Return to the Workplace

Issue

During the public health emergency created by the rapid spread of the COVID-19 virus, governmental authorities ordered widespread closures of places where people gather, including office buildings.

These shutdowns were appropriate at the time, and the commercial real estate industry worked diligently to create safe work environments that would accelerate the reopening of economic activity.

In his State of the Union speech in February 2022, President Biden stated:

- It's time for Americans to get back to work and fill our great downtowns again with people. People working from home can feel safe and begin to return to their offices. We're doing that here in the federal government. The vast majority of federal workers will once again work in person.

Unfortunately, agency actions did not immediately live up to the President's words. Federal agencies continued to promote remote working arrangements as a recruitment, retention, and cost-saving tool.

In February 2023, the House of Representatives passed the SHOW Up Act (H.R. 139) directing federal agencies to reinstate their pre-pandemic telework policies and ensuring that any future remote working plans receive careful and deliberate consideration.

In April 2023, the White House Office of Management and Budget informed federal agencies that they have 30 days to develop plans to "substantially increase" their employees' in-person work at headquarters. In the same month, the White House Office of Personnel Management announced in a government-wide memo that it was ending its "maximum telework" directive for federal agencies, which it adopted during the pandemic.

The new guidance is an important step forward supported by The Real Estate Roundtable. Federal agencies must follow through, in good faith, on the White House directive.

The Roundtable's Position

- The federal government employs over 1.3 million civilians in 2,200 communities across the country and is a market leader that influences leasing costs and property values. Actions it takes as a tenant have profound impacts on local markets and associated property tax revenue, surrounding small businesses and their workers, and more.

Return to the Workplace

- Federal agencies' actions to promote permanent remote working are out of step with the direction of private sector employers, who are increasingly recognizing the importance of bringing employees back to the workplace.
- Instead of aggressively promoting work-from-home arrangements for federal workers, the federal government should help facilitate a smooth, market-based transition to the new era.
- The work-from-home trend is increasing the negative pressure on commercial real estate property values and therefore reducing local tax revenues. For example, between 2021 and 2022, the decline in office building property assessments reduced property tax revenue in Washington DC by $140 million. The City of San Francisco forecasts that remote work could reduce office-related property tax revenue by more than $100 million in 2023.
- Restaurants, small businesses, and their employees are another casualty of policies that discourage a return to the workplace. Workers are spending less time and money in central business districts, with devastating consequences for the businesses—coffee shops, gyms, barber shops, restaurants, etc.—that rely on their patronage.
- Leading academic research has identified a dozen cities where the reduction in local spending as a result of remote work exceeds $2,000 annually per teleworking employee.
- Research released by the Labor Department found that "the increase in remote work had significant effects on local employment…[s]pecifically, a 10% decrease in foot traffic in a Census tract led to a 2.8% decline in employment for accommodation and food services and a 2 percent decline in retail trade employment."
- Remote working threatens the viability of public transit systems. Nationwide, according to the American Public Transportation Association, ridership on commuter rail is still only 58% of pre-pandemic levels.