Cities discover economic benefits of sustainable planning, land use

BY ANDRE SHASHATY

▶ **Global View: Our city's greener than yours**

Mayors of the world's major cities know better than most national governments why being green and sustainable matters. They know they have to compete globally to attract investment and jobs, and that they must offer a good quality of life to the highly educated people that today's economy needs. If they can make their cities a haven for green businesses, all the better. In Shanghai, China, shown on a planning map at the city's museum of urban planning, a key priority is to create more badly needed green spaces.

PHOTO BY DENNIS WHITEHEAD

Call it smart growth, sustainable planning, transit-oriented development or even pedestrianism, but make no mistake: City after city is discovering that it pays to reform land use planning and redirect real estate development to make their communities more compact and less dependent on private vehicles.

California and Oregon have jumped out front by passing state legislation to push cities in this direction. However, this is not a "left coast" phenomenon. City officials all over America recognize the need for more sustainable land use patterns. Cities like Atlanta, Dallas, Houston, Salt Lake City, and Oklahoma City realize that reducing sprawl and cutting the rate of growth in private vehicle use opens the door to a better quality of life and renewed economic vitality.

With $140 million in new federal grants for sustainable community planning announced last fall, the momentum for reform and new approaches to planning and development is only increasing. After all, American cities have a long way to go to begin to reverse the impact of 60 years of suburban sprawl and ever-increasing numbers of cars and vehicle miles travelled per capita.

Response to climate change

The effort to change land use began as a response to the threat of global warming due to greenhouse gas (GHG) emissions. Fuel efficiency standards alone won't cut GHG emissions enough—we also have to reduce how many miles we drive to make a dent in emissions. This change in turn requires rethinking the patterns and routines of suburban life, which typically involves driving long distances to and from work and using one's car for almost every errand.

Today, with the economy hurting and cities looking for firmer financial footing, city leaders see economic benefits as well as environmental pluses in changed land use patterns. City planners are realizing that they can't afford to keep expanding their infrastructure to facilitate greenfield development. They also recognize that they can't spend money fast enough to accommodate increasing populations to avoid more and more crippling traffic congestion.

On the revenue side, city planners realize that reducing sprawl, increasing transportation options and offering ample green spaces are ways to attract the kind of well-educated workers whom service businesses look for when deciding where to locate.

Economic benefits

More specifically, cities are coming to believe that transit-oriented development is an economic winner and that housing close to jobs holds its value far better than quickly built tract housing in outlying areas. Even largely suburban areas, where large lots and long drives are a way of life, are finding that creating mixed-use town centers is good business.

Expansion of light rail systems and real estate development along new routes is one of the brightest spots in the American economy today. Texas is known for pick-up trucks and wide open spaces, but it has discovered public transit makes economic sense.

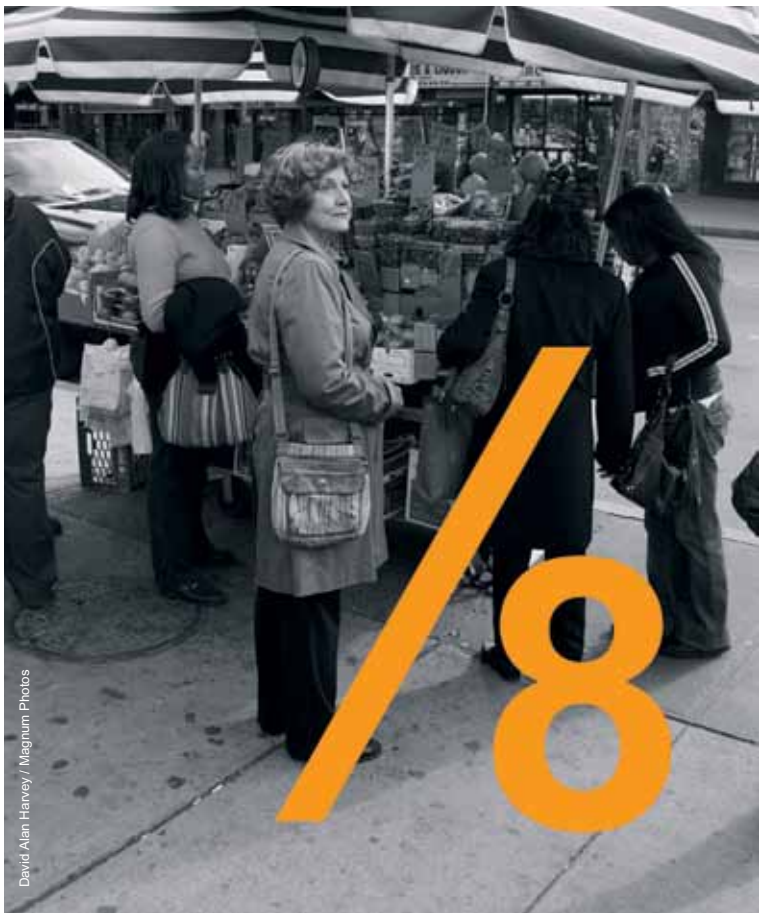
▲ California's Inland Empire may be the poster child of suburban sprawl, but more communities are working to create pedestrian-friendly town centers like Victoria Gardens, a mixed-use town center in Rancho Cucamonga.

Dallas Area Rapid Transit (DART) recently studied the fiscal impacts of transit-oriented development associated with development of the DART light rail system. The analysis considered development near existing and planned light rail stations and found that the total value of projects attributable to the presence of a DART rail station since 1999 is $4.26 billion. Increased taxable property values associated with the rail stations have the potential to generate ongoing annual tax revenues totaling $16.8 million for DART member cities and over $46 million for area school districts.

Based on a fiscal planning model, the retail component of transit-oriented development projects in the DART service area will generate over $660 million in annual taxable retail sales, boosting local municipal revenues by $6.6 million annually, the agency believes.

The City of Atlanta is planning to construct a new streetcar line connecting many of the most important downtown residential, cultural, educational, and historic centers. The first phase of the project will run for 2.62 miles in the heart of Atlanta's downtown, business, tourism, and convention corridor, connecting Peachtree Street with Sweet Auburn Avenue.

"The Atlanta Streetcar project moves the City of Atlanta forward and keeps us competitive with other similar cities by improving our regional transit connectivity, boosting our billion dollar tourism industry, helping local businesses along the Sweet Auburn Avenue corridor, and building a more sustainable future," Mayor Kasim Reed said. "Most important of all, the Atlanta Streetcar project puts our citizens back to work soon by creating 930 jobs during the construction phase and more than 5,600 jobs over the next 20 years."



David Alan Harvey / Magnum Photos

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Oklahoma City is working on an ambitious planning process to redevelop 750 acres of underutilized land between the downtown core and the shore of the Oklahoma River. The "Core to Shore" project will build and connect a series of neighborhoods, parks, and economic opportunities that the city hopes will create to new jobs and a higher quality of life for residents. Major aspects of the Core to Shore plan include a new streetcar line, a pedestrian-friendly boulevard, a 40-acre central park and development of business, retail, and mixed-use housing along the park.

About 50 other cities are considering starting street car lines, a fact that underscores better than any other how Americans have come full circle in regard to urban planning and the private car. Most American cities had street cars in the early 1900s; the advent of freeways and the political power of the automobile industry convinced cities to give them up in the 30s and 40s.

Higher taxes per acre

In Sarasota County, Fla., the financial benefits of compact, mixed-use development were quantified in a recent study by Public Interest Projects, Inc., of Asheville, N.C. The firm studied property tax revenue on a per acre basis and infrastructure costs, and reported that "the urban form consumed less land, cost less to provide public infrastructure, and had a higher tax return," according to the firm.

The study compared tax revenue from a range of building types in different locations on a per acre basis. It showed a much greater return from some types of development, mostly close-in, mixed-use properties, both old and new, over more conventional, single use suburban land uses, according to an article in *Planning Magazine* by Peter Katz, Sarasota County's director of Smart Growth/Urban Planning.

It found that mixed use properties performed dramatically better even than the strongest shopping mall in the county when it comes to generating property tax revenue, according to the article. One mixed-use property generated $800,000 in property taxes per acre, compared to $21,732 per acre for the mall.

The article goes on to talk about the financial advantages of compact development because of the savings it offers on "horizontal infrastructure," such as roads, water and sewer lines. (See "Sarasota's Smart Growth Dividend" in *Planning Magazine*, December, 2010, p. 26)

Drawing up blueprints

For most of the past decade, regions across California have been envisioning more efficient ways to grow. These blueprint planning exercises illustrate the potential to save open space and farmland, reduce traffic congestion, and improve air quality. Sacramento is one region whose blueprint has also shown that growing more efficiently can save billions of taxpayer dollars on infrastructure and on individual transportation spending, according to "Windfall for All: How Connected, Convenient Neighborhoods Can Protect Our Climate and Safeguard California's Economy," a report by TransForm, based in Oakland, California.

As it was developing its metropolitan transportation plan for 2025, the Sacramento Area Council of Governments (SACOG) projected that, despite spending an estimated $23 billion through the year 2025 for transportation projects in the six-county region, vehicular congestion throughout the metropolitan area would increase by nearly 60% and vehicle miles traveled per household would increase by 20%. In addition, based on the sprawl-like development patterns of the late 1990s, the region would urbanize 661 additional square miles by 2050 under the base case scenario.

SACOG undertook an elaborate process of consultation with the public and elected officials of its constituent jurisdictions to come up with its "Preferred Blueprint Alternative Special Report 2005." This comprehensive guidance on how the region should grow would result in the following savings compared to continuation of the then-current development trends:

- **$9.4 billion less for public infrastructure costs (e.g. transportation, water supply, utilities);**
- **14% fewer carbon dioxide emissions;**
- **$655 million less for residents' annual fuel costs; and**
- **$8.4 billion less for land purchases to mitigate the environmental harm of development.**

Smaller towns are investing in compact, downtown development as well. The town of Windsor in Sonoma County is already benefitting from preparing to be a walkable public transportation center, even though a newly approved light rail system won't arrive for years. The downtown's sales tax revenue increased tenfold over an eight-year period after the city created an accessible core of civic services, greenspace, and compact housing options for all incomes. Vacancy rates remain low in the downtown, despite the national economic downturn, according to "Windfall for All."

Rafael Town Center

The city of San Rafael's Town Center is an excellent example of the kind of development cities in California are encouraging.

Completed in January 2002, the mixed-use infill develop-

ment on the site of a shuttered department store has been a success for the city and the developer, Samuelson Schafer. (The project is pictured on the cover of this issue.)

James Schafer of Samuelson Schafer says he is "very happy" with the project's financial performance. Schafer and his partners in Los Angeles and Phoenix believe that infill development that attracts people to live in downtown areas are key to a city's success and viability. Having people living downtown creates a built-in market that lets retail, dining and entertainment businesses compete against outlying shopping centers and malls.

Because the project is downtown and residents can walk to work, shopping or entertainment, the city agreed to a parking ratio of one space for each apartment.

The San Rafael Redevelopment Authority assembled the project site and selected Samuelson Schafer in a competitive process.

The city closed off Court Street, which borders the project on the west, to create a central gathering place called City Plaza. The area includes a water feature and public art.

The project fits well with the city of San Rafael's desire to reduce dependence on private cars and to bring vitality and retail customers to the city's center, said Bob Brown, community development director. The city uses the space for a weekly farmer's market in the summer, special events, and civic ceremonies, making it a focal point for downtown activity.

No data on the development's impact on sales tax revenue are available, but the Town Center draws thousands of people on a weekly basis who might otherwise not be shopping or dining downtown.

Rafael Town Center has 113 apartments, 95 percent of which are occupied. The apartments are at the high end of market rents, with one bedrooms renting for $1,300 to $1,600. Two-bedroom units average $1,900 and go as high as $2,350.

Thirty-eight units are set aside for people earning less than the area median income, exceeding the required set aside. In return for the extra affordable units, the project received a density bonus.

The project also boasts 40,000 square feet of office space, 24,000 square feet of retail, and two levels of parking. Office space rents average $3.30 per foot gross; offices are 99 percent leased. Retail space goes for an average of $2.30 per foot net. Although there are retail vacancies, that's no different than the rest of town, or the county, for that matter.

▼ Crowds are attracted to the plazea at Rafael Town Center.

Property values

It's widely reported that the recent wave of foreclosures was far worse in outlying suburban areas that require long commutes to job centers than it was nearer to jobs. The extent to which this is true varies from city to city, but the general idea is at the forefront of federal policymaking.

One study shows that homes in more walkable neighborhoods are worth more than similar homes in less-walkable neighborhoods, pointing to a bright spot in the residential real estate market. "Walking the Walk: How Walkability Raises Housing Values in U.S. Cities" by Joseph Cortright, analyzed data from 94,000 real estate transactions in 15 major markets provided by ZipRealty and found that in 13 of the 15 markets, higher levels of walkability, as measured by Walk Score, were directly linked to higher home values.

"Even in a turbulent economy, we know that walkability adds value to residential property just as additional square footage, bedrooms, bathrooms and other amenities do," said Cortright. "It's clear that consumers assign a tangible value to the convenience factor of living in more walkable places with access to a variety of destinations."

Walking brings value

Walkability is defined by the Walk Score algorithm (www.walkscore.com), which works by calculating the closest amenities—restaurants, coffee shops, schools, parks, stores, libraries—to any U.S. address. The algorithm then assigns a Walk Score from 0 to 100, with 100 being the most walkable and 0 being totally car dependent. Walk Scores of 70+ indicate neighborhoods where it's possible to get by without a car.

By the Walk Score measure, walkability is a direct func-

tion of how many destinations are located within a short distance (generally between one-quarter mile and one mile of a home). The study found that in the typical metropolitan area, a one-point increase in Walk Score was associated with an increase in value ranging from $700 to $3,000 depending on the market. The gains were larger in denser, urban areas like Chicago and San Francisco and smaller in less dense markets like Tucson and Fresno.

"These findings are significant for policy makers," said Carol Coletta, president and CEO of CEOs for Cities, which commissioned the research. "They tell us that if urban leaders are intentional about developing and redeveloping their cities to make them more walkable, it will not only enhance the local tax base but will also contribute to individual wealth by increasing the value of what is, for most people, their biggest asset."

Why cities invest in sustainable development:

- **Efficiently accommodate a growing population**
- **Attract creative, skilled workers who do not want long commutes**
- **Reduce spending on roads, interchanges, and signals**
- **Increase retail sales and sales tax revenue**
- **Make better use of existing infrastructure**
- **Help stabilize and increase property values**

The economic benefits to be had by redirecting development from outlying areas to infill development near transit and existing housing include reductions in the costs of sprawl. In many fast-growing regions, subdivisions of low cost housing built quickly at the peak of the boom are now riddled with vacant foreclosed home and high levels of absentee ownership.

The phenomenon prompted one author to call the suburbs the new American slums. That might be overstating the case, but mayors know that outlying neighborhoods with higher foreclosure rates can be a huge drain on city resources, including police services.

Green makes financial sense

Finally, some cities see great economic potential in the movement toward green building and alternative energy generation.

The most obvious economic benefit is to create construction jobs in the retrofitting of existing buildings to be more efficient users of electricity and water. About half the states had started programs allowing cities to make loans to property owners for energy retrofits to be repaid from tax assessments, so called Property Assessed Clean Energy programs. (The programs have been slowed and in some cases halted by legal challenges from mortgage lenders but may resume.)

Cities in other nations are probably ahead of American municipalities in pursuing what could be called the zero-carbon future. Cities like London and Freiburg, Germany, are working hard to reduce the carbon emissions of their buildings. They see this as a way to attract the kind of bright young people that "new economy" jobs demand and to attract green businesses.

The proponents of "zero carbon" construction believe that owners and maybe even tenants can increase disposable income, freeing money to go into the local economy, by reducing their energy costs or even realizing income by selling back surplus power to utility companies.

A Chinese company, BYD, is moving into the North American market with, among other things, a household electricity storage battery. The idea of storing power in the home could make it possible for households to generate solar power or buy cheap power during non-peak demand periods and then sell stored power to the local utility during the highest-rate, peak-demand periods.

In Southern California, the Los Angeles Business Council is promoting creation of a system of electricity generation from installation of photovoltaic panels on the rooftops of multifamily and commercial buildings across the city. It says a solar "Feed-in Tariff " program allows businesses, public and non-profit organizations, and residents to install solar panels on their roofs and parking lots and sell the power generated back to the local utility.

Resources:

Reconnecting America, a national nonprofit organization that is working to integrate transportation systems and the communities they serve with the goal of generating lasting public and private returns, improving economic and environmental efficiency, and giving consumers more housing and mobility choices.
http://www.reconnectingamerica.org/public/about

Sacramento Area Council of Governments "Preferred Blueprint Alternative Special Report"
www.sacog.org/regrpt/pdf/2005/01.../BP_Insert_JAN_2005.pdf

The Vision California project, funded by the California High Speed Rail Authority in partnership with the Strategic Growth Council, is developing two modeling tools to formulate and compare scenarios for how California can accommodate growth.
http://www.visioncalifornia.org/