



# THE STATE OF SMALL BUSINESS IN DOWNTOWN BIRMINGHAM

*REV Birmingham's observations, analysis and  
recommendations to rebound from COVID-19*

Downtowns across the country are experiencing tremendous economic challenges from the impact of COVID-19. Birmingham is not unique in the turmoil our small businesses are experiencing due to the temporary shutdown. This experience has been exacerbated by social unrest. Our small business owners are grappling with these uncontrollable factors, seeking opportunities to pivot their model and continue to provide goods and services in a time when downtown's employment centers are closed and foot traffic is minimal.

Since mid-March the REV team has doubled down on our core values of community leads and daring problem solving by engaging, listening and deploying strategies to encourage, support and sustain the small business community. The vibrancy of downtown is incumbent on their wellbeing and their longevity as we seek to collectively endure this historic moment in time.

The following report is intended to communicate qualitative and quantitative data along with business intelligence gathered from boots-on-the-ground conversations between REV team members and downtown stakeholders. Our hope is this report will inform and guide the development of strategies to meet the urgent needs of our downtown business owners in an effort to minimize the damage we're facing as a city.

*For the purpose of this report, we are focusing on Birmingham's City Center as defined by this map.*



## THE COVID-19 CONSUMER CLIMATE

As the COVID-19 pandemic continues and economies begin to reopen, consumer behavior is evolving in response. According to a [report published by McKinsey & Company](#), six consumer trends are taking hold across the country:

1. Most consumers expect a long-lasting impact from COVID-19, with more than half of consumers reporting their finances will be impacted for four months or more.
2. As incomes have declined, consumers are spending largely on essentials like food, fitness and personal care.
3. Consumers are shifting to reduced-contact channels and will continue these behaviors beyond COVID-19.
4. The homebody economy will continue to persevere with consumers reporting they plan to leave home for necessities.
5. Consumers want extra reassurance to resume daily activities outside the home.
6. Consumers want to see an ongoing emphasis on cleaning, safety and prioritization of their health and wellness.

While we are seeing these findings play out here in Birmingham, the REV team believes we, as a community, have an opportunity to intervene and support entrepreneurs in navigating these factors which greatly impact their business.



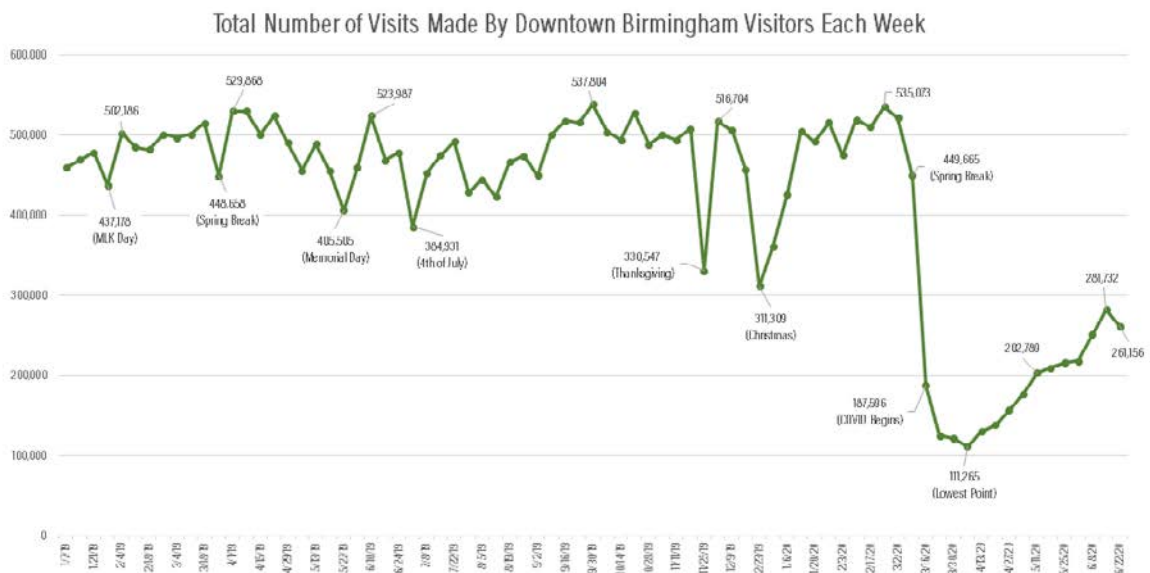
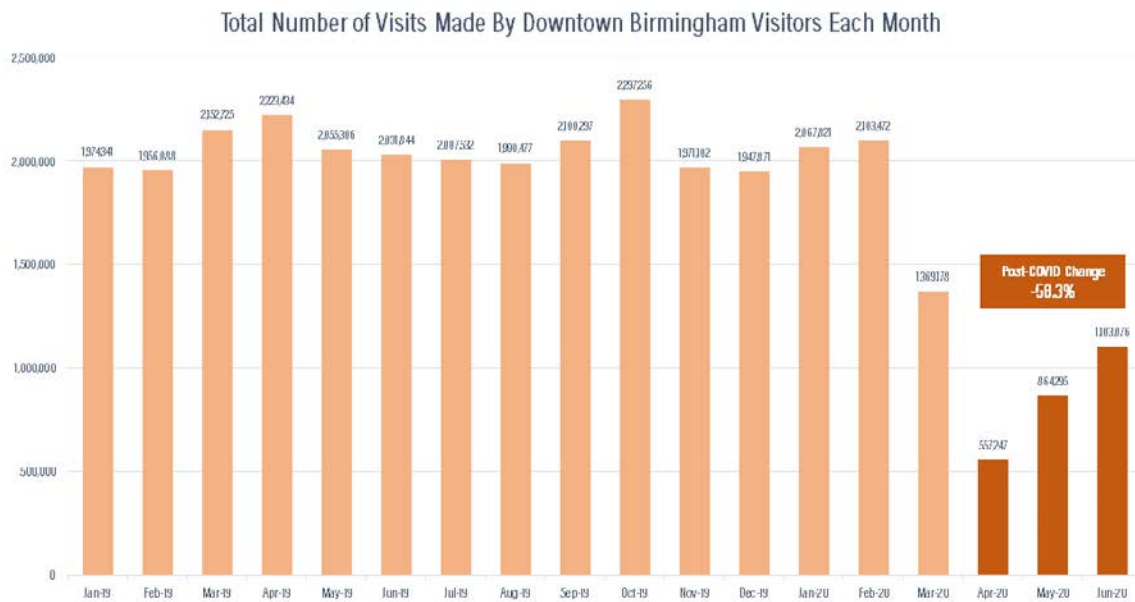
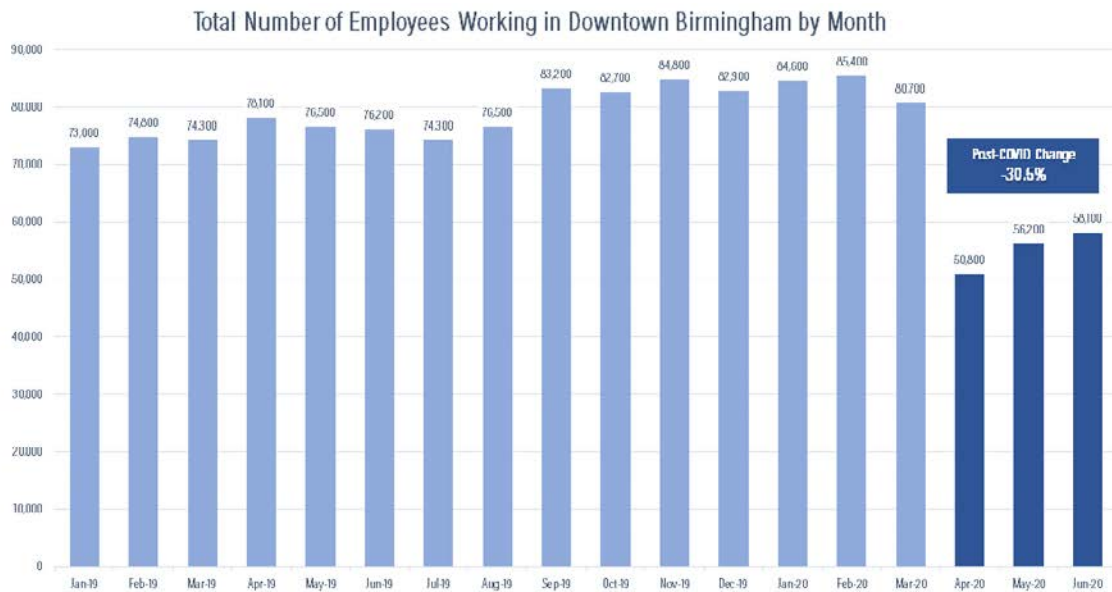
## WHERE WE WERE PRE-CORONAVIRUS + WHERE WE ARE NOW

Since 2010, downtown Birmingham has experienced significant investment and growth with more than \$2.5 billion invested in more than 75 projects. Just prior to the onslaught of COVID-19, more than 5 million square feet of retail, office and residential space including 10,500 housing units were built or under construction. Birmingham's culinary community drove much of downtown's vibrancy, offering an attractive urban lifestyle. Historically, more than 50 percent of REV's small business and development clients have aimed to open or grow a food-related business, and Birmingham's reputation as a food destination garnered national attention.



*To-go has taken the place of dining experiences but not near the same pace for most downtown businesses.*

According to a Placer.ai mobile mapping analysis conducted by Alabama Power Company's Business Intelligence Team, prior to COVID-19, Downtown Birmingham was a destination that drew in over 500,000 visits each week and employed between 70,000 to 85,000 workers. Downtown restaurants, retailers and service businesses are highly dependent on sales to both employees at downtown businesses as well as the many visitors that travel to the area throughout the year. Since the first week of March 2020 (post-COVID-19), weekly downtown visits have plummeted by an estimated 58.3 percent and the number of employees working in downtown dropped by 30.5 percent. In early May, downtown witnessed a slow uptick in the visitors returning to the area, but, as the graphics on the next page illustrate, these counts are far below pre-COVID-19 levels. The livelihood of small businesses across downtown depend on spending by visitors and employees at restaurants, retail stores, and service businesses.





## BOOTS ON THE GROUND: WHAT WE'RE SEEING + HEARING

The impact of these numbers is affirmed by REV's interactions with small business owners. In a listening session conducted on June 17, 10 entrepreneurs shared experiences and challenges endured due to both COVID-19 and the violence of May 31-June 1. The combined issues have pushed small businesses to the brink—testing and, in many cases, bolstering—their commitment to downtown. Here are a few of their stories:



### Larry Anderson, UPS Store

Larry Anderson, owner of The UPS Store on 20th Street, experienced an immediate 40% decrease in his business with shelter-in-place. He did not qualify for SBA's Paycheck Protection Program but has managed to maintain full employment. His business model relies on now-absent downtown office clients. The civil unrest, which resulted in damage to downtown properties on May 31, exacerbated the disruption of his business as his neighbors' boarded-up windows communicated that downtown is closed. While recent months have been painful, Larry says he is—and will continue to—use his retirement funds to operate. He says his greatest need at this time is for downtown to return to work.

Like Larry, nearly all the businesses we've engaged in recent weeks have expressed the impact the decreased downtown workforce is having on their revenues. While many are relying on the downtown workforce to sustain their business, others are reliant on visitors as a destination.

### Crystal Peterson, Yo Mama's

Crystal Peterson has continued to operate Yo Mama's profitably thanks to the Paycheck Protection Program, but the pandemic has shifted her customer base and operations. A closed downtown means she doesn't have access to her loyal customer base. The restaurant's rent, utilities and small payroll are covered with the help of the federal relief funds, allowing Crystal to focus on pivoting to online ordering and curbside. The shift, Crystal says, had been impossible until now because of the size of her kitchen. Now she's finding people prefer Yo Mama's to-go over dining inside.





## Chloe Cook, Sidewalk Film Center

According to Chloe Cook, since closing on March 12, the cinema hasn't been able to meet their budget in several categories including ticket sales, concession sales, sponsorships, and grants. Today revenues are a mere 20% of goal. The pandemic has forced this new social enterprise to pivot its model to drive-ins while requiring staff to take a 20 percent pay cut. Fundraising has been exponentially challenging as the grant funding climate shifts to focus on immediate needs. The organization was forced to cancel their only spring fundraiser. While their business needs a downtown market to recover, Cook is concerned about the wellbeing of her customers as authorities advocate for staying home as cases rise.

With many staying home because of still-high COVID-19 rates, customer perception of safety downtown continues to be an issue. Business owners identified panhandling and the perceived increasing presence of people experiencing homelessness as barriers to their business rebounding from COVID-19.

## Lucien & Patrice Blankenship, Jazzi's

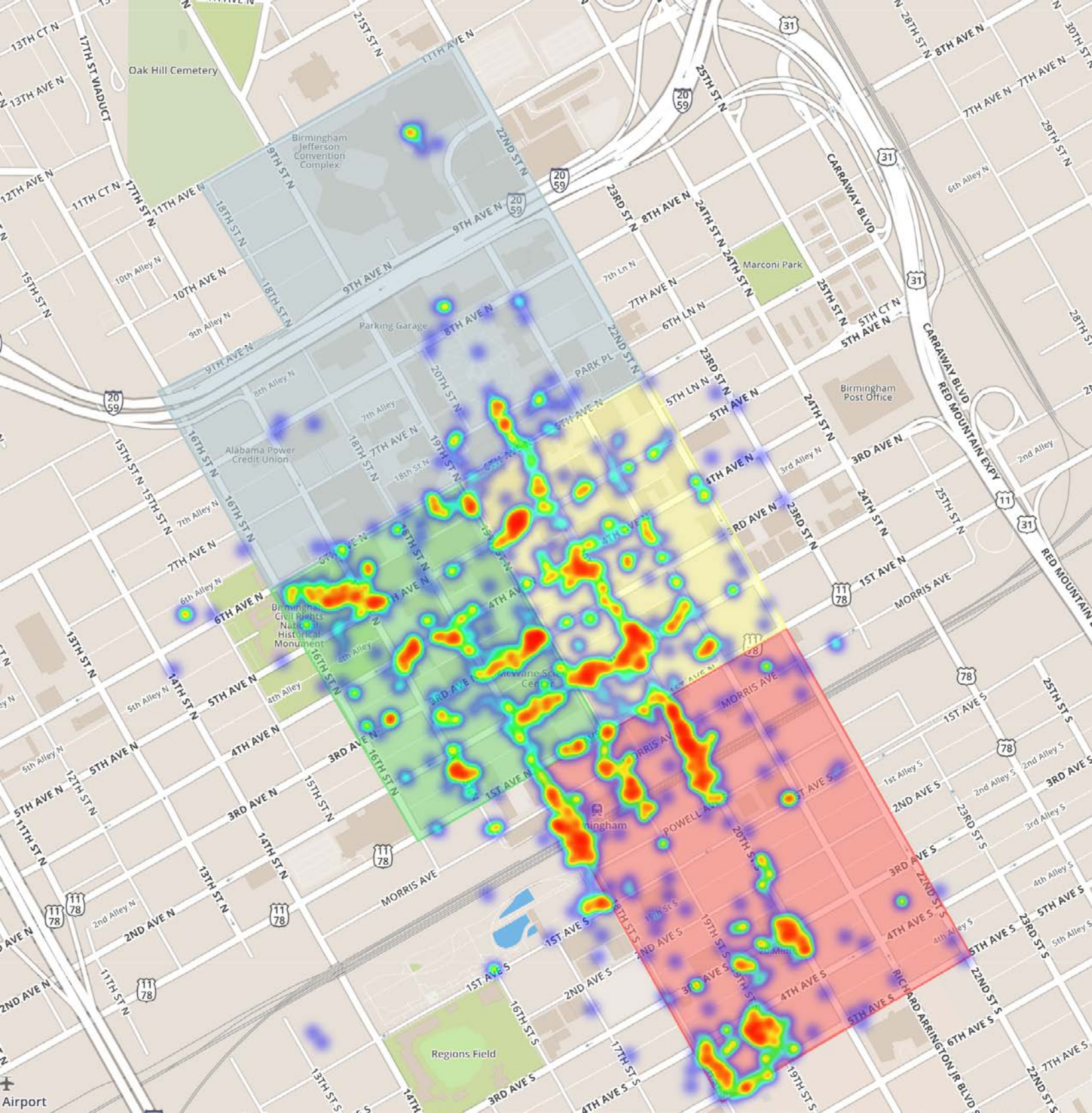
For Lucien and Patrice Blankenship of Jazzi's on 3rd, COVID-19 has brought their business to a grinding halt. The club, which functions primarily as an event venue, was booked through November hosting as many as ten events per month. The Blankenships have refunded their clients' deposits without knowing when their customers will feel comfortable hosting the types of events they had booked. Lucien Blankenship believes the greatest issue facing his business at the moment is safety. "As vibrant as it has become, we need to make people feel comfortable," said Lucien. "We want our clients to feel safe [and they don't currently feel safe]"



Boarding up properties in response to social unrest on May 31 exacerbated those negative consumer perceptions about downtown. According to David Hickox, owner of Shu Shop on 3rd Ave N, a boarded-up downtown communicates that "Birmingham is not a good place to come right now." The boards communicate to the metro area that downtown is not just closed, but unwelcoming and unsafe.

While homelessness and panhandling do not directly drive increased crime rates, they can be a deterrent to foot traffic. City Center District Management Corporation's CAP team collects data about panhandling and homeless activity as they work to address the issues and connect individuals with resources and programs. The maps on the next page communicate hot spots of panhandling and campsite removals. Both maps indicate that these activities are happening in highly visible locations and in front of active businesses.

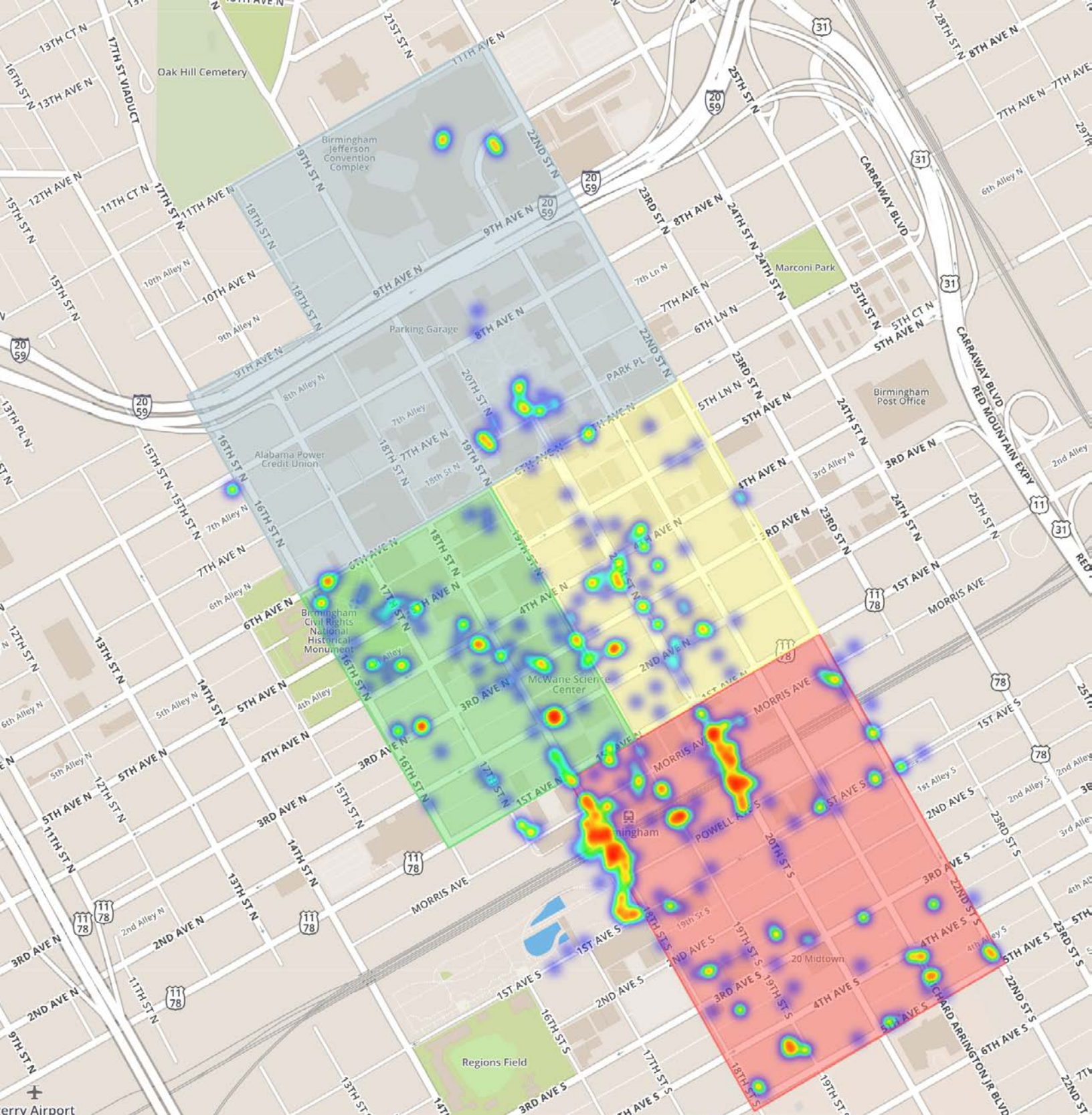




## CURRENT PANHANDLING HOT SPOTS

This map reflects where CAP Ambassadors responded to panhandling calls from March 1, 2020 to June 26, 2020. Ambassadors captured the data in Block by Block's SmartSystem.





## CURRENT CAMPSITE HOT SPOTS

This map reflects where CAP Ambassadors received requests to remove campsites and homeless individuals from March 1, 2020 to June 26, 2020. Ambassadors captured the data in Block by Block's SmartSystem.



REV and the CAP team understand the complex dynamics at play downtown, but business owners, and more significantly the general public, most often don't understand the systemic and environmental issues impacting this outcome—particularly during COVID-19. CAP and REV's experience indicates not all homeless citizens are panhandling; in fact, a large number of panhandlers in the City Center are not homeless.

## WITH A LACK OF FOOT TRAFFIC IN THE CITY CENTER, PANHANDLERS HAVE FEWER OPPORTUNITIES FOR SUCCESS, WHICH PUSHES SOME TO BE MORE AGGRESSIVE.

Business owners have communicated with REV that they believe the homeless population is increasing and becoming more aggressive. While no data indicates that the homeless population is increasing, homeless shelters have been forced to quarantine their population, thus eliminating or severely restricting intakes, due to COVID-19. Not only does this limit the availability of shelter beds, but it also reduces access to food and social services. This, therefore, forces the homeless population to target businesses and patrons for food, money, and other help. With a lack of foot traffic in the City Center, panhandlers have fewer opportunities for success, which pushes some to be more aggressive with those who pass.

Ensuring people feel that downtown is clean and safe is the foundation of Birmingham achieving its downtown vibrancy goals. Education on best practices (as well as the differences between panhandling and homelessness), collaborative problem solving, and policy advocacy around panhandling and vagrancy will strengthen that foundation. Business owners want to instill consumer confidence in returning to downtown, and REV also wants to drive that change.

Johnny Grimes of Wheelhouse Salon wants to change the narrative about downtown. His business is down \$655,000 between his two locations. Reopening has increased administrative costs while revenue is lower. He's obtaining loans in order to operate at 50 percent capacity. Johnny says he will survive as he is committed to downtown and the success of his business. However, he believes downtown's narrative needs to be centered around the positive movement underway.

This improved narrative can begin to manage expectations of what it means to live in an inclusive, diverse and authentic urban environment. Metro Birmingham continues to demonstrate their juxtaposition with their downtown—wanting the amenities offered by vibrant commercial districts without some of the issues that accompany a bustling downtown, such as panhandling and less abundant parking.

For Crystal Peterson of Yo' Mama's, she knows that these issues are indicative of any and every downtown—not just Birmingham. "Any downtown has homelessness," she said. While panhandling and homelessness are separate issues, Crystal's observation highlights an opportunity to educate both business owners and consumers about how to best manage and support the goal of a vibrant urban market where businesses thrive.

## REV'S ANALYSIS: WHAT WE'RE ANTICIPATING

A recent [survey conducted by Main Street America](#) to better understand the continued challenges faced by small businesses found data points that corroborates the experience of the REV team:

- The smallest businesses had the least success pursuing SBA PPP applications. In many cases, small business owners were not able to quickly produce the documentation (basic financial statements and tax returns) required by lenders or meet minimum credit worthiness thresholds. Minority businesses were additionally disadvantaged because of systemic barriers.
- Funding from SBA PPP and EIDL offered little long-term financial relief as most businesses received less than \$8,000, suggesting that the fewer employees on staff, the less federal relief received and ultimately limited business sustainability.
- More than 30 percent of businesses earned no revenue in April and have furloughed staff. This impact is harder for personal care businesses with 1099 contractors such as spas, fitness studios, salons and barbershops.



*A nearly empty 20th Street during the shelter-in-place order*

National and local data along with REV's grassroots engagement is informing our strategies as an organization and shaping our recommendations to our community partners. Below we outline what we're anticipating and addressing in our 2020-2021 revitalization and business growth plans.

### 1. SMALL BUSINESS CLOSURES


As outlined in Local Initiatives Support Corporation's (LISC) [Commercial District Recovery Guide](#), "at district-level, the risk of permanent store closures means that there will likely be a spike in short-term vacancies and an overall shrinking retail footprint of our commercial districts as retail tenants course-correct. As such, intermediary groups such as Business Improvement Districts (BIDs) will need to be prepared to work closely with landlords to track vacancies, manage the appearance of vacant storefronts, and create a strategic plan for tenant attraction and retention that consider other potential nonretail tenants and uses."

National estimates for restaurant closures are currently reaching as high as 80 percent. According to [The Atlantic](#), "[these] projections underscore the wild uncertainty for an industry that generates \$900 billion a year and employs 15 million people—15 times the labor force of the airline industry... The stakes couldn't be higher—for the millions who make their livings in restaurants; for the huge, interconnected



businesses, including farming, distribution, and commercial real estate, that depend on a healthy restaurant ecosystem; and for every American, hungry to know where we will eat when this is all over.”


As noted recently in the [New York Times](#), communities of color who have been disproportionately impacted by COVID-19 will need the most assistance through and beyond the pandemic. Black entrepreneurs, especially women, which have been starting businesses at a [higher rate](#) than the rest of the population in recent years, are especially struggling during the pandemic in part because they lack access to affordable loans as well as the technical expertise to easily move their businesses online. In addition, they entered the lockdown less secure financially relative to non-minority owned businesses. As of 2019, the overwhelming majority of businesses in majority black and Hispanic neighborhoods did not have enough [cash on hand](#) to pay for two weeks’ worth of bills. The ecosystem of small business assistance partners will be more important than ever in supporting small business owners in navigating this chapter, pivoting and improving their operations for long-term success.



*Here's what respondents to a Birmingham Business Journal survey, said about the cities' workforce*

**24%** think their companies will continue remote work policies once the pandemic is over

**42%** say they will return to their office buildings



## 2. WORKFORCE RETURN

A recent [survey published in the Birmingham Business Journal](#) noted that “in Birmingham, 24% of respondents think their companies will continue their remote work policies once the pandemic is over, but 42% say they will return. That’s compared to 34% nationally who say they will return. But another 34% aren’t sure whether they will return to their businesses or continue to work remotely. 32% say they will not return.

Following the national average, most respondents in Birmingham (72%) said they would feel more comfortable reopening or returning to their businesses full time with the continuation of social distancing requirements.”

Data from Alabama Power indicates downtown’s workforce is currently hovering around 27% of its normal levels. While some businesses are allowing employees to return on a volunteer or limited basis, full employment is still far from the norm. After surveying property managers from downtown’s employment hubs, REV believes there is a sense of urgency in communicating the impact large employers have on the downtown economy. It has been reported to REV that at least one large employer has told its employees that it will be late September or October before they start to think about letting staff return in any capacity. Furthermore, large hubs like One Federal Place, the Financial Center, and 1901 6th Ave (formerly Harbert Plaza) are seeing their buildings operating at around 30% of their pre-COVID occupancy levels. While some companies are allowing staff to return, most don’t have a plan or date for returning to full capacity.



*New curtains in place to help a downtown business enforce social distancing*

### **3. CONSUMER BEHAVIOR**

In its recent report [Reopening America and the World](#), the Brookings Institute offers evidence from polls and surveys of public behavior suggesting that 'Field of Dreams' economics will yield mixed results. Even when we reopen shops and restaurants, many customers will not return fast enough to produce the much-discussed "V-shaped" recovery. The less vulnerable will move first while the risk-averse hang back. It is increasingly incumbent upon small business owners to communicate what they are doing to keep the health and wellbeing of their customers as top priority.

### **4. BUSINESS MODEL EVOLUTION NEGATIVELY IMPACTS PROFITABILITY**

Retail stores and restaurants have begun redesigning store layouts to accommodate social distancing measures, ultimately lowering occupancy rates and profitability. According to David Hickox, owner of Shu Shop on 3rd Ave N, restaurants' profit margins are built around 100 percent capacity. He adds, "We can't do that and still be responsible."

### **5. EMPLOYEE FURLOUGHS**

As PPP ends, if the economy does not reopen fully and downtown does not begin experiencing recovery, small businesses will likely be forced to furlough their employees until things improve, exacerbating the issue of low foot traffic and employee spending downtown.

### **6. DOWNTOWN BRAND ATTRITION**

REV has championed downtown's brand for more than ten years, positioning the City Center and neighboring commercial districts as vibrant places to live, work, do business and play. That brand is under threat as a quiet, boarded-up downtown communicates waning vibrancy. The public perception of downtown as a clean, fun and safe destination is in danger if we do not intervene.



## WHAT BIRMINGHAM CAN DO: REV'S RECOMMENDATIONS + NEXT STEPS

COVID-19 and civic unrest presents Birmingham with an opportunity to craft and amplify a new narrative. Our city must educate Metro Birmingham and our visitors about our unique and rich history. This chapter of Birmingham's revitalization can and must be founded on our community commitment to moving the Magic City forward as a diverse, inclusive and authentic place where everyone is welcome.

In [Reopening America and the World](#), the Brookings Institute affirms there is no playbook, but there are guidelines, best practices, and data to guide our next steps.

[Main Street America's recent findings](#) highlights the critical role Main Street organizations play in supporting small businesses in their recovery. Funding for REV Birmingham and its community partners will be imperative to ensuring the survivability of small businesses that constitute vibrant commercial districts.

LISC's [Commercial District Recovery Guide](#) can serve as a tool to guide our reopening strategies.

REV's analysis of downtown Birmingham's small business needs produced the following recommendations to support the Magic City (or City Center) in recovering. REV recommends, as a community, we craft all offerings in a way that can address the pain experienced by all downtown business owners, while making a special effort to uplift the most disadvantaged. We recognize that multiple partners in the public and private sector will be necessary for success.

### 1. LET THE COMMUNITY LEAD OUR COLLABORATIVE EFFORTS:

- Host regular listening sessions to capture individual and collective feedback on current conditions and helpful initiatives from the public and nonprofit economic development sectors
- Conduct a roundtable between property owners and small business owners to establish the "in it together" spirit and develop helpful solutions
- Provide small businesses with opportunities to share their concerns and ideas with city hall and community leaders
- Conduct a corporate employer roundtable to listen, educate and problem-solve on reopening our downtown economy

### 2. BOOST THE ECONOMY WITH A SMALL BUSINESS STIMULUS PACKAGE:

- Based on the results of the corporate employer round table, explore strategies for or make the case for downtown employers to bring employees back to work
- Explore National, State, County, Local funding sources for additional economic stimulus
- Explore and develop stimulus packages to address rent pressures, loan repayment assistance, business interruption assistance, etc. (Example: [Norfolk, VA](#))
- Deploy a robust Shop Local campaign to drive sales in City Center
- Invest dollars into a sales stimulus program (such as [NIFT's gift card program](#)) to encourage consumers to patronize business

### **3. ADVOCATE FOR UPDATING POLICIES TO SUPPORT ECONOMIC DEVELOPMENT:**

- Loosen restrictions related to outdoor dining regulations (state and local) to allow establishments to achieve their revenue goals for sustainability
- Maximize opportunities for restaurants to temporarily use on street parking spaces, loading zones and alleys for pickup, delivery and outdoor dining
- Collaborate with the City to establish creative solutions for small business operations and their customers' parking needs, which may include curbside pick-up, dining and shopping

### **4. CRAFT AND BROADCAST A STORY OF COLLABORATIVE POSITIVITY, HOPE, RESILIENCY, AND SOCIAL AND ECONOMIC JUSTICE THAT INSTILLS CONSUMER CONFIDENCE:**

- Educate employers about their significant short-term and long-term impact of workforce return
- Implement an inclusive downtown marketing campaign curated by community partners and business owners
- Educate consumers about the benefits of living in a vibrant, urban community to improve perception of Birmingham's downtown experience
- Implement a self-guided educational and inspiring tour of downtown to draw visitors to downtown for a socially distant activity while increasing knowledge and personal investment in downtown's resiliency
- Implement communications and advocacy strategies to promote the health, well-being and safety of downtown

### **5. DEPLOY SMALL BUSINESS ASSISTANCE IN COLLABORATION WITH PARTNERS TO MEET IMMEDIATE AND LONG-TERM NEEDS OF ENTREPRENEURS:**

- Deploy a robust workshop, technical assistance and mentorship pipeline to provide financial empowerment, sales, marketing, leadership and operational training—particularly to business owners of color.
- Partner with Bham Biz Hub to launch a true and comprehensive entry point to the ecosystem's offerings
- Leverage REV's promotional platform to communicate the entrepreneurial journeys and successes of small business owners

### **6. INVEST IN STRATEGIES TO IMPROVE PERCEPTION OF DOWNTOWN AS A CLEAN AND SAFE PLACE TO LIVE, WORK AND PLAY:**

- Educate business owners and consumers on best practices to address panhandling in an effort support a vibrant and welcoming urban market where businesses thrive
- Share stories of how small business owners are implementing measures to ensure safety
- Continue to, and where possible increase, investment in police presence downtown
- Strengthen coordination in the ecosystem of agencies and the public that serves the homeless and transient population to result in a reduction of homelessness and its impacts