COMMON SENSE INSTITUTE

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THE ROAD TO RECOVERY: DOWNTOWN DENVER

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ABOUT THE AUTHORS

Kelly Jean Brough – CSI Urban Development Fellow

Kelly has deep experience in the public and private sectors with specific expertise in workforce development, health care, housing, public policy/regulation, and energy.

Kelly served as chair, vice-chair, and as a member of the board of directors for Delta Dental of Colorado from 2012 to 2022. Delta Dental of Colorado is the largest dental insurance company in Colorado with 1.3 million members and annual revenue in excess of $425 million. During her time with Delta, Kelly served on every committee and was a member of the Finance and Audit Committee for the duration of her tenure. Kelly served as chair of the board through the hiring and on-boarding of the new CEO. She also had the opportunity to guide the development of a new parent company for Delta Dental of Colorado to allow diversification of the mission and invest in ventures that can help drive innovation and improve health care outcomes. Kelly now serves as an advisory board member for that fund — Ensemble Innovation Venture Fund.

Since 2021, Kelly has also served on the board for Haselden Construction, a privately owned construction company with almost $500 million in annual revenue working primarily in the K-12 school system, higher education, health care, multi-family and office construction.

From 2018 to 2021 Kelly served on the board of directors of the US Chamber of Commerce and has served on numerous community boards including Habitat for Humanity for Metro Denver (chair, vice-chair and chair of the policy committee), The Denver Zoo, and Colorado Mesa University board of trustees.

DJ Summers – Director of Policy and Research

DJ Summers is Common Sense Institute's Director of Policy and Research. He oversees the stages of CSI's fellows and research staff, coordinates with partners, iterates and analyzes projects, and breaks down findings for the public, legislators, and commercial leaders.

Erik Gamm – Senior Research Analyst

Erik Gamm joined Common Sense Institute as an analyst in 2020 after completing an internship in 2019. He graduated from the University of Michigan in 2020, with a Bachelor of Arts in Economics, and has experience from Washington, D.C., where he was an intern for the natural resources lobbying firm American Capitol Group. His work at CSI has addressed several major ballot initiatives and topics such as education, health care, and property taxation.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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INTRODUCTION

Downtown Denver is making strides towards recovery, but it has yet to fully materialize, and the result may not resemble the pre-COVID downtown Denver.

To restore downtown Denver, office workers need to either return to the area or be replaced by an equivalent number of visitors and residents.

In Denver, the problem of anemic downtown foot traffic and vacant office spaces is well-established. Office vacancies are higher than ever, as are their rents. Downtown foot traffic is recovering more slowly than other cities. Non-office retail and restaurants, already burdened by climbing payroll costs, have less traffic to drive sales.

The malaise of downtown Denver is perhaps not cleanly explained by urban decay or remote work alone. Downtown economies are complex and varied. To the extent that it is possible to know which factors are most directly related to a sluggish downtown recovery, homelessness and crime, particularly property crime, are as important as the remote work trends that have emptied offices.

Crime shot up after 2019, peaking in 2022. However, despite a decline in 2023 overall crime has risen again in the second half of 2024. Property crimes continue to decrease, but in their place Denver Police Department is recording more of other crimes such as drug and alcohol violations and public disturbances.

The City's partnerships with local business consortia have focused on master plans of downtown renovation. These prioritize transit, public space beautification, residentialization of downtown business districts, and business investment attraction. The Downtown Area Plan has been used as a guide since 2007 to steer these efforts in a central direction.

None of the attempts to rejuvenate have been, so far, successful in restoring the downtown Denver activity of 2019. Since safety and security are paramount to would-be downtown visitors, it may be that enough time has not yet passed for Denver metro residents to absorb the message that downtown Denver has become safer and cleaner than it was in 2021 and 2022. Furthermore, the lingering work-from-home allowances of the pandemic still apply in part to vast swaths of downtown Denver's former office workers.

To restore downtown Denver, office workers need to either return to the area or be replaced by an equivalent number of visitors and residents. In either case, evidence of safety and security will be essential to kickstarting a downtown renaissance.

KEY FINDINGS

The Problem

- Foot traffic has not recovered - Denver's downtown foot traffic is only 67% of what it was in 2019—16th lowest among the 55 U.S. cities examined, according to the University of Toronto School of Cities.
- Downtown Denver's office building vacancy rate more than doubled since 2019. Rates spiked in the early 2020s and reached their highest levels in 2023 at 24%, up from 11% in 2019.
- **Commercial vacancies remain near record highs - There is 13.4 million square feet of vacant office and retail space in downtown Denver – the footage of eight Empower Field stadiums.**
- Downtown Denver has the highest office vacancy rate among Front Range cities with concentrated downtown offices at nearly a quarter vacant.
- The average downtown Denver gross rent paid by office renters was $37.60 per square foot in 2023, the highest on record.
- Inflation has boosted taxable sales revenue but growth lags other metro regions - Even though Denver's average monthly net state taxable sales increased 41% from 2019 to 2024, it increased by the lowest rate among 12 Front Range counties.
- If Denver were recovering taxable sales at the average 92% rate of the other counties, it would have $646 million more in taxable sales in the first half of 2024
- If Denver's taxable sales had recovered at the average rate of Front Range counties, they would have nearly doubled in the first half of 2024.

The Contributing Factors

- Denver's actual recovery underperforms all its predicted recoveries based on the 80 predictors used in a University of Toronto study of North American cities.
- Crime and homelessness could be contributing factors to the failure of downtown Denver to recover its pre-pandemic activity, according to an analysis of city data. This is particularly true of property crime.
  - Though property crimes are decreasing, the number of crimes overall is not.
- There were an average 1,150 crimes per month in downtown Denver in the third quarter of 2024, the highest of any third quarter from 2019 to 2024.
- A "sense of safety and security" was the single largest deterrent to visiting downtown Denver, according to a Downtown Denver Partnership survey.
- Cherry Creek's vacancy rate is eight times lower than downtown Denver's.
- Cherry Creek's crime concentration is less than half of downtown Denver's.

Solutions

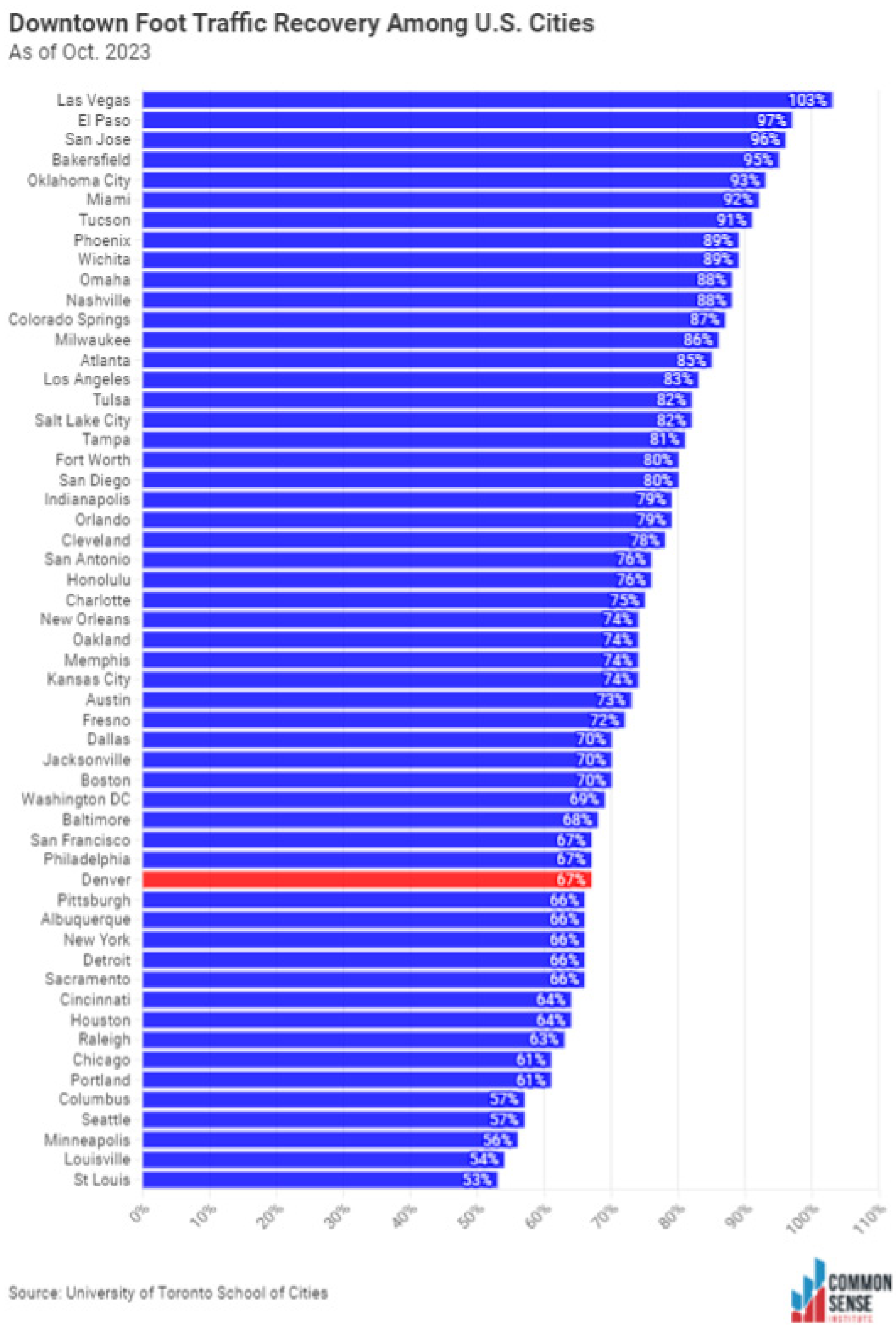
- Leaders should strive to enact pro-business policies and diminish burdensome ones.
- City and developers should examine ways to increase residential offerings in downtown Denver.
- Denver should lean into strengthening its drug courts.
- The private sector should consider its remote work policies

DOWNTOWN DENVER'S FOOT TRAFFIC

The University of Toronto's School of Cities tracks North American cities' foot traffic recovery rates following the COVID-19 pandemic.[i] The research project, Downtown Recovery, uses mobile phone data to evaluate foot traffic in a given set of months relative to the same set of months in 2019, and then estimates a recovery rate. Downtown areas are defined as the areas with the highest job densities in each city.

Denver's downtown recovery has lagged behind most other U.S. cities as of the most recent update in October 2023. According to Downtown Recovery, Denver's total downtown foot traffic is only 67% of what it was in 2019—16th-worst among the 55 U.S. cities examined.

FIGURE 1 - DOWNTOWN FOOT TRAFFIC RECOVERY AMONG U.S. CITIES



In Denver, foot traffic recovery is the 11th lowest among U.S. cities for weekends, 20th lowest for weekdays, 18th lowest for working hours, and 12th lowest for after hours and whole weekends.

The data includes breakouts of recovery by certain time of day and week. Downtown areas struggling with remote work acknowledge that foot traffic may follow new patterns in the 2020s, with less focus on office work and more focus on residential, recreational, and events traffic.

While recovery for after hours and weekend traffic is higher than workday traffic recovery, Denver is still lagging behind other cities. Denver is average or below average for every category. Some cities have seen office-related foot traffic slump while after-hours and weekend traffic boom. In Denver, foot traffic recovery is the 11th lowest among U.S. cities for weekends, 20th lowest for weekdays, 18th lowest for working hours, and 12th lowest for after hours and whole weekends.

Downtown Denver has had a slower recovery than other cities in the U.S. region. Downtown Denver ranks 13th of 15 downtown areas in the Southwest region, which includes Albuquerque, Boise, Las Vegas, Phoenix, and Salt Lake City among others.

Denver's recovery lags behind other large Colorado cities. Colorado Springs, the only other downtown area analyzed by the University of Toronto, has the nation's 12th highest recovery rate, having recovered 87% of its pre-pandemic foot traffic.

COMMERCIAL BUILDING VACANCY

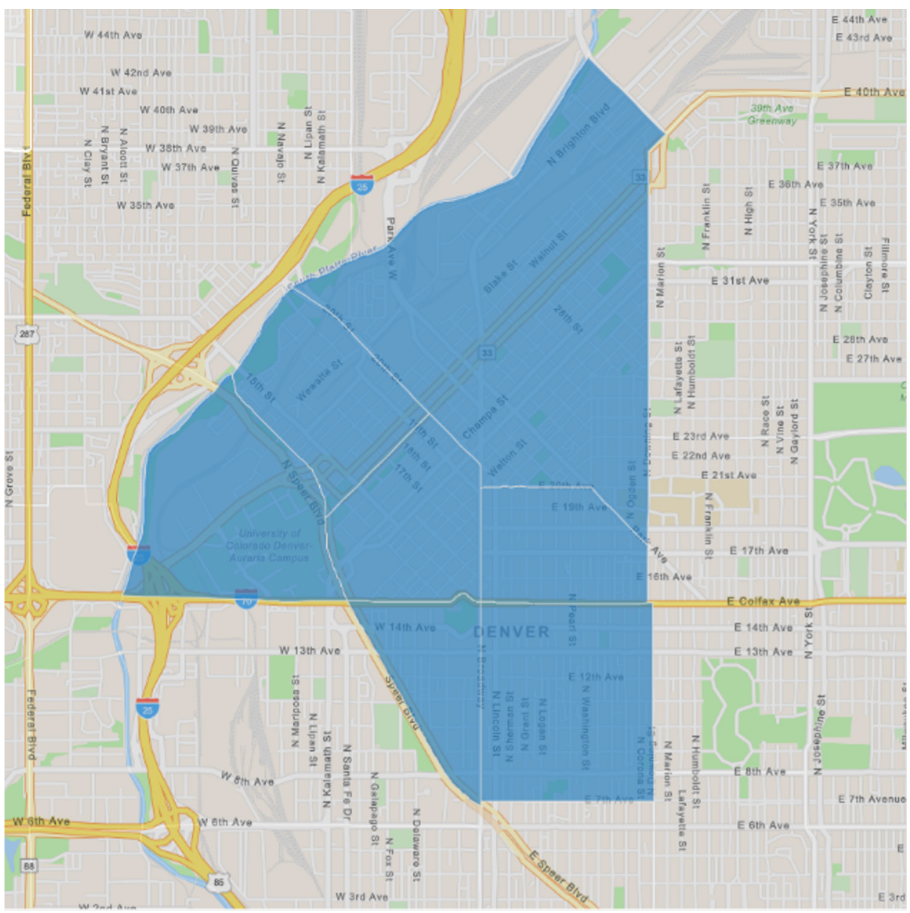
It is not only foot traffic that has failed to recover to pre-pandemic levels. In 2023, downtown Denver's retail building space had its highest vacancy rate in 15 years. Though other cities and other areas in Denver have had similar issues, downtown Denver's has been more pronounced.

The "downtown Denver" area has varying definitions, depending on who is using the term. For the purposes of this analysis, CSI defines "downtown Denver" as a single area composed of the Auraria, Capitol Hill, Central Business District, Civic Center, Five Points, North Capitol Hill, and Union Station statistical neighborhoods.

For this study, CSI focused on office space, leaving out retail, industrial, or other commercial building types. Downtown Denver's office building vacancy rate more than doubled since 2019. Rates spiked in the early 2020s and reached their highest levels in 2023 at 24%, up from 11% in 2019.[ii]

This followed a decade of roughly stable office vacancy rates in downtown Denver. From 2012 to 2019, the downtown area had an average annual office vacancy rate of 10.7%, varying between 12% and 9%. The vacancy rate rose 22% annually on average starting in 2020, with the most dramatic increase of 36% occurring in 2020 rising from 11% to 15%.

FIGURE 2 - DOWNTOWN DENVER



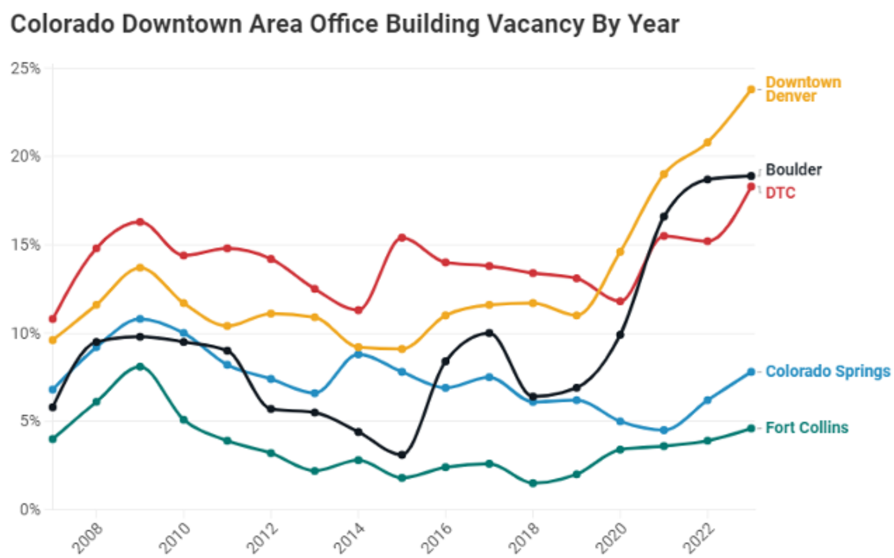
Office vacancy rates among submarkets in Denver vary but can be significantly higher than the downtown aggregate. Office vacancy rates in RiNo are 49%, and in the Central Business District 32%.

Downtown Denver has the highest office vacancy rate among Front Range cities with concentrated downtown offices at 23.8%, while Boulder has a vacancy rate of 18.9% and Denver Tech Center (DTC) a vacancy rate of 18.3%. Colorado Springs has a vacancy rate of 7.8% and Fort Collins a rate of 4.6%.

Other downtown areas in Colorado have seen buildings empty out at the same rapid clip as downtown Denver. Downtown Denver's vacancy rate, however, is both higher and more unrelenting in its yearly increases.

Downtown Denver's vacancy rate rose 116% between 2019 and 2023. Boulder's rate rose higher by 174% in the same time period, but that vacancy rate leveled off in 2022 and 2023 while Denver's continued to rise. DTC's vacancy rate also flatlined between 2021 and 2022 before rising in 2023. Downtown Denver's vacancy rate has risen an average of 22% per year since 2019 without any relief. Fort Collins also saw its vacancy rate rise by more than Denver at 130%, but with a vacancy rate nearly five times lower.

FIGURE 3 - COLORADO DOWNTOWN AREA OFFICE BUILDING VACANCY BY YEAR



TAXABLE SALES

In metrics where Denver has seen recovery , such as taxable sales, it has recovered less than other population centers along the Front Range.

Denver has recaptured its net taxable sales relative to 2019, but at a slower rate than elsewhere.[iii] CSI compared the average monthly taxable sales for the first half of 2019 and the first half of 2024. This data is not isolated to downtown Denver.

Denver's average monthly net state taxable sales increased 41% in that time period. This is the lowest among 12 counties along the Front Range. Arapahoe County's net state taxable sales increased by 49%, Jefferson County's 56%, Boulder County's 59%, Larimer County's 68%, Adams County's 73%, El Paso County's 78%, Broomfield County's 79%, Douglas County's 89%, Weld County's 90%, Gilpin County's 190%, and Elbert County's 229%.

This sluggish recovery relative to other Front Range counties represents potential funding lost to the city. If Denver were recovering taxable sales at the average 92% rate of the other counties, it would have $646 million more in taxable sales in the first half of 2024.

FIGURE 4 - AVERAGE MONTHLY NET STATE TAXABLE SALES BY COUNTY

County	First Half of 2019	First Half of 2024	% Change 2019-2024
Elbert	$ 10,879,333	$ 35,823,544	229%
Gilpin	$ 5,715,833	$ 16,591,142	190%
Weld	$ 367,761,500	$ 698,905,982	90%
Douglas	$ 416,507,833	$ 785,459,149	89%
Broomfield	$ 89,407,000	$ 160,417,355	79%
El Paso	$ 727,696,333	$ 1,291,809,480	78%
Adams	$ 666,102,333	$ 1,152,534,404	73%
Larimer	$ 429,997,167	$ 722,871,288	68%
Boulder	$ 407,180,000	$ 647,704,955	59%
Jefferson	$ 669,410,333	$ 1,041,828,258	56%
Arapahoe	$ 892,104,833	$ 1,332,695,106	49%
Denver	$ 1,265,249,667	$ 1,783,565,247	41%

RENTS AND DELINQUENCIES

While foot traffic and office occupancy remain depressed in downtown Denver, commercial rents remain the highest on record.

According to real estate database CoStar, the average gross rent paid by office renters was $37.60 per square foot in 2023, the highest on record. Gross rent has climbed every year but two since 2011.

As rents have climbed, so too have delinquencies. Nationally, commercial banks' delinquency rates on commercial real estate has nearly doubled in the space of a year.[iv] In the first quarter of 2023, the national delinquency rate for commercial real estate for all banks was 0.85%. By the second quarter of 2024, that had risen to 1.42%.

These stubbornly high rental prices suggest something curious in the Denver commercial real estate market. Market economics would predict that prices will come down as supply exceeds demand, as Denver's high vacancy rate would indicate. The fact that downtown Denver's rental rates remain high may indicate many commercial leaseholders are still holding onto multiyear leases. It may also indicate a bullish feeling about downtown Denver and its chances for recovery.

FIGURE 5 - DOWNTOWN DENVER OFFICE GROSS RENT

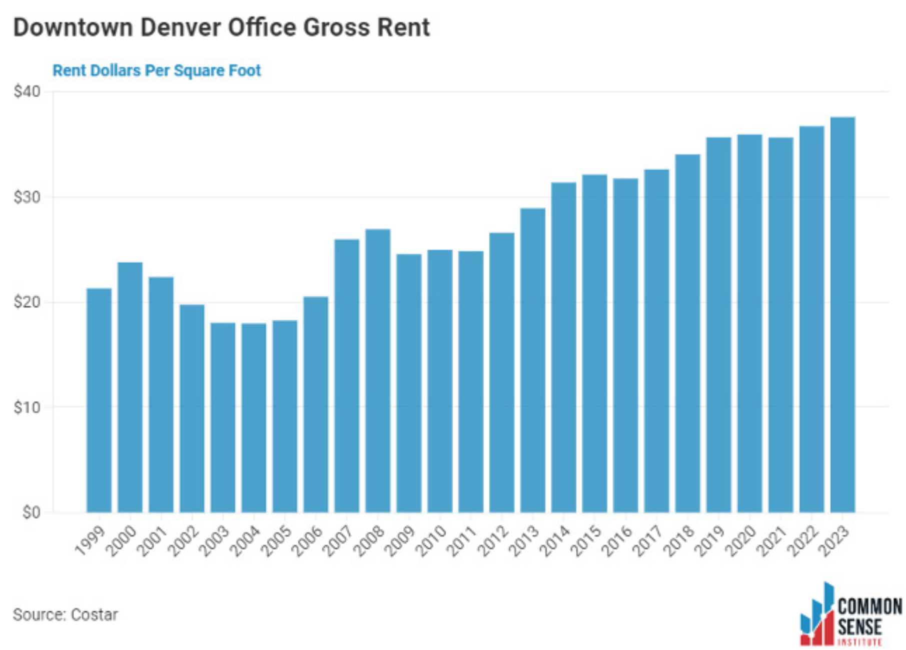
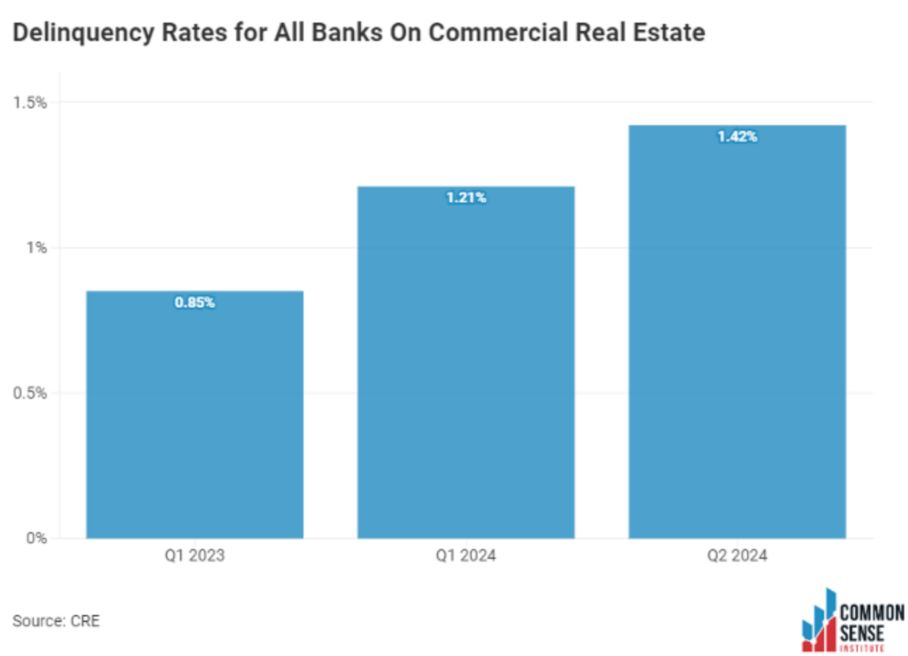


FIGURE 6 - DELINQUENCY RATES FOR ALL BANKS ON COMMERCIAL REAL ESTATE



FINANCIAL CHALLENGES

Several items unrelated to foot traffic contribute to present and future financial strain on the downtown economy. Building owners are facing expensive energy mandates in addition to vacancy rates. Meanwhile, businesses are facing increased labor costs on top of low foot traffic.

Minimum wage increases have notably trimmed the profit margins of Denver restaurants and retailers, often cited as a factor in the decision to relocate operations to nearby cities. At $18.29 per hour for non-tipped employees and $15.27 for tipped employees, Denver's minimum wage in 2024 is one of the nation's highest. Only a handful of cities in California and Washington have a higher minimum wage.

The increased minimum wage burdens business owners. In an analysis of Boulder minimum wage, CSI found that restaurants in Boulder County could face a 21% increase in labor costs as a result of raising its minimum wage, while retail stores face a 7.6% increase.[v]

Expensive energy requirements – Regulation 28 and Energize Denver – also threaten downtown area businesses. Both mandate building owners invest heavily into retrofitting their buildings or face fees and fines for failing to meet specific energy goals.

The former requires any residential of commercial building over 50,000 square feet to meet certain energy use targets to reduce statewide greenhouse gas emissions. The Building Owners and Managers Association has estimated the total cost of compliance will run $3.1 billion statewide.[vi] This would include the cost of retrofitting existing buildings with the energy-saving methods outlined in the regulation.

A Denver-only measure, the Energize Denver Building Performance Policy is a building decarbonization plan that applies to buildings over 25,000 square feet. It is aimed to a similar reduction in greenhouse gases as Regulation 28. There are no figures for the estimated cost of compliance, but as with Regulation 28 the penalties for noncompliance can be high. A case study for a 150,000-square-foot office building that fails to comply shows between $5.7 and $13.4 million in annual penalties.[vii]

For downtown building owners already facing high vacancy rates, these costs will be hard to absorb. For businesses operating from those buildings, the additional energy modification costs could further elevate operating costs as owners pass them down to renters.

CONTRIBUTING FACTORS TO RECOVERY - UNIVERSITY OF TORONTO STUDY

Many factors contribute to a less bustling downtown Denver. The ongoing construction of the 16th Street Mall is often cited by local employers and visitors as an impediment in securing foot traffic. The difficulty of finding parking and its expense are often cited as well, as both ongoing construction projects and the expansion of transit systems collide with parking convenience. For this study, the Common Sense Institute focused on those would-be contributing factors with robust and accessible data, including the University of Toronto's foot traffic database, crime, and homelessness.

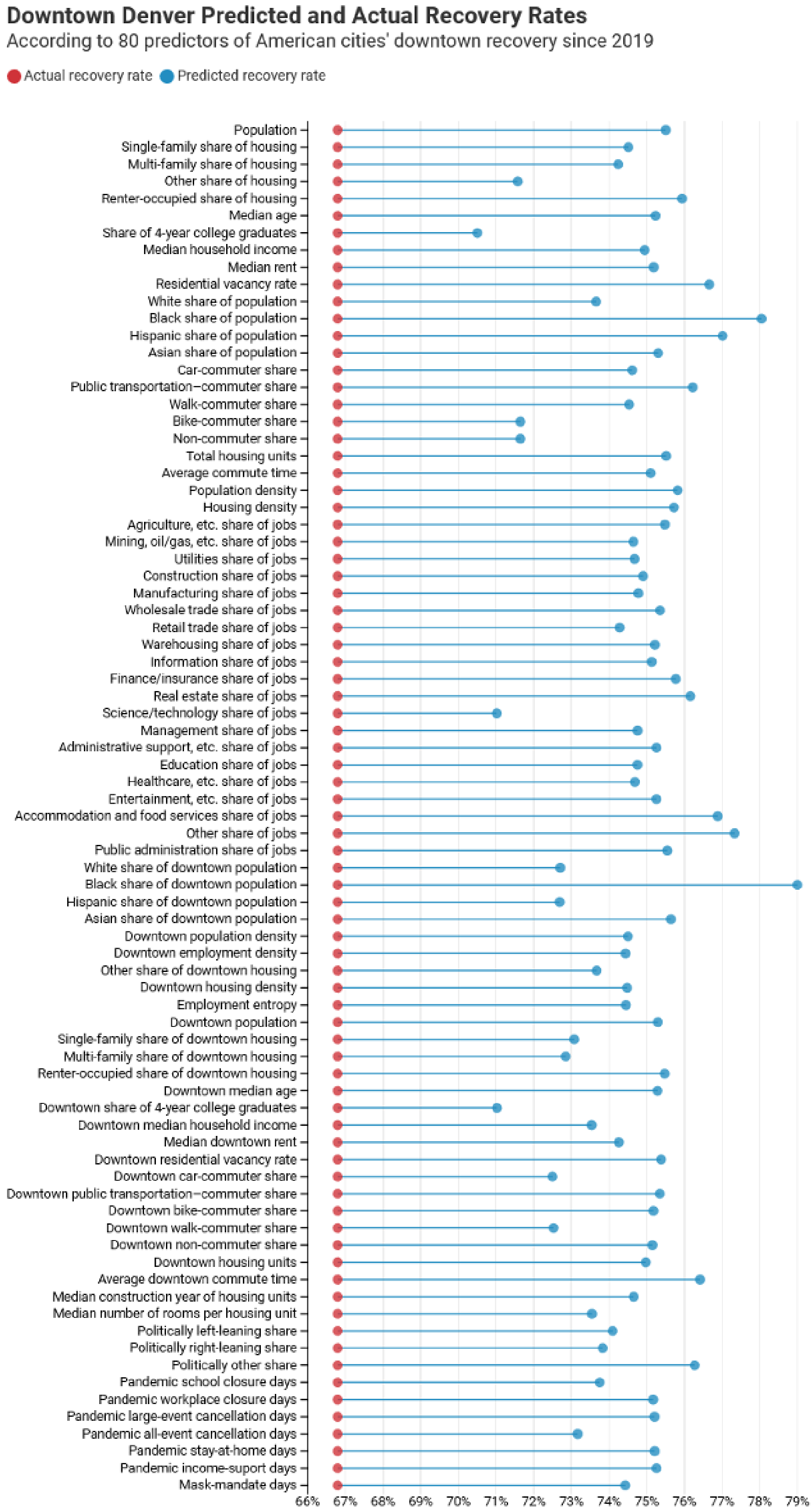
The University of Toronto's School of Cities Downtown Recovery project attempts to track which variables might explain different cities' failure to recover their 2019 foot traffic. None adequately explain downtown Denver's failure to recover its foot traffic.

The ongoing project examines 80 variables that might have influenced cities' recoveries, including measures of income, prices, housing characteristics, demographics, and pandemic responses. It does not explain how Denver has fallen so far behind its peers. Denver's performance is substantially worse than each of those 80 variables predicts individually or in any combination, even those that identify peculiarities of Denver's economy and political landscape.

Denver's recovery is 4.8 percentage points behind what the model would predict by its remote workforce and 9 percentage points behind expectation according to its population density, for example. This means that something beyond the scope of University of Toronto's study is responsible for Denver's struggles.

Absent from University of Toronto's variable list is any measure of crime or homelessness, both of which Denverites and city leaders cite as contributing factors to an unusually sleepy downtown. Although many other cities have experienced similar problems since 2020, Denver's increase in both of these social ills has been especially severe—its crime rate has risen by 44% and its unsheltered homeless population has more than doubled since 2019. In all likelihood, no model of downtown Denver's vitality would be complete without accounting for crime, homelessness, or both.

FIGURE 7 - DOWNTOWN DENVER PREDICTED AND ACTUAL RECOVERY RATES



Source: University of Toronto

CRIME AND HOMELESSNESS

There's some evidence that both crime and homelessness are associated with one measure of vitality, the commercial vacancy rate, within Denver. Downtown, which has the city's highest vacancy rates, is a hotspot of both. The following maps show the concentrations of crime,[viii] homelessness,[ix] and high vacancy throughout Denver.

Among Denver's 178 census tracts, which appear on each of the maps above, the correlation between crime and vacancy is .35 and the correlation between homelessness and vacancy (excluding tracts with vacancy rates below 15%) is slightly stronger at .46.

Although they suggest that crime and homelessness may be contributing somewhat to downtown Denver's poor recovery, these associations are moderate at best and cannot explain the problem alone.

FIGURE 8 - CRIME DENSITY IN DENVER

Crime Density in Denver

Reported counts of crime† victims per square kilometer within Denver's 178 census tracts

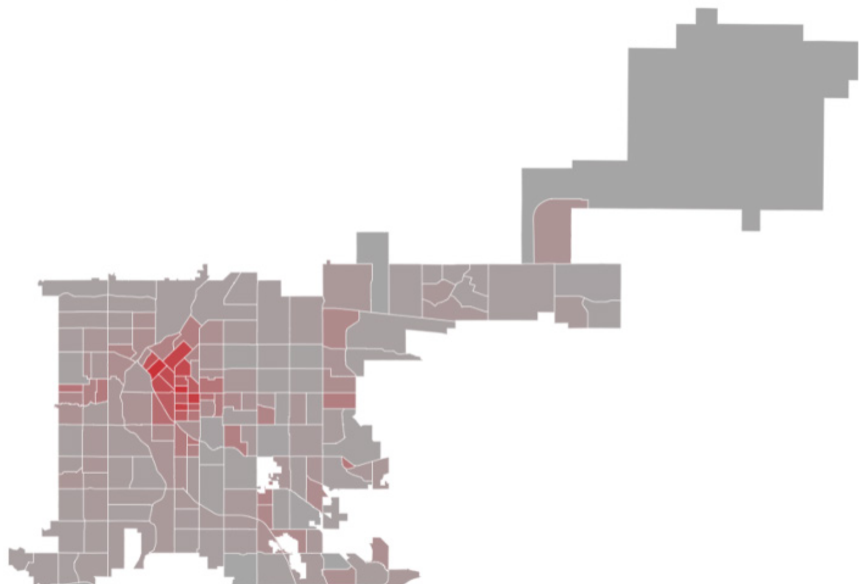
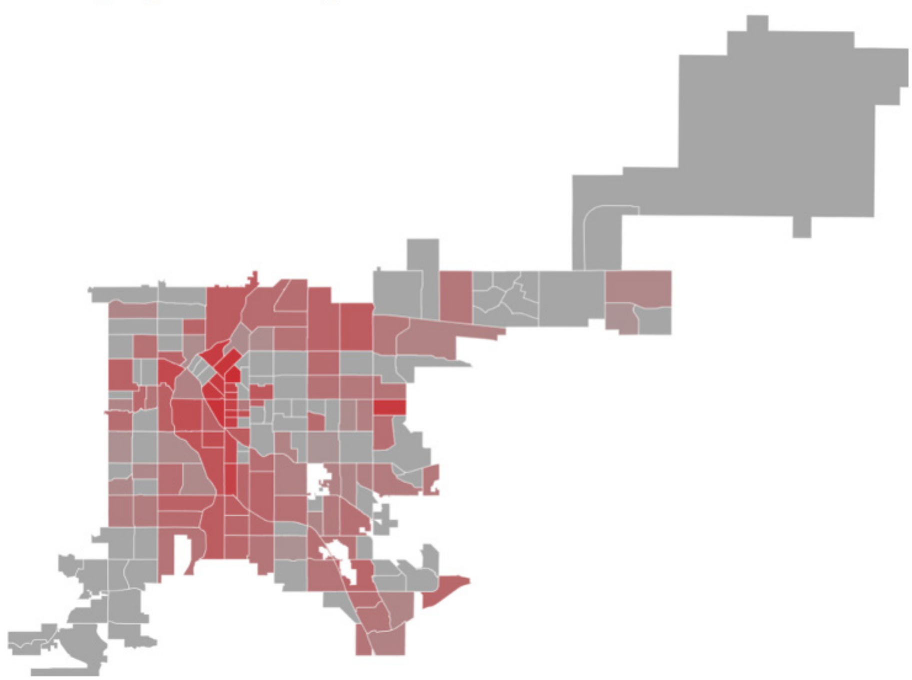


FIGURE 9 - HOMELESSNESS DENSITY IN DENVER

Homelessness Density in Denver According to DDPHE Data (1/1/23–6/30/24, Logarithmic Scale)



Through the narrower lens of property crime, however, we find something missing from the University of Toronto study: a model that accurately predicts Denver's downtown recovery rate.

Of the 42 U.S. cities in Toronto's study for which the appropriate data are available, the growth of Denver's property crime rate between 2019 and its post-2019 peak was the single highest.[x] Although the correlation between property crime and downtown recovery is a slightly underwhelming -.32 across these cities, Denver's rate of growth (nearly 72%) and its 67% downtown recovery rate put the city almost right on the line of best fit that the property crime variable generates.

This means that, short of any proof of causation, Denver's recovery is easier to associate with property crime than with any of the variables, none of which are related to crime, proposed by the University of Toronto.

FIGURE 10 - 2023 OFFICE AND RETAIL VACANCY

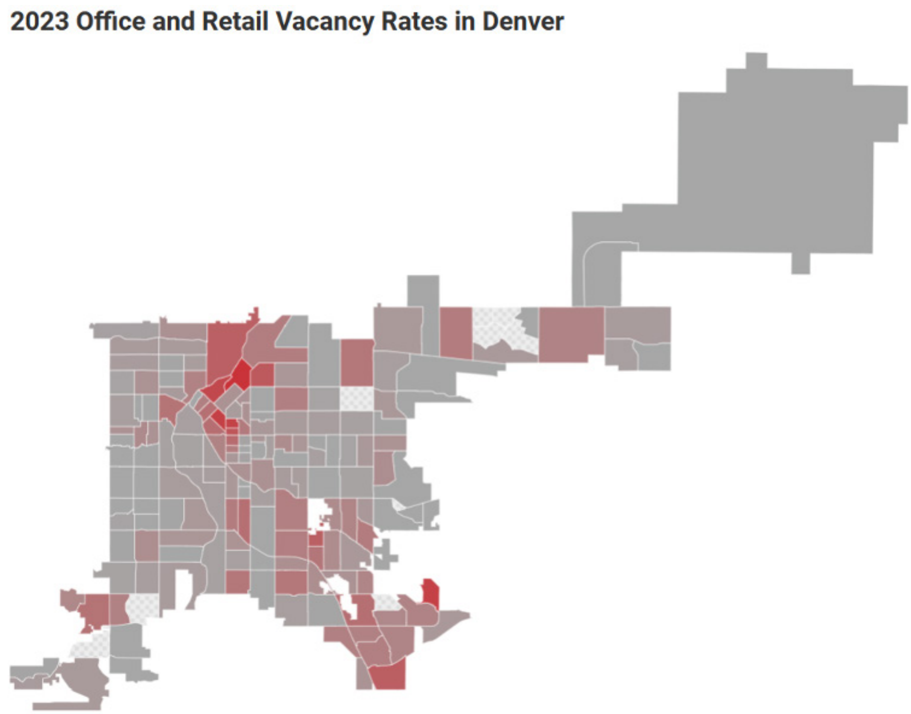
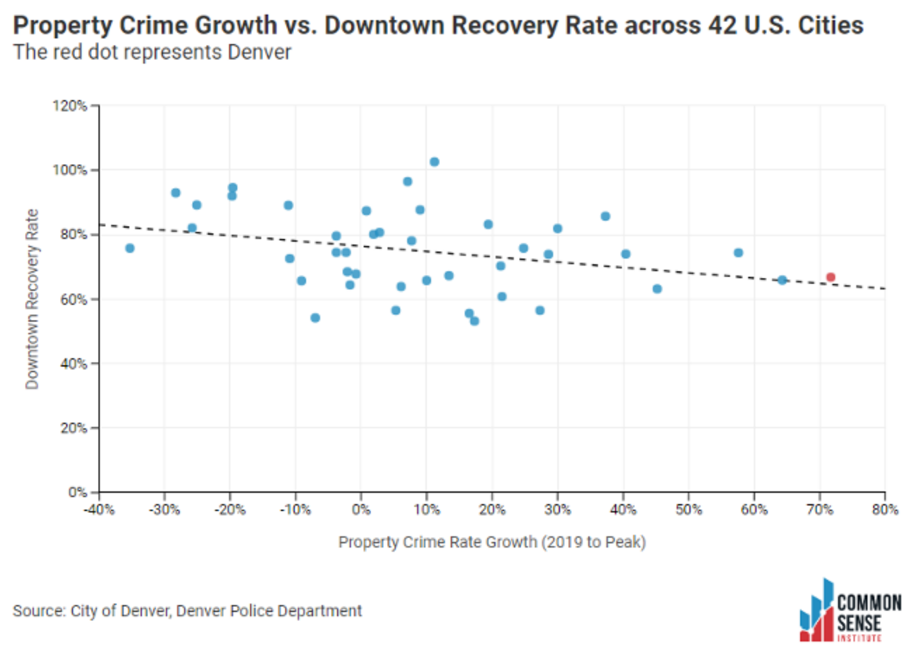


FIGURE 11 - PROPERTY CRIME GROWTH VS. DOWNTOWN RECOVERY



DOWNTOWN CRIME OVER TIME

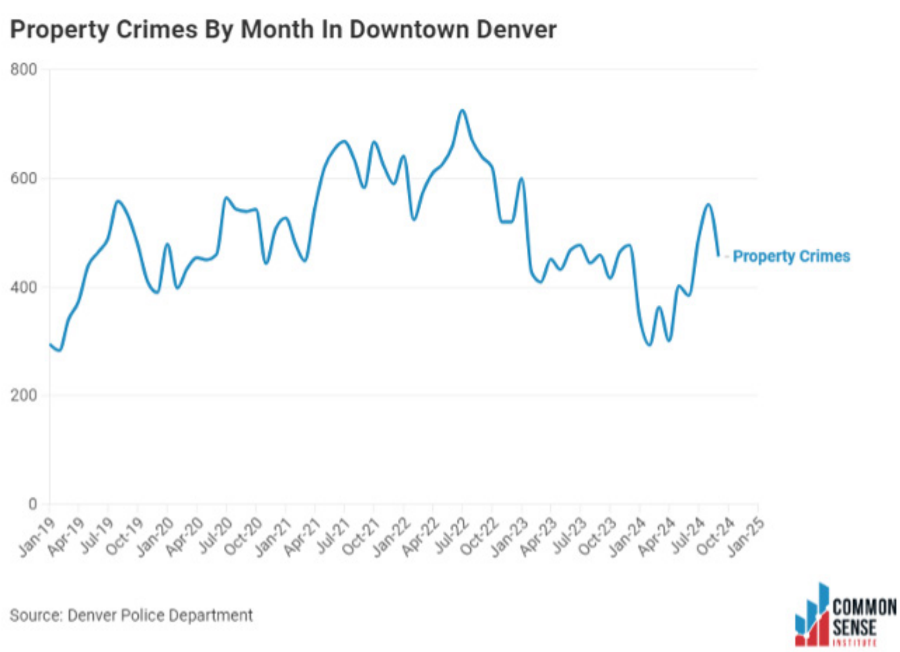
Property crime has been a nagging problem in Colorado for the past five years but has been improving recently. The number of property crimes peaked in 2022, with 49,882 in the third quarter of 2022 alone. That had diminished to 35,026 in the first quarter of 2024, which is roughly equivalent to the number of property crimes statewide in the first quarter of 2019.

In downtown Denver, the picture is more complicated. Property crime in 2024 has decreased from a height in 2022. However, it rose in the summer of 2024 to levels unseen since late 2022 after steadily rising through the first half of the year. Overall, downtown Denver's crime has been increasing in the late summer of 2024, driven by an uptick in other crimes as well as property crimes.

Downtown Denver's overall crime level has decreased from a peak in 2022. In the first half of the year, there were 7,391 crimes. That decreased to 6,458 in 2023 and 6,466 in 2024.

However, there has been a rebound in 2024. There was an average of 1,150 crimes per month in downtown Denver in the third quarter of 2024, the highest total of any year from 2019 to 2024.

FIGURE 12 - PROPERTY CRIMES BY MONTH IN DOWNTOWN DENVER



Though property crimes are decreasing, the number of crimes overall is not. Rather, the crimes being recorded are simply in other categories. While property crimes fell in 2023, "other crimes" rose. This category of crimes is separate from violent crime and property crime. It includes; public fighting, simple assault, criminal trespassing, weapons violations, police interference, violation of court order, drug and alcohol-related crimes.

Through the first half of 2024, Denver Police Department recorded an average of 61% other crimes per month, the highest of any year since 2019. In the first half of 2023, 50% of crimes were other crime, in 2022 45%, in 2021 44%, in 2020 59%, in 2019 54%.

This may suggest that Denver police have managed to get a grip on property crimes and have more capacity to enforce other crimes. It may also suggest that Denver police have reprioritized other crimes, or that there are simply more of these crimes occurring now than in the past.

FIGURE 13 - AVERAGE MONTHLY DOWNTOWN DENVER CRIMES

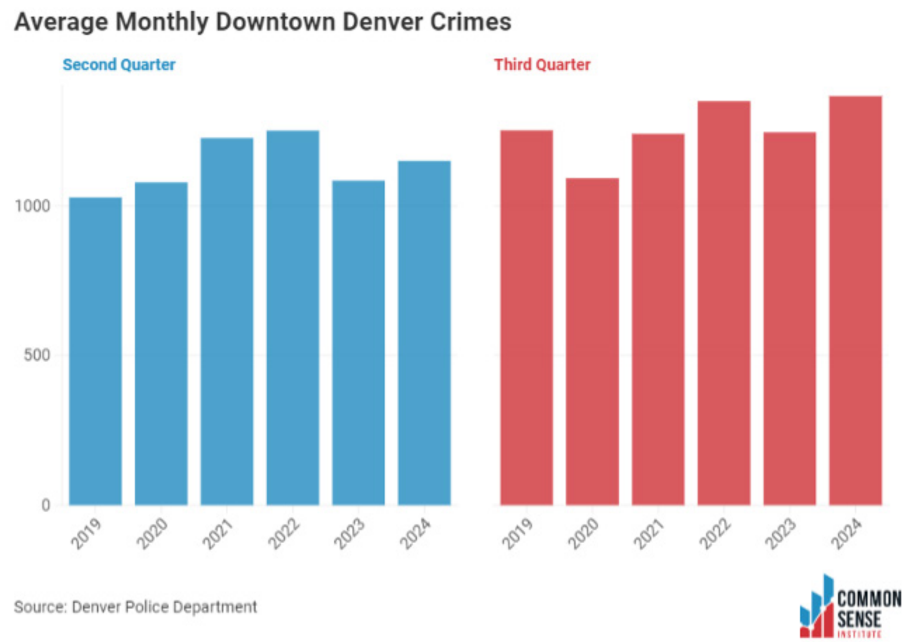
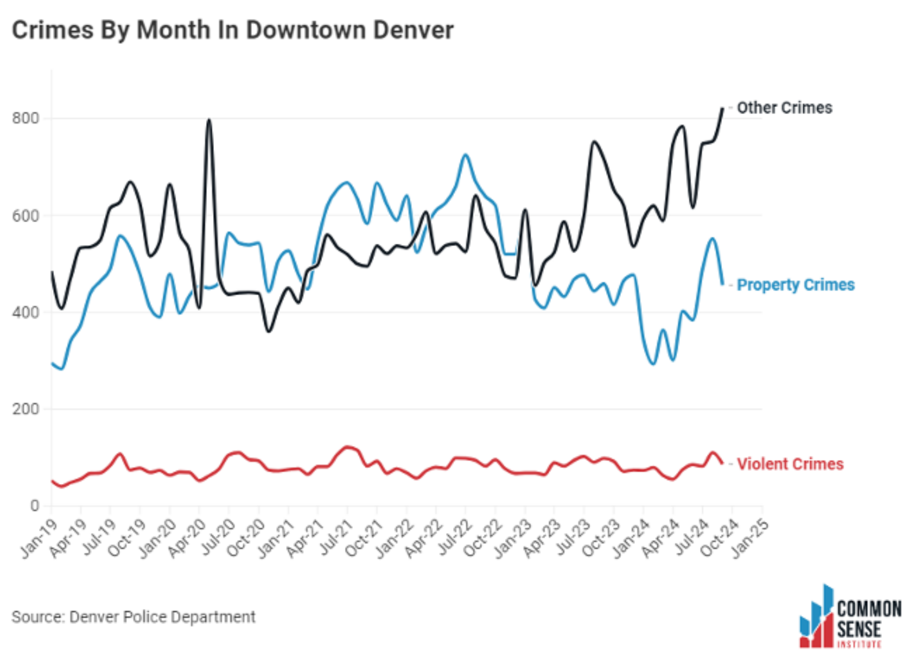


FIGURE 14 - CRIMES BY MONTH IN DOWNTOWN DENVER



WORKFORCE

Downtown Denver's downturn in foot traffic is related to its remote and hybrid workforce. Colorado is the nation's number one remote work state. Just over 37% of Coloradans work remotely at least one day a week – the highest of any state. At 22.3%, Denver has the nation's third-highest share of teleworkers among the nation's cities.[xi]

Denver has a high concentration of industries which allow for greater remote work capacity, including finance, tech, and business administration.

Some of the largest employers in Denver are government entities, which retained some of the work from home policies implemented during the COVID-19 pandemic.

The Denver metro region has the highest concentration of Colorado state employees, with 13,685 employees in 2021, or 48% of the state's workforce. The remaining employees are located in other regions of the state. The State of Colorado prioritizes hybrid work, as the Colorado governor issued an executive order in 2022 declaring it a necessary development in 21st century labor.[xii] The City of Denver itself employs over 11,000 people. As of early 2022, the remote work policy for city employees, where applicable, has been a two day in-office per week requirement.

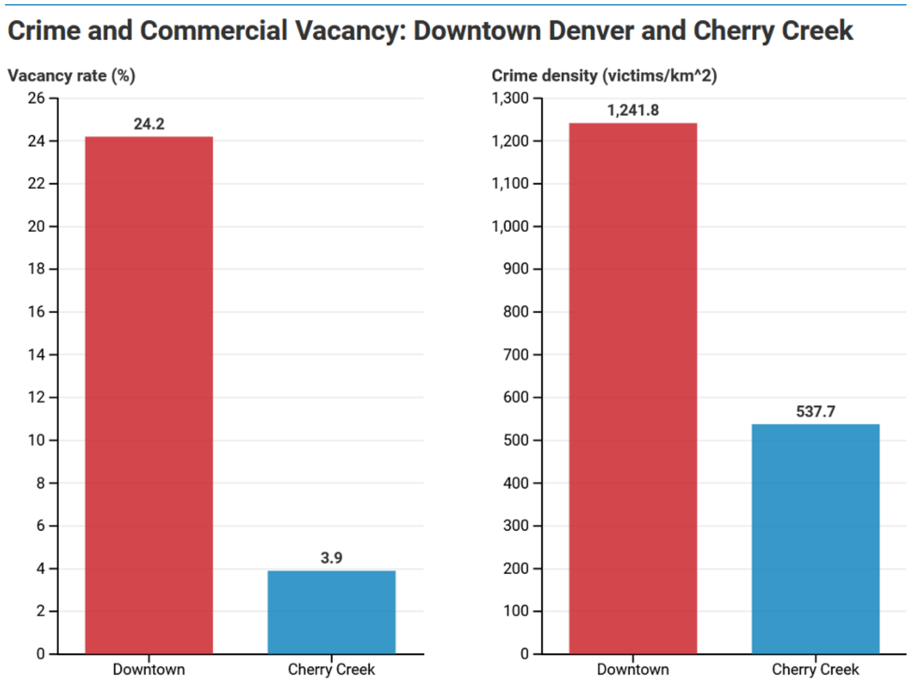
COMPARISON WITH OTHER DENVER NEIGHBORHOODS

Crime incidence may help explain why other business districts in Denver do not have the same vacancy issues seen in downtown Denver.

Cherry Creek's commercial vacancy rate is eight times lower than downtown Denver's - 3.9% as compared to downtown Denver's 24.2%. Similarly, Cherry Creek's crime density is less than half of downtown Denver's, or 43%. Cherry Creek has a lower concentration of homeless encounters, as well.

Cherry Creek has the same police force and same laws as downtown Denver. Its better crime concentration may show more willingness on the part of residents to report crimes, a police force with more responsive capacity, or higher use of private security staff. As homeless services are located in downtown Denver hubs, Cherry Creek may escape some of the homelessness issues more pervasive in downtown.

FIGURE 15 - CHERRY CREEK AND DOWNTOWN DENVER



SURVEY RESULTS AND CITY INITIATIVES

Safety and the perception of safety factor heavily in the decisions of Denver metro residents to use city and state resources. CSI's previous research has broached this topic before concerning the Denver metro's Regional Transit District's transportation offerings. Even in the absence of information that shows unsafe conditions, would-be riders may avoid the service altogether.

Similarly, would-be visitors of downtown rate their perception of safety as the foremost reason to avoid the area. In a survey commissioned by the Downtown Denver Partnership,[xiii] a "sense of safety and security" was the single largest deterrent to visiting the area, chosen by 68% of the respondents as their biggest reason, following by the difficulty and expense of parking.

At the beginning of 2024, Downtown Denver Partnership and the Denver mayor's administration launched the Clean and Safe Downtown initiative, seeking to clean areas formerly known for homeless encampment activity. The mayor also rolled out the All In Mile High initiative to provide permanent housing for homeless individuals.

Whether these initiatives and police focus has produced any positive impact on downtown Denver's foot traffic and office occupancy remains to be seen in data.

Denver's mayor has also rolled out a plan to address downtown Denver's malaise by expanding the Downtown Denver Authority. This taxing authority formerly financed the renovation of Union Station. The mayor plans to raise $500 million from a 15-year extension of the taxing authority.

With each, the goal is to attract people to downtown Denver with more public spaces and residential options, rather than reharvest pre-COVID downtown activity by mandating office work. To the former end, prioritizing safety is in line with the goal. This, however, prioritizes a reformed downtown Denver rather than a recovered one, with different work, residence, and visitation patterns than pre-COVID Denver.

RECOMMENDATIONS

It's clear that to address the challenges we face in re-activating our downtown requires a multi-pronged approach.

- Whether commercially focused or residentially focused, downtown Denver will only thrive if businesses are able to succeed. City leaders should closely examine which policies are most burdensome for downtown businesses, including Energize Denver regulations as well as minimum wage. They should work with commercial leaders to identify how the city's goals can be achieved while still maintaining a robust, commerce-friendly environment.

- Similar to CSI's research on RTD, the city must not only improve safety but also address the perception of safety. And, we don't have to look far to see examples of what works – Cherry Creek North offers the tale of two cities but both neighborhoods are in Denver. When talking with employers, it's clear that safety is the driving factor to decisions about requiring workers to come back downtown and keeping employers downtown. The approach being used by police and the community in Cherry Creek should be replicated in downtown Denver.

- As people feel safe again, employers can begin bringing their workforce back into the office – which many desire because employers know that teams working together allow the organization's culture to thrive and increase innovation. Working together as employers – across all three sectors, public, private and non-profit to support this change will be critical to success. The decision by Denver's mayor to require in-office work from city employees was a positive move toward restoring downtown traffic and could even be extended further. Colorado's governor has not yet issued a similar directive. Doing so could further reinvigorate downtown areas and serve as a model for private and non-profit employers to follow suit.

- Denver needs to increase residential options downtown – supporting development that allows a broader range of workers to live downtown creating a more vibrant neighborhood. Providing support to organizations like MSU-Denver who has committed to building student, staff and faculty housing downtown should be directly supported by the City. The Downtown Denver Partnership has worked to increase residences downtown and today it's more vital than any other economic incentive for business because it brings the customers that will allow those businesses to thrive.

- Downtown Denver hosts a high concentration of services for those in the greatest need in our region. Such concentrations have never worked effectively. This is an opportunity to ensure Denver provides supports and services throughout the region to better serve those in need. Further, there is a proven model of how to use our courts to support people struggling with addiction. Denver's mayor has already made steps in this direction by appointing an active judge to the city's drug court. Police enforcement strategies seem to be reflecting a new emphasis on enforcing drug and alcohol violations, as shown in downtown Denver's crime data. The city should double down on these efforts and expand Denver's drug court as quickly as possible and ensure it has the resources to serve those struggling with addiction issues.

Revitalizing our downtown is important to every single person in this region. It's often where someone attending a convention gets their first impression of Colorado. Our students in Denver Public Schools (DPS) get a disproportionate share of their funding from commercial properties – as those office buildings downtown lose tenants and value, our students will suffer greatly. This region can't afford to wait and hope the world will change but the city must do what the city does best – work together across the public, private and non-profit sectors to ensure downtown is an inviting place for everybody again.

BOTTOM LINE

Downtown Denver's recovery will depend on two things: attracting new visitors and residents and/or herding office workers back into their offices.

Downtown Denver's recovery has been slow due to the social and labor impacts of 2020. It has one of the nation's lowest recovery rates of downtown foot traffic and its offices are more vacant than they have been in 15 years. The city has grown its taxable sales at a slower rate than any other area along Colorado's Front Range. Meanwhile, it costs more to rent downtown Denver office space than any point on record.

Among the factors that are possible to track, concentrations of homelessness and crime have some relationship with downtown office vacancies. The presence of property crime is a stronger link than other factors. Downtown Denver's property crime has receded in the last two years, but overall crime is still as high as it was in 2022 as "other" crimes supplant property crime. The public rates the perception of safety and security the most critical among its reasons to visit or not visit downtown Denver.

City initiatives prioritize attracting new visitors and new residents more than recouping office worker traffic directly. The mayor's homelessness and crime initiatives have yet to result in more foot traffic, and the expansion of the Downtown Denver Authority has not yet been implemented.

Downtown Denver's recovery will likely take a different shape than simply rebuilding what existed before the COVID pandemic unless remote work trends return to pre-COVID patterns. That being the case, the perception of safety and security is the greatest hurdle to attracting downtown visitors and residents.

City leaders should continue to prioritize safety and security measures and devote efforts to heralding successes with data-backed evidence. If city leaders agree that a recovery of pre-COVID office traffic is necessary, both state and city leaders should consider how to return government workers to their offices, as they represent a substantial chunk of Denver's workforce.

NOTES ON DEFINITIONS AND DATA SOURCES

Every mention of "downtown Denver" in this report, except in the context of University of Toronto's study, refers to the seven-neighborhood amalgam described underneath Figure 2. These neighborhoods were chosen for their central locations, high densities, proximities to public services and popular attractions, and colloquial associations with downtown Denver. The area that University of Toronto defines is smaller and more central, but its foot traffic depends largely on conditions within surrounding areas too.

This report's findings about downtown Denver's crime and homelessness problems, likewise, describe the seven-neighborhood area. Neighborhood-level crime incident, type, and victim data come from the City of Denver's Open Data Catalog. The only city-wide crime data used in this report, from the FBI's Uniform Crime Reporting program, are found in Figure 11. Records of DDPHE's contacts with homeless people, along with each interaction's nearest cross streets, come from the agency directly via a CORA request; CSI geolocated these records across Denver's 178 census tracts, most of which form groups that match the dimensions of the city's neighborhoods. Those findings that compare crime and homelessness with commercial (office and/or retail) vacancy rates derive the latter from CoStar, which is a commercial real estate database that allows definition of custom geographies to match, in the case of this report, neighborhoods and census tracts.

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