

# Reinvention Of Cities

BY ED FRIEDRICHS

**Speakers:**

**Andy Cohen**

*Co-CEO, Gensler*

**Colin Shepherd**

*CEO, Investment Management, Hines*

**Lisa Wise**

*President, Lisa Wise Consulting, Inc.*

**Moderator:**

**Ed Friedrichs**

*Friedrichs Group*

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*NEW TYPES OF CITIES ARE LEVERAGING CUTTING-edge technologies, infrastructure, design and planning techniques. The following is a summary of discussions between the panel participants, followed by some key points from each of them.*

Cities are being reinvented for the future out of necessity. By mid-century, there will be 32 percent more people living on the planet. From today to 2050, the world population will grow by 2 billion people, with 100 million more people residing in the U.S. With so many more humans consuming resources and needing housing and services in order to live, work and play in harmony, the challenges for planners, designers, developers and civic leaders are mounting.

Along with population growth other drivers of change include demographics, urbanization, technology advances and globalization.

**DEMOGRAPHICS:**

**Generational shifts are impacting the shape of cities. Millennials are driving this change, as younger generations seek walkable urban districts with access to mass transit and compact spaces.**

**About the Author**



Ed Friedrichs completed his undergraduate degree in pre-architecture at Stanford University in 1965 and received his Master of Architecture degree from the University of Pennsylvania in 1968. He joined Gensler (now the largest and most respected architecture, design and planning firm in the world) in San Francisco in 1969, opening the firm's Los Angeles office in 1976. In 1995, he was appointed President and, in 2000, Chief Executive Officer of the firm, leading its development as one of the most successful and influential design firms in the world.

Since moving to Reno in late 2014, he is working as a development partner on the West 2nd District, led by the Don J Clark Group.

He is a co-chair of the Reno Streetcar Coalition, which is providing leadership to construct a streetcar line connecting the University of Nevada Reno with downtown, mid-town and the convention center along Virginia Street.

- By 2020, 50 percent of the workforce will be Millennials; by 2030, this will grow to 75 percent. They desire to live, work and play in ways different than their parents and grandparents.
- A Fannie Mae report debunks the notion that boomers are driving demand for rental apartments. Instead, that change is being driven by Millennials. It appears boomers are aging in place.
- A National Association of Realtors® survey found Millennials want more compact urban spaces and don't want to drive as much. They desire more transit and amenities, and they are willing to sacrifice certain things to have that lifestyle. They want to live in walkable communities.
- Households with children are shrinking and will decrease to about 25 percent of total households by mid-century.

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- For the first time in history, the industry is concurrently designing and developing for four generations of inhabitants, and each one of them has their own views of how they want to live and work.

### URBANIZATION:

**As more of the world's population migrates to cities, densification brings its own set of challenges — from regulatory reform to the built environment's impact on climate change.**

- Over the next 15 years, 400 million people will move to cities. Today there are 3.9 billion people living in cities around the world; by 2050, that number will be 6.3 billion.
- Regulatory reform is required to accommodate and encourage densification and create places people want to live.
- Wise jurisdictions are updating plans, policies and regulations and creating new regulatory frameworks that promote dense, walkable spaces. They are becoming flexible in development of new codes in order to react to the market. Jurisdictions that don't change will be left behind.
- Densification of cities requires a focus on resiliency and sustainability. Buildings give off the most CO<sub>2</sub> into the atmosphere. Climate change and its implications are having a profound effect on how cities are being designed and built.

### TECHNOLOGY ADVANCES:

**Technological advances — from 3-D printing to cloud based computing — are changing the way cities and structures are being designed, built and used.**

- Architects and designers are now designing buildings and models with 3-D printing. A house model can be put together in two weeks utilizing 3-D printing, which has implications for creating affordable housing quickly and economically.
- In a world where an iPhone carries as much computing power as it took NASA to get a man on the moon, technology-based innovations are changing the way cities and structures are being designed for efficiency, sustainability and resiliency.

### GLOBALIZATION:

**Globalization has had a major impact on the growth of cities. As globalization promotes economic growth, the driving force behind urbanization, it is increasingly seen as a long-term strategic investment.**

- Since 1990, there has been a more than 400 percent increase in global trade.
- Despite the fact that emerging economies have been under stress, 60 percent of the U.S. GDP is attributed to globalization.
- The West Coast, especially, has seen tremendous investment from Chinese and other Asian investors. Massive amounts of sovereign wealth are coming into the country.
- From an investment perspective, globalization is not a short-term tactical strategy. It is a long-term strategic investment.
- In investing globally, the investor must consider a given level of expected return and be willing to sustain short-term volatility.
- From a global perspective, winning urban centers and sub-markets are places where people want to live — where economic, environmental, educational and quality-of-life services are favorable. Locations with desirable assets demand a premium.

The panelists believe there is a boom to come for development in the U.S., with most of the growth concentrated in the West and the South. From a baseline in 2000 of 230 billion square feet of development, it's expected that over a 30-year period, the country will need 100 billion square feet of new development and 100 billion square feet of redevelopment. That's an enormous amount of investment, and a monumental opportunity to change the paradigm of how the building industry does business and reinvents urban centers.

Regulatory reform needs to be part of this change, contends Lisa Wise. Form-Based Codes allow cities and developers to agree on a vision and plan that provides greater certainty for them, as well as for residents. If regulations are set early on, development is streamlined and greater collaboration allows a

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more efficient process by which things get done, resulting in major shifts in urban environments.

Doing Form-Based Zoning in communities tends to generate a more vibrant streetscape. Wise cities examples in Redwood City and Richmond, California, as well as Denver, Cincinnati, Miami and Austin, as successful Form-Based Code efforts that have surmounted earlier development challenges.

In describing cities as economic engines of the future, Andy Cohen cites several examples of Gensler-designed buildings and spaces that have transformed the urban environment, enhancing how people live, work and play.

The Tower at PNC Plaza, a recently-completed building in Pittsburgh, is the most sustainable tall building in the U.S. The skyscraper has vertical neighborhoods, meeting rooms and collaboration spaces throughout. The building actually breathes, allowing natural air flow. Natural light penetrates as deep into the tower as possible, and a solar chimney draws hot air up through the building. A double wall allows insulation, mechanical louvers keep warmth in during cold weather and allow natural air into the building during the warm months.

In Kuwait, Gensler created The Avenues, a 10 million square foot horizontal city where everything is under one roof. More than 40 million people visit the building annually to stroll, shop, dine and live. The entire country sees The Avenues as one of the Middle East's premier retail and leisure destinations and an essential part of the urban fabric.

In south downtown Los Angeles, Gensler created a new entertainment district, with 15 million square feet of future development planned around the new core that will have 25,000 new housing units. Within the district, existing buildings were renovated for new uses. An old battery plant, for example, was converted to a model workplace of the future. And because people are no longer tethered to their desks, what was the loading dock for an industrial use became meeting spaces and areas for collaboration. Such spaces are spotted throughout the building.

In Shanghai, Gensler created the Shanghai Tower, the tallest building in Asia and the second tallest building in the world. At 140 stories tall, it is a vertical city with residential, office, hotel, retail and other features, including 14 different atriums that are the vertical city's town centers. Most significantly, the building is resilient and sustainable. An intelligent skin monitors the amount of light and air that's entering the building. Wind turbines at the top of the building produce renewable energy. Innovations from lighting to landscaping make it an example of the building of the future and a symbol for the world that China embraces sustainability.

From an investment standpoint, Colin Shepherd puts forth three simple principles for strategic long-term investment on such projects and in markets around the world: (1) capital preservation, (2) reliable cash flow and (3) asset performance.

He challenges investors to look at the preservation of capital in the context of a real-term basis: Will the growth of the investment outpace inflation?

He encourages investors not to underestimate loss due to turnover — either capital loss or downtime and leasing costs. He cites retail and multi-family investments as having a much lower loss factor as compared to office or hotel investments.

As part of asset performance, he cited location as an important element, giving as examples residential property that is adjacent to desirable amenities such as good parks, rivers and transportation. Such properties demand and receive much higher rents.

As cities of the future are renovated and reinvented, it is imperative that investors, designers and developers take seriously their obligation to do be part of the solution for the homeless who proliferate in dense, urban settings. Not only are the homeless and blighted areas of a city part of the analytics that go into a potential investment, it is incumbent on the real estate industry and municipal officials to work together to create cityscapes that are safe, accessible, affordable and pleasant for all residents. ■