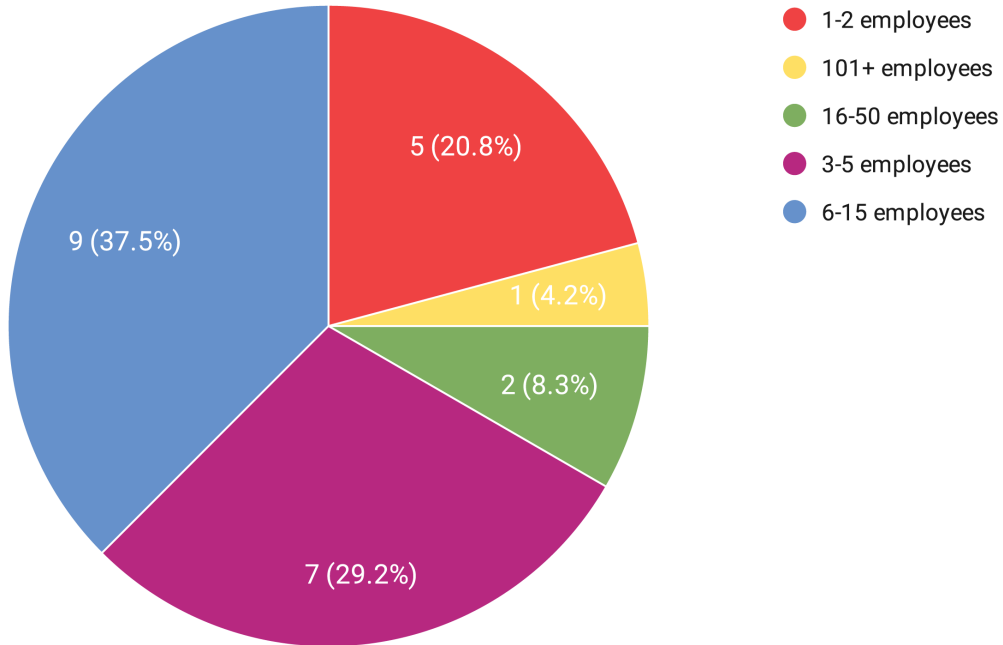
Respondents by Business Type

The three most prevalent business types were Retail, Food Business, and Professional Services.



Respondents by Business Size

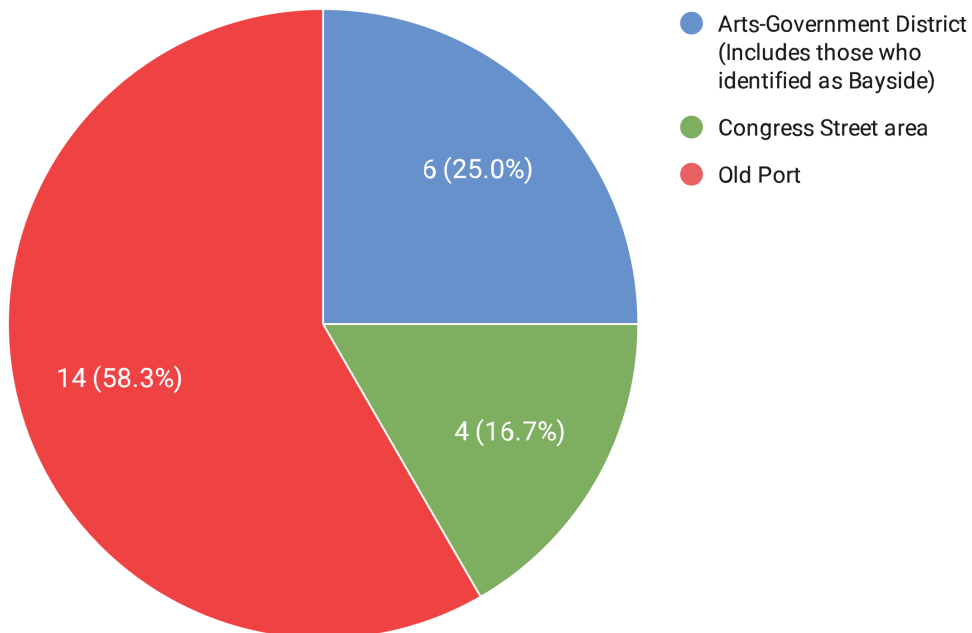
We asked respondents to select the number of employees, including the proprietor, their small business had before COVID-19 hit their community. Roughly one third—37.5%—had 6-15 employees, another third—29.2%—had 3-5 employees. The other third—33.3%—ranged from 1-2 employees, 16-50, or 101+ employees.



Respondents by Business Type

Respondents by Business Location

Based on feedback from our interviews related to the different challenges faced in each area of the downtown, we asked respondents to select the location of their business.



Respondents by Business Location

Respondent Needs, Challenges, and Changes

In the 2020 survey, respondents shared information about their most immediate needs to stay in business, their anticipated long-term challenges amidst the pandemic, and the types of regulatory changes they imagined would be most critical to addressing their challenges. This time around, we reframed these critical questions to understand whether and how the challenges they face have shifted since the early pandemic, and given these conditions, the types of policy changes might be most helpful to them.

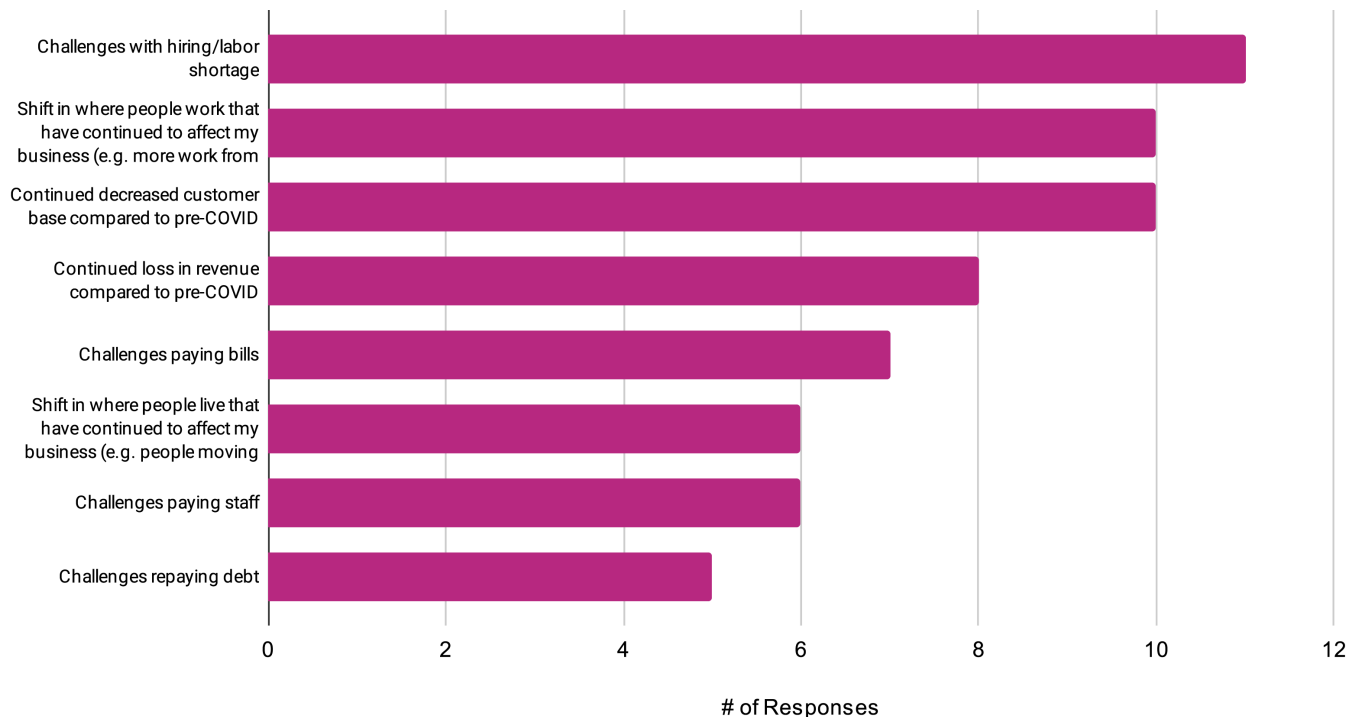
“Everything costs so much more.
Labor. Cost of goods. Licensing. Rent.
It is unsustainable.”

1. What challenges, if any, have persisted for you since the early pandemic?

The survey responses to this question suggest an ongoing impact of the pandemic on businesses, yet also show how barriers have shifted since the initial shock of 2020. The top three responses to this question were “Challenges with hiring/labor shortage,” then “Shift in where people work that have continued to affect my business (e.g. more work from home),” and finally, “Continued loss in revenue compared to pre-COVID.” Of note, the challenge categories overlap.

Nationwide, hiring challenges grew following the first few months of the pandemic as businesses increased their capacities. The survey responses show that these issues have persisted through today in downtown Portland. Unsurprisingly, in 2020, businesses listed “Ongoing health and safety challenges” as their top issue. In this study, no businesses included this as one of their top three challenges. While a portion of businesses noted “Shifts in where people work” as a challenge in the 2020 study, it was not nearly as high on the list.

Long-Term Challenges Faced by Businesses



2. What regulatory changes would be most helpful for you?

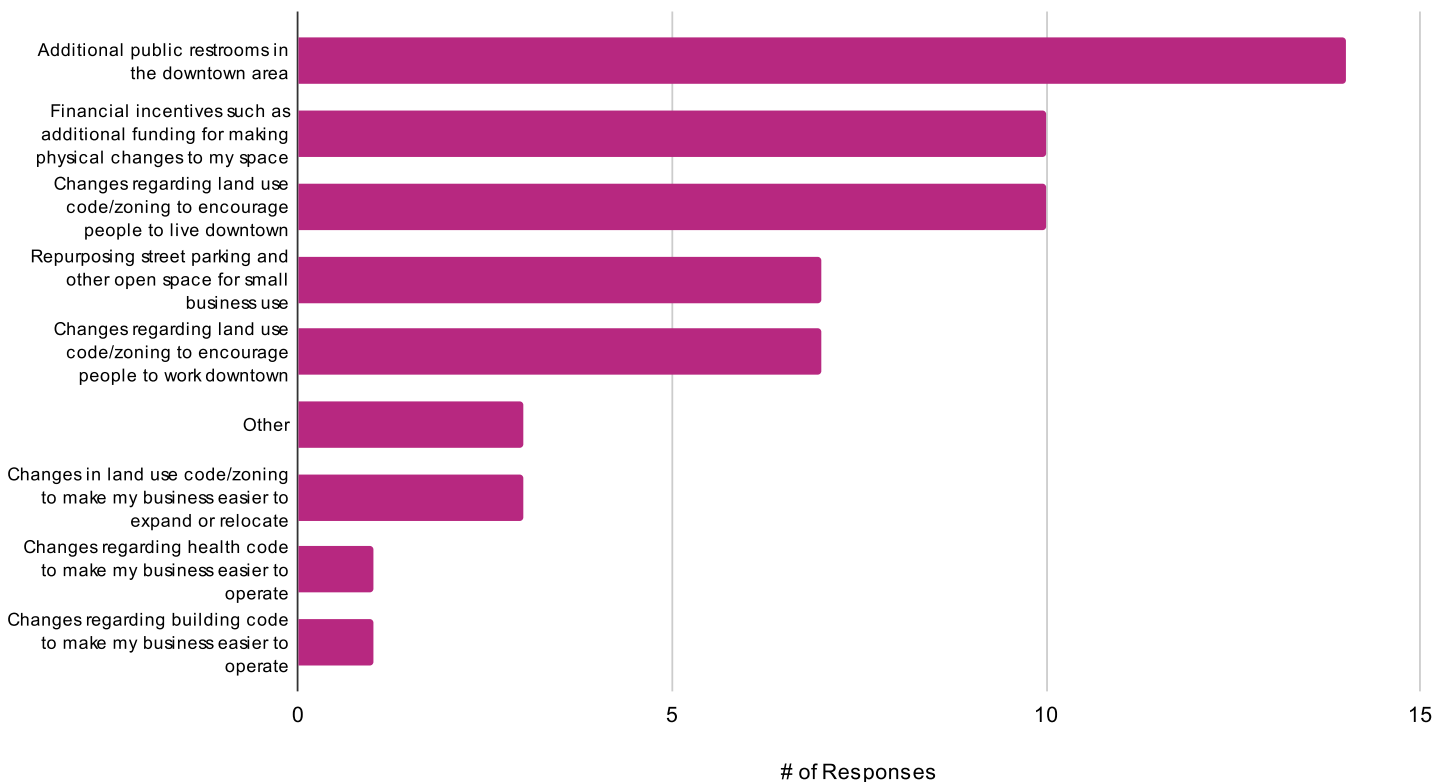
The top response to this question was “Addition of public restrooms in the downtown area.” This theme also came up in each of our stakeholder interviews and was echoed in other comments left by survey respondents.

The second most common response was “Financial incentives such as additional funding for making physical changes to my space.” In 2020, this question received by far the highest response, though the question may have been interpreted differently given that respondents focused heavily on the need for grants and loans as more immediate relief. During stakeholder conversations, interviewees mentioned that the regulatory barriers and associated high costs for building renovations in a historic district are barriers faced by Downtown Portland Businesses that want to expand their space or add a bathroom, for example.

“Portland needs affordable housing downtown so young employees can live and work in the Old Port. Catering to the rich and out-of-staters will be the downfall of Portland’s vibrant food and drink scene.”

Of note, two of the top five chosen proposals included land use and zoning changes that would encourage more people to work and live downtown. This aligns with the respondents’ challenges related to shifts in where people live and work that they believe have affected their businesses. In this section of the survey and elsewhere, respondents commented on the need for more affordable housing downtown despite the phrase “affordable housing” not being included in any of the survey language.

Desired Regulatory Changes



Physical Commercial Space and the Surrounding Downtown Environment

Changes to Physical Storefronts

19—79 percent—of respondents noted that modifications of some kind to their physical business space have remained in place since the onset of the pandemic. However, their responses to the types of barriers in place varied.

- 25 percent of businesses reported that they have kept physical barriers to separate customers from employees at the sales counter or similar
- 4—15 percent—of businesses reported that they continue to have changes in place to the floor layout to distance people from each other
- Other responses included:
 - “We don’t have as many people waiting inside. Until their table is ready, many guests wait outside”
 - “Air purifier is always running adding significantly to my electricity costs”
 - “Front doors no longer open to walk-in traffic; appointment only”
 - “Reduced office space”

Foot Traffic

16—66 percent—of businesses said they have noticed a drop in foot traffic AND believe that this has negatively affected their business. The six businesses that noted they have not noticed a drop in foot traffic were all in the Old Port except for one.

Delivery Modes

There was not a clear consensus on the presence or impact of cars, motor scooters, bikes, etc. for delivery orders on 2Dineln, UberEats, or similar services.

- Half, or 12, business reported that they have not noticed an increased presence of these types of transport. While 9—38 percent—of businesses repeated that they have noticed a higher presence of these modes of transport, they had varied responses as to whether they felt that their increased physical presence on the street or sidewalk negatively affected their business.

Online Sales

16 out of 24 businesses, which include food/restaurant, retail, one manufacturing, and one professional services, have offered online sales since the start of the pandemic. However, the associated impacts to their business models and physical spaces have varied. Three of these noted that they offered online sales early in the pandemic but no longer do so.

- Those that have not offered online sales since the start of the pandemic said this was because online sales do not align with their type of business (e.g. a professional services firm). In other words, no businesses choose not to offer online sales due to budget or staff constraints.
- Of the 16 businesses that have offered online sales since the start of the pandemic...
 - Just one noted that over 25 percent of their sales volume comes from online purchases.
 - 5 have changed their business space layout or expanded their footprint on-site or off-site to manage and prepare online purchases.
 - All of the retail stores also ship orders to customers.

Interview Themes

While each stakeholder has a slightly different role in Portland's downtown, certain themes arose across the two conversations.

1. The economic recovery downtown has been uneven. While the Old Port has low vacancy rates and a bustling tourist economy, the Arts and Government District oriented around Congress Street has not fared as well. We heard that this has occurred due to a variety of factors.

- Interviewees noted that ridership for transit and ferries are back to pre-pandemic levels. City owned garages and metered parking have also returned to previous levels. These indicators point to a recovery in activity downtown.
- The Old Port has long been the center of Portland's tourist economy and considered prime retail spaces for restaurants and small businesses. This reliable source of activity has bolstered its recovery.
- On Congress Street and areas nearby, large infrastructure projects such as the redesign of Congress Square have been a challenge for small businesses. The closure of some key businesses early in the pandemic has also brought persistent vacant storefronts.
- A working group revealed that this is in-part caused by local property owners that have held off on re-leasing these properties. One interviewee mentioned that the pandemic also brought a rise in the presence of people experiencing homelessness in this area. These factors create a perception issue that affects nearby businesses.

2. The City of Portland has reeled in many of the allowances and subsidies for outdoor dining and more that they offered early in the pandemic. Interviewees saw this as a missed opportunity to harness the momentum from this time to invest in a more vibrant public realm and support small businesses.

- For example, early in the pandemic, the city lowered the cost of permits for "parklets," parking spots that could be repurposed for outdoor dining. By eliminating this subsidy, the city has made it not financially worthwhile for many small businesses to operate outdoor dining.
- On the other hand, the City has directed federal aid from the American Rescue Plan to public infrastructure such as improvements to Amethyst Lot Park and the creation of new public restroom facilities. These represent long-term investments in the downtown.

3. A workforce shortage for both small businesses and the city alike continues to be a challenge for Portland’s downtown economic recovery.

- Restaurants continue to struggle sufficient staff which hinders their capacity to grow.
- Simultaneously, during the pandemic, the municipal government saw massive vacancies in public works, parks, and policing jobs. They have continued to struggle to fill these gaps which creates challenges for maintaining the downtown environment.

4. A key recommendation from the 2020 report was that cities should pursue the creation of more housing downtown to help maintain a vibrant environment and healthy consumer base for small businesses. Portland has long had a housing base downtown, and construction of more housing or extended stay hotels has also begun to occur.

- This new housing includes both new buildings and the conversion of office space to apartments and condos. At the same time, however, buildings that have recently opened such as the Casco tend to be marketed as higher end living.



Exchange Street in the downtown’s Old Port/. 2023. Photo credit: Katia Dermott, Portland Downtown

Conclusion

COVID-19 has undoubtedly had long term impacts on American lifestyles and small businesses. While face masks and floor markers placed six feet from each other may be largely absent from retail stores and restaurants, practices such as waiting outside for a table to be ready or a shift to by-reservation only visits appear to persist. Businesses are continuing to recover from the pandemic, and this recovery has also been uneven by district and at the even hyper-local scale of the block. Portland's downtown recovery follows national trends—hybrid work schedules appear here to stay—and yet is also nuanced—the downtown's strong tourist economy and presence of housing has helped to bolster its recovery. In Portland, like elsewhere, this recovery appears to intersect with a growing housing affordability challenge that impacts the workforce and customer base of downtown small businesses.

Through our stakeholder interviews and survey, we identified the following key findings:

- 1. Businesses want more public restrooms.**
- 2. Location matters even more. Downtown Portland has experienced an uneven recovery.**
- 3. There is no blueprint for how businesses have shifted their practices since peak pandemic.**
- 4. There is a concern that the rising cost of commercial and residential rents downtown will push out small businesses and undergirds challenges related to hiring and a sufficient customer base.**
- 5. Many of the primary challenges mentioned in 2020 have persisted, while the major concerns from 2020 of social distancing have unsurprisingly subsided.**

We recognize that this report had a limited data set. However, it also provides a launching point. If we were to expand this study, we would hear from a greater quantity of businesses for a more nuanced understanding of how different business types, for example, retail versus restaurants, have shifted their practices. The pandemic exacerbated many inequalities facing small businesses such as the racial wealth gap or the greater difficulties that women face in accessing capital. These are areas that would demand further focus should this study continue.

Ultimately, this project shows that the City of Portland has made progress on some of the 2020 report recommendations. In other cases, it reveals that the City has not acted on, or even turned against, some of those suggestions. Office conversions and the creation of additional housing are occurring! On the other hand, the local government has pulled back subsidies for parklets that enabled restaurants to seat more customers outside. Strict requirements around bathrooms and customer capacity remain a barrier for businesses to expand their businesses. Concerns about rising rents show that there is ongoing need to evaluate pathways for rent relief or stabilization.

The City is making improvements to the public realm that should ultimately favor businesses. Investment in public works projects at Congress Square and Amethyst Lot Park stand as evidence. At the same time, the frustrations around the Congress Square construction process show the critical need for the City to proactively communicate with businesses about these interruptions.

We hope this report can serve as a conversation starter for ongoing planning and policy to support the small businesses that are now in a new and distinct phase of pandemic recovery.

Notes

1 Portions of language throughout this report have been pulled or adapted from language from the 2020 the precursor report, “Rebuilding Main Street After COVID-19: Recommendations and reflections from small and mid-sized American Cities,” written by Emma Gonzalez-Roberts and Jeff Levine in October 2020.

2 U.S. Census Bureau 2020 Decennial Census. https://data.census.gov/profile/Portland_city,_Maine?g=160XX00US2360545; Race or Ethnicity “alone or in combination,” means that each multiple-race person is counted multiple times (once for each self-identified race). Sum of “total races tallied” therefore exceeds total population.

3 U.S. Census Bureau 2022 American Community Survey. https://data.census.gov/profile/Portland_city,_Maine?g=160XX00US2360545; U.S. Census Bureau 2019 Population Estimates. <https://www.census.gov/quickfacts/fact/table/US>.

4 U.S. Census Bureau 2022 American Community Survey.

5 Ibid.

6 See also, a 2023 report by the Federal Reserve Bank lays out challenges related to hiring that have unfolded since the onset of the COVID-19 pandemic; Federal Reserve Bank. “Worker Voices: Shifting perspectives on expectations and employment,” May 2023. <https://fedcommunities.org/research/worker-voices/2023-shifting-perspectives-expectations-employment/>.

7 City of Portland, Maine. Approved ARPA Projects. November 2021. https://docs.google.com/document/d/1IUAgg7aN0vbKAKu83SMvkwadYXBPjmNal0YrJ_-cQvc/edit.