



GLOBAL TRENDS AND IMPLICATIONS FOR DOWNTOWN DENVER

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As part of the economic analysis prepared for the Denver Downtown Area Plan, Moore Iacofano Goltsman, Inc (MIG) and Progressive Urban Management Associates, Inc. (P.U.M.A) probed national and global trends affecting downtowns to evaluate their likely impact on downtown Denver and identify challenges and opportunities for each major land use and activity sector for the next twenty years. The top ten trends fell into the following categories: demographics, lifestyles and global competition and change. The trend list was developed in concert with the International Downtown Association (IDA).

DEMOGRAPHICS

1. Changing American Demographics

Three generations will shape America and the growth of downtowns over the next two decades. Each generation is characterized by distinctly different demographics and behaviors.

Baby Boom: The 77 million baby boomers born between 1946 and 1964 were the largest group of individuals to attend college and obtain college degrees of any previous generation. They lived through the Civil Rights era, the Cold War and the rapid growth of suburbia, and their sheer numbers have supported the labor markets and entitlements in the United States. The baby boomers are living longer and generally healthier lives, are remaining in the workforce longer and are accumulating unprecedented wealth to be transferred to the next generation. Additionally, they are the first generation to see a proliferation of non-traditional families. As a result, older boomers are a market that may look to urban environments both as a way to downsize, and to connect to a “neighborhood” of others to provide a social safety net in place of family.

Generation X: The 44 million Generation Xers born between 1961 and 1981 were once thought of as cynical about the future and bitter toward the baby boom generation. The “latchkey” generation was shaped by the information revolution, enabling them to multi-task and learn transferable skills, thus making them very marketable within the workforce. However, they tend to value lifestyle over company loyalty, and have participated in discretionary spending, including home buying, from an early age. Gen Xers spend nearly \$125 billion per year on goods and services, outspending the average consumer in eating out, clothing, transportation, entertainment, audio/visual equipment and housing. The majority of Gen Xers now have children.

Millennials: The 70 million “Millennials” or Generation Y, born between 1977 and 2003 is the most education-minded generation in history and has never lived without technology. Like Generation X, they learned early on to multi-task and have marketable skills. However, this generation tends to be more optimistic, tolerant and open-minded than previous generations. Millennials are multi-cultural and more ethnically diverse. In a majority of the 100 largest cities in the United States, more than half of Millennials under the age of 15 are racial and ethnic minorities. Millennials have high self-esteem and will challenge authority, while they also embrace the spirit of volunteerism and possess a passion to foster change,

2. Immigration Trends and the Role of Cities as Portals to America

The United States is the only major growing industrial country with expanding population, fueled primarily by immigration. Only five major countries welcome immigrants as permanent residents: Canada, Australia, Israel, New Zealand and the United States. Collectively they accept 1.2 million immigrants a year, about 800,000 officially to the U.S. Throughout history, a majority of U.S. immigrants have been from Europe, a trend that changed in the 1990s with 85% of immigrants coming from Latin America and Asia. Recent immigrants are shifting away from the traditional urban gateways because of the high cost of living and lack of jobs, settling instead in suburban and rural environments. Census 2000 revealed that for the first time, nearly half of the 100 largest cities in the United States were “majority minority”. Two-thirds of Denver’s foreign-born come from Mexico and 62% of the foreign-born arrived since 1993.

3. Changes Within the “Creative Class”

In his influential book *Rise of the Creative Class*, Richard Florida states that diverse, tolerant, innovative and vibrant environments will attract creative workers, such as entrepreneurs who may staff and/or start innovative, growing companies. The Creative Class represents roughly 30% of the entire US workforce, and includes young professionals who are educated, adaptable, highly mobile and relatively inexpensive. Young women are emerging as influential leaders of the creative class, and will make up 60% of college enrollment by 2013, and the majority of the workforce by 2010. They are also remaining single longer. The Denver metropolitan area is currently rated second in the growth of 25 to 34 year-olds in close proximity to a city center, and it is expected that the Millennials will replenish and replace the creative class in future years.

LIFESTYLES

4. Traffic Congestion and the Value of Time

Traffic congestion cost Americans \$63.1 billion and 47 hours of average annual delay during 2003. In Denver, the annual delay per peak period traveler grew from 20 hours in 1986 to 51 hours in 2003. Experts suggest that additional road capacity is doing little to stem rising traffic congestion. On the positive side, studies show that for the first time ever, national transit ridership exceeded growth in driving since 1996. Many cities that have invested in added transit capacity have been experiencing annual ridership growth in the double digits. When transit trips are competitive with auto travel, research shows, people choose transit at a high rate.

5. Trends in Health Care/Wellness/Recreation Lifestyles

Health care delivery systems in the United States have changed dramatically over the last decade. Declining hospital use and length of stay reflect cost containment measures taken by insurers and others. More health care is being delivered on an outpatient basis, and through retail health clinics and e-medicine. A doctor and nurse shortage is imminent, even as the aging population increases the demand for services. And, nearly 46 million Americans are uninsured, adding to the increasing cost burden. Americans are living longer than ever before, and would like to walk and bike more. Analysis has found a connection between urban living and health and that residents living in sprawling communities weighed more than their urban counterparts.

6. The Growth of Tourism

Tourism is the world's largest employer, generating nearly 200 million jobs, or 10% of jobs globally. The United States ranked third as a tourism destination behind France and Spain in 2004. Looking ahead, an expanding global middle class will increase tourism worldwide. Long-haul travel is expected to grow faster than intraregional travel at 5.4% per year worldwide through 2020. Cultural heritage tourism is a growing form of tourism; 81% of U.S. adults who traveled in 2002 fell into this category. Those visitors tended to stay longer and spend more money than other kinds of tourists.

U.S. convention center space has increased by 50% since 1990, despite industry consolidations and the growth of e-business. Convention growth will depend upon new demand generated by increased event promotion resources and marketing budget allocations, user expectations for high-tech convention facilities, national economic growth, and the traditional need for face-to-face interaction.

7. America's Growing Debt Burden – National and Consumer

America's growing debt burden looms as an economic cloud. Americans have chosen to live above their means, and in doing so have chosen to allow the repayment of massive governmental debt to fall on future generations. Today 40% of our national debt is financed by foreign countries. As of June 2006, the national debt and consumer debt translated into more than \$28,000 and \$40,000 per person, respectively. Despite having some of the highest incomes in the world, nearly 33% of Americans live pay check to pay check, compared to 7% of consumers in India, China and Mexico. American consumer spending in the past 15 years has led to a decline in savings rates from 7.5% of income to below zero. There were 16 workers for every U.S. Social Security recipient in 1950. By 2030, there will only be two

people working for every beneficiary. And on the consumer side, rising interest rates, inflation, consumer debt and lack of savings illustrate increasing financial instability at personal, as well as, governmental levels.

GLOBAL COMPETITION AND CHANGE

8. The Emergence of China, India and a Planetary Middle Class

In the 21st Century, Asia, led by China and India will experience unprecedented growth in economic and military power. The economic and political choices these two countries make in the near future will be closely watched because of the bearing they have on the resources of the rest of the world. For example, in 2005, China consumed 26% of the world's steel, 32% of its rice, 37% of its cotton and 47% of its cement, while construction of residential and office buildings in Shanghai during 2006 alone will create an inventory of space equal to the current inventory of office space in New York City. Competition for non-renewable resources will only accelerate and may lead to an inflationary cycle such as we are seeing today with gas prices. Outsourcing is also an issue – by 2010 U.S. outsourcing to India is expected to quadruple to \$56 billion per year. However, the growing global middle class will create markets for the United States, and the US can still thrive if it invents new industries to stay one step ahead. By focusing on innovation rather than brawn, and ensuring labor and regulatory conditions are attractive, the US can remain competitive in a global marketplace.

Despite growing global wealth, great inequities persist. Urban areas in developing countries are adding nearly 30 million migrants per year as people leave rural areas because of famine, civil war and the lack of political stability. This rapid urbanization is forcing most of these migrants into slums, creating challenges for both the inhabitants and global security, as slums are largely viewed as “breeding grounds of potential instability and discontent”.

9. Continued Advances in Technology

Technological advances will have the greatest impact in the areas of health, alternative sources of energy, engineering, quality of life enhancements and business. Health advances include bioinformatics (the application of computer science to biology) and biotechnology (the use of living organisms or their products to modify health and the human environment) and genomics (genetic mapping). Technology will assist in developing alternative sources of energy through nanotechnology (engineering on a molecular scale), and substitutes for natural resources. It will be used to create and distribute quality of life enhancement for all groups and regions that have not yet shared in them.

In the business world, real-time anywhere wireless communications will enhance competition and open markets worldwide. 21st Century technologies have “flattened” or connected our world, and globalization has been driven by individuals who can do business instantly with millions of other people across the planet. Currently, one billion people are online, and worldwide internet use is expected to increase more than 10% each year through 2010. “Uploading”, a direct-from-the-bottom creation of culture, knowledge and innovation through blogging and podcasts allows anyone to communicate their collective intelligence to the world. E-commerce technology enables retail productivity, and internet sales are increasing in the U.S., representing 2.6% of total retail sales. Cities may be in competition with the increased personal mobility and living options allowed by technology.

10. Environmentalism and Sustainability

By 2007, for the first time in history, the majority of the world's population will be living in cities. Today, 3 billion people live in cities, and by 2050, 6 billion people will live in cities around the world. Developing countries' urban populations are growing more quickly than their industrialized counterparts. In this time of unprecedented urban expansion, the need for sustainable solutions is critical. At current worldwide growth rates, both the number of vehicles on the road and worldwide energy consumption are expected to double in 20 to 25 years, further straining the availability of fossil fuels and other non-renewable resources. The United States' transportation system is 97% dependent upon petroleum-based fuels, and this country contributes 25% of the world's total carbon dioxide emissions, and its buildings consume 36% of total energy and 65% of electricity. While green building and sustainability technology has been in

existence since the 1970s, these techniques and materials have only recently become more affordable. Cities at the leading edge of the “Sustainable City” movement include San Francisco, Portland, Seattle, Chicago and, locally, Boulder.

CONCLUSIONS

Overall, global trends appear favorable to promote growth in vibrant downtowns...

America’s population is growing, younger and older, and more culturally diverse.

Demographic trends in the United States are favorable to downtown development over the next twenty years. Overall, the population continues to grow, supported significantly by immigration. Population is growing both older (aging Baby Boomers) and younger (emerging Millennials). Both older and younger markets have fueled downtown population growth over the past decade and are poised to continue to populate urban environments. America will become increasingly culturally and ethnically diverse, creating an advantage for downtowns that welcome, accommodate and celebrate diversity.

Adapting to an increasingly connected and competitive world.

Broader distribution of information technologies is encouraging “bottom-up” innovation from entrepreneurs throughout the globe. Downtowns are poised to continue to attract “creative” vocations if they can offer a business climate favorable to the incubation and growth of small dynamic enterprises. The emerging importance of young women and Millennials in the American professional class creates opportunities for designing, programming and managing vibrant and inter-active urban environments.

Resource-intensive lifestyles are increasingly expensive and not sustainable.

Changes in American lifestyles will be increasingly determined by global trends, as opposed to national preferences. The emergence of a planetary middle class, most currently demonstrated by rapid growth and urbanization in China and India, will continue to strain the supply and increase the costs of non-renewable resources. Increasing petroleum and construction costs are likely to dramatically affect American lifestyles, making traditional suburban land use and transportation patterns increasingly expensive and inefficient. Cities will look to maximize the use of existing infrastructure and explore sustainable development policies (such as transit). Vibrant downtowns are well positioned to capitalize on an economic imperative to downsize our consumption, while still offering the lifestyle advantages of entertainment, culture, recreation and human interaction.

There are also significant warning signs that may impede development and investment...

Global disparities will create continued political instability.

The growth in global wealth is coinciding with growth in world poverty. Inequities within societies and between countries are likely to contribute to continued political instability, creating conditions to foster terrorism and war. Scarcity and cost of non-renewable resources will aggravate global instability, as emerging economies compete with established powers for the favor of a limited number of resource suppliers. America’s transition to renewable energy sources and less resource intensive lifestyles, including downtown development, may become part of broader national security strategies.

America’s growing debt burden looms as an economic cloud.

Domestically, America’s unique debt burden may trigger a chain of events that slow or stop economic growth. National and consumer debt burdens plus negative personal savings rates are on a collision course with continued inflationary pressures from depletion of non-renewable resources and increasing service demands from aging Baby Boomers. The situation is further complicated by the increasing share of American debt controlled by foreign powers, including new economic competitors in Asia. As consumer classes grow around the globe, the United States’ relative economic dominance will be diluted, creating new trade and strategic alliances.

IMPLICATIONS FOR DOWNTOWN DENVER

The preceding research and conclusions from Global Trends in 2006 offers many implications for the future of downtown Denver. Highlights, as analyzed by the Denver Downtown Area Plan consultant team, include the following...

DEMOGRAPHICS

- **Ensure that Downtown Denver welcomes younger, multi-cultural populations:** Denver currently is a national magnet for younger populations that will evolve into our next working, professional and leadership classes. To continue to attract migrating Millennials, downtown Denver should provide a welcoming environment that makes it easy to relocate for jobs and housing. An increasing emphasis on creating an environment that embraces and encourages multiple cultures will invite local and national populations that are increasingly diverse.
- **Create an environment that appeals to young women:** Within the next ten years, the professional, working and “creative” classes will increasingly be dominated by young women. Downtown Denver must look for ways to appeal to young women in all facets of the downtown experience, including physical improvements, environmental stability, retail, residential and entertainment offerings.
- **Keep the talent pool as they age:** Capturing Millennials will be critical to strengthening downtown’s vitality, keeping them will be key to its long-term sustainability. As younger populations age, it will be critical for downtown to offer amenities that appeal to families, including quality schools, childcare, parks and active recreational areas.
- **Diverse price points needed for housing:** To provide an environment that attracts a multi-skilled workforce and younger, more economically-mixed demographics, downtown Denver must create more diversity in its housing stock. A broad diversity of price points is needed, including plentiful rental housing opportunities. In addition to broadening housing choice, rental housing could provide an economic buffer if inflationary pressures and increasing debt burdens reduce the market for owner-occupied units.

LIFESTYLES

- **Develop localized transit to complement regional transit:** Global trends suggest that cities with comprehensive transit systems will be well positioned for the future. Downtown Denver will benefit from the FastTracks regional transit system that will be developed over the next ten years; however, downtown and Denver lack a localized transit system to connect residents and attractions within the city. The development of a streetcar system, which has been initially explored on the Colfax corridor, should be considered for central Denver to fortify downtown’s transit advantages.
- **Offer affordable and accessible health care:** Health care will become increasingly expensive and difficult to access. Downtown Denver should explore options to provide both affordable and accessible health care through the attraction of clinics and development of expanded health insurance coverage for workers and residents. Partnerships with local hospitals, including Denver Health, could be critical to enhance the distribution of health services within downtown.
- **Foster stimulating, multi-dimensional experiences:** Perhaps downtown’s most significant strength is its emergence over the past ten years as the region’s hub for

entertainment, culture and sports. To remain competitive and continue to attract a young and diverse workforce, fortifying and expanding downtown's experiential attractions will be critical. Downtown should look at integrating new inter-active technologies into marketing and physical enhancements. A variety of cultures and languages should also be accommodated, appealing to an increasingly diverse local population and international tourists.

- **Promote walkability and active recreation:** To appeal to changing demographics and provide an overall experience that is appealing to growing recreational lifestyles, downtown Denver will need to improve its overall pedestrian appeal, including streetscapes and connections. Active recreational areas that accommodate a variety of pursuits ranging from sports to dog parks will be increasingly important.
- **Anticipate growing international tourism trends:** International tourism will increase as global incomes rise. Downtown Denver should work to create an environment that welcomes and accommodates visitor markets with diverse cultures, languages and lifestyles. The 16th Street Mall, consistently rated as Denver's number one visitor attraction, should be considered as a tourism orientation area and conduit for the entire state.

GLOBAL COMPETITION AND CHANGE

- **Entrepreneurship will continue to be a key to job growth:** Attracting, retaining and growing small businesses will continue to be a key for promoting job growth globally, including downtown Denver. Downtown should explore ways to broaden support to small businesses through a variety of means, including technical assistance, incentives and/or designation of formal "innovation or creativity" zones.
- **Explore the potential to become a national renewable energy hub:** Of all new technologies anticipated over the next 20 years, downtown Denver may be best positioned to take advantage of renewable energy trends. Advantages for downtown Denver include its proximity to the National Renewable Energy Laboratory, academic resources at the Auraria campus, and downtown's prominence as an existing fossil energy center, an industry that will be investing heavily in renewables.
- **Adaptive reuse will be more affordable as construction costs rise:** As global demand increases for building materials, the cost of new construction is anticipated to increase. The re-use of existing buildings will become relatively more affordable. During the past twenty years, downtown Denver has rehabilitated most of its conventional pre-1950 historic building stock. In the next twenty years, re-use opportunities will become increasingly attractive for post-1950 buildings, including office high rises that were constructed during the boom of the late 1970s and early 1980s.
- **Opportunity to become a regional or national sustainability leader:** With Mayor Hickenlooper's State of the City address unveiling "Greenprint Denver" in July of 2006, Denver joins an increasing number of cities that are pursuing aggressive environmental sustainability agendas. Downtown Denver can become the centerpiece of the city's economic sustainability agenda by promoting the continued evolution of a self-sustaining 24/7 vibrant urban environment. With downtown's existing business, education, cultural and living assets, regional and national patterns for sustainability can be created through the built, social and political environments.