

# A LONGER ROAD TO RECOVERY

## The Disproportionate Impact of the COVID-19 Pandemic on Entertainment Districts



The COVID-19 pandemic has brought the country to a halt, as the normal functioning of commerce and society has shut down in response to the outbreak. While this pandemic is affecting communities across the nation, it is having disproportionate impacts on neighborhoods that rely on events at sports, entertainment, and arts venues to attract customers who spend money at other nearby businesses. In the District, these neighborhoods previously attracted crowds of locals and outside visitors, including many from other jurisdictions. While restaurants and retail are beginning the process of reopening at limited capacity, large events and public gatherings are indefinitely postponed and face a longer road to reopening because operating at partial capacity is either not economical or not safe. In the meantime, visitors are now staying home, leaving the venues they would have frequented closed, and the restaurants and retailers they would have visited shuttered.

In the District of Columbia, this dynamic is impacting three business improvement districts (“BIDs”) especially hard. Home to a variety of sport, theater, and concert venues that rely on outside visitor traffic, the Capitol Riverfront BID, DowntownDC BID, and Southwest BID are largely empty of visitors today, even in the midst of what would have been their busiest event seasons. To examine the impact of the COVID-19 pandemic on these neighborhoods, RCLCO analyzed three economic outlooks related to its eventual recovery: An optimistic “Summer V” scenario, a more realistic “Fall Swosh” scenario, and a dire “Extended U” scenario.

Using these three scenarios, RCLCO observed the following top-line impacts:

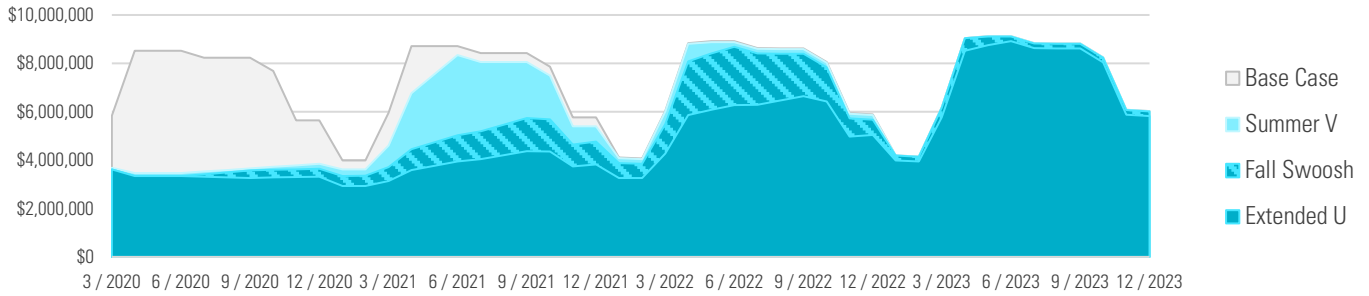
- » **The COVID-19 pandemic is having disproportionate impacts on entertainment districts, where many restaurants and retailers drive a majority of their revenue from event traffic.** Together, the sport, concert, and theater venues in the Capitol Riverfront, DowntownDC, and Southwest BIDs attract more than six million visitors each year. These visitors do not come to the neighborhoods as frequently—if at all—when the venues are closed, and the resulting lack of visitor traffic has negative impacts on the neighborhoods in which they are located. For example, many of the restaurants surrounding the Capitol One Arena and Nationals Park report that events at those venues drive up to 50% of their annual revenue. This revenue is lost entirely when the venues close.
- » **Entertainment districts will take longer to recover from the COVID-19 pandemic because the restaurants and retailers in these neighborhoods will not reach their former sales levels until venues and events can resume at full capacity, which could take years.** Since partial reopening schemes are not always possible for venues that seat attendees in close proximity to each other, the pandemic will lead to the cancelation or postponement of countless sports seasons, theater tours, and concert shows, even as other neighborhoods re-open. These cancellations and postponements will make it more difficult for nearby restaurants and retailers to reach their former sales levels. As a result, many of these restaurants and retailers will take months longer to recover than restaurants and retailers that are not as dependent on outside visitor traffic.
- » **In the most realistic scenario in which a full recovery does not occur until the end of next year, the impact of the COVID-19 pandemic on entertainment districts is likely to cost the District \$217 million in lost tax revenue, with the potential for this number to exceed \$378 million if the impacts of the pandemic endure through 2022.** In 2020 alone, the venues, restaurants, and retailers that operate in these neighborhoods will generate \$120 million less in sales, meals, income, and real property taxes to the District than they otherwise would have. Moreover, the longer the COVID-19 pandemic endures, the more serious these fiscal implications will become. Even assuming the full containment of the pandemic and the complete re-opening of the economy by the end of 2020, the District will lose \$141 million in sales, meals, income, and real property taxes from these venues, restaurants, and retailers over the long term.

**Cumulative Sales, Meals, Income, and Real Property Taxes, 2020-2023;**  
Entertainment Venues and Nearby Restaurants and Retailers

	TAXES GENERATED			
	“BASE CASE”	SUMMER V	FALL SWOOSH	EXTENDED U
FULL RECOVERY BY		Q1 2021	Q1 2022	Q1 2023
Capitol Riverfront BID	\$342,920,000	\$295,960,000	\$270,270,000	\$236,430,000
DowntownDC BID	\$1,184,220,000	\$1,105,870,000	\$1,063,750,000	\$950,660,000
Southwest BID	\$158,150,000	\$142,460,000	\$133,560,000	\$119,620,000
<b>TOTAL</b>	<b>\$1,685,290,000</b>	<b>\$1,544,290,000</b>	<b>\$1,467,580,000</b>	<b>\$1,306,710,000</b>
<b>Revenue Lost</b>		<b>-\$141,000,000</b>	<b>-\$217,710,000</b>	<b>-\$378,580,000</b>

The Capitol Riverfront BID

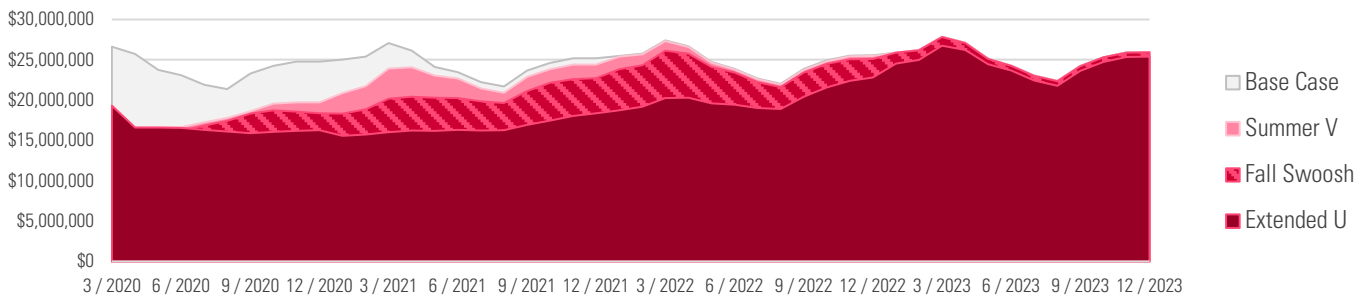
**Monthly Sales, Meals, Income, and Real Property Tax Revenues;**  
2,000 Foot Radius from Entertainment Venues in the Capitol Riverfront BID



- » The District will lose up to \$106 million in sales, meals, income, and real property taxes from Nationals Ballpark, Audi Field, and surrounding restaurants and retail because of the COVID-19 pandemic.
- » The neighborhood generates the most revenue in late spring, summer, and early fall, given the months during which sports occur.
- » While Nationals Ballpark and Audi Field host fewer than 100 games each year, surrounding restaurants and retailers make approximately 50% of their revenue on those game days. As a result, the performance of those restaurants and retailers is highly seasonal, in general, and highly dependent on sports and entertainment, in particular.

DowntownDC BID

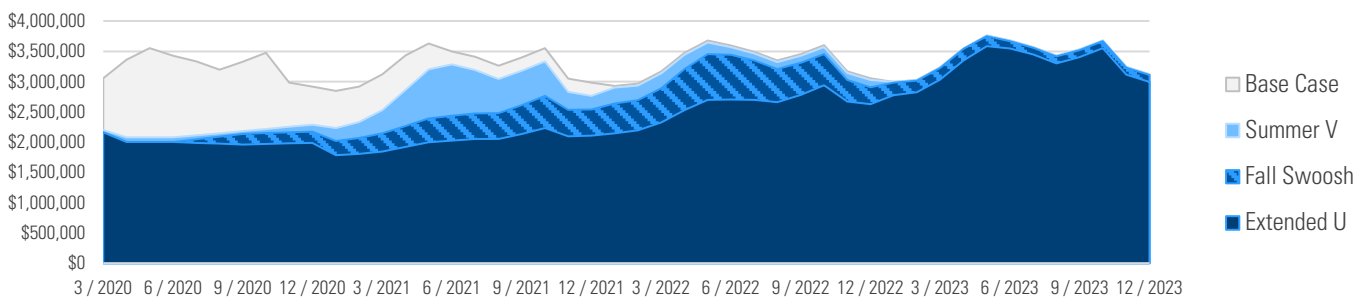
**Monthly Sales, Meals, Income, and Real Property Tax Revenues;**  
1,000 Foot Radius from Entertainment Venues in DowntownDC BID



- » The District will lose up to \$234 million in sales, meals, income, and real property taxes from the Capital One Arena, downtown theaters, and surrounding restaurants and retail because of the COVID-19 pandemic.
- » Revenues in the neighborhood peak in March and April when business and leisure travel to the District increases, but they are similarly high in October, November, and December because of the Washington Capitals and Washington Wizards seasons.
- » Unlike other entertainment districts, the DowntownDC BID also relies on the local tourism industry and the downtown employment base, both of which are also down. The pandemic is hitting the neighborhood especially hard for this reason.

Southwest BID

**Monthly Sales, Meals, Income, and Real Property Tax Revenues;**  
1,000 Foot Radius from Entertainment Venues in Southwest BID



- » The District will lose up to \$39 million in sales, meals, income, and real property taxes from The Anthem, Arena Stage, and surrounding restaurants and retail because of the COVID-19 pandemic.
- » Given the role of both tourism and entertainment, the neighborhood typically generates the most revenue between April, when the number of visitors increases, and October, when the number of concerts increases.
- » If these tourism and entertainment industries do not pick back up, the neighborhood is poised to experience disproportionate setbacks. Already, it has generated 40% less sales, meals, income, and real property taxes since the beginning of the pandemic.