TEN STEPS TO A LIVING DOWNTOWN

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About the Author

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ABSTRACT

Many American cities are enjoying a downtown housing boom. While a strong economy and market demand are necessary for a residential downtown to thrive, city governments can facilitate, rather than impede, the working of these forces. Drawing on the example of the city of Denver, this paper describes ten steps that city officials and others interested in creating 24-hour downtowns can take, from defining downtown as a special, attractive neighborhood, to addressing zoning restrictions, to reconciling the many commercial, entertainment and residential uses of downtown, to grappling with parking.

TEN STEPS TO A LIVING DOWNTOWN

I. INTRODUCTION

"I wouldn't put a penny downtown. It's bad…Face it, why should people come in? They don't want the hassle; they don't want the danger… So what do you do? Exactly what I'm doing: stay out in the country. That's the new downtown."[1]

For decades after the American industrial revolution, the "downtown" of any city was the simple manifestation of a bounded social and commercial structure. Living downtown was efficient, functional, and desirable. Families, the elderly, young couples, rich and poor alike all lived in or near the center to be near where they worked and where the goods and services they needed for living were provided. But with the rise of suburbanization, America's downtowns have evolved into employment and entertainment centers, at best. This paper examines the opportunity that cities currently have to bring residents back to their downtowns and identifies ten steps that can be taken to create successful residential life in America's central business districts.

The Beginning of the End

The years after World War II brought wholesale change to the organization of American cities. Demand for housing exploded in the late 1940s, thanks to a burgeoning middle class armed with plenty of low-interest mortgages. Newly built highways connecting American cities provided access to cheap acreage. And the automobile was inexpensive to buy and to operate. The result? Choice. Homebuilders chose cheap land, and perfected the production of tract housing in the "country;" homebuyers happily followed, choosing more land at lower cost, safe neighborhoods, and a better return on investment than city housing options offered. The development patterns initiated then have prevailed.

By 1970, downtown housing had largely disappeared.[2] The exodus of the population to the suburbs had an inexorable ripple effect: department stores followed the people, taking many smaller specialty shops with them to the new suburban shopping malls. Public transportation ridership slipped dramatically because the shoppers were gone. Downtowns were left as centers of employment only – Central Business Districts ("CBDs") had little else to offer. And by the 1980s, even the employers, and of course their workers, were fleeing to the lower rents and abundant free parking of neatly planned suburban office parks nearer their homes. Real estate developers and investors declared downtowns dead.

The country's moderate economic recession of 1990-91 was accompanied by a devastating real estate depression. By 1994, average rates of office vacancy in America's CBDs topped those of suburban markets for the first time ever, as indicated in Figure A. Retail outlets had abandoned the cores of all but the largest of U.S. cities, and just about the only

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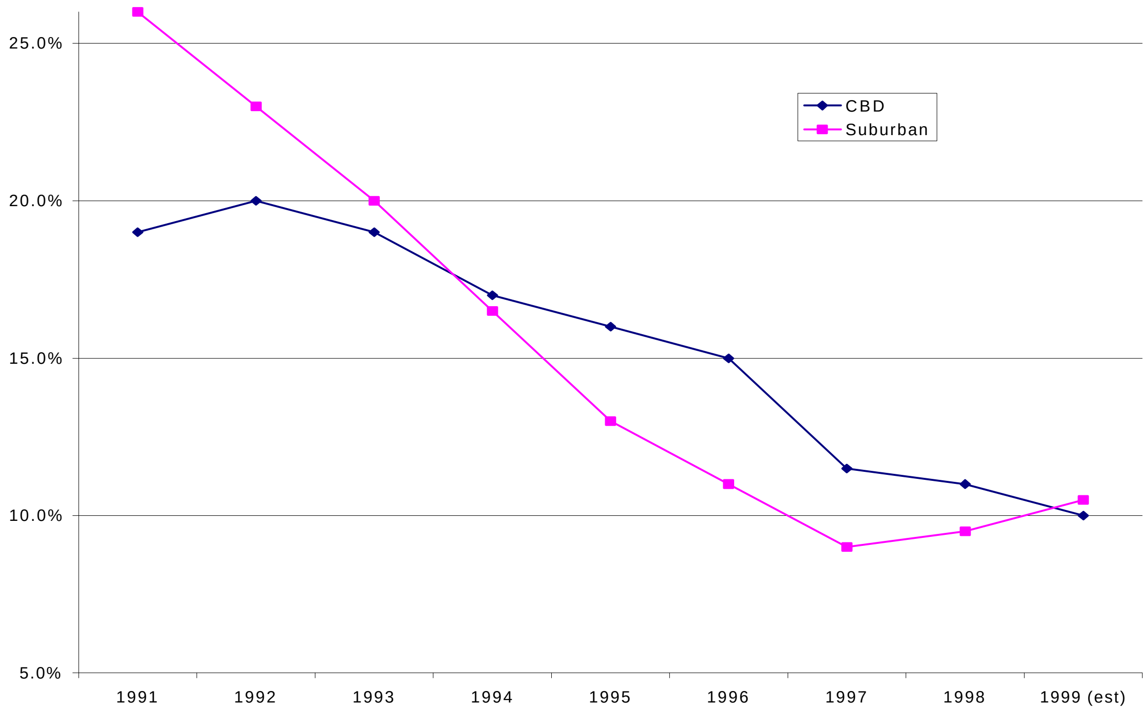
[1] Edward G. DeBartolo, one of the century's largest retail developers, as said to Martha Weinman Lear, "Master Builder Sites Shopping Mall," *New York Times Magazine*, August 12, 1973, pp.82, 84.

[2] "Downtown housing" herein refers to rental or for sale housing developed by the private sector, where the price of the units is determined by what the market will bear, rather than controlled by public policy.

downtown residents were those who were unwanted as neighbors anywhere else was the low water mark for U.S. downtowns during the 20th century.

Figure A: U.S. CBD vs. Suburban Office Vacancy Rates



Source: ONCOR International; Liberty Greenfield Real Estate Advisors

The New Beginning

But downtown was not dead. Ironically, the most damning pieces of evidence of CBD dysfunction – empty buildings, vacant land, depressed real estate prices and ever sprawling suburbs – have become the essential ingredients of downtown's resurgence.

By the end of 1999, average CBD office vacancy rates will have fallen to match those in the best suburban submarkets. "Retail entertainment" centers exist or will open in 15 downtowns across the country. And, most importantly, Americans are moving back into the center cities in significant numbers. New York City predicts an 80 percent increase in downtown residents by 2010. Houston's center city population will quadruple by then. Cleveland expects to add 14,000 new units of housing within its downtown in the coming decade. Denver has seen a 40 percent increase in CBD living units in the past eight years, and expects this figure to double again in the next ten.[3] The downtown areas of Memphis, Miami, Pittsburgh and Dallas, to name a few, have terrific residential momentum.

Why this dramatic turnaround? In its work, The Brookings Institution Center on Urban and Metropolitan Policy and The Fannie Mae Foundation have identified two overarching factors behind the recent increase in downtown housing: demographics, and a strong economy.[4]

1. Demographics. According to Census estimates, the number of households without children is expected to swell to 72 percent by 2010 (up from 66.4 percent in 1990), and this is precisely the type of household that is driving the interest in downtown living.[5] People in their late 20s to 30s are marrying later and postponing families. By 2010, only 20.1 percent of U.S. households will be married couples with kids, down from 25.5 percent in 1995.

Also important to downtown housing absorption in many cities has been the steady increase in the over-50 baby boom cohort of “empty nesters” as shown in Figure B. There are approximately 76 million baby boomers, and most of them no longer have children at home. Many are seeking to simplify, or enhance, their live-and-work routine, and some are seeking maintenance-free living close to the health care facilities often found in center cities.

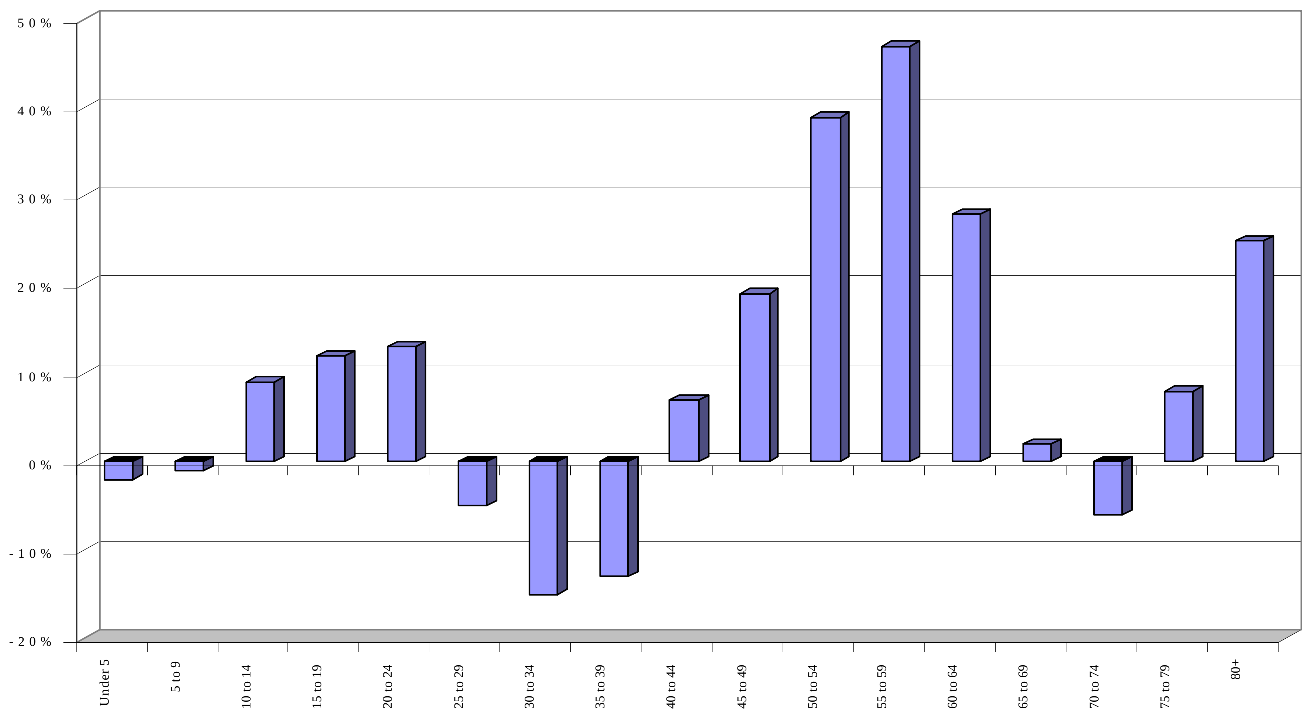
2. Strong Economy. A strong economy also boosts housing markets, but the precise downtown effect is less obvious. The employment growth, low interest rates and stock market wealth that have produced America’s eight-year economic rising tide have also lifted home building and buying throughout most metro areas, not just downtown. So why is the economy of the ‘90s resulting in downtown housing when the strong economy of, say, the ‘70s did not? Part of the explanation is that the economic charge of this decade is longer and more robust than previous cycles, with unprecedented consumer confidence and spending. At these levels of income growth, a higher rate of household formation is possible. With more money, one needs fewer roommates, and proportionately more dwelling units are required as population expands.

[3] Brookings Institution Center on Urban and Metropolitan Policy and The Fannie Mae Foundation, “A Rise in Downtown Living,” Winter, 1999.

[4] “A Rise in Downtown Living.”

[5] Brookings Institution and Fannie Mae Foundation, *Who Lives Downtown*, Fall 1999.

Figure B: U.S. Population Percent Change by Age, 1995-2005



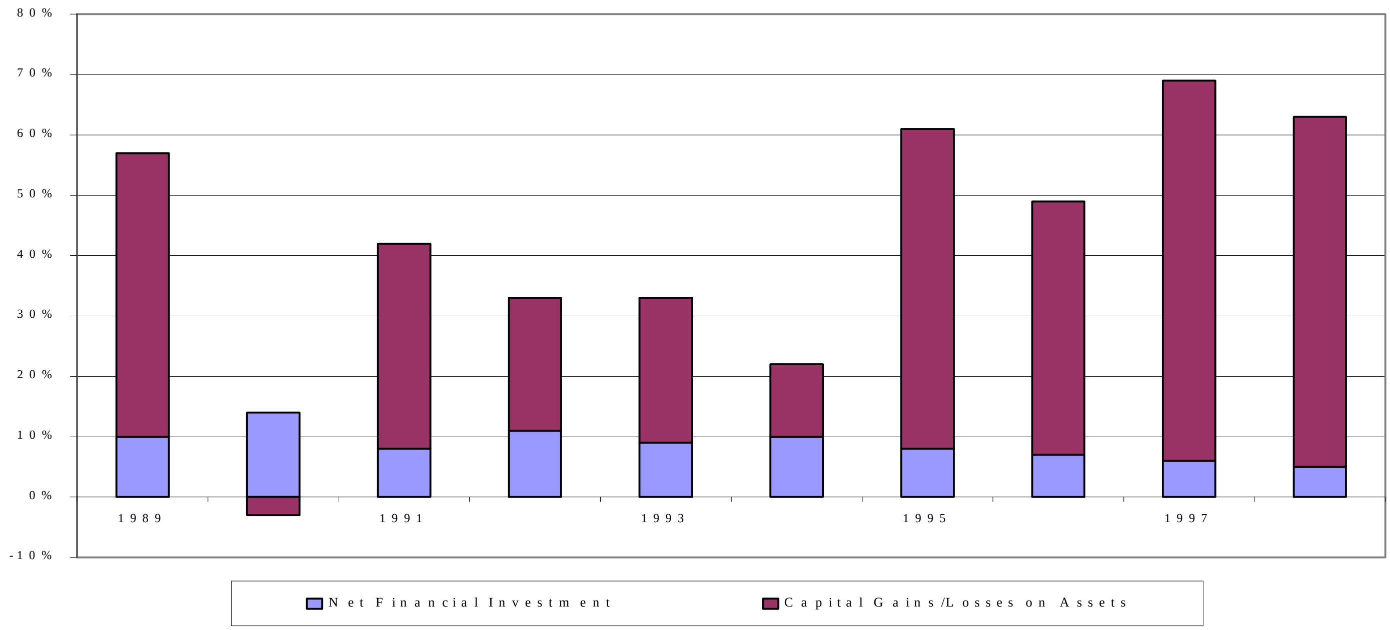
Source: US Census Bureau

The numbers bear this out: between 1980 and 1990, the American population increased by 9.8 percent while the number of housing units increased by 15.7 percent.[6] Further, net worth has soared, particularly among the aging baby boomers. Their purchase of newly available units has been a key driving force in downtown residential sales volume and value increases, as shown in Figure C. And this time around, people with money to spend on housing are weighing the travel time and maintenance requirements of the suburban choices with a more skeptical eye.

To get the most from demographics and a strong economy, local public policy can exploit, concentrate and guide economic and demographic trends that favor a move back into the city. Public policy cannot by itself create demand for housing anywhere, especially downtown. However, in conjunction with private business initiatives, local government can help accelerate potential into action by educating, providing incentives and removing regulatory obstacles. Specifically, public policy can be used to create two threshold preconditions in a downtown that will catalyze the housing market.

[6] 1990 U.S. Census data.

Figure C: Changes in Household Net Worth
Percentage of Disposable Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis

1. **The physical environment must be of a character and quality that people will want to live there**. Downtown must be perceived as a comfortable, safe place (easier written than done). Downtown areas with boundaries and human scale, clusters of housing that are obviously distinct from businesses, and dwelling units that support convenience and comfort can become neighborhoods in their own right. Neighborhoods must provide places to play, direct access to food shopping and services, and neighbors. Downtown neighborhoods must be clean (maybe with less meticulous grooming than their suburban counterparts), and must above all be safe from threats and crime. A successful downtown neighborhood will draw many more people for more reasons than the country estate. And with more residents, visitors, and overall bustling of people, a successful downtown will be brimming with vitality, activity, interest, and, most of all, security. Nothing is more intimidating than empty downtown streets, particularly at night.

2. **Downtown residences must offer an investment motive for home ownership**. Every housing purchase, suburban or urban, is motivated not just by the need for shelter, but also by investment considerations. For downtown housing to take root, people must be willing to purchase, not just rent.[7] For this to happen, they will have to have confidence that they will eventually sell for a higher price than they paid to buy. In the '70s, investors found lower costs and better chances of real estate value increases in the suburbs. Inner-city investments carried greater risks and the threat of declining values. Today's property investment outlook offers at least a more balanced proposition, at best a reversal of circumstances. Newly built and redeveloped housing downtown offers investment returns equal to or greater than those in the suburbs. Indeed, in the last year, housing values in the cores of Chicago and Detroit have risen faster than those in their suburbs.[8]

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[7] In Denver, downtown housing has changed in character dramatically since 1990. Nine years ago, more than 86 percent of all downtown housing was for rent. Today, more than 70 percent of downtown residences have been purchased and most are owner-occupied.

[8] Carlos Tejada "For Many City Dwellers, Home Values Have Finally Headed Up," *Wall Street Journal*, August 12, 1999, pp. B1, B4.

Like the suburbs, downtowns must meet at least these two conditions – a safe, quality environment and investor confidence – before they can effectively compete for residents. These two preconditions should be an organizing agenda for the proactive role that city governments can play.[9]

[9] City (or municipal) government must lead housing development by using local public policy. However, state and federal government play a role in bringing resources and regulating housing development.

II. TEN STEPS TO DOWNTOWN HOUSING: A CITY GOVERNMENT AGENDA

Each of the "Ten Steps to Downtown Housing" described below outline ways that local public policy might strengthen the two threshold conditions – a strong quality of life and market conditions – that are necessary to attract residents to American central business areas. Even though one step may be aimed at neighborhood building, and another at creating economic value, all steps contribute to both goals. The ten steps are not sequential steps, but are intended to be addressed concurrently. The steps are mostly common sense; the trick is to muster the political and financial support for these ideas in an organized, timely and, hopefully simultaneous manner.

This paper relies on Denver's experience to illustrate the steps to creating a viable residential downtown. Denver, hit very hard by the economic and real estate setbacks of the previous decade, was one of the first cities in the nation to recover in 1990. A combination of luck and determined action has produced successes in Denver's downtown housing market. Since 1990, over 1,400 new units of housing have been produced, with another 1,300 under construction today. As an attractive sunbelt city**,** Denver has benefited from great gains in population during this decade, particularly among those with disposable incomes, higher incomes, and greater leisure time in retirement. Fortuitous timing, a stock of low-cost buildings to be redeveloped, and certain public policy decisions helped Denver take full advantage of strong socioeconomic trends. Denver is not the only model of downtown renaissance, but it does offer a useful case study. While no two cities are located at the same point on economic and demographic curves, and while each offers unique assets and liabilities, some element of each of these steps is applicable to all cities.

1. Housing Must Be Downtown's Political and Business Priority

Key downtown interests – business owners, government, residents – should all agree on housing as a priority. Ambiguous or conflicting agendas will at best dilute efforts, at worst doom them to failure. The city's goal of investment-quality downtown residential neighborhoods, and the logical ripple effect of downtown reinvestment, must be clearly articulated to the general population. Otherwise, criticism for directing so many resources downtown at the expense of the rest of the city will inevitably arise.[10]

Before 1990, Denver's curiosity about downtown housing led to a few small experiments that met with limited success because the economy was too weak to support more extensive development. Denver's newly-elected mayor, Wellington Webb, convened the 1991 Downtown Summit to underscore his vision for downtown, and involved all the relevant constituencies – business interests, arts supporters and residents. The mayor personally led the discussion to focus on housing as a key strategy for revitalizing downtown. The resulting Downtown Action Agenda established agreed-upon priorities and became the cornerstone for all ensuing activities.

The power of leadership is hard to measure. But having the downtown stakeholders and city government agree on the priorities allowed everyone to focus on implementation. There was no second-guessing of priorities, and no diversion of

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[10] Some criticism will arise anyway: various interests will try to redirect some of the downtown momentum to their own parochial priorities. Any loosening of the focus can greatly reduce chances of success. Still, an announced strategy to expand the priorities beyong the center core should be developed. In Denver, after three years of concentrating in the downtown core, attention expanded to include the surrounding neighborhoods. Now, emphasis has expanded to include several neighborhoods that have not benefited from the strong economy. The ripples are moving out from the center.

efforts to peripheral issues. Maintaining this focus took excellent communication amongst the parties. Mayor Webb, upon re-election in 1995, held a second Downtown Summit to affirm his commitment to the work underway and that still to be done.

2. Downtown Must Be Legible

A "legible" downtown is one with delineated and distinguishable boundaries. Neighborhoods are created in many ways – ethnic or religious concentrations, similarity of architecture, landmark buildings or landforms. Comprehensive plans, common streetscape furniture or good signage can give a neighborhood definition and cohesion.

Until Lower Downtown ("LoDo") was declared an historic district in 1988, downtown Denver had no clear subareas or neighborhoods.[11] To distinguish LoDo as a special district, the city's government undertook a streetscape improvement program for street lighting, benches, manhole covers, parking lot edges, and signage. These details, along with specific physical edges, helped to delineate the boundaries and character of LoDo. During this past year, 17th Street, the city's financial spine, received a new streetscape designed, again, to be unique and separate from other downtown districts. These improvements have provided physical markers to facilitate neighborhood subdivisions within the broader CBD. The "Golden Triangle" neighborhood, at downtown's southern edge, is growing up from surface parking lots topped with new mid-rise condominium structures. Its identity as a neighborhood comes from the two cultural institutions within its boundaries – the Art Museum and Central Library. Also underway is the development of another historic district in the mid-downtown Denver area where a dozen old brick or concrete buildings have been converted from office to residential use. The architecture of the redeveloped buildings creates a scale, a street presence and character that, when in residential use, has become a "neighborhood," different than LoDo's or the Golden Triangle.

It is important not to underestimate the significance of an area's nickname. In Denver, "LoDo" carries as much positive local identification as "TriBeCa," "SOMA," "Bricktown," or "the Flats." Colloquial catch phrases that have been coined to describe blocks or areas should be celebrated, institutionalized into formal planning documents, even promoted as marketing tools. If an obvious area for downtown redevelopment lacks boundaries and cohesion, invent a name to add legibility.

3. Downtown Must Be Accessible

Deterioration still plagues many of America's downtowns, the result of years of deferred maintenance and no new investment. For the downtown economic environment to grow and prosper, its physical infrastructure needs to be in good shape. The better the access points – such as entrances and exits – into downtown, the higher the quality of the streetscape, the more effective and efficient the water/sewer services, the more attractive to prospective residents. City government acts as the "property manager," making repairs and beautifying the common areas in order to maintain downtown's investment value.

[11] LoDo was the original commercial center of Denver in the previous century. Over time, LoDo evolved from an on-premise commercial area to a warehouse district, distributing goods throughout the region. By the 1970s, these warehouses were either empty or nearly so, with a portion of the arts and architecture community living in tandem with the homeless. LoDo was first identified as an historic resource and a potential residential neighborhood in the 1986 Downtown Denver Area Plan.

In 1989, Denver voters approved a $240 million general obligation bond issue to improve roads and bridges leading into downtown and to make flood plain improvements to allow for more developable land along the South Platte River, at downtown's edge. Two new major parkway links were built to connect downtown to the interstate highway, greatly improving commuter and visitor access. At the same time, these new arterials effectively changed the compass point of downtown Denver's "front door," introducing little known parts of downtown to the commuters. Other intersection improvements were made to ease automobile access in and out of downtown from all directions.

Intra-downtown accessibility is also critical. In the early 1980s, Denver converted its main shopping street – 16th Street – to a transit mall. Free shuttle buses run continuously along its one-mile length, linking regional commuter bus terminals at either end. All of downtown Denver became more "walkable," greatly reducing the need for automobile use within the core. The 16th Street Mall has become the defining urban design feature downtown, a landmark for residents and visitors alike to orient their movement in the core.

4. Downtown Must Have New and Improved Regional Amenities

Downtowns need people – a lot of people – in order to be efficient economic machines and to have lively, vital streets. If regional amenities are located within or close to downtown, legions of newcomers in the form of sports fans or arts patrons will be exposed to the diversity of downtown's entertainment and shopping choices. The more familiar and comfortable the area becomes, the less threatening it seems. This promotes a sense of habitability.

Like any attraction, cultural and sports venues need sprucing up to attract not only new patrons but their existing supporters as well. Bond issues in 1989 and 1990 (for libraries) provided significant funding for improvements to the city's park system and its flagship cultural amenities, including those located downtown. A new theatre for travelling Broadway shows was added to the Denver Performing Arts Complex in 1992. In 1995, the Central Library opened its newly renovated and expanded facility on the southern edge of downtown.

Since 1991, Denver has added numerous amenities next to downtown: a baseball park, an amusement park, an aquarium, and a new hockey / basketball arena. Construction has just commenced on a new football stadium. A new downtown convention center was opened in 1991. Its size will be doubled, as will the size of the art museum, pending favorable votes this fall. When Coors Field opened for baseball adjacent to LoDo in 1994, it offered a strategic opportunity for all of Denver's downtown. While the baseball team management wanted revenues from as many on-site parking spaces as possible, only 5,000 spaces were built in conjunction with the stadium. The 30,000+ parking spaces already existing in downtown within a mile of the stadium provided the bulk of the parking. Forced to seek out these spaces, fans walked throughout the CBD to and from the games.

All of these publicly funded institutions have helped persuade privately financed art galleries and new restaurants (over 30) to open downtown since 1994. Many people from the suburbs who come downtown for a baseball game return to go out to dinner or go to the theatre; frequent patrons of these establishments begin to dream about living near them.

Residents of suburbia boast of parks and open space; downtown dwellers also want something more than pavement in their neighborhoods. The South Platte River, which runs along downtown Denver's edge, is being restored as an urban amenity by adding over 200 acres of parks along its edge to link downtown to the water. This greenspace is not merely an attractive front door to downtown's residential neighborhoods, it provides activity and recreational amenities on a par with any in the metro area.

5. Downtown Must Be Clean and Safe

Downtowns have a reputation for being dirty, deteriorated and unsafe. Many suburbanites never go into the center city, assuming the negative stereotype is correct. For downtown to become a neighborhood in which to live, it must feel safe and be clean. The density of a downtown neighborhood, particularly with public amenities nearby, means that downtown housing backers must pay more attention to safety and cleanliness than their suburban counterparts.

In 1992, the Downtown Denver Partnership, a membership-based business organization, organized a successful effort to create a downtown business improvement district (BID) to maintain and promote its activities. The BID is funded by property taxes drawn from a prescribed area of downtown. Among other responsibilities, the BID is tasked with the removal of graffiti and trash and daily sidewalk washing. In 1995, a new police district was formed whose prime focus is downtown and the immediately adjacent neighborhoods. The BID funds paid for police patrols downtown, including the horseback and bicycle patrols. An expanded and visible police presence adds to the perception (and reality) of safety downtown. Since the formation of Police District 6, crime has dropped by 20 percent downtown and in the surrounding neighborhoods. This statistic has become an important advertising message for downtown boosters.

Finally, several times a year, large festivals are held in and next to downtown – three in the summer months and once at Christmas. Thousands of people are drawn downtown to the events. They see that downtown is clean and safe, they let go of their images of a dank and uninhabited place, and they come back….increasingly to stay.

6. Downtown Must Preserve and Reuse Old Buildings

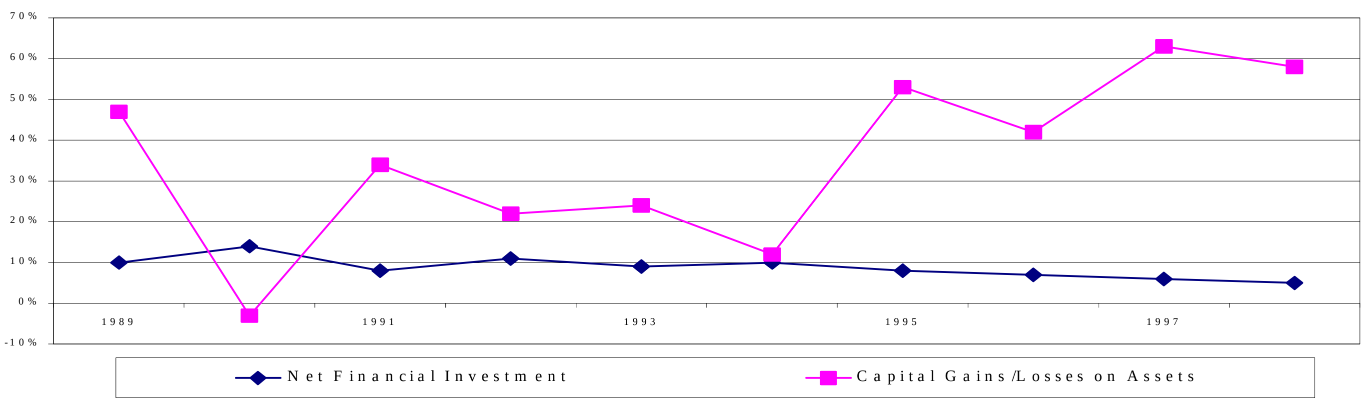
Most downtowns in American cities have a stock of old buildings, once used for manufacturing, storage or small offices, and now largely vacant. Old buildings are generally obsolete for today's office. In the last 20 years these buildings have been replaced by large Class A office towers, which can meet the functional demands of the financial, legal and other business services that populate CBDs. The obsolescence of old Class C buildings forced vacancy up and market value down. These very buildings, however, have created the skeleton for affordable residential development in center cities. Of a smaller scale than Class A towers, groups of these buildings stand as a residential neighborhood in waiting. Some of these buildings have elaborate decorative construction, and their preserved historic character distinguishes downtown from suburban residential development.

The 1987-1992 economic real estate recession in downtown Denver left over 40 structures vacant downtown and in LoDo. In the early '90s, LoDo had not yet fully emerged as a real estate development opportunity, and owners who had proclaimed the death of downtown were hunkering down to wait for the next office cycle. Buildings in the lower and mid-downtown area were threatened with demolition as owners sought reduced property taxes and parking income in the interim. In 1991, Denver changed its landmark preservation ordinance to extend the previous 90-day delay on demolition of a landmarked building to 12 months and even then to allow a demolition permit only after a building permit for a new structure had been granted. These changes, together with the elimination of surface parking as a use by right, halted the practice of demolishing vacant or under-performing buildings in favor of surface parking lots.[12] Within two years the downtown renaissance was recognized and owners sold or rehabilitated these buildings for downtown housing.

The following graph illustrates the importance of market forces in downtown Denver's residential rebirth. Class C office buildings, the oldest and least functional of the stock, by 1994 saw 40 percent vacancies, while Class A offices continued to fill in Denver's CBD. The values of these Class C properties were less than $20 per square foot on average in 1990 – a price at which redevelopment makes economic sense. Many of these buildings were purchased at these low values, then recreated as lofts, apartments, and hotels from 1995 to 1998; Class C building vacancies began to fall, and today they are only modestly higher than Class A (See Figure D). If these reusable, Class C buildings had been razed, the redevelopment stage of the downtown residential cycle would have been stalled until new construction was viable.[13]

Source: Frederick Ross Company; Liberty Green Real Estate Advisors

Figure D: Changes in Household Net Worth
Percentage of Disposable Personal Income



7. Downtown Regulations Must be Streamlined and Support Residential Growth

In the mid-1950s, the vision for American life presumed separation of uses, segregation of housing by price and type, and transportation primarily by automobile. Policies of municipal government evolved to perpetuate and protect that

[12] Urban design elitists believe that regulations should limit required parking downtown to force the use of public transit. Noble purposes, but these, too, can only be achieved gradually. Much of the market for downtown housing demands secure, attached automobile parking – to summarily legislate against this demand is to eliminate the functional and investment attributes that these residents seek.

[13] In 1999, the very few vacant Class C structures remaining in downtown Denver's residential neighborhoods command relatively high values of $50-$70 per square foot now that redevelopment has taken hold. While a success metric in its own right, these prices have escalated faster than residential rents or values which now limits further rehab to commercial (hotel or, more often, restaurant) uses. In cities later to this cycle, building owners are leaping to high building values just as downtown residential markets show initial promise (partly driven by the Denver model). As a result, residential rehab potential for many of these structures is lost to a future new economic/real estate cycle. The "redevelopment stage" offers lower cost units than new construction can, which is why rehab is so important to a nascent downtown residential market.

lifestyle. Much of the zoning and building regulation on the books of American cities today actually discourages or even blocks the economic and demographic forces that support downtown residential revivals. Support for residential uses must be evident in a city's land use regulations, especially where little market housing exists. Specific code provisions, as well as the attitudes of the regulators themselves, should be reviewed and adjusted to promote housing in the urban center.

Denver's downtown zoning district was established in 1956 and emphasized commercial uses. The base density was very high – 10:1 floor area ratio – and the use of additional bonuses could take the ratio to 17:1.[14] The density bonuses were available only for office building amenities like atria and plazas. In 1994, zoning modifications eliminated office building bonuses and introduced new bonuses to encourage housing development. Today, only by including housing in a development can the maximum density allowed be achieved downtown.

With the overzoning established in 1956, Denver has since turned to the development of controls on "how" as well as "how much" to manage gradual growth. Among the favored tools to manage such growth are design guidelines and standards and height limiting overlay districts. But changes to zoning are difficult to achieve. Owners and developers see allowed density as the basis of the value in their property, and downzoning equates to a decrease in a site's potential property value**.** Their strong opposition in 1991 prevented Denver from taking in retrospect what could have been the even more residential-friendly step of reducing the overall density allowed in new construction to more closely match what had been built.

Zoning should not restrict growth. The success of downtown residential development relies upon new construction, taller structures, higher density. But real estate development is not always gradual, and at some point a much larger building than the current neighbors expect is proposed, and residents feel that their home values are threatened.[15] Correctly done, zoning can invite new construction but still provide a gradualism to guard against the disruption of scale, light and views that a tall tower in the midst of lowrise buildings can suddenly create. Social engineering through public policy can accomplish this goal, but only over time. Denver's downtown housing successes would have been severely slowed if zoning blocked the core ingredients of demand.

Building and fire codes can also impede housing development downtown. For existing structures built to codes no longer in use, a specific tool – Chapter 31 to the Denver Building Code – was developed over 20 years ago to give designers, builders and regulators a method for seeking and granting variances (or waivers) to current building and fire codes, potential roadblocks to housing redevelopment. Chapter 31 eliminated many hurdles to the reuse of existing buildings downtown. Every city needs a Chapter 31 to balance the often unintended and harsh effects on housing redevelopment wrought by standard codes.[16]

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[14] "Floor area ratio" calculates density allowed on a piece of land, and relates the number of square feet of building space allowed on one square foot of land.

[15] After five years of converting old three to four story brick warehouse buildings in LoDo, the first new housing construction project was proposed in 1994. A one half block on the edge of LoDo was initially designed as a midrise tower, grossly out of scale and character with the neighborhood. The LoDo neighborhood organizations rose up in opposition. Because design review was required and the design criteria called for projects to be of "compatible scale and character" to their neighbors, the project was stalled. Ultimately, the project was redesigned at a moderately lower scale than originally conceived, but the process effectively demonstrated flaws in Denver's land use regulations in LoDo.

[16] As valuable a tool Chapter 31 was for the redevelopment of old buildings, the regulators within the building and fire departments were always uncomfortable with the flexibility it afforded. Depending on the management of the various city departments, the tool was either in or out of favor. In 1994, Chapter 31 was written as Chapter 61, ostensibly to return it to its previous efficacy and to give it insulation from department biases. In fact, its efficacy has still not been restored – a condition that should be rectified.

8. City Resources Should Be Devoted to Housing

Any city has a number of sources of public funding for housing: its own tax funds, state and federal funds.[17] Leadership, good information for the private sector, and financial resources must be leveraged in order to boost the production of downtown housing. Without the concerted effort and concentration of public funds the private housing market would have moved more slowly into downtown Denver.

As a first step after the 1991 Downtown Summit, the City and the Downtown Denver Partnership jointly established the Downtown Housing Office ("DHO") to gather and distribute accurate information on properties, market conditions and available public financing tools to developers interested in housing. DHO's first priority was to aggressively seek potential developers for empty buildings. The Denver Urban Renewal Authority, a city agency authorized by state statute to provide redevelopment projects with tax increment financing, focused its resources on mixed-use projects with housing components. The community priority was clear to the private sector and, spurred by low acquisition costs for empty buildings, private developers began to respond with projects.

To further lure developers, the Mayor directed city agencies to focus existing financial programs on downtown housing. Early on in the development of the LoDo neighborhood, the city created the Lower Downtown Revolving Loan Fund by matching $1 million of its funds with a $1 million loan from the National Trust for Historic Preservation. This fund provided modest but much needed financial assistance for façade improvements in the LoDo historic district. Another source of funding is the State Historic Fund, unique to Colorado. When the state constitution was amended to allow gaming in three historic mining towns, a provision directed a percentage of the taxes received from gambling to this newly created fund. In ten years, the fund has distributed over $60 million in the form of up to $100,000 grants per project for historically designated structures. Since LoDo showed the viability of downtown housing, over 40 old buildings downtown have been converted to residential use with assistance from a combination of local, state and / or federal funds.

9. The Edge of Downtown Should Be Surrounded By Viable Neighborhoods

The downtown of most U.S. cities has become isolated from the rest of the community, ringed by surface parking lots and empty, boarded up buildings – an intimidating moat that makes getting to downtown an unappealing trip. Worse, this "moat" exists in neighborhoods that are the city's oldest, with interesting residential architecture and vacant land on which to build. Like the empty buildings downtown, these next-to-downtown neighborhoods are substantive assets to a city's downtown housing and revitalization strategies.

Downtown Denver is surrounded by eight distinct neighborhoods, all offering housing redevelopment opportunities, and all within easy walking distance of downtown. Warehouse conversions for loft housing in LoDo, new

[17] Cities have developed special funds for housing, and some have linkage programs where commercial developers either must build housing in connection with commercial development or pay into a fund in lieu, and usually have the ability to use tax increment financing. State funds may include a housing trust fund. Federal funding for housing can come from the Community Development Block Grant, HOME funds and other programs administered by the Department of Housing and Urban Development. Federally authorized, locally administered private activity bonds (issued by municipalities, these bonds provide low interest construction money to projects) have been a very useful too. In addition, low-income housing tax credits and historic preservation tax credits have been utilized frequently in Denver. Of great use would be property tax abatement for housing projects meeting specific city criteria. Abatement is not allowed under the Colorado constitution but has been used in other states. Denver will waive building-related fees for certain affordable housing projects.

construction of mid-rise condominiums in the Golden Triangle and at least 2,000 new townhouse and apartment units in the former railyards west of downtown known as the "Central Platte Valley" have created or will create three new residential communities on downtown's edge. These are the "easy" neighborhoods, with redevelopable existing buildings or raw ground ripe for housing.

The other, more challenging five neighborhoods are existing low-rise residential communities, which have been shredded over time by downtown's gradual economic collapse. Infill and building renovations are the strategies here. An abandoned hospital occupying eleven acres was the dominating source of blight for five years in one neighborhood. The hospital is gone and 1,000 units of middle- and upper-income rental units are now under construction.

The two most difficult neighborhoods surrounding LoDo have concentrations of 100 percent publicly subsidized housing for the poorest segment of the community. In one neighborhood, the public housing was demolished in 1993 and replaced with half the number of new units**,** but even these new units were concentrated low-income housing. This demolition six years ago appears to not have stimulated any private sector investment in the surrounding area, because of the persistent problems with lack of neighborhood quality and investment security. The presence of concentrated public housing (no matter how small or great the number of residents) discourages private sector investment, leaving the neighborhood dominated by the poorest segment of society – socially stigmatized and economically segregated.

In the second of these two neighborhoods, the city has received a $26 million federal grant to demolish 286 units of public housing, and construct 550 new mixed-income units on site. About one third of these new rental and for-sale housing units will be made available to public housing tenants, another third will be for moderate-income tenants (those earning less than 60 percent of the area median family income), and the remaining third will be rented or sold at the market rate. This particular neighborhood boasted a healthy low- and middle-income population of 25,000 in 1950; today, only 8,000 remain, of which 4,000 are very low income. By diluting the concentration of public housing with the infusion of a greater number of market units, the considerable assets of this neighborhood – very close proximity to the CBD, a solid existing housing stock of exceptional architectural quality – should become attractive to further private sector investment in market housing.

10. Downtown Is Never "Done"

Can a city like Denver extrapolate its downtown residential successes of this decade for another 10 years? Not necessarily. Economic cycles wane, and real estate market dynamics shift – this is inevitable and uncontrollable. A city must not believe that its downtown revitalization momentum is inexhaustible when housing finally arrives. As quickly as the downtown housing phenomenon arose in Denver, so did challenges to the character and quality of life. Some of those remaining challenges are described below.

Managing Conflicting Uses. Regional amenities, good for the whole of downtown, can create serious problems for the host neighborhood if care is not taken to site them appropriately and to mitigate the negative effects. Coors Field has a plethora of sports bars and sports paraphernalia shops located in the blocks around it. When unleashed on the neighborhood at 2:00 am, the occasionally noisy bar patrons become a disturbing nuisance to the sleeping residents. The LoDo neighborhood organizations and the business owners came together to develop policies and procedures to quickly resolve conflicts as they arise.

Denver's zoning code allows for much greater densities and heights in and around downtown than what has been built to date. The disconnect between what is allowed and what has been constructed raises the most difficult questions about how this city will grow and how disruptive to existing neighborhoods that growth will be. Over the past seven years, 11 new design review districts and 16 new historic districts, including the CBD and adjoining neighborhoods, have been created to manage the quality of the growth that occurs. In the past three years, the city developed an entirely new set of zoning use classifications around the desire to mix work, retail, and living uses. But zoning language, however skillfully crafted, still cannot ensure peace. The conflict is unavoidable.

Keeping Downtown Affordable. Prices of downtown real estate have skyrocketed, rewarding investors but limiting affordability for new residents. Empty buildings to be redeveloped have disappeared, but for a few very expensive survivors. This has set the stage for higher density, new construction projects at a neighborhood-unfriendly scale. Public policy must determine how to bend some inevitable real estate economic forces to keep the downtown neighborhoods from being overwhelmed, and, potentially, suffocated.

The gentrification of downtown neighborhoods, while a benchmark of success to many, creates a gap. Several of these neighborhoods still have populations typical of pre-redevelopment: low-income families likely to be driven out as property values rise and redevelopment occurs. A key characteristic of a healthy downtown is the presence of a full range of housing opportunities for people of all incomes. Denver hopes to develop creative tax and financing tools to mitigate this problem, but public policy that attempts to regulate economic market forces does so at its peril.

Exercising Patience with Retail. For downtown to go from a trendy area for housing to a genuine neighborhood, retail that serves residential uses must exist. New urban dwellers in Denver expect to walk to a neighborhood food market. While some convenience retail has emerged – video stores, pharmacy, a wine shop, and dry cleaners – the grocery store and other shopping goods retail continues to elude downtown Denver. Until the population downtown hits numbers that retail considers sufficient, or until a new iteration of retail is invented that caters to a smaller shopping segment, downtown neighborhood shopping progress will be limited.

Keeping Up Green Space. Downtown dwellers are urbanites, but open space is still an ingredient of neighborhoods. With an increased residential population comes an increased need for park space. The South Platte River parkland is not enough. Additional small, urban parks will be needed in the ring neighborhoods over the next 10-20 years to further soften the landscape and give quiet, calm places to the downtown community. But this is increasingly difficult as vacant land grows scarcer and more expensive.

Making Downtown Home for Families. As the demographics have shown, children are not part of the equation in downtown living today. Families continue to choose homes in non-downtown neighborhoods. For downtowns to reach their full potential as vibrant, enriching places, families must be present to contribute to its life. For families to choose downtown as home, however, the open space must be of a quantity and design to provide adequate play and recreation facilities. And one additional use must be added to the mix – schools. PS1 is a charter K-12 school in Denver located in the Golden Triangle neighborhood on downtown's southern edge.[18] This school has not, by itself, caused families to locate downtown. But the school's use of downtown as a laboratory for learning, and use of downtown's amenities (the Central

[18] A "charter" school, by Colorado's constitution, is independent from the management of the public school system within which it sits, but is funded with the public tax dollars. The public school system must approve the creation of a charter school.

Library and Art Museum, particularly) to enhance its resources, is teaching a new generation of children about the unique value of downtown.

Finally, the past forty years have shown how quickly downtowns can be abandoned. Maintaining a healthy downtown takes leadership, commitment and hard work. Public policy must encourage, manipulate and, where possible, direct the development not just of housing, but of sound, distinct residential neighborhoods from which owners can expect appreciation in their housing investment…just like the suburbs, and for an increasing number of Americans, better than the suburbs.