

# CITIES & TOWNS

*The decision maker's bridge  
to stronger, greener communities*

DECEMBER 2013—VOLUME 2, NUMBER 8

## SPECIAL ISSUE: ECONOMICS, MARKETS, AND WALKABLE PLACES

### The business case for compact cities and towns

*Innovation and access to good employees -- two reasons why businesses are choosing to locate in walkable downtowns and towns centers.*

Who'd have thought that Detroit, the poster child for urban decay and fiscal insolvency, would attract more than 10,000 workers downtown in recent years, heading toward 15,000 by 2015? While the overall city is bankrupt, downtown is booming with residential and business development.

The reason is that billionaire and Quicken Loans founder Dan Gilbert has found that downtown Detroit is the best place in Michigan to attract talented young workers.

Gilbert, who moved thousands of employees to a new headquarters, explains: "People in their 20s and 30s, the best and brightest coming out of our universities, the vast majority of them want to be in a cool urban core in a hip city. Period. So, if we're going to retain and maintain talent in our companies and have innovative creative people, we've got to make sure that we're in the right locations that are going to generate the interest of those people."

Blue Cross also brought 3,400 employees downtown in a move that saved the company \$30 million in real estate costs while providing more and better quality space than the firm had in its suburban location.

These are two case studies in the report *Smart Growth and Economic Success: The Business Case*, published by US Environmental Protection Agency in November, 2013. The report lists three reasons why many businesses have reversed their outward migration and are locating back in town centers, urban neighborhoods, and downtowns. The EPA calls them 'smart growth places,' and explains they can be found in rural environments, cities, suburbs, and small towns. What smart growth places offer are:

SEE BUSINESS CASE ON PAGE 10

**Woodward Avenue in Detroit, looking downtown.**  
**Despite the city's bankruptcy, downtown is growing in jobs and population.**



### Shaping our future, one city at a time

HENRY CISNEROS

Cities around the US are on the brink of a long-term resurgence inextricably linked to the arrival of a post-manufacturing age in America, but will require the right mix of urban housing to ensure their successful transformation into central engines of our nation's new economy.

As the United States has shifted away from manufacturing, new sectors have emerged as the primary forces driving the nation's economy. These diverse industries include new media, business and professional services, international trade, health care and the biosciences, higher education and hospitality. America's new economic makeup has far-reaching implications for our cities, as the rise of these sectors is tied to a secular trend of creative-class agglomerations in urban areas across the country. Given the vital role that cities will take on as both employment centers and residential districts in this post-manufacturing era, they will most likely experience a long-term revitalization far beyond the cyclical character of a momentary economic recovery.

City leaders have a chance to capitalize on this new economy and revive their former industrial districts. At the heart of this effort, which has already begun in earnest in cities across America, is the recycling of physical space to create vibrant live/work/play districts. Former industrial districts are already being transformed into employment centers focused on the emerging sectors that now comprise our nation's economic DNA. And unlike the manufacturing industry, with its belching smokestacks and toxic salvage yards, these new sec-

SEE SHAPING OUR FUTURE ON PAGE 9

**BETTER!  
CITIES&TOWNS**

*Better! Cities & Towns* is dedicated to covering smart growth and New Urbanism. *Better! Cities & Towns* is published by New Urban Publications Inc.

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(ph) 607/275-3087 (fax) 607/272-2685  
Email: mail@newurbannews.com  
web: bettercities.net

*Better! Cities & Towns* is published eight times a year (every 6.5 weeks) by New Urban Publications inc., 218 utica st., Ithaca, NY 14850. ISSN # 1096-1844.

**POSTMASTER:** send address changes to New Urban News, PO Box 6515, Ithaca, NY 14851.

Periodicals permit approved at Ithaca, NY, and additional mailing offices. Subscription is \$79/year in the U.S. and Canada.

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## COMMENTARY

**Why walkable places are preferred**

ROBERT STEUTEVILLE

**J**ust more than half of Americans (52 percent), say they want a detached house with a large yard — compared to a house with a small yard or no yard at all, according to the latest poll of the National Association of Realtors (NAR), released in November.

Does that mean that Americans want more of what the housing industry has been providing for the better part of three generations—spread-out subdivisions with drive-to shopping centers and office parks? The desire for the house with the big yard has fueled suburban growth since the end of World War II and was a major force behind the American suburban dream of the last half of the 20th Century.

But the statistic could be compared to the following question: Would you like a single scoop or a two-gallon tub of your favorite ice cream? A yard is appealing. A big yard is more appealing. Put that way, I'll take the big yard and the two-gallon tub.

But that's not how people navigate the difficult choice of where to live. The decision involves trade-offs on many factors, many of them conflicting. Americans overwhelmingly want a short commute (or no commute at all). They want easy access to the things they need (60 percent favor a neighborhood with a mix of houses and stores and other businesses within walking distance, NAR says). Fifty-nine percent want public transportation within an easy walk of their home, the survey reports.

They want choice in how to get around (driving, walking, biking, public transportation), and they want easy access to culture and parks, preferably within walking distance. Sometimes home buyers simply fall in love with the charm of a community (the vast majority of respondents, 78 percent, say that the neighborhood is more important than the house in choosing where to live, NAR reports).

When Americans today are given a choice involving these trade-offs, the option of a walkable, compact, mixed-use community comes out consistently ahead of conventional, drive-only places, the NAR survey shows (by a margin of 60/35 to 50/45, depending on how the question is phrased).

**OVERSUPPLY OF DRIVE-ONLY SUBURBS**

The concept of drive-to-where-you-live suburbia was rational and appealing to the majority of households, policymakers, and industry when it was new in the middle of the last century. Commutes were short, open space was plentiful, and the demand for mass-produced subdivisions was huge. We subsidized this new growth and enacted policies — single-use zoning, setback and parking requirements, street standards, finance controls — that made building traditional neighborhoods illegal. Predictably, over seven decades, we have overbuilt the drive-only suburban option. Researchers such as Arthur Nelson and Christopher Leinberger—whose work is featured in this issue—have confirmed this oversupply.

As traffic congestion, longer commutes, more expensive driving, and loss of open space has eroded the advantages of conventional suburban communities, the virtues of your grandparents' communities are once again widely recognized. For the public and private sectors, walkable places create a ton of value. It's not just the higher density, but the way that density is arranged in cities and towns that generates economic and social value not available in drive-only suburbs. Smart growth allows for creation of quality public space, proximity to culture and civic amenities, and the connection to nature that is accessible on foot. It allows for transportation choice and the ability to reduce household automobile costs. It's simply a more efficient way to build. Combine these qualities with current undersupply and a strong ongoing demand for walkable places, reflected in research reported throughout this issue, is inevitable.

On a different note, read Philip Langdon's review of the book *Happy City* on page 10. This piece alone in this special issue is not focused on markets and economics. As powerful as market forces are, I believe that the strongest driver toward walkable places remains the pursuit of happiness. ♦

# Raise value, avert risk, focus on form

*The current commodity driven system is prone to boom and bust cycles. Form-based planning facilitates the holistic development of enduring, diverse neighborhoods.*

SCOTT POLIKOV



**B**efore the mid-20th Century in the US and abroad, housing combined with street-level retail as well as other walkable neighborhood patterns were commonplace.

This development pattern did not just achieve a neighborhood aesthetic; it also off-set real estate risk during economic cycles by diversifying and synergizing

markets in terms of uses, ages, incomes, and generational cohesion. We abandoned this pattern through single-use zoning and streets designed just to move traffic. Financing policy followed suit, and securing equity and qualified debt for walkable urbanism became more difficult.

Similarly, cities are no longer effectively structured—as they once were—to engage developers who would like to design, finance and construct complex, enduring neighborhoods. Engineering, zoning, capital budgeting, building codes, and parks are often set within specialized municipal silos. That structure is antithetical to a holistic approach to developing resilient, diverse neighborhoods. A holistic approach is critical for the development process predictability necessary for the financial markets to believe that risk will be low and returns can be sustained.

Lost in the development process today is the ability for a developer to act as a town founder once did—to bring together all the elements of a neighborhood through integrated design, architecture, engineering, finance, marketing, and construction to create a durable economic unit. That void has been replaced by a commodity-focused approach to real estate development.

The current commodity-focused system encourages homogenization at the expense of neighborhood development so that specialists can efficiently deliver entitlements, roads, mortgages (for resale in the secondary securities market) and real estate “product.” The resulting loss of the neighborhood has contributed to profound social dysfunction and, more significantly, has placed a structural cycle of boom and bust into the economy.

This structural challenge can be remedied in part through a reset in the role of local government from regulator to partner with the developer through form-based planning and coding. This reset will enable landowners and investors with a desire for longer, more reliable returns to reposition themselves as town founders, enabling the return of the master developer in the classic sense in a modern context. Such a structural reset entails many facets -- Three in particular should be considered in any effort to deliver better neighborhoods:

## TRANSITIONS RATHER THAN BUFFERS

Modern Euclidean zoning separates land uses and promotes buffering them from one another. Traffic engineering, some-

times with landscape buffers, exerts a dominant influence over neighborhood character. The boundaries formed by separation, buffers, and automobile-oriented thoroughfares prevent neighborhood elements from supporting each other’s success and contributing to a unified design. The careful implementation of form-based planning and zoning at the neighborhood and sector levels, initiated by the public or private sectors, will enable developers to take advantage of adjacency predictability.

The form-based approach enables an owner to sell off parcels or lots to specialized vertical developers, knowing that disparate property interests within the neighborhood will be adding incremental value through design continuity to adjacent real estate without the need for common ownership. Design continuity is ultimately facilitated by urban design elements that treat edges as transitions rather than buffers.

Instead of cordoning off a commercial retail center with a masonry wall and a landscaped buffer, for example, the buffer area can be developed into townhouses with an alley to transition to an adjacent single family neighborhood.

## HOUSING CHOICE IN A NEIGHBORHOOD

Housing markets are once again responding to choice rather than amenity. Five years ago, the granite kitchen counter was the key. Today, a neighborhood offering different housing depending on one’s station in life has become a driver of neighborhood value, Housing markets today no longer fit neatly into the categories of “families with children” and “singles.” Rather they fall into more specific categories such as well educated, employed single mothers and retired couples who want to live in a place with the same community benefits as the ones that

**The plan for Montgomery Ridge, in an infill location in Allen, Texas, uses a transition zone between mixed use single family houses.**



PLAN BY GATEWAY PLANNING, A VALTA GROUP PARTNER

they require when they travel for leisure. In that context, the developer who offers housing variety will be better positioned to profit from a nuanced and constantly changing housing market.

The form-based approach allows the community, public “regulator,” and the market to deliver that variety. How? Form-based codes facilitate design that uses transitions to integrate a range of housing types into the neighborhood fabric. This enables the entitlement process to focus on the enduring structure of a neighborhood rather than, for example, whether or not there should be “apartments.”

**STREETS DRIVING VALUE**

Whether in a redevelopment context or a greenfield, street design has once again become a critical focus in the de-

livery of good neighborhoods. To design the street cross-section after establishing the block structure and buildings was once unthinkable. Yet today our system has evolved into the separate specialties of zoning and public works. The New Urbanism has effectively reconnected those elements into a unified design approach. Nevertheless, many local governments and developers still reinforce the separation of those critical elements of the neighborhood, because that is all that they know.

The form-based approach offers a tool to, profitably and politically, design the streets along with the overall neighborhood. The form-based palette provides a visual design context to simultaneously test street function, context, and safety for the driver, cyclist, and pedestrian.

The landowner, builder, planning

director, city engineer, and banker can communicate and work together. This integrated conversation allows the designer to ensure that each facet of the street reinforces its function both within and outside the right-of-way. The neighborhood value is then aligned with the core function of the street.

Ultimately, our highly specialized development system can be pieced back together into an integrated whole, reviving the classic notion of a master developer. The form-based approach provides that opportunity when properly understood and implemented. ♦

*Scott Polikov is an urban designer with Gateway Planning, a Vialta Group Partner. He is a board member of the Congress for the New Urbanism.*

‘The End of the Suburbs’

**F**ortune editor Leigh Gallagher’s popular book of that title, published in August 2013, is not to be taken literally. Suburbs are not disappearing. Rather Gallagher argues that suburbs have lost much of their luster and primacy in American life. The reasons are rooted in economic and social trends, but primarily driven by a growing market for walkable places. A great transformation is now under way, Gallagher argues. A chief aspect of this transformation is a decreasing desire to get around by car and a growing demand to have most of the armature of everyday life within walking distance. “I think we’re going to get out of the car because it doesn’t make any social sense,” Gallagher quotes Eric Dumbaugh, a transportation engineer at Florida Atlantic University, as saying. “There’s a cultural shift going on right now, and I think that ... is going to be the game changer.”

Automobile-dependent suburbs have lost the loyalty and affection of much of the younger generation. Who wants to drive? In 1980, Gallagher points out, “66 percent of all seventeen-year-olds had their driver’s license; by 2010, that had dropped to 47 percent, despite the huge swell in the population of millennials.” The average American aged 16 to 34 drove 23 percent fewer miles in 2009 than the average young person in

2001, Gallagher says.

Though millennials have an appetite for urbanism, this doesn’t mean that all of them insist on living in central cities. “The right urbanized suburbs will do the trick just fine for many in this generation,” she says. Close-in suburbs with walkable business districts not far from pleasant streets of houses and apartments are benefiting from this trend, and will continue to do so. ♦

Per-acre tax advantage is persuasive across the political spectrum

**F**irst reported in *Better! Cities & Towns* (then called *New Urban News*) in September of 2010, compact, walkable places generate *much* higher land value than conventional suburban development. This reality, which has been documented in cities across the US, has profound implications for municipal revenues and is persuasive across the political spectrum — from the relatively liberal Smart Growth America, which published its nationwide report *Building Better Budgets*, to conservatives at the Cato Institute and the blog *Bacon’s Rebellion*.

Much of the August 2013 issue of *Government Finance Review* (*GFR*), published by the Government Finance Officers Association based in Chicago, is devoted to the idea that planners and consultants Peter Katz and Joe Minicozzi first promoted in this publication — that per-acre tax revenues are substantially higher in mixed-use walkable places than in drivable suburbs. (See graph on page 5 of this report). The per-acre analysis is key to understanding the fiscal advantages of smart growth, a range of authors contend.

In *GFR*, the idea reaches an audience of municipal budget officers and CFOs. In the main article, Katz proposes a “fiscal

The new urban School Street Neighborhood built by John McLindon in Libertyville, Illinois.



SOURCE: THE END OF THE SUBURBS, BY LEIGH GALLAGHER

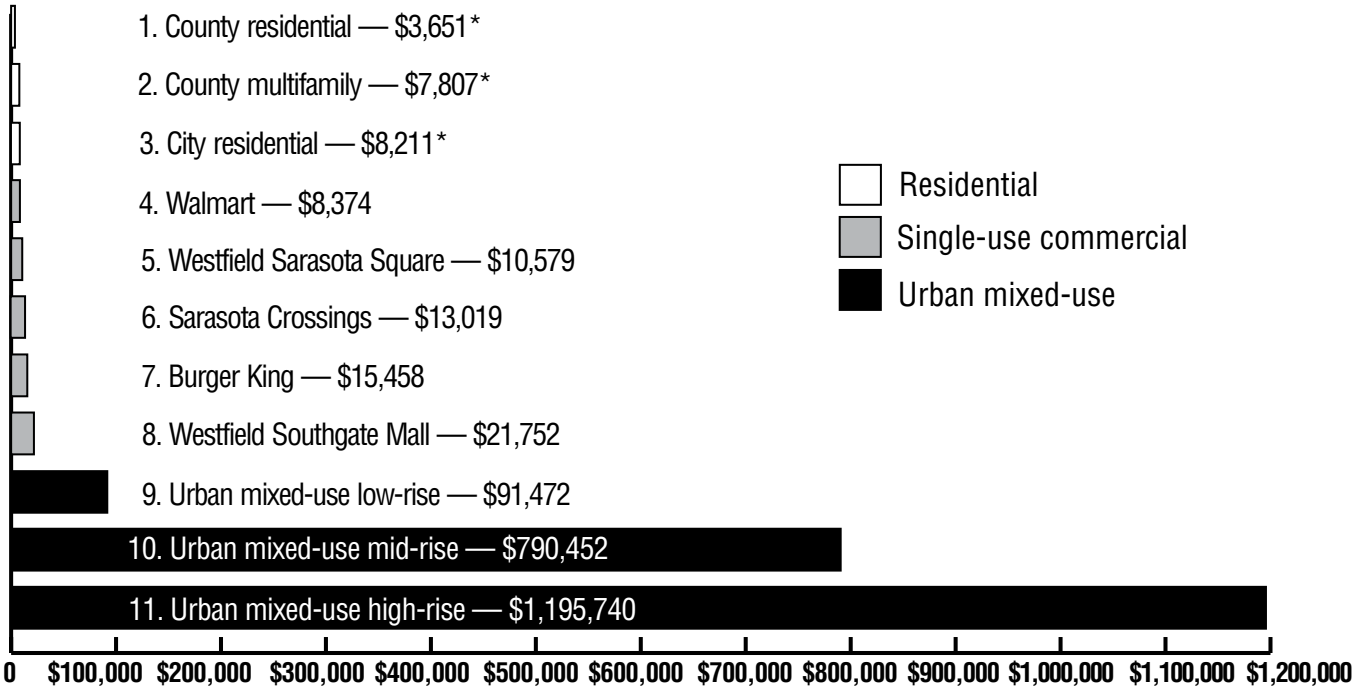
impact quotient” (FIQ), which he calls “The Missing Metric.” This is defined as “the number of years it takes for property taxes to pay back the municipality’s up-front investment to accommodate a new development,” Katz explains. “The figure is derived by estimating the costs for municipally provided infrastructure (capital costs only) for the given property / land use proposal and comparing that figure to the expected annual property tax.” In one comparison, the mixed-use downtown development takes three years to pay back infrastructure costs,

while a suburban counterpart takes 42 years — longer than the infrastructure would last.

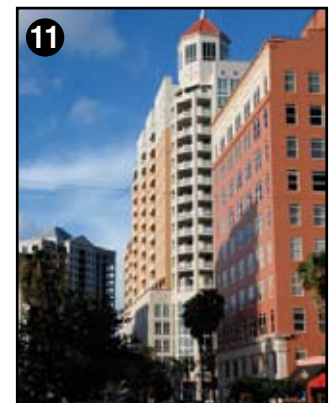
Cato’s Mark Calabria endorses the FIQ. “Katz’s proposed fiscal impact quotient is at heart a mechanism for overcoming political opposition to dense infill development. In a time of squeezed local government budgets, his hope is that by showing localities which developments will be the biggest net fiscal contributors (and these are usually the densest developments), then approval for these projects will become easier to achieve.



**Annual tax yield per acre: Sarasota County, Florida**



New Urban News; Sources: Sarasota County Government, Office of Financial Planning; Joe Minicozzi, Public Interest Projects. Based on 2008 tax figures. \*Based on average sales price per Sarasota County Board of Realtors, 2008 data.



The end result is both better fiscal health for local governments and denser development.”

Also in GFR, Minicozzi expands upon the idea. “Suburban projects tend to be favored over denser downtown development, but data from more than 30 jurisdictions across 10 states show that a municipality receives a greater level of revenue from its denser and more walkable urban patterns than its suburban pattern of development.”

One of those studies, in Mountain View, California, shows how per-acre tax revenues not only favor downtowns, but town

centers, mixed-use corridors, and transit-oriented developments. “Additionally, the data show that ‘downtown scaled values’ were popping up in other areas of the community. This analytic helps community leaders identify the high-performance parts of the community and, perhaps, identify new policies to make the best use of those areas. High-scaled value is not limitless, but even adding more of the development patterns that are happening at the transit-oriented developments (TODs) could add significantly to public coffers,” says Minicozzi. ♦

## Upward mobility linked to walkability

**U**pward mobility is strongly correlated with compact, walkable communities — largely in cities but also in suburbs. Low economic mobility is associated with conventional “drive-only” suburbs, according to new data from Arizona State University researchers that builds on a recent study by the Equality of Opportunity Project (EOP).

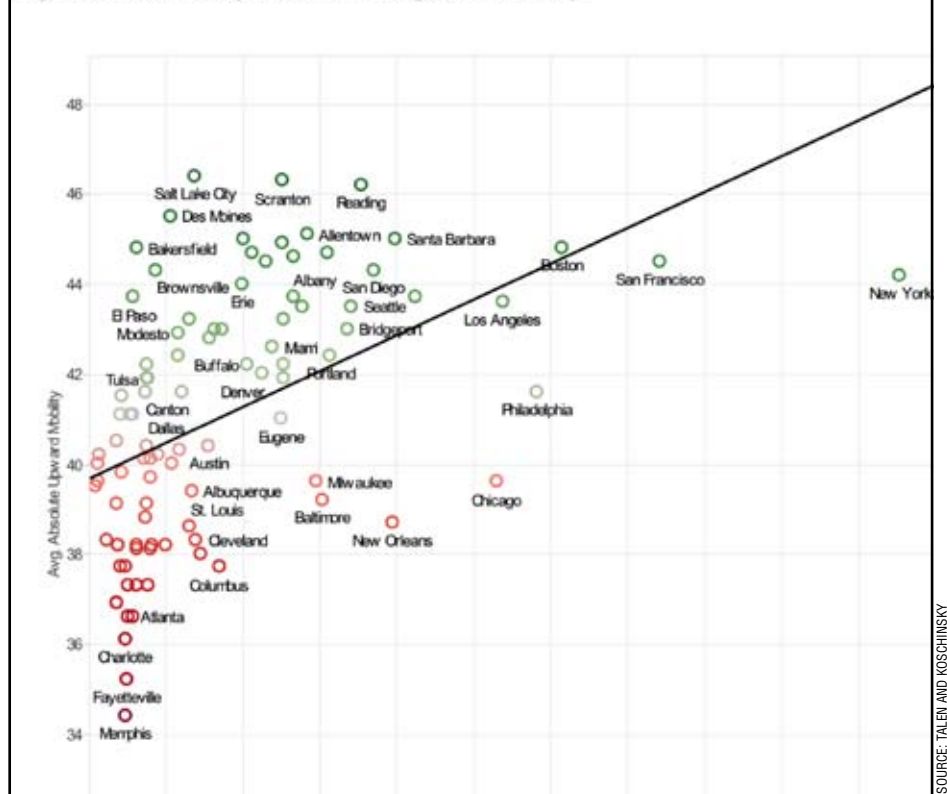
The EOP study indicated that sprawling metros such as Atlanta, Charlotte, Indianapolis, and Detroit fared poorly in terms of intergenerational income mobility compared to more connected metro areas with higher densities. In a high-profile *The New York Times* column “Stranded by Sprawl,” economist Paul Krugman theorized that suburban sprawl inhibits job access for young people from low-income households. “Sprawl may be killing Horatio Alger,” he wrote.

In order to test that theory, ASU researchers Emily Talen and Julia Koschinsky examined Walk Scores for 174,186 neighborhood block groups in 359 metro areas included in the EOP study. The researchers had been working for two years on a project involving Walk Scores for block groups — so they had the data in hand.

Walk Score (walkscore.com) is a measure from zero to 100 of accessibility of amenities such as grocery stores, businesses, parks, and schools, to residential units and the street network. It is one of a handful of nationally available data sources that serves as a proxy for sprawl or connected neighborhoods.

High Walk Scores don’t necessarily require high density. Some suburbs achieve high walkability — these can be distinguished from disconnected, spread-out suburbs that are accessible only by automobile. Drive-only suburbs tend to have Walk Scores below 50,

Figure 2. Accessibility vs. Absolute Upward Mobility



SOURCE: TALEN AND KOSCHINSKY

categorized as “car-dependent.” In the middle are somewhat walkable places with scores from 50-69.

For the purposes of their analysis, Talen and Koschinsky termed Walk Scores 70 and above as “accessible,” and 69 and below “not accessible.” Every metro region has “accessible” neighborhoods, and some metros boast many hundreds of them. Yet the vast majority (82 percent) of US metropolitan land is not accessible, the researchers note.

Talen and Koschinsky find strong correlations between accessible areas and high income mobility. The measures of absolute mobility, relative mobility, and the odds of reaching the top fifth

income category from the bottom fifth all steeply point in that direction (see graph above). A child born to the bottom fifth income group in a walkable neighborhood has a much better chance of becoming financially prosperous than a poor child born in a non-accessible area. “Our results lend support to Dr. Krugman’s hypothesis,” they say.

“The apparent inverse relationship between sprawl and social mobility obviously reinforces the case for ‘smart growth’ urban strategies, which try to promote compact centers with access to public transit,” notes Krugman. ♦

# Commercial development surges in walkable places — in cities and suburbs

Real estate analyst Christopher Leinberger has published studies of the Atlanta and Washington DC areas that shows surging commercial development (office, multi-family, retail) in what he calls “walkable urban places” (WalkUPs) in the last two decades. Leinberger identified regionally significant WalkUps in both core cities and suburbs — these include downtowns, neighborhoods adjacent to downtown, suburban town centers, transit-oriented developments, and other walkable places.

WalkUPs in DC and Atlanta comprise less than one percent of the land area, yet capture an astounding and growing share of commercial development. They also command a large price premium that did not exist 20 years ago — an indication that developers now want to be in these locations.

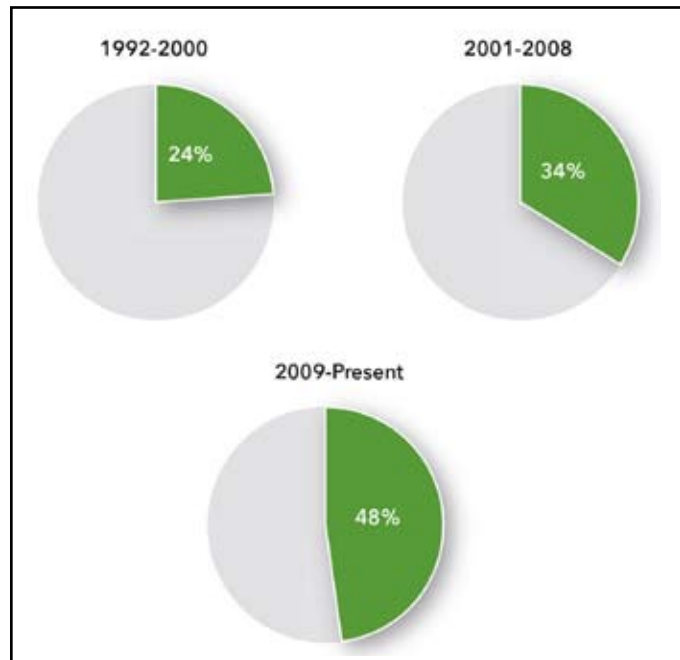
The Atlanta study was just released in October 2013. Walkable urban centers there average 16 times the density of the region as a whole. They command a 112 percent price premium per square foot compared to automobile-oriented commercial development over all product types. Sixty percent of that region’s “income property” is now being built in WalkUPs.

Multifamily rental housing is the biggest driver of development in Atlanta walkable urban places. “In the 1990s, less than nine percent of income-producing real estate captured by Established WalkUPs was multifamily rental housing. In the early 2000s, this rose to 28 percent and has skyrocketed to 88 percent in this real estate cycle,” the report states. This powerful trend speaks to the demand for urban living in Atlanta. More than 90 percent of the Atlanta region consists of “drive-only” suburbs — spread out, large-lot housing served by strip retail on wide arterials.

Office development is also drawn to WalkUPs, which captured 50 percent of this category since 2009 in Atlanta, up from 19 percent in the 1990s.

The DC area has 43 “regionally significant” WalkUPs, up from about five a quarter century ago. That’s an increase of more than 750 percent, Leinberger reported in the fall of 2012. The region also has many “locally serving” walkable places — quieter mixed-use neighborhoods. Leinberger focuses on the regionally significant WalkUPs, however, because those will capture the interest of Wall Street and institutional investors.

Since 1990, WalkUPs have steadily gained a larger share of



WalkUP share of the commercial real estate market in the DC region

commercial development in the DC region and they generate taxes far out of proportion to the land they consume. They also get premium rents and sale prices, but that was not always the case. “Up until the 1980s, drivable suburban office space commanded a premium rent over WalkUPs, but this position has reversed. There is currently a 75 percent premium for WalkUP office rent, giving such places a market advantage.”

The share of commercial development in DC WalkUPs doubled from 24 percent in the 1990s to 48 percent the current cycle, Leinberger reports (see graph).

Leinberger emphasizes that what he calls “walkable urban” is not inherently superior to “drivable suburban” development. The argument is based on economics and the findings do not pit city against suburb, he says.

“Both drivable sub-urban and walkable urban forms of development have market support and appeal; it is not as if one is “better” than the other, it is only a matter of current and future supply and demand. It is important to note that each form can be found in both center cities and suburbs.”

Walkable urban places are job magnets: They average 36.5 jobs per acre in Atlanta, or 45 times the regional average. They attract knowledge workers and industries, and “the building of walkable urban places is the most effective economic development strategy that a community improvement district, the city, and the region can pursue.” WalkUPs are key to municipal tax revenues, Leinberger notes.

Rail transit is important, but not essential. Sixteen of the 27 regionally significant WalkUPs, or 59 percent, have rail transit. The remaining 11 WalkUPs have no rail service and none have rail transit funding. Yet transit access is a catalyst for development: 85 percent of development in emerging WalkUPs went to places with rail transit. ♦

## A walkable urban place in Atlanta



# Demographic wave transforming the market

A demographic wave of Millennials, who are delaying having children and strongly prefer urban places, combined with the downsizing Baby Boomers, is transforming the housing market this decade and the next, according to Arthur C. Nelson's 2013 book, *Reshaping Metropolitan America*.

There will still be plenty of households with children in America — Nelson forecasts more than 38 million in 2030. But these households will make up a very small share of the nation's growth — and therefore a small share change in the housing market, which drives demand. The table at right presents the data. The majority of the growth will be single-person households.

"The bottom line is that a new reality has emerged: The future of American planning and public policy will be geared to meeting the needs of households without children, with half the new market being single-person households," Nelson says. "Yet, our planning, zoning, and development codes remain rooted in reality that no longer exists — that of mass family and child-oriented markets."

The market will shift dramatically in this time period — see the graph at right. While the period 1990-2010 saw the market dominated by Baby Boomers in their peak buying period, 74 percent of the market going forward will be downsizing households, Nelson writes.

Because the nation will add 64.5 million people, and some houses eventually wear out, burn to the ground, or are abandoned, the demand for new housing will be considerable this decade and the next — especially the 2020s — Nelson writes:

"Between 2010 and 2030, the nation will need to add about 22.7 million homes to its inventory, or about 1.3 million annually. During this period, another 10.9 million units will need to be built to replace units existing in 2010 that will be removed from the inventory. Total new housing construction for the nation over the period 2010 to 2030 comes to about 36.7 million units, or about 1.8 million units per year. Given the excess supply and that several hundred thousand units were built annually during the early 2010s, this level may not be reached until the late 2020s.

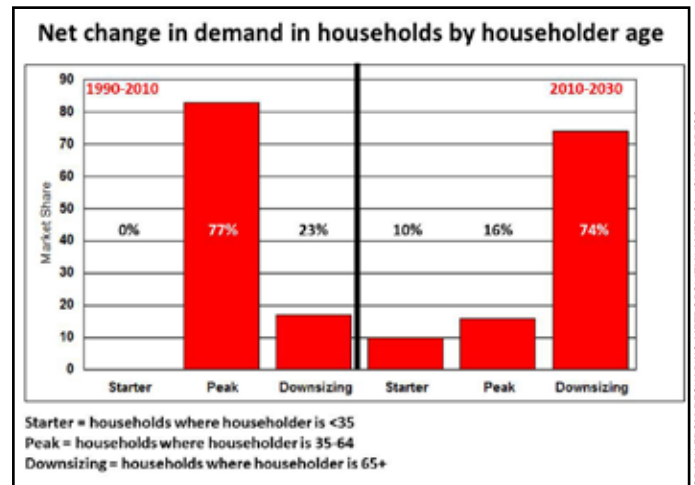
Yet this growth will not be evenly distributed. It's not just that there is an oversupply of large-lot single family houses and an undersupply of multifamily and small lot housing, especially in walkable neighborhoods. That's the case nationally, remaining so through 2030 at least. There's also a huge difference in demand depending where in the nation you live.

It's clear in the table at lower left that much of the demand for new house construction is centered in three subregions: South Atlantic, which is the east coast from Florida through

US households by type, 2010-2030 (figures in thousands)

Measure	HHS 2010	HHS 2030	HH change 2010-2030	% change 2010-2030	Share of change %
Total households	116,945	143,232	26,287	22	-
HHS with children	34,814	38,358	3,544	10	13
HHS without children	82,131	104,874	22,743	28	87
Single-person HHS	31,264	45,081	13,817	44	53

Source: Arthur C. Nelson, *Reshaping Metropolitan America*, Island Press, 2013.



Maryland; West South Central — Texas along with Louisiana, Arkansas, and Oklahoma; and the Pacific Coast.

That has implications for urban planning. In New England, where only 1.25 million residential units are forecast to be built through 2030, infill can likely handle the demand. In the South Atlantic region or Texas, we are much more likely to see substantial greenfield development.

Nelson acknowledges that greenfield development will be part of the growth picture, and, it is hoped, part of a sustainable mix of development. "I am optimistic that new development may indeed occur as infill and redevelopment, and as mixed-use, higher density, master-planned development within urbanized metropolitan areas," he concludes.

The table below shows Nelson's house value expectations, which are placed on a matrix. There are two key factors — the distance from downtown and the rate of growth in a metro area. A subdivision built in the 1990s will have far different value prospects in, say, the Washington DC area, than in Buffalo, New York. Regardless of region, that subdivision will not do as well as a walkable, inner-ring suburb or downtown. ♦

## Housing projections, 2010-2030

Area	Total units built (000s)
<b>Census region</b>	
Northeast	3,901
Midwest	4,986
South	17,930
West	9,927
<b>Top sub-regions</b>	
South Atlantic	9,552
West South Central	6,146
Pacific	5,996

## Home value expectation

Location	Growth rate			
	Faster than US	Same as US	Slower than US	Stagnating or declining
Downtown/near downtown	Highest value rise	Increasing value	Holding value	Losing value
Elsewhere in central city	High value increase	Increasing value	Holding value	Weak market
Suburbs built before 1980	Holding value	Holding value	Weak market	Little or no market
Suburbs built 1980-2000	Holding value	Losing value	Little or no market	No market
Post 2000 suburbs	Little or no market	No market	No market	No market

Source: Arthur C. Nelson, *Reshaping Metropolitan America*, Island Press, 2013



# Shaping

FROM PAGE 1

tors can be located in close proximity to residential spaces. The housing component is a critical factor of these new districts, as you cannot create a dynamic node just with office and commercial space. A mix of supportive residential real estate is absolutely essential, as it creates the Jane Jacobs-style, street-level vibrancy that is integral to the appeal of these new districts.

Los Angeles is one city with leaders who have shown exceptional foresight when it comes to transforming the urban core. In order to facilitate the conversion of existing building stock in downtown Los Angeles into much-needed housing, they have created an economic rubric that supports the overall vibrancy of this section of the city. By implementing various incentives, including the city's adaptive reuse ordinance, the leadership of Los Angeles has been instrumental in giving new purpose to former factories, warehouses and mechanical shops. These once-dilapidated spaces have been reborn as attractive residential units that meld historic character with modern amenities. And most importantly, a mix of workforce and luxury housing has been created, which has played a crucial role in the resurgence of downtown Los Angeles. A successful balance of housing types has been achieved by requiring developers to provide a variety of units that cater to different income levels in exchange for entitlement approvals. City officials seek a percentage of workforce and affordable units to be included in every new project, which the developer provides along with premium units that offer upscale amenities, larger floorplans and attractive views. The result is a mix that has truly contributed to a flourishing downtown.

## ADAPTIVE REUSE IN LOS ANGELES

One such example of a mixed-income project that has made a positive impact on downtown Los Angeles is Barker Block, which CityView has developed in partnership with Blackstone. Barker Block is one of the best-selling for-sale developments in downtown Los Angeles over the past several years. The \$150 million adaptive reuse project, with 241 live/work lofts completed and 68 lofts and townhouses underway, is helping to transform a former industrial area into the thriving Arts District. This neighborhood is now home to art studios, creative offices, galleries, independent shops and popular restaurants and cafes, including some with iconic backgrounds like the Urth Caffe.

CityView, working with the Kor Group, has redeveloped the Barker Brothers furniture factory, a Los Angeles fixture for more than a century, into a popular community with modern amenities and a rich historic character. The units offer a distinctive blend of the modern and the historic. Contemporary details, such as professional-quality appliances and oversized soaking tubs, mix with heavy timber beams and exposed brick from the original buildings.

Cities of all sizes across the US are following a similar strategy of adaptive reuse. Recycling existing building stock to create dynamic work/live/play districts is becoming an economic engine for urban areas. Much of the impact of cities on the future of our nation is tied to this restorative theme. Revitalization efforts in Pittsburgh, Hartford, Louisville and even smaller urban areas around the nation bear witness to the widespread nature of this trend.

As urban revitalization efforts take hold, it is crucial that



The Barker Block lofts, above. The view from the rooftop pool, below.



PHOTOS COURTESY OF HENRY CISNEROS

city leaders, real estate developers, community groups, anchor institutions and other stakeholders ensure the right balance is achieved. By including residential uses and offering a diverse mix of housing types, cities will achieve long-term transformation not only for their neighborhoods, but also for the nation as a whole. ♦

*Henry Cisneros is Chairman of CityView, served as US HUD Secretary during the Clinton Administration, and was a four-term mayor of San Antonio, Texas. His governmental experience and dedication to America's cities are important features of CityView's "Smart Capital for Smart Growth" strategy. He is a graduate of Texas A&M, with a Masters from the Kennedy School at Harvard and a Doctorate from George Washington University.*

# Business case

FROM PAGE 1

- Increase productivity and innovation
- Better compete for labor
- Improve retail sales

“A well-established body of literature has demonstrated a link between metropolitan density and economic productivity,” the EPA report states. “A 2012 study estimated the size of the effect to be 2 to 4 percent higher economic productivity in a metropolitan area with twice the population density.”

The “competing for labor” argument is summed up by Gilbert, but also in the case study of Motorola Mobility, which announced in 2012 that it would move its headquarters and 3,000 employees from a northern Chicago suburb it had occupied for 18 years to downtown, “in part to increase creativity and innovation among workers and to increase access to the talent pool of Chicago’s universities.

Geography	City			Suburb		
	Total Jobs	Covered Jobs	Rate	Total Jobs	Covered Jobs	Rate
All 100 metro areas	38,344,050	36,308,908	94.7%	64,634,129	41,392,044	64.0%
Midwest	7,046,221	6,817,863	96.8%	13,911,008	7,864,253	56.5%
Northeast	7,684,947	7,672,237	99.8%	16,237,992	11,582,642	71.3%
South	13,055,197	11,756,520	90.1%	20,265,413	10,552,775	52.1%
West	10,557,685	10,062,288	95.3%	14,219,716	11,392,374	80.1%

“Covered” means accessible by mass transit

Motorola Mobility’s chief executive officer said of the move, “We’re thrilled to bring our employees to downtown Chicago and infuse our company with the vibrant energy of the city.”

Not only is there a better talent pool downtown, but more workers can reach the site through mass transit connections. In the suburbs, fewer businesses and residents have easy access to fixed-route transit, and service tends to be less frequent. See the table above.

EPA also reports that many companies, such as general merchandiser Target and grocery store chains, are discovering that sales per square foot are better in dense,

urban locations. On the flip side of this coin, barriers to building retail stores are higher in urban locations. Nevertheless, many downtown locations are seeing an influx in retail stores.

“In historic downtown Los Angeles, a surge of new retail stores opened or announced plans to open in 2013 including two grocery stores and national chains like Ross Dress for Less, Zara, and Sport Chalet. The new businesses helped fill long-vacant storefronts and signal a new optimism among retailers about the potential to profit in a downtown location,” the report says. ♦

## REVIEWS

### Happy City Transforming Our Lives Through Urban Design

By Charles Montgomery

Farrar, Straus & Giroux, 2013, 359 pp., \$27 hardcover

REVIEW BY PHILIP LANGDON

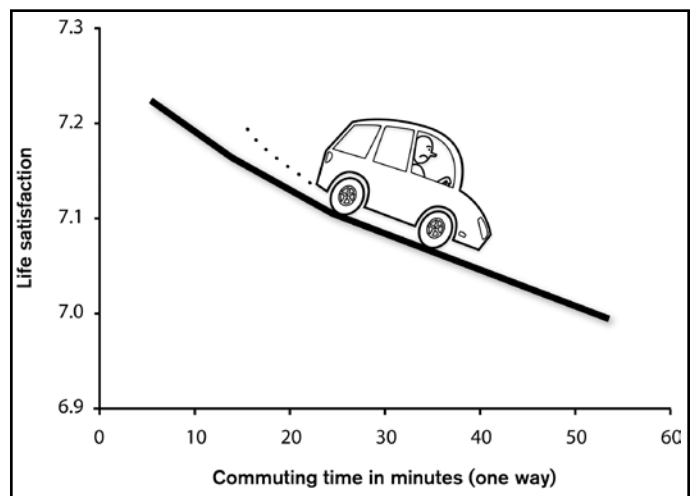
“Great public space is a kind of magical good. It never ceases to yield happiness. It is almost happiness itself.” With that and other encouraging thoughts from Enrique Peñalosa—a dynamic mayor who helped pull Bogota, Colombia, out of its years of chaos—author Charles Montgomery begins this ambitious, deeply researched book. *Happy City* is no small undertaking; it’s a thorough attempt to explain how a city can increase the well-being of its inhabitants.

Montgomery, who lives in Vancouver, British Columbia, spent five years “charting the intersection of urban design and the so-called science of happiness.” “The quest,” he says, “led me to some of the world’s greatest and most miserable streets. It led me through the labyrinths of neuroscience and behavioral economics. I found clues in paving stones, on rail lines, and on roller coasters, in architecture, in the stories of strangers who shared their lives with me, and in my own urban experiments.”

The experiments were orchestrated through the BMW Guggenheim Lab, a combination think tank and community center exploring urban life. (An exhibition on the lab and 100 urban trends it has identified is at the Guggenheim Museum in New York through Jan. 5, 2014.)

Montgomery, like Peñalosa, sees the city as a device that can generate happiness. One of the ways a city does this is by

GRAPHIC BY DAN PLANKO, WITH DATA FROM STUTZER, ALOIS, AND BRUNO S. FREY, “STRESS THAT DOESN’T PAY: THE COMMUTING PARADOX,” SCANDINAVIAN JOURNAL OF ECONOMICS, 2008: 339-66. THEHAPPYCITY.COM/THE-HAPPY-CITY



making it convenient for people to come together. Relationships—including “lighter relationships,” such as participation in volunteer groups and interchanges with neighbors or with people we see regularly on the street—“can boost feelings of self-esteem, mastery, and physical health,” Montgomery says, citing work by sociologist Peggy Thoits.

Data from the World Values Survey and the Gallup World Poll show that “when it comes to life satisfaction, relationships with other people beat income, hands down,” Montgomery reports. Want numbers on that? Montgomery says University of Zurich economists Bruno Frey and Alois Stutzer have found that “a person with a one-hour commute has to earn 40 percent more money to be as satisfied with life as someone who walks to the office.”

PHOTO BY CHARLES MONTGOMERY, [HTTP://THEHAPPYCITY.COM/THE-HAPPY-CITY](http://THEHAPPYCITY.COM/THE-HAPPY-CITY)

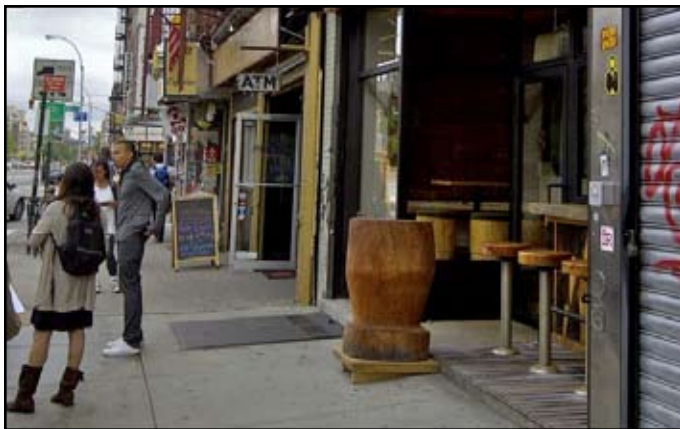


PHOTO BY ALEXANDRA BOLINDER-GIBSAND, [HTTP://THEHAPPYCITY.COM/THE-HAPPY-CITY](http://THEHAPPYCITY.COM/THE-HAPPY-CITY)



**East Houston Street, New York City: People reported feeling happier along the messy but active street front at top than they did along the orderly but blank facade at bottom.**

Distance tends to be the enemy of happiness. The decentralization that's occurred in North America has made everyday social interaction more expensive—and harder to obtain. "Distance raises the cost of every friendly encounter," says Montgomery. Partly as a consequence, the average American's network of relationships has been shrinking. "Almost half the population say they have no one, or just one person, in whom they can confide," Montgomery says. The country has inadvertently set itself up for unhappiness.

*Happy City* is clear and enjoyable to read. It abounds with interesting nuances. The most serious flaw is the lack of an index. When you want to look things up, you'll have to thumb your way through the more than 300 pages of exposition. This is an odd omission, coming from a publisher as serious as Farrar, Straus & Giroux.

## URBAN SOLUTIONS

What should those who care about cities do to improve them? One way to start is by establishing conditions that allow people to reach most of their frequent destinations on foot. Walking is essential to well-being. It burns fat, leads to beneficial contact with other people, involves us in our surroundings, and limits our contribution to global warming. "The most powerful way to fix a dark mood is simply to take a brisk walk," Montgomery writes, citing research by California State University psychology professor Robert Thayer.

"Public life begins when we slow down," Montgomery

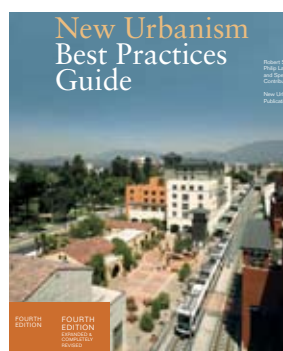
observes. "This is why reducing velocity has become municipal policy in cities across the United Kingdom and in Copenhagen." In the Danish capital, traffic signals on some streets have been synchronized to match the pace of a quick bike ride—slightly over 12 mph. In certain areas, Copenhagen has cut the speed limit to 9 mph.

Streets need to be narrower than what you find in most North American communities built in the past 60 years. There should be plenty of welcoming public spaces; Montgomery praises New York City for installing traffic barrels that temporarily demarcate sections of unneeded roadway for use as rudimentary plazas and squares; once people take to the new public spaces—and they usually do—the city invests in a permanent upgrading: better materials, nicer seating.

Montgomery argues for planting more trees and interspersing small parks throughout the city, because contact with nature is crucial to well-being. The author is no mystic; he grounds his assertions in empiricism. Studies in Montreal, he reports, "found that elderly people who lived on blocks that had front porches or stoops actually had stronger legs and hands than those living on more barren blocks." Convivial outdoor spaces make people more active.

The "dispersed city" we developed in the twentieth century "failed to maximize health and happiness," Montgomery concludes. Surely the time has come for a more compact and connected way of living. ♦

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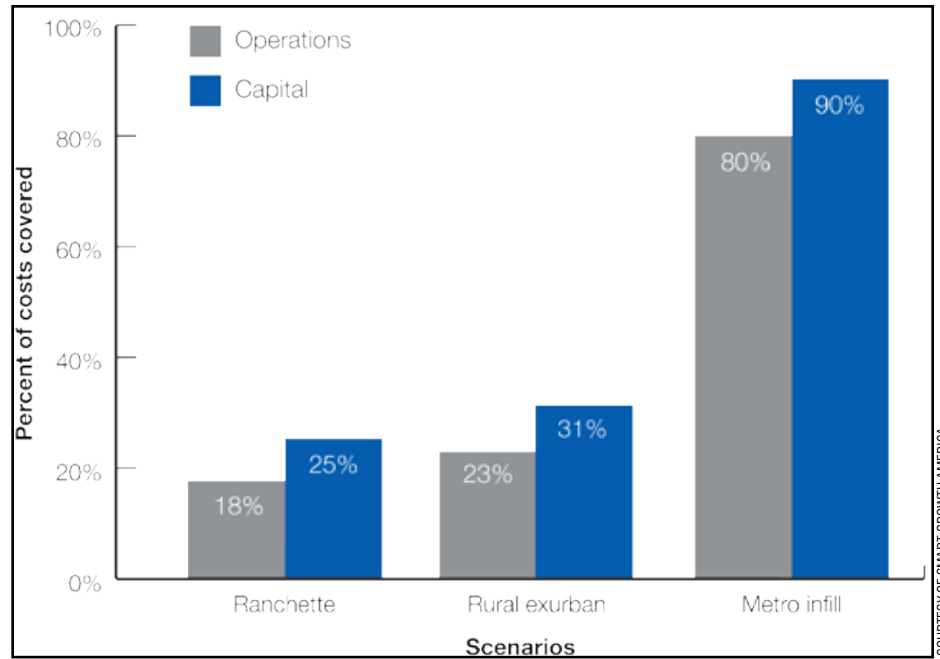
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# Smart growth costs less, yields more revenue for cities and towns

Smart growth strategies can help any town or city improve its finances, according to a 2013 report from Smart Growth America, a meta-analysis of 17 studies around the US combined with new research from Nashville, Tennessee.

*Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development* finds that smart growth helps municipalities in three ways: Upfront costs are lower, service costs are lower, and tax revenues are higher compared to conventional suburban development.

The tax revenue advantages are probably most dramatic, because the central business district properties yield 10 times more per acre than conven-



tional suburban development. Land is a municipality's most enduring asset, and maximizing the economic value of that land is the key to generating revenues to provide public services.

*Building Better Budgets* looks at both

costs and revenues. The following is a summary of the findings:

1. Smart growth development costs one-third less for upfront infrastructure. Our survey concluded that smart growth development saves an average of 38 percent on upfront costs for new construction of roads, sewers, water lines and other infrastructure. Many studies have concluded that this number is as high as 50 percent. Smart growth development patterns require less infrastructure, meaning upfront capital costs, long-term operations and maintenance costs, and, presumably, cost for eventual replacement are all lower. Smart growth development also often uses existing infrastructure, lowering upfront capital costs even more.

2. Smart growth development saves an average of 10 percent on ongoing delivery of services. Our survey concluded that smart growth development saves municipalities an average of 10 percent on police, ambulance and fire service costs. The geographical configuration of a community and the way streets are connected significantly affect public service delivery. Smart growth patterns can reduce costs simply by reducing the distances service vehicles must drive. In some cases, the actual number of vehicles and facilities can also be reduced along with the personnel required.

3. Smart growth development generates 10 times more tax revenue per acre than conventional suburban development. Our survey concluded that, on an average per-acre basis, smart growth development produces 10 times more tax revenue than conventional suburban development.

A study for Raleigh, NC, concluded

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that a six-story building downtown produces 50 times as much property tax revenue per acre as the Walmart store. Even a three-story residential building produces more property tax revenue per-acre than a major shopping mall.

In 2010, local governments in the US raised and spent a whopping \$1.6 trillion. Of that, approximately one-third—\$525 billion—was expended on projects and activities that are heavily affected by local development patterns, Smart Growth America says.

Three developments were studied in the Nashville area: New urban infill and greenfield neighborhoods and a 1990s conventional suburban project. The infill development far outdistanced the others in net revenue. The Gulch neighborhood in Downtown Nashville, a redevelopment of a 76-acre brownfield site originally designed by Looney Rick Kiss, generated \$115,720 in net revenue per acre — almost 1,150 times the net revenue generated by Bradford Hills (conventional suburban) and 148 times the net revenue of Lenox Village (new urban greenfield). ♦

## Residential properties in ‘transit sheds’ held their value better

**A** 2013 research paper determined that residential properties near transit stations in five major cities across the US maintained their values significantly better during the housing downturn than properties outside of transit sheds. “Across the study regions, the ‘transit shed’ outperformed the region as a whole by 41.6 percent” from 2006 to 2011, according to *The New Real Estate Mantra: Location Near Public Transportation*.

Transit sheds were defined as areas within a half mile of fixed-guideway transit stations, including rail and bus rapid transit. The study of the Chicago, Minneapolis-St. Paul, Boston, San Francisco, and Phoenix areas was commissioned by the American Public Transit Association and the National Association of Realtors, prepared by the Center for Neighborhood Technology.

Where transit sheds are perceived

as safe, and they have great urbanism, they are going up in value — often skyrocketing. But many are losing value and depopulating — even in neighborhoods with a well-connected street network and streets that would be highly walkable given more and better destinations.

As a whole, the data shows the rising appeal of transit access, which bodes well for walkable neighborhoods. Yet in many cities, walkable neighborhoods seem to be moving in two directions. Transit-served neighborhoods in desirable areas are becoming even more popular — others, not so well placed, are losing population.

The higher values in transit sheds overall ranged from 30 percent in Chicago to 129 percent in Boston. The effect was most strongly associated with transit providing a high and frequent level of service. In addition, households living

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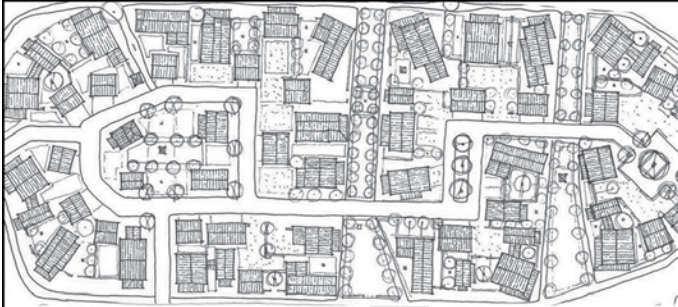
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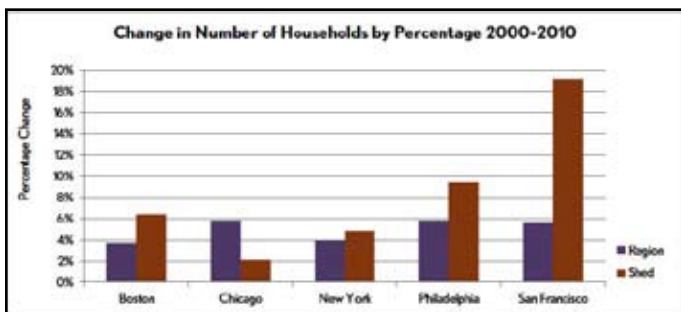
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in transit sheds had better access to jobs and lower average transportation costs than their regions offered generally. The jobs per square mile in transit sheds is two to three times higher than the regional average. Household transportation costs in transit sheds are \$3,600 to \$4,200 a year lower in the Boston, San Francisco, Chicago, and Minneapolis-St. Paul regions. In Phoenix, with fewer walkable neighborhoods, those in the transit sheds saved merely \$2,100 a year.

In addition, transit sheds were correlated with much smaller block sizes and higher density. The transit sheds consist of, to a greater extent, walkable, mixed-use neighborhoods. The higher the walkability, the better the sheds appear to perform. Many factors — access to transit, transit type, walkability, access to jobs, and even lower transportation costs — possibly contributed to the superior real estate performance of the transit sheds. ♦



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## Compact, mixed-income housing does better in housing downturn

Low-density suburbs lost more value than walkable neighborhoods in the housing downturn — and low-income city neighborhoods also suffered, according to a study of the Philadelphia region funded by the Congress for the New Urbanism.

The study looked at reasons for variability in price performance and found new urban characteristics such as density, mixed-use, diversity in income, and access to transit play a role.

The \$10,000 study, "The Correlates of House Price Changes

CONTINUED ON PAGE 16

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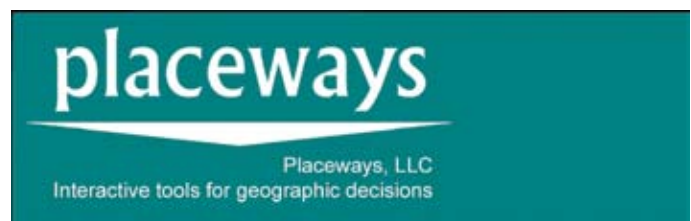
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# CNU President John Norquist to step down after a decade

**J**ohn Norquist, the influential and outspoken President and CEO of CNU, has announced that he will step down after the 22nd Annual Congress in Buffalo in 2014. Norquist's career at CNU spanned the boom and bust of the housing industry, and he has been critical to maintaining and strengthening the organization. Norquist initiated the establishment of CNU chapters in the US and Canada and has built partnerships with public, private and non-profit organizations that have helped CNU grow to over 2500 members.

"One of John's great contributions has been to bring together people of all political stripes to understand that walkable communities are good for everyone," said Ellen Dunham-Jones, CNU's Board Chair. "He has put the organization's emphasis from being theoretical to action-oriented, advocating on behalf of CNU's great initiatives like urban highway removal, design for healthy neighborhoods and changing federal policies that limit mixed-use development."

"After working full time for more than 40 years, I look forward to having time to write and teach," Norquist stated, adding he would stay active in the New Urbanism. The CNU Board has formed a search committee to select a successor, and hopes to announce the new president in the spring of 2014.

One of CNU's major accomplishments during Norquist's tenure was a partnership with the Institute of Transportation Engineers (ITE) that resulted in a new paradigm for street design serving the needs of all users. Recently anointed by the Federal Highway Administration as a go-to guide for urban street design, *Designing Walkable Urban Thoroughfares: A Context Sensitive Approach* is on its way to becoming an industry standard. Norquist also helped produce CNU's *Street Network Principles* and a new edition of the *CNU Charter Book*.

Provided to Better! Cities & Towns courtesy of the Congress for the New Urbanism, The Marquette Building, 140 S. Dearborn, Ste. 404, Chicago, IL 60603. 312/551-7300; fax: 312/346-3323. [www.cnu.org](http://www.cnu.org), [cnuinfo@cnu.org](mailto:cnuinfo@cnu.org)

Norquist has made countless appearances in cities and towns across North America and around the world. Before leading CNU, Norquist served as Mayor of Milwaukee from 1988 to 2004, giving him a strong understanding of urban politics as they relates to the built environment. He authored *The Wealth of Cities* (Addison Wesley, 1998), that prescribes new urbanism to America's cities.

Incoming Board Chair Douglas Farr attested that "Norquist is leaving CNU in a strong position to expand the New Urbanism movement. CNU's board, staff, growing chapters and skilled member



John Norquist

population are well-positioned to deliver to a world more willing to embrace the CNU goal of communities that perform well environmentally, economically and generate social equity," said Farr. ♦

## Building high to qualify

JOHN NORQUIST

**M**ontgomery County, Maryland has a plan to encourage more walkable transit-oriented development. So the County Council is considering a new zoning code that encourages residential buildings in commercial corridors (i.e., strip malls). The idea is to build housing near transit and shopping and thus reduce car trips and help people live more efficiently, in accordance with the county's goals. Local opposition is building however, and the fears are focused on the height and scale of apartment buildings that are permitted in the code.

Is mixed use commercial inherently better than strip malls? Yes. Does high-rise residential scare people? Yes. Is it always appropriate? No, not always. Medium-rise residential would often be more appropriate, but little-known Federal regulations have restricted this type of development for decades.

FHA, Fannie Mae and Freddie Mac have rules on the books favoring separate-use zoning, which makes it difficult to finance 2-7 story residential buildings with retail on the first floor. There are percentage limits, typically 25 percent of value of a building that can be a non-residential use, on condo mortgages from FHA's and Fannie-Freddie's secondary mortgage markets. There is also a 15 percent cap on the HUD 221d4 program that finances most multifamily rental buildings in the US, forcing developers

to "build high to qualify." All of these restrictions combine to undermine existing Main Streets and obstruct new ones.

Meanwhile, the demand for urban living and transit ridership is way up, particularly in the DC Metro area. Yet, opposition builds when nearby residents contemplate living in the shadow of high-rise buildings.

If these rules capping retail at a small percentage of total value were eliminated or relaxed, cozy Main Streets like in old Annapolis would be more likely to be built in mixed use commercial zones instead of the Condozillas that opponents of the zoning change fear. This is one case where Federal involvement in housing policy has had some bad side effects. CNU has a solution: get rid of the caps on non-residential and we'll see more traditional Main Streets. Opposition to density often focuses on building height. Density can be achieved in other ways by limiting room size, lot size, and surface parking.

With the Sustainability Partnership of USDOT, EPA and HUD having declared its support for walkable communities, it's time for HUD to get with the program. HUD's housing policies encouraging separate-use development are at cross purposes to the Partnership's stated goals. HUD/FHA raised the allowable % of nonresidential for FHA's mortgage program from 25 to 35% a year ago. That was a small step in the right direction. Now it's time for HUD to further relax restrictions on housing connected to retail. ♦

# Compact housing

FROM PAGE 14

With Design, Density and Use: Evidence From Philadelphia,” examined about a quarter million transactions in 340 zip codes in the region during 2007-2012. The author is Kevin Gillen, an economist and senior research consultant at the University of Pennsylvania’s Fels Institute.

Major findings:

- The suburbs performed less well than the city. Price declines were higher in the relatively low-density suburbs (32.7 percent), and less in City of Philadelphia (26.7 percent). In Center City, prices declined as little as 1.9 percent in one case and 20 percent on average — less than the regional average. That’s despite the fact that this area saw the greatest increase in supply in the form of new condominiums, Gillen says, which should have depressed prices.

- Some suburbs did relatively well. Mixed-use, compact, suburbs with transit access declined less than the regional average — about 20 percent. Typical

non-new urbanist communities declined 35 percent. Areas that were extremely sprawling declined as much as 49 percent, according to the report.

- This pattern reversed that of the previous major downturn, from 1989-1996. Two decades ago, “house prices declined the greatest in the core urban center (33.7 percent in Center City), second-most in the central city of Philadelphia as a whole (17.6 percent) and the least in the lower-density areas of the suburban counties (14.3 percent),” the report stated. ♦

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## Values rise with form-based code

In recent years, Nashville, Tennessee, has enacted a number of form-based codes that replace conventional, use-oriented zoning in specific areas of the city. The new codes have reduced required rezonings and variances, especially downtown.

All of the form-based codes have contributed to significant rises in property values. In Nashville’s mostly second- and third-ring Urban Design Overlay districts, for example, appraised value rose by 75 percent from 2005 to 2009. Over the same period, with the national recession in effect for much of it, values increased by 72 percent in the smaller and widely scattered Specific Plan districts, and countywide by just 28 percent.

The numbers are even stronger for the Downtown Code (DTC). That area, essentially the city center bounded by three interstate highways and the Cumberland River, saw \$176 million in new private sector building permits in the 28 months before the DTC was implemented, just 7 percent of the countywide total. Compare that to activity in the 28 months since — \$544 million in private sector building permits, up 209 percent and 18 percent of the countywide total, nearly all during the recession.

These form-based codes and overlays seem most successful in strategically selected areas where pressure for redevelopment is increasing. The city has found success in “harnessing the horse” of existing action in a specific area and driving it even further than to expect a form-based approach to wake up a location where little or nothing is going on. ♦

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## REINVENTING REAL ESTATE DEVELOPMENT



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