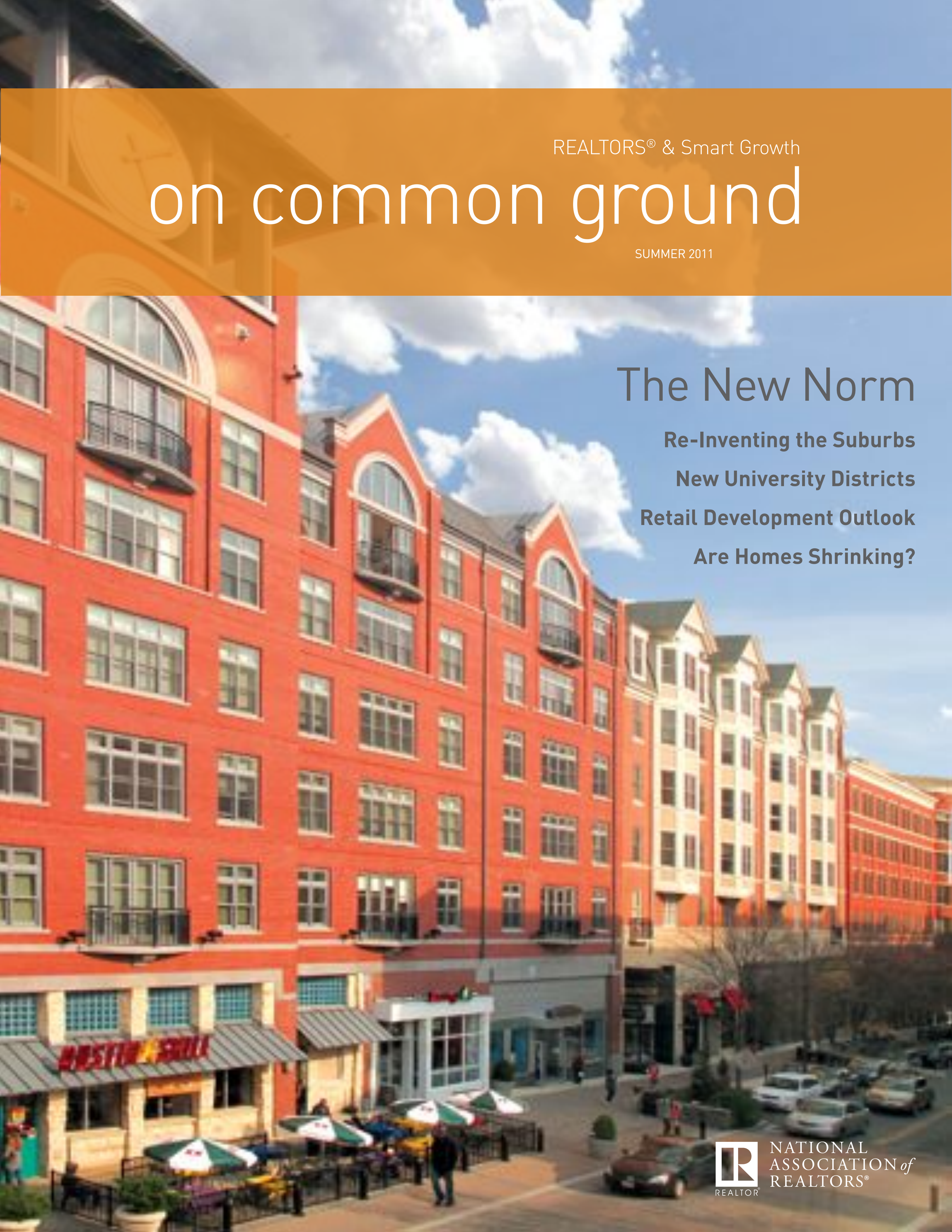
REALTORS® & Smart Growth

on common ground

SUMMER 2011



The New Norm

Re-Inventing the Suburbs

New University Districts

Retail Development Outlook

Are Homes Shrinking?

NATIONAL ASSOCIATION of REALTORS®

A "New Look" for Real Estate

Since the great decline in real estate values and sales began in 2006 and 2007, real estate experts and commentators have been trying to predict just what a full recovery might look like. There is general agreement that the number of sales and the values of all types of real estate are not headed back to the peak levels of 2005 at any time in the near future, even after the economy improves and the unemployment rate declines. Forecasting what "The New Normal" will look like has become a popular activity in real estate circles.

Beyond the numbers, a larger discussion revolves around what qualitative changes in real estate development will occur as we grow out of the recession. Will there be fundamental changes in what gets built, where it gets built and what it looks like? We already are seeing trends emerge in increased development of rental housing, as well as a bifurcation in commercial real estate markets between stronger cities such as New York and Washington versus markets that have remained much sleepier.

Will residential developers respond to demographic changes and consumer desires by building more housing in transit-accessible, walkable neighborhoods? How can obsolete suburban retail space be repurposed to new uses? Will the strength of many downtown office markets as compared to lagging suburban markets continue, or is this just a temporary trend? Will home builders continue to build smaller homes, as they have in the last few years, or will economic recovery bring back the large tract house?

Data from NAR's recent Consumer Preference Survey suggests that Americans are increasingly interested in many aspects of smart growth, such as access to public transportation and more walkable neighborhoods, while maintaining their strong desire to own and live in a single-family, detached house. In this issue of *On Common Ground,* we address what the new norm may look like and consider, "Are we at a tipping point toward smart growth?"

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On Common Ground

Summer 2011

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The **New** Norm

The real estate world has a new look as the economy recovers.

By Brad Broberg

The black cloud that's rained bad news on the real estate market for the past four years only seems like it will last forever. Sooner or later, the sky will clear.

The long-range forecast: increasing sun but with a 100 percent chance of change.

"There are still a lot of questions, but it's going to be different, that much I know," says John McIlwain, senior resident fellow and J. Ronald Terwilliger chair for housing at the Urban Land Institute (ULI).

McIlwain is the author of "Housing in America: The Next Decade." His report delivers an important message about the future of growth and development in this country. Even after unemployment rates fall and property values stabilize, the old normal is not returning.

The winds of change — shifting demographics, aversion to sprawl, enthusiasm for transit — were kicking up before the recession hit. Everything that's happened since — tight credit, rising energy costs, the rethinking of homes as sources of quick wealth — makes the advent of a new normal all the more inevitable.

The recession ranks behind only the Great Depression in terms of the pain it's caused thousands and thousands of families who've lost jobs and homes. However, as the real estate market evolves toward a new normal marked by growing urbanization, greater sustainability and more transportation choices, the recession may also be remembered as a tipping point for smart growth.

"I think the new normal is going to be very consistent with smart growth polices," says Glenn Crellin, director of the Washington Center for Real Estate Research at Washington State University (WSU).

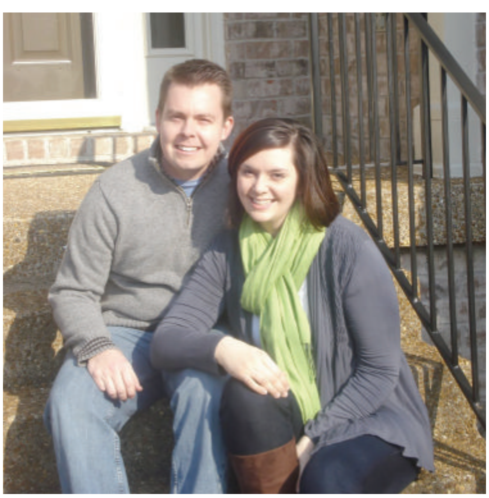
The connection between the new normal and smart growth starts with demographics. The housing preferences of two game-changing generations — the baby boomers and Generation Y — will dictate what the market will look like in the years ahead. And many members of both generations have a healthy appetite for the kind of compact, walkable, mix-used development that characterizes smart growth.

A fresh take on the meaning of affordability also will put a smart growth spin on the new normal. People are starting to understand they may get more house for their money in far-flung suburbs, but they're spending all the savings at the gas pump. They'll be looking for homes closer to their jobs in walkable neighborhoods with access to transit — a catalyst for urban infill and suburban retrofits.

That dovetails with another signature of the new normal: the quest to go carbon neutral. People will choose to live where they're less dependent on their cars because reducing air pollution matters to them. They'll seek out more compact neighborhoods because they believe in preserving open space. And they'll demand greener and greener homes because they want to conserve resources as well as

As the real estate market evolves toward a new normal marked by growing urbanization, greater sustainability and more transportation choices, the recession may also be remembered as a tipping point for smart growth.

Homeownership rates won't return to their peak because members of Generation Y are waiting longer to buy their first home.



save money. "Energy efficiency is becoming the new granite countertops," says McIlwain. "It's a necessary feature to sell the property."

Those are just some of the threads in a web of trends that will drive the new normal. "There are a lot of forces coming together," McIlwain says. While few would disagree with that, it may be another year or two before the market begins to fully respond. The timing depends on unemployment continuing to fall and foreclosures beginning to recede. Once those things happen, strong population growth of about 2.5 million to 2.8 million a year — much of it driven by immigration — will rewind the demand for housing, says McIlwain, but with a dramatically rewritten script.

Count on a smaller percentage of people to own their homes. Homeownership peaked at nearly 70 percent in 2005 as a result of supportive government policies and loose lending guidelines, but has been falling ever since as a result of the mortgage meltdown and tighter borrowing standards. Expect the rate to continue sliding until settling in the low 60 percent range, says McIlwain.

One of the big reasons homeownership rates won't return to their peak: members of Generation Y are waiting longer to both move out of the house and to buy their first home. Why? Because the recession has handcuffed them financially and because they no longer view homeownership as a surefire investment given the current flood of foreclosures and mountain of underwater mortgages, says McIlwain.

Scott Rogers, a REALTOR® with Coldwell Banker Funkhouser REALTORS® in Harrisonburg, Va., says that's exactly what's happening in his market. "We're seeing fewer and fewer first-time buyers here because [buying] is not considered as safe as it was," he says.

The big question nagging Rogers is what the government's role will look like in the new normal. Phasing out Fannie Mae and Freddie Mac, ending or limiting the tax deduction for mortgage interest and upping the down payment and mortgage insurance premium for FHA loans are all on the table — each a wild card that could raise the cost of financing and limit who can buy a house.

Although there's no precise definition for Generation Y, it generally consists of people in their teens to early 30s and amounts to 83 million people — the largest generation ever. Once the employment picture brightens, they'll swarm into the housing market — but as renters who will delay buying for a prolonged period. Accordingly, the new normal will include a growing demand for rental/multi-family housing, says McIlwain. In a survey released this spring, the National Association of Home Builders (NAHB) reported that developer sentiment regarding apartment and multi-family construction was at its highest level since 2006.

But don't give up on Generation Y as future homebuyers, says Crellin, who recently questioned some of his WSU students about their intentions. "I was pleasantly surprised that the vast majority of them said they're still planning to buy, but maybe five years later than they first thought," he says.

A 2010 survey, by ULI, of people in the age group 18 to 32 years old supports Crellin's observation. Within five years, two-thirds expected to own their own residences. Among those who said they were unlikely to own within five years, seven out of 10 said they expected to do so sometime in the future.

When buyers do pull the trigger, it will be with the knowledge that home values won't resume climbing at a double-digit pace. In the new normal, says Crellin, prices will rise about 1 percent above the rate of inflation or 3-4 percent a year. That's actually closer to the historical average than the so-called old normal that preceded the recession.

"Here's my take on the new normal. We feel like the rug has been pulled out from under us, but we're just going back to the same [conditions] we had in 2003," says Bob Walters, chief economist with Quicken Loans.

People will once again look at their home first and foremost as a "place to raise their family and be part of a community" rather than as an investment they can use as a cash machine, says Walters. "People were looking to maximize their debt, but that thinking has gone away ... and that's a good thing," he says. Tighter lending standards also will reshape expectations in the new normal. "You're going to see people buying less house," Walters says.

The new normal will include a growing demand for rental and multi-family housing.

www.pedbikeimages.org / Laura Sandt

www.pedbikeimages.org / Dan Burden

That process already is underway. The average size of a new home dropped by 10 percent between 2007 and 2010, shrinking from 2,300 square feet to 2,100 square feet, says David Crowe, chief economist for NAHB. Builders also are scaling back on the quality of carpets, cabinets and other finishes, he says.

Another big home-building shift involves increased density — and not just because constructing more homes on less land can reduce cost. It also enables developers to build in, and around, urban cores where growing numbers of people want to live, says Crowe. The challenge will be to find infill sites where neighbors will accept higher density. That could lead developers to create new urban communities from scratch in the outer suburbs where land is more available, he says.

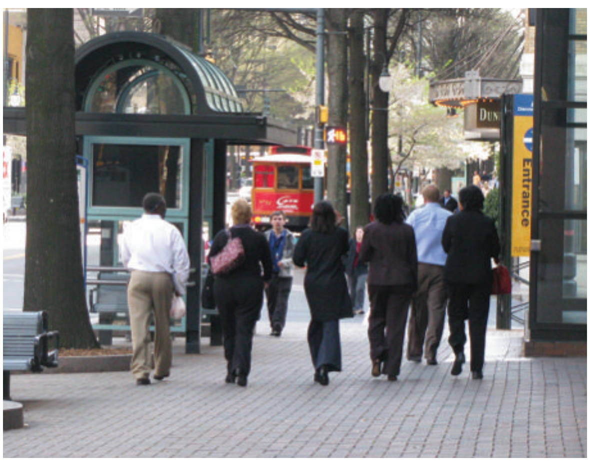
No look at the new normal would be complete without considering the influence of the baby boomers — the 78 million people who were born between 1946 and 1964 and who began turning 65 this year. “You’re going to see a mixed pattern in this group, but it won’t follow past patterns of people their age,” McIlwain says.

Fewer, for example, will retire to the sunbelt because they’d rather move closer to their children and grandchildren. More will defer transitioning into retirement communities because they’re healthier.

Courtesy of www.cachecounty.org © Jay Baker

The boomers have redefined every era they've entered and real estate's new normal will be no exception.

Courtesy of Colorado Tourism
Photo by Matt Inden/Weaver Multimedia Group



Bumps in the road …

… on the way to the new normal

- Average home price of $130,380 will fall another 5 percent this year.
- Another 2 million foreclosures expected this year.
- Approximately 25 percent of all mortgages remain underwater.
- Homeownership rate dips to 66.5 percent.
- Unemployment rate (8.8 percent in March) slow to improve.
- Looming changes in federal finance system could raise cost of home financing.
- Mortgage rates eventually headed to 7-8 percent.

Source: John McIlwain, Urban Land Institute

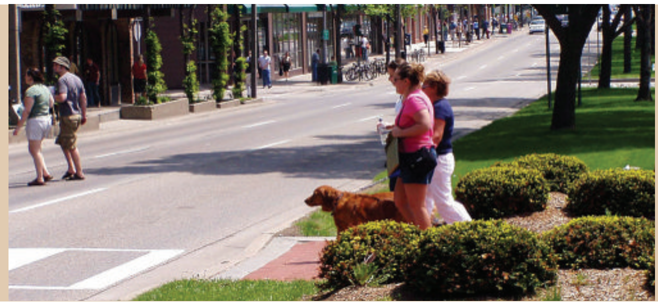
Many will work longer because the recession robbed their nest eggs. And, a whole bunch will remain in the suburban homes where they raised their children.

Some will have no choice because they owe more on their mortgages than their homes are worth and because Generation X — people in their mid-30s and mid-40s who are the most likely buyers of their homes — is relatively small. Yet many others will remain in their suburban homes by choice, says David Shotwell, senior director for livable communities with AARP. "If they do move, they want to stay in their own community," he says.

The boomers have redefined every era they've entered and real estate's new normal will be no exception. Expect communities to pursue a host of strategies to help boomers age in place ranging from developing walkable town centers to encouraging affordable housing near transit to tweaking their zoning codes to allow mother-in-law units. "Let's face it," says Shotwell. "This is a huge number of people and the new normal will be lots of things."

Brad Broberg is a Seattle-based freelance writer specializing in business and development issues. His work appears regularly in the Puget Sound Business Journal and the Seattle Daily Journal of Commerce.

Results reveal a desire for **smart growth** communities



2011 NAR Community Preference Survey

A new survey by the NATIONAL ASSOCIATION OF REALTORS® (NAR) reveals where most Americans would like to live — and it's no big surprise. A single-family home on a large lot remains the American Dream.

But that's just the first layer of the onion. As the 2011 Community Preference Survey peels away more layers, a host of less foreseen insights emerge — including the news that more people want to live in a neighborhood characterized by smart growth than one characterized by suburban sprawl.

That's one of many thought-provoking findings contained in the survey of 2,071 adult Americans conducted for the NAR by Belden, Russonello and Stewart in February. Other significant highlights include:

- While majorities of Americans rank space and privacy as their top priorities, a lengthy commute can sway them to consider smaller houses on smaller lots;
- Seven times more people say the neighborhood where a house is located is a bigger consideration in deciding where to live than the size of the house;
- Two-thirds of Americans see being within easy walking distance of places in their community as an important factor in deciding where to live;
- Americans see preserving farms and open spaces as much more important than creating new developments; and
- Improving public transportation is viewed as the best answer to traffic congestion by half the country.

All of those findings paint a picture of housing preferences that look a lot like smart growth — whether people call it that or not. Shyam Kannan, a principal with RCLCO Real Estate Advisers and one of several experts who provided advice to NAR on the design of the survey, said the results show that when presented with options that reflect smart growth versus options that don't, "more and more people choose smart growth."

Perhaps the most telling question asked people to choose between living in Community A — all single-family homes on large lots, no sidewalks, little public transportation — and Community B — a variety of housing and businesses, more sidewalks, nearby public transportation. People preferred Community B — the neighborhood characterized by smart growth — over Community A — the neighborhood characterized by suburban sprawl — by a 56 to 43 percent margin.

More people want to live in a neighborhood characterized by smart growth.

The survey breaks down responses demographically. People between the ages of 18-29 and 60-plus chose the smart growth community more frequently than any other age group at 62 percent (18-29) and 58 percent (60-plus). These are telling statistics, as they are part of the nation's two largest demographic waves — Generation Y and the baby boomers.

People earning $100,000-plus chose the smart growth community more frequently than any other income group (60%) followed closely by people earning $25,000 or less (59%). African Americans chose the smart growth community more than any other racial group (69%) followed by Latinos (58%) and whites (52%).

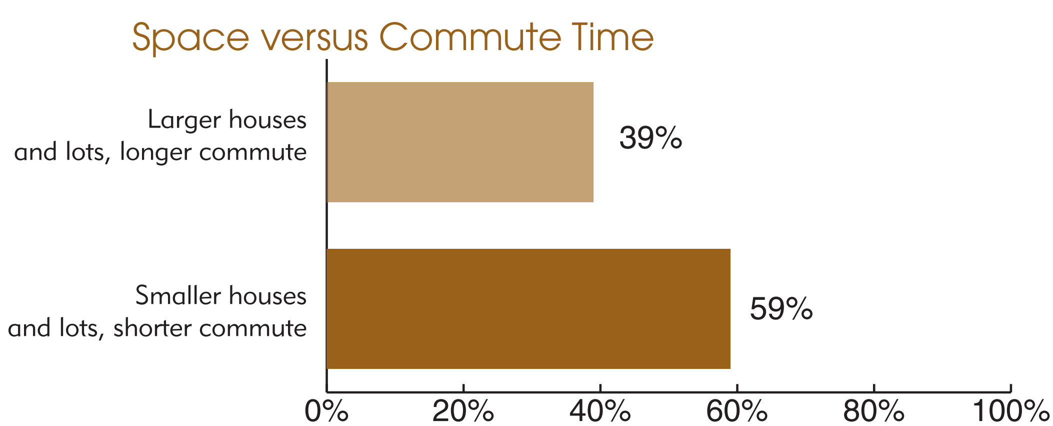
The strong preference for smart growth by Latinos is especially important, said Kannan, because immigrants are driving the country's population growth and Latinos — many of whom are immigrants — are the nation's fastest-growing ethnic population.

While 65 percent of single people chose the smart growth community, 52 percent of married people chose the sprawl community. Recent homebuyers also chose the sprawl community more often (54%), but prospective homebuyers favored the smart growth community (57%). People from the northeast chose the smart growth option more than any other region in the country (63%) followed by people from the Midwest (57%).

Walking to restaurants, businesses, schools and other amenities was the most appealing feature of the smart growth community to 60 percent of all those who preferred that choice. It also was the most appealing feature of the smart growth community to 40 percent of those who preferred the suburban sprawl choice.

That wasn't the only survey question that revealed Americans are eager to stretch their legs. Sidewalks and places to take walks ranked third among factors considered very important or at least somewhat important in deciding where to live. Privacy from neighbors (45 percent very important/87 percent at least somewhat important) was first, followed by living within a 30-minute commute to work (36 percent/78 percent) and having sidewalks/places to walk (31 percent/77 percent).

Another sign that walkability is important came when people were asked to choose between a community with a mix of housing/businesses within an easy walk and a community with houses only, where residents have to drive to businesses. People preferred the walkable community by a 58 percent to 40 percent margin. "You have so many amenities, restaurants, shops, friends nearby, culture," said a survey respondent.



Q9. Community A: Houses are smaller on smaller lots, and you would have a shorter commute to work, 20 minutes or less; or Community B: Houses are larger on larger lots, and you would have a longer commute to work, 40 minutes or more.

People were especially keen on walking to a grocery store (35 percent very important/40 percent somewhat important), pharmacy (24 percent/41 percent), hospital (25 percent/36 percent) and restaurants (18 percent/42 percent).

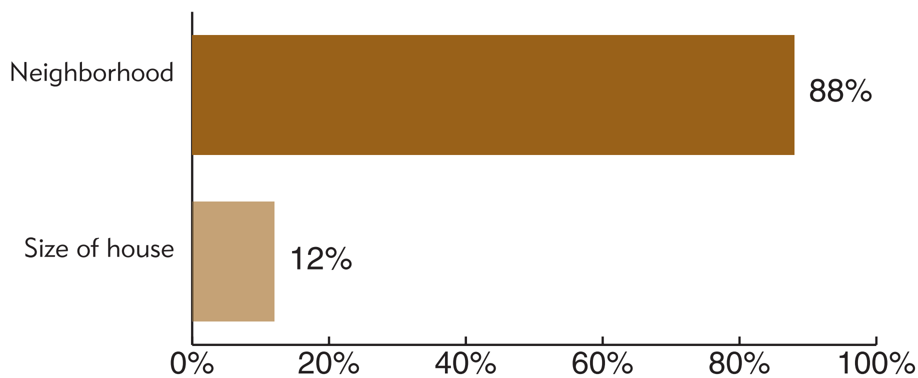
When asked to choose from a list of community needs, 46 percent of respondents cited having more shops or restaurants within an easy walk of home. That ranked it third behind providing better public transportation (51%) and offering more housing for people with low incomes (47%).

Besides being the leading community need, better public transportation also was the preferred answer to reducing traffic congestion. An even 50 percent of the public favored that option compared to 30 percent who favored developing communities that require less driving and 18 percent who favored building new roads.

Nothing, however, eclipses the desire for a single-family detached home. That's where 80 percent of people said they preferred to live — and where 70 percent already reside — when asked to choose between various housing types.

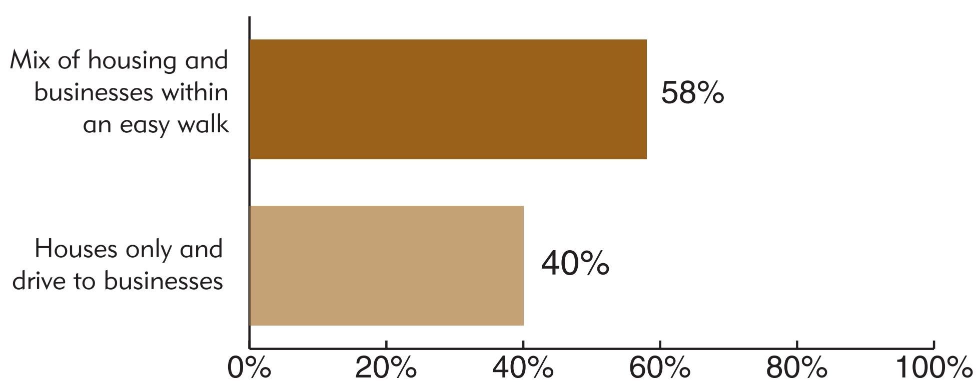
Most (59%) said they would be willing to accept a longer commute and forgo walking to shops and restaurants to live in a single-family home rather than an

Size of House versus Neighborhood



Q7. Which is more important to you in deciding where to live: The size of a house; The neighborhood?

Mix of Housing and Businesses versus Housing Only



Q10. Community A: The neighborhood has a mix of houses and stores and other businesses that are easy to walk to; or Community B: The neighborhood has houses only and you have to drive to stores and other businesses.

apartment or a townhome. Still, that leaves a sizable minority — 38 percent — who'd prefer an apartment or townhouse if it shortened their commute and enabled them to walk to shops and restaurants.

That's a significant number considering 80 percent of the country would otherwise prefer to live in a single-family home. Kannan believes it's another indication that "the more information we give people about what smart growth looks like, the more likely they are to choose it."

It's also noteworthy that despite ranking privacy as the most important factor in deciding where to live, 59 percent of the public said they'd choose a smaller house on a smaller lot if their commutes were 20 minutes or less. "Quality of life is convenience for me," said a survey respondent. "Being able to walk to public transportation means I spend less time commuting. We could have a bigger house somewhere else, but it wouldn't be worth it for me."

On the other hand, walkability doesn't transcend the desire for space even if it means living in a sprawl-oriented community. Most people (61%) said they'd be willing to drive to schools, stores and restaurants in order to live in a house on a large lot rather than live in a house on a small lot that enabled them to walk to those destinations. "It doesn't even have to be a larger house. I just want space between my neighbors and me," said a survey respondent.

Nevertheless, a strong anti-sprawl sentiment emerged when people were asked to prioritize a list of housing and community issues facing their state governments. Preserving farms and open spaces was the number one issue with 53 percent of the people saying it was a high or extremely high priority. Creating new developments was dead last at 24 percent.

Kannan believes one of the most significant findings for real estate developers involves the tradeoff between size of house and the quality of the neighborhood. Builders typically emphasize size and finishings much more than neighborhood when developing and marketing housing, he said, yet 88 percent of survey respondents said neighborhood mattered more than size of house in deciding where to live. And — based on their answers to numerous other questions — the kind of neighborhood they prefer includes a healthy dose of smart growth.

That puts real estate developers at the same crossroads as U.S. auto companies a few decades ago when they were painfully slow to respond to changing consumer demand for smaller and more fuel-efficient cars, said Kannan. "I don't know if builders realize that this is their 1970s/1980s oil shortage ... and they can't ignore the opportunity to change their business model," he said. ●

To view the survey in its entirety, please visit http://www.realtor.org/government_affairs/smart_growth/survey.

Community Options

Community A

There are only single family houses on large lots.

There are no sidewalks

Places such as shopping, restaurants, a library, and a school are within a few miles of your home and you have to drive to most

There is enough parking when you drive to local stores, restaurants and other places

Public transportation, such as bus, subway, light rail, or commuter rail, is distant or unavailable

Community B

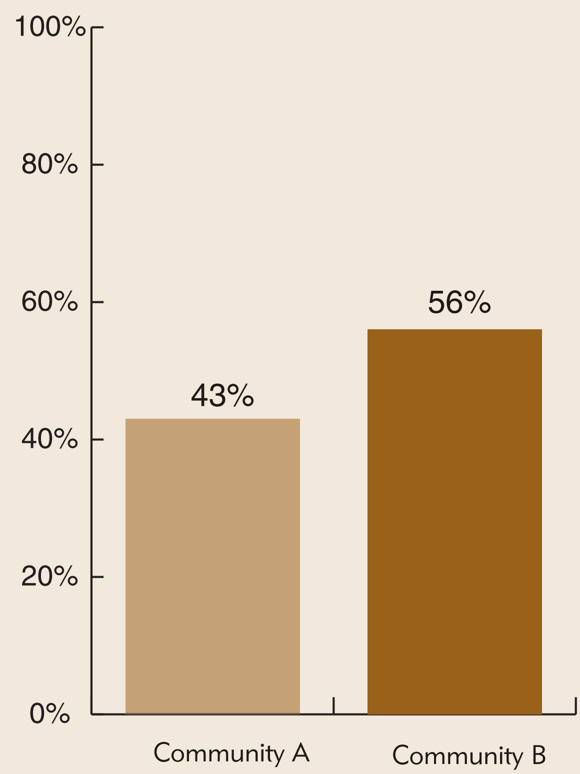
There is a mix of single family detached houses, townhouses, apartments and condominiums on various sized lots

Almost all of the streets have sidewalks

Places such as shopping, restaurants, a library, and a school are within a few blocks of your home and you can either walk or drive

Parking is limited when you decide to drive to local stores, restaurants and other places

Public transportation, such as bus, subway, light rail, or commuter rail, is nearby.



Q13. Assuming that there are no differences between the communities apart from the ones we mentioned, which community would you rather live in: Community A or Community B?

Re-Inventing the Suburbs

With new retrofits and redevelopment efforts, suburbs are preparing to handle population growth.

By Brad Broberg

www.pedbikeimages.org / Laura Sandt

Suburb bashing is a popular pastime. Soccer moms. Mini-vans. Lawn gnomes. Who can resist?

But suburbia is more than fodder for sit-coms. As the real estate market moves toward a new normal, many suburbs — especially those nearest the urban core — are in the sweet spot. Not as unaffordable as the city and or as distant as the exurbs, they're well situated to attract the next round of growth and development.

"The great advantage [suburbs] have is they have a good location. They're half way from everywhere," says William Hudnut, former mayor of Indianapolis and author of "Half Way to Everywhere: A Portrait of America's First Tier Suburbs."

Hudnut's book came out before the recession, but his observations are even more relevant today as the mortgage meltdown exposed the hazards of continuing to build more and more subdivisions farther and farther afield. "It's clear that the disconnect between housing and jobs, long daily commutes and time wasted in traffic is causing more and more people to rethink how and where they're living," says Patrick Phillips, CEO of the Urban Land Institute (ULI).

Courtesy of Arlington County, Va.

Bulldozing suburbia and herding everyone into the city isn't the solution. The solution is to make the successive rings of cul de sacs and strip malls built after World War II — when rampant highway construction sowed the seeds for sprawl — more livable, more sustainable and more capable of accommodating future growth.

"The consequences of the recession are magnifying the problems of sprawl [and] there is an energy in the air about dealing with it," says Galina Tachieva, director of town planning with Duany Plater-Zyberk and Co. (DPZ).

Tachieva is the author of "The Sprawl Repair Manual." While she's quick to point out that suburbs and sprawl aren't automatically synonymous, more often than not, the shoe fits. Tachieva's book provides a toolbox of design, regulatory and implementation techniques for both inner and outer suburbs to retrofit themselves at the block scale (example: adding accessory dwelling units to individual lots), the community scale (example: transforming malls into main streets) and the regional scale (example: stitching regional nodes together with transit).

This isn't pie in the sky. Although the recession put many projects on hold, retrofitting is moving full steam ahead in places like Mableton, Ga. This unincorporated Atlanta suburb is blazing the trail for Cobb County to create a series of "lifelong communities" that will enable people to "grow up and grow old in the same place," says Dana Johnson, county planning division manager.

With assistance from DPZ, the county adopted a form-based code and illustrative master plan to guide redevelopment of Mableton's core from a hodge-podge of strip retail into a true town center with a more concentrated

The solution is to make the successive rings of cul de sacs and strip malls built after World War II more livable, more sustainable and more capable of accommodating future growth.

Thornton Place, near Seattle

Photo by Chas Redmond

mix of housing, services and amenities. Voters then approved a local option sales tax to pay for infrastructure improvements such as redesigning streets and building a town square.

While the goal is to create a community suitable for all ages, doing so requires paying special attention to the needs of older adults, says Johnson. For example, the code requires every building to have at least one entry without steps and calls for shorter blocks with pocket parks to make walking easier.

The retrofitting story is the smart growth story told at a time when more and more people are ready to listen. They've seen property values fall hardest and foreclosures spread fastest in areas where sprawl is most pervasive. They've watched rising gas prices turn the "drive until you qualify" model of home-buying upside down. They've become more conscious of their carbon footprint and how sprawl hurts the environment. And — especially among baby boomers and Generation Y — they've indicated a desire for urban living.

Big cities will absorb some of the demand. And so will many first-generation suburbs that were built before sprawl — with its fragmented street grid, separated land uses and dependence on the automobile — became the dominant pattern of development. But neither cities nor their first-generation suburbs can handle all the growth that's coming. Not with the country's population expected to increase by 2.5 million to 2.8 million a year.

The suburbs, according to one joke, are where people cut down the trees and name the streets after them. But if continuing to turn fields, farms and forests into new subdivisions was ever the answer to future housing demand, the recession delivered a sobering slap in the face. The only place left for growth to go? Existing suburban communities, "There is no other choice," says Tachieva.

Neither cities nor their first-generation suburbs can handle all the growth that's coming.


Belmar in Lakewood, Colo.


Courtesy of www.flicker.com/photos/studio-d

More and more suburbs are undergoing various degrees of retrofitting emphasizing compact, walkable, mixed-use development with a variety of housing and transportation choices.

That's why more and more suburbs are undergoing various degrees of retrofitting emphasizing compact, walkable, mixed-use development with a variety of housing and transportation choices — all core principles of smart growth. "Suburban development in the 21st century cannot mean sprawling development," says Phillips. "That is simply not a sustainable growth model. In the suburbs, less and less land will have to be used to accommodate more people."

Architecture professors Ellen Dunham-Jones and June Williamson are co-authors of "Retrofitting Suburbia: Urban Design Solutions for Redesigning Suburbs." Their recently updated book takes readers on a tour of retrofitting projects from coast to coast. "We talk about retrofitting as having three distinct styles — redevelopment, re-inhabitation and re-greening," says Dunham-Jones.

The thrust isn't to remake suburbia's single-family neighborhoods. The multiplicity of individual property owners — and their likely objection — prohibits that. The thrust is to insert choices — especially more urban choices — into the suburban landscape.

"We are oversupplied" with sprawling suburban development, Williamson says. "It's almost like the industry that sustained the suburbs was building the suburbs. We really need to diversify. There are some real imbalances around the country, which speaks to opportunity."

Failing malls, office parks, big box stores — and their vast parking lots — represent "under-performing asphalt" that begs to be turned into a more dense and diverse mix of housing, services and amenities that complement existing residential neighborhoods, says Williamson. "The idea is starting to resonate," she says.

Redevelopment is probably the best known form of retrofitting and converting enclosed shopping malls into town centers and is probably the most frequently discussed example. The Denver area is ground zero for this trend with eight out of 13 regional malls at various stages of retrofitting, says Dunham-Jones.

Topping that list is Belmar. Formerly the Villa Italia Mall, this vibrant urban district serves as the city of Lakewood's new downtown, filling 23 blocks with shopping, dining, entertainment and residential development, including lofts, urban row homes and condominiums built to accommodate 1,500 residents.

Another example of retrofitting via redevelopment is the Columbia Pike Corridor in suburban Virginia, where Arlington and Fairfax counties up-zoned four sites along a five-mile stretch of busy road to create mixed-use urban nodes that they plan to link with a streetcar. "We know that transit can trigger redevelopment," says Dunham-Jones, "but this is one of the few cases where we've seen redevelopment used to trigger the transit."

Re-inhabiting is a less intense form of retrofitting that involves converting empty buildings into new uses such as turning a big box store into a school or library. Although technically not in suburbia, One Hundred Oaks Mall in Nashville is a notable example of this strategy, says Dunham-Jones. After an extensive renovation, this mall remains open for retail on the ground floor but now houses Vanderbilt University Medical Center clinics and offices on its second floor.

Re-inhabiting is akin to what Hudnut calls "urban acupuncture" because it can be done incrementally and is therefore easier to implement than sweeping redevelopment. Re-inhabiting also is sound environmental policy. "There's a saying that the greenest building is the one that is already built," Hudnut says.

Re-greening is the most radical form of retrofitting because it means demolishing buildings and replacing them with ... nothing.

Re-greening is the most radical form of retrofitting because it means demolishing buildings and replacing them with parks and open space.

Courtesy of Arlington County

Courtesy of Vandebilt University Medical Center

Above: One Hundred Oaks refurbished mall near Nashville, Tenn.

Courtesy of reconnectingamerica.org

At least not anything with asphalt. Parks and open space, yes. Buildings and parking lots, no.

Wasteful as it may sound, re-greening makes a lot of sense for empty or outdated buildings constructed in sensitive locations where “they never should have been built in the first place,” Dunham-Jones says. It can be good for both the environment and for surrounding development. “There’s a lot of recognition that [green space] increases surrounding property values where a dead building decreases property values,” Dunham-Jones says.

That’s exactly what happened in St. Paul, Minn., when a failing culvert compromised the parking lot of an aging strip mall built on a former wetland, says Dunham-Jones. Tearing down the strip mall and restoring the wetland led a developer to build the Village at Phelan, a townhome community overlooking the wetland.

Thornton Place on the edge of Seattle rolls redevelopment and re-greening into one. This community of apartments, senior housing, shops, restaurants and a movie theater was built on a five-acre patch of Northgate Mall’s parking lot adjacent to an existing bus hub and a future light rail station. As part of the project, developers restored a stretch of Thornton Creek that was buried in a culvert under the parking lot.

The inner rings of suburbia are low-hanging fruit for retrofitting, but what about the far fringes where rows of forsaken McMansions sit in half-finished subdivisions?

One possibility says Tachieva, is to convert them to multi-family housing or build rows of townhomes in the back yards to meet the needs of changing demographics. “It may not become prevalent right away, but it should be considered,” she said.

Louisville Metro is taking a proactive approach by striving to retrofit its suburban fringe to interrupt the progression of sprawl. It sought help from the EPA and its Smart Growth Implementation Assistance program to complete a study for the Fern Creek area that could be used as a model for the rest of Jefferson County’s outer reaches.

A public-private partnership is creating a huge network of parks and open spaces that will attract a new wave of growth and development to the area once the economy improves, says Kendal Baker, planning supervisor with Louisville Metro. The study, expected to be completed this summer, will focus on how to create a compact mixed-use, suburban center at the crossroads of a major arterial and Interstate 265 — and later at other locations.

In the long run, says Baker, that’s a more responsible way to grow “rather than sprawl marching from the urban core all the way to the county line.” ●

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The Graduation of *Smart Growth*

Universities are partnering with towns to create vibrant, campus town centers.

By John Van Gieson

Smart growth principles are going to college all over the country. A growing number of universities are working with local government officials, developers and planners to create new centers of campus activity providing housing, restaurants, stores, bars, clubs and coffee shops favored by students, and also appealing to other residents ranging from young professionals to empty nesters.

Called University Districts, the projects already under construction or being planned as public-private partnerships are not traditional college towns and they're not exactly town centers. You could, however, call them "college town centers."

"Universities are realizing now if you don't create this atmosphere, this vibrancy, your university is not going to be as attractive as it ought to be," said Richard Martz, director of LiveWorkLearnPlay (LWLP) in Montreal. LWLP is an international planning and development firm that advises University District developers.

Visuals provided by Sora Holdings LLC

Visuals provided by Sora Holdings LLC

Above: Plans for a campus town center near Rowan University include housing and retail.

University District plans commonly call for single-family homes, townhouses or condos around the core to attract older residents.

University Districts are springing up next door to campuses that typically lack the amenities that appeal to students. They are based on a core of mixed-use buildings with retail and restaurants on the first floor and residences and offices upstairs. The districts are designed to be walkable and include protected green spaces. Some include student housing and space for university offices and classes. University District plans commonly call for single-family homes, townhouses or condos around the core to attract older residents.

Universities creating urban districts as new centers to enhance their campuses are engaging savvy developers who have established their smart growth, new urbanism and sustainable credentials.

Among the most advanced University Districts now underway is the Rowan Boulevard project in Southern New Jersey. Rowan Boulevard is a public-private partnership formed by Rowan University, a New Jersey state university; the Borough of Glassboro; and Sora Holdings of Sewell, N.J. and Towson, Md.

Glassboro, located about 25 minutes south of Philadelphia, had fallen on hard times as many downtown businesses moved to outlying malls and shopping centers. Rowan, largely a commuter college, lacked the amenities of a classic college town, such as Athens, the home of the University of Georgia, and wanted to make its campus more attractive to prospective students.

"What this is doing is creating a university community, a quintessential university town," said Rowan President Donald Farish. "We are integrating the future of the campus and the town together."

Financed by the developer, the $300 million Rowan Boulevard project is part of a larger plan to redevelop downtown Glassboro. One-third of a mile long, the recently constructed Boulevard links the university to downtown. A 36,000-square-foot Barnes & Noble Collegiate Superstore and two buildings providing housing for 860 students are up and running, with a 100-room Marriott Hotel under construction. The project will eventually include five mixed-used, four-story buildings containing 40,000 square feet of office space, 185,000 square feet of retail and 307,000 square feet of residential, along with a number of smaller residential buildings geared to young professionals, empty nesters and seniors.

Storrs Center near the University of Connecticut

Town Square: Conceptual perspective of the town square — the heart of Storrs Center. The square will be bordered by mixed-use buildings, with restaurants and other retail establishments at ground level, and residences above.

An entertainment district, which features bars, clubs and restaurants is an important component of a University District.

Glassboro acquired 90 mostly rundown properties along the route of the boulevard without resorting to eminent domain, said Borough Manager Joe Brigandi. He said Sora Holdings is paying the borough fees in lieu of property taxes on the parcels it is developing, a win-win situation for the borough and the developer.

Before Sora Holdings broke ground on Rowan Boulevard, property owners in the area were paying the borough about $70,000 a year in property taxes, said Sora Holdings Partner Greg Filipek. He said his company is paying Glassboro $525,000 a year in fees on the first phase of the project and will pay $2 million a year when Rowan Boulevard is built-out.

Given that students do what students like to do in the evening, an entertainment district featuring bars, clubs and restaurants is an important component of a University District; but it's tricky.

"University students like to have a good time at night," Martz said. "If they can't do it close to campus, they'll get in their car and drive someplace. Any good University District has some night life. You want to keep night life a little bit away from your residences. You want it to be where it's not going to distract anybody."

Rowan Boulevard planners solved the noise problem by designating an area on the downtown end of the street, a short walk from the campus, for entertainment.

It wasn't planned that way, but the Storrs Center University District being developed by a partnership including the University of Connecticut (UConn) and the town of Mansfield, will be a great place to celebrate future UConn national basketball championships. Storrs is the section of the town of Mansfield where the university is located.

Construction of the first phase of the Storrs Center is scheduled to begin this summer, said Howard Kaufman, managing partner of LeylandAlliance LLC, of Tuxedo, N.Y., which is developing the project in partnership with the Mansfield Downtown Partnership.

"For whatever reason, no real college town ever developed at UConn," Kaufman said. "There really is no Main Street, no downtown feel at all."

The plan for Storrs Center calls for 700 residential units, 160,000 square feet of retail and restaurant space, 30,000 square feet of office space, a parking garage, outdoor civic spaces and preservation of 25 of the 45 acres as a conservation area. The cost of the project is estimated at $220 million.

The first phase of the project includes two mixed-use buildings with 260 rental apartments and 60,000 square feet of retail space. LeylandAlliance is partnering with Education Realty Trust of Memphis, Tenn., which specializes in collegiate housing and will own and operate the residential units in those buildings. LeylandAlliance will own the retail space on the first floor.

Ultimately, the Mansfield Downtown Partnership plans to add condos and expects Storrs Center residents to include "the general public, young professionals, university faculty and staff, empty nesters, graduate students and alumni."

Projects such as Storrs Center and Rowan Boulevard are big and complicated, requiring input from numerous experts, good working relationships with local officials to overcome potential hurdles, and extensive use of smart growth and sustainability principles.

"We've been at this for seven or eight years," Kaufman said.

"It's been a long haul," Brigandi said. "We've been working on it for about 10 years now. In this economic climate, it's good to see the project move forward."

Plans call for development of a Town & Gown District adjacent to the five-year-old University of California, Merced, probably the largest University District in the country. The district is part of a major planned expansion of UC Merced, over the next 50 years. It is designed to provide housing and services for 30,000 people and create 5,000 jobs within a 10-minute walk of campus.

All of the University Districts promote walkability, but the UC Merced project outdoes them. Its mixed-use center includes a walkway modeled after Las Ramblas, the famous promenade in Barcelona, Spain.

Among other campuses involved in University District projects, but not as far advanced as Rowan and UConn,

The partnership plans to add condos and expects residents to include the general public, young professionals, university faculty and staff, empty nesters, graduate students and alumni.

Dog Lane: Conceptual perspective of Dog Lane, looking at the east end and south face of the first buildings to be built in Storrs Center.

Masterplan: Storrs Center will create a true college town and a regional center of commerce with a vibrant, sustainable town center. The project includes new retail, restaurant, office and residential development within a planned community of pedestrian walkways, green spaces and conservation areas.

are Florida State University (FSU), Bowie State University in Maryland, and Cal State San Marcos.

The Florida State project in Tallahassee, known as T'Alley@MADISON, is unique in that it's sponsored by the Seminole Boosters, the fund-raising arm for FSU athletics. The project focuses on Madison Street, a rundown area south of campus and a block north of Gaines Street, a dowdy warehouse area which is being redeveloped by the city of Tallahassee. The Madison and Gaines Street projects will ultimately blend into a multi-faceted urban village providing a large number of new housing, retail and entertainment options for students, townspeople and visitors.

As envisioned by Seminoles Boosters President/CEO Andy Miller, T'Alley@MADISON would create a mix of facilities serving both students and alumni returning to campus on fall weekends for football games. The project is located about four blocks from FSU's football stadium. Alumni returning for football games are Miller's ultimate focus.

"It's got to be about the Florida State graduate who comes to Tallahassee for the weekend," Miller said. "It's got to be a total experience; that is the driving force in our trying to develop this."

The initial $20 million phase of the project calls for constructing a five-story, mixed-use building and a three-story building dedicated to retail, restaurants and entertainment and renovating an 18,000-square-

It's got to be about the Florida State graduate who comes to Tallahassee for the weekend. It's got to be a total experience; that is the driving force in developing an urban campus center.

foot former post office. The mixed-use building will contain about 70 student apartments, with 60,000 square feet of retail, restaurants and entertainment divided among all three buildings. A dance club will occupy the old post office.

The T'Alley portion of the Seminole Boosters' project name refers to an entertainment district that will be constructed in a later phase alongside the three-story building. Florida State owns land on the north side of Madison Street, and its long-range plan calls for construction of university facilities there.

Patrick K. Hodges, a Tallahassee planning and design consultant who is working with the Boosters, said preliminary work has begun on the site, with construction likely to begin by the end of the year. He said later phases will focus on amenities for graduates who return for football games.

Photos: Renderings of the campus town center in Tallahassee, near Florida State.

Bowie State in Washington's Maryland suburbs is a historically black university serving about 5,500 students. The MARC commuter train, which runs between Washington and Baltimore, has a station next to the campus, but there's not much else there.

As part of a master plan for the Bowie area, the Maryland-National Capital Park and Planning Commission (MNCPPC) has developed a plan to move the MARC station closer to the center of campus and build a University District next to it.

"Since it is so isolated right now, they're having a difficult time trying to attract and retain those students they want for their entire college career," said planner Kierre McCune, project manager for the MNCPPC.

The project is moving forward as the Prince George's County Council has created an advisory board to recommend designs and financing for the 219-acre project. The MNCPPC plan calls for a mixed-used community center by the station along with townhouses and single-family homes. The center would include 55,000 square feet of retail, 54 rental units, 175 student housing units and a laboratory school, convocation center, fitness center and classroom-office building for the university.

"The plan is 20 to 30 years out, but we would anticipate that this would be funded a lot before that," McCune said.

The Cal State San Marcos project will create a large new town center in a rapidly growing area north of San Diego. Sponsored by the city of San Marcos, the project will abut the university, which opened 21 years ago, and provide easy access to the Sprinter Light Rail line serving northern San Diego County.

Michael McDonald, developer of the California State University San Marcos University District on a 200-acre tract in northern San Diego County, said buildings there will be constructed according to LEED Gold and Silver standards. They will feature renewable energy.

"Our budget is probably a couple of billion dollars by the time this thing is built out. This is a very big project," McDonald said. He said it could take 20 years for his company, Urban Villages San Marco, to complete the project.

The district plan features a 500,000-square-foot, mixed-use Lifestyle Center offering students and residents retail, dining and entertainment venues. It will include up to 800 student housing units and 2,600 multifamily homes.

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Courtesy of 5th Street Market and TravelLaneCounty.org

Above: Fifth Street Market, an example of a planned college town center, near the University of Oregon in Eugene.

Below: Cal State San Marcos project

The district plan features a 500,000-square-foot, mixed-use Lifestyle Center offering students and residents retail, dining and entertainment venues.

The Rental Boom

Photo by Tammy Green

REIT apartment projects respond to growing demand for rental housing

By Brian E. Clark

It may take several years before single-family home construction starts to climb again, thanks in large part to overbuilding during the boom years of the sub-prime mortgage craze. But that doesn't mean all housing construction is flat.

In fact, Real Estate Investment Trusts (REITS) — or real estate companies that offer common shares to the public, with a primary function of managing groups of income-producing properties that then distribute a majority of their profits as dividends — are pouring billions of dollars into institutional apartment developments aimed primarily at so-called Generation Y renters. Members of this generation, also known as Echo Boomers, were born in the late 80s or early 90s, and according to some estimates, they number as many as 70 million and are the fastest-growing segment of today's work force.

REITS Recognize the Gen Y Influence

Analysts, financiers, developers and REIT executives, all clearly recognize the influence of the younger generation in today's marketplace. Many of these young people may be hesitant to buy a home after watching parents or older siblings affected by the housing decline of the past few years. They're looking for the greater mobility and flexibility that apartment living offers compared to homeownership. In addition, studies show they're interested in environmental sustainability and want shorter commutes; making them less inclined to buy a house in the distant suburbs, which has traditionally been a prime location for first-time homebuyers.

"For them, rent is not a four-letter word. They are thinking about their housing options very differently, compared to previous generations," said Haendel St. Juste, an analyst with Keefe, Bruyette & Woods

(KBW), an investment banking and security brokerage firm based in New York.

Yet surveys continue to show a high desire for homeownership, including among the younger generation. Most recent, the September 2010 NATIONAL ASSOCIATION OF REALTORS®' Housing Pulse survey found that 77 percent of Americans believe buying a home is a good financial decision; a Gallup poll in April 2011 found that 69 percent of Americans say now is a good time to buy a home; and NAR's newest Community Preference Survey (see page 10) found that 74 percent of those ages 18 to 29 want to live in a single-family detached home. However, St. Juste still predicts a strong rental demand from Gen Y buyers.

"They're not really sure if they want to get locked into a home. They value the 'liberty premium.' They believe there's a lot to be said for being able to pick up and move with their job or simply because they want to live in a different region of the country," explained St. Juste. "So this Echo Boomer demand is strong and growing."

"There's been a wholesale shift and change in attitude about renting vs. owning," St. Juste adds.

That means: an almost "perfect storm" for REITS planning apartment developments for the next few years. The combination of these prime factors position REITS to act now — they have access to reasonably priced capital, while private developers don't; the demand for apartments is strong; supply is flat; and attitudes toward renting have shifted.

"In fact, for 2011 and 2012, we are forecasting we'll see a net reduction in supply, meaning that the number of apartments being added is less than the amount that is becoming obsolete and getting torn down. That hasn't happened since we have been keeping track of statistics since WWII," said St. Juste.

He believes apartments will "garner more than their fair share of new household formation for the next couple of years."

"I've seen some studies that predict that over the next five years, two-thirds of new households formed will be

Photo by Denise Chambers/Weaver Multimedia Group

Young people are looking for the greater mobility and flexibility that apartment living offers.

Courtesy of Colorado Tourism
Photo by Denise Chambers/Weaver Multimedia Group

Each percentage point decline in homeownership means one million new renters.

©David Dyte

renters. That's pretty interesting because if you look at the marketplace now, its two-thirds homeowners and one-third apartments. The balance is shifting somewhat. Homeownership peaked in the third quarter of 2007 at 69.2 percent, but it is trending down and will probably get below 65 percent."

According to economists, each percentage point decline in homeownership means one million new renters.

In fact, St. Juste said the move back to apartment dwelling is already having an effect on how American cities look. "We've seen cities push toward designing 24-hour downtown centers that are based not only around jobs, but housing, retail and entertainment that add a certain desirability for people to move to and live in some of the downtown areas in some of the larger U.S. cities."

"How significant it becomes over the long-term is anybody's guess," he said. "But this new generation, the people coming out of school now, have different views and tastes and desires. I think you will see that in new types of housing product that will be delivered and the location and the packaging of it to meet those changing views and attitudes."

However, St. Juste is still cautious. "There doesn't seem to be much risk for the REITS for the short term, which makes me a little nervous," he added. "We can't forecast global, macro, exogenous shocks or anything that is going to go on in the Middle East or Japan. But the U.S. economy, knock on wood, seems to be slowly recovering. And with supply at historical lows, emerging population growth — especially for those in the prime rental age — makes apartment development look almost too good to be true."

Development through REITS

For REITS, it's a major turn-around from 2009, when they were in a capital preservation mode and did very few apartment developments. In 2010, however, they broke ground on nearly $2 billion worth of new projects and are forecasting as much as $3 billion in developments this year.

The top developer is AvalonBay Communities of Alexandria, Va., which got a jump in 2010 with $650 million in project starts and is forecasting another $850 million this year. That's a hefty total of $1.5 billion. Other top developers include Chicago's Equity Residential, $400 to $500 million; Colorado's UDR, $300 million, Houston's Camden Property Trust, $50 million to $150 million; San Francisco's BRE Properties, $90 million to $120 million; Atlanta's Post Properties Trust, $100 million; and Alabama's Colonial Properties Trust, $50 million.

That's a lot of money invested into apartment dwelling across the nation. Some observers predict REITS may be funding up to 80 percent of the apartment projects this year and next — turning the old ratio on its head. In past years, it was private developers who did four-fifths of the apartment development. Most of them, however, have been shut out of the market by the financing squeeze.

Paula Poskon, a senior research analyst with Robert W. Baird, said "onerous" loan conditions offered by regional banks to private builders have kept and are continuing to keep them from developing many new projects.

"So the players best positioned to re-ignite development are the best capitalized players and those are the publicly traded REITS," she said. "If the credit situation improves, private developers could come back into play."

But that will only happen as regional banks clean up their balance sheets from the last round of lending.

"That is just starting to happen," she said. "I would say as asset performance gets better with the steadily improving economy, these banks will finally address some of these outstanding bad loans and that will free up capital to re-lend."

In the meantime, she said some private developers are teaming with REITS on projects because REITS have the money … "REITS have a window of opportunity, a sweet spot, while construction costs are still low. They have access to capital, so they are ahead of the regional

REITS have a window of opportunity, while construction costs are still low.

Courtesy of www.flickr.com/photos/daralibrarian merchant developers in this cycle. And the fundamentals are improving for a multi-year period."

Developers see the potential in what the analysts predict. According to Mark Tennison, an executive vice president at Equity Residential, the nearly $3 billion worth of apartment starts this year by REITS will only partially meet the growing demand.

"There has been a dearth of supply coming into the market," said Tennison, whose company is building projects this year in the large metropolitan markets of Los Angeles, New York City and suburban Washington, D.C. The firm is also looking at other potential starts in Northern California and South Florida.

"If the normal supply run rate is 300,000 to 350,000 units a year, we dipped well below even a third of that number," he said. "In fact, the net new supply was running negative for a period.

"It's created an environment that is very supportive of development, one that should continue for three to five years. How soon we get back to that standard run rate is really a function of the capital markets."

In addition to being reticent to own a home, he said the Gen Y cohort is migrating to metro markets for job opportunities and quality of life. "As they do so, they are shedding some of the components of suburban living," he said. "If you live in Manhattan, you probably don't need a car. Your neighborhood has the amenities you need for your life. And work is likely a subway commute away. That's the demand we're meeting, and we see it continuing for some time to come."

Poskon also acknowledges the Generation Y influence, and cites, as well, that the younger demographics and changes in attitudes about rent are pushing apartment growth.

Courtesy of Colorado Tourism
Photo by Matt Inden/Weaver Multimedia Group

The Gen Y cohort is migrating to metro markets for job opportunities and quality of life.

©David Dyte

"In 2009, we saw a peak number of high school seniors graduating in the United States," she said. "Some have already moved into the work force and others will be graduating from college in 2013 or later and starting their careers."

Coupled with that is a decline in homeownership, fueled in part by a significant number of people moving into rental properties because of foreclosures, job loss or a new preference to rent. This latter reason is part of what Poskon called a "secular shift" in the Echo Boomer cohort.

"They are leery of owning a home, they want that all important freedom and they are marrying later, having children later…. All these things are shifting the demand curve. Also, with Echo Boomers' focus on being environmentally friendly, mobility and thinking of themselves as citizens of the world, it is going to be a long time before we get back to those folks wanting to live 25 miles out in the suburbs."

What might mitigate that a bit, she said, is a societal shift of having multi-generations back under one roof. Then it might make sense to buy a bigger house if you have parents with young children and grandparents all living in the same dwelling.

"When you think about the cost of long-term care, that could be a good option for some folks, especially if you add in tougher underwriting standards for mortgages and higher down-payment requirements," noted Poskon, whose 80-year-old mother lives with her half the year.

In the meantime, who knows what will drive the next market surge, but for the moment, REITS are primed to meet the needs of the new generation.

Brian E. Clark is a Wisconsin-based journalist and a former staff writer on the business desk of The San Diego Union-Tribune. He is a contributor to the Los Angeles Times, Chicago Sun-Times, Milwaukee Journal Sentinel, Dallas Morning News and other publications.

The *Accidental* Landlord

Reluctant landlords are part of the nation's housing trend

Susan Cade never thought she would one day become a landlord and have to take tenants into her home.

But when her marriage ended, Cade had to figure out a way to continue paying her mortgage so that she and her teenage daughters could stay in their small ranch outside Vail, Colo.

"I wanted to hold onto my home as an anchor for my children's lives," said Cade, 57. "I never planned on being an 'accidental landlord,' but I had to get creative about how to keep my place."

That was a decade ago. Since then, tenants have come and gone, Cade's girls have left home and graduated from college. But she still has renters helping pay her mortgage. And, thanks to serious vetting, renting has worked out well for her.

Cade didn't know she was on the leading edge of the so-called reluctant landlord movement, which picked up steam after the housing market fell four years ago and many people were left with houses they were unable to sell. Or who — through divorce or job change — were forced to seek other ways to pay their mortgages.

Probably the most high-profile example of this trend is U.S. Treasury Secretary Timothy Geithner. After taking his new job in the Obama administration, he couldn't sell his $1.6 million residence in the New York City suburb of Larchmont. So he found tenants to rent the home.

According to a study by the real estate market research firm of Foresight Analytics, a division of Trepp, LLC., more than three million homes have been turned into rentals since 2007.

Adding to that rental pool are foreclosed homes that new buyers are renting instead of selling and condominiums initially slated for sale that were converted into apartments.

When home prices were surging, things were moving in the opposite direction. In 2003 and 2004, nearly half a million rentals were sold and converted to owner occupied homes, the study showed.

Matthew Anderson, a partner at Trepp, said the broader economic downturn and the housing market collapse forced many homeowners to consider taking in tenants or renting.

"You've got situations where the owners' income was less than it was, so taking in a renter allowed them to make their mortgage payment," he said.

"Or, if they bought their house in the past five years, and then had to move, they might have found that home prices were now depressed, demand was down or that their mortgage was even underwater," he said.

In that case, many homeowners found that renting or leasing their property and getting enough money from tenants to come close to meeting their debt service was the way to go.

Ironically, if they were forced to move, these same landlords might have become tenants themselves in their new cities.

Ashok Bardhan, a senior research economist at the Fisher Center for Real Estate and Urban Economics at the Haas School of Business at the University of California, Berkeley, said owners are hoping that the housing market will rebound soon so they can sell their homes and get a good price.

"I think that's the underlying motivation for this whole situation," he said.

"There's a reason why most of them are called 'reluctant landlords,' because after all, the first, best option would be to sell at a profit," he said. "But in some cases, renting may not be the second-best option.

"It might make sense for some of these folks to take their losses right now because one doesn't really know what is going to happen with housing prices down the road. They may well stay depressed in some markets for a long time."

Bardhan said he believes homeownership levels are going back to pre sub-prime mortgage mania levels.

"If you look at the boom times, you suddenly had a full percent jump in homeownership rates," he said. "That's gone back down more than one percent, so those people are renting again, in addition to the 32 percent or so who were still renting at the height of the boom, so that's a significant increase in the renter population."

Anderson said it will take job and income growth in any market to drive greater sales volume and higher prices.

"We're starting to see that at the national level," he said.

But how much that will affect the housing market, especially in areas of the Southwest and Southeast where overbuilding was rampant, is hard to tell, he said.

Other analysts note that renting can have tax consequences for reluctant landlords, that renting a home can have risks to owners and that they seldom make money on the deal. Moreover, renting can affect homeowners insurance and some mortgages may have restrictions on leasing or renting.

It also can be a major headache, they say, especially if landlords are renting from afar and have to deal with disputes, damage or even evictions.

Moreover, some communities have pushed back against the trend, enacting zoning rules to limit rentals. In Bryan, Texas, the city council enacted a residential conservation district to restrict the number of unrelated people living in a rental house. In addition, many homeowners associations have regulations precluding owners from renting their houses.

For Cade, however, the landlord/tenant arrangement has worked out well.

"I've been fortunate, I think, because I was really diligent about who I'd take," explained Cade, who modified her home so one tenant has the upstairs, another has the bottom floor and she has the middle. All have private entries and kitchens.

"For me, I'm happy to be able to share this ranch because it's not only a beautiful place, but because I don't really need a 3,500-square-foot house," she said, chuckling.

"It doesn't make sense today or in a sustainable environmental situation in my mind. So this is completely in line with my values about living wisely on this planet."

Moreover, as Cade approaches retirement, she foresees the day that one of her daughters may move back home with her own family.

"And the house is already set up with a grandmother's apartment," she said. "I never thought of that a decade ago, but this could work out really well."

A Prescription for Fiscal Fitness?

Smart Growth

and the Municipal Bottom Line

www.pedbikeimages.org / Carl Sundstrom

By David Goldberg

It's time for a critical eye on the bottom line. Municipal governments are faced with ever-increasing demands on their budgets and trying to make ends meet as property tax revenues aren't at levels previous to the recession, sales tax receipts have just started to climb, and lingering unemployment rates continue to challenge income tax revenues. However, let's not miss a unique opportunity to meet these challenges.

Can smart growth policies help?

Yes, says Peter Katz, director of smart growth/urban planning in Sarasota County, Fla. "For a long time, smart growth has been accepted wisdom as the right thing to do," Katz said. "Now it is the necessary thing to do."

While not a panacea, nor an immediate cure for existing revenue ills, Katz and others argue local governments today can't afford to ignore the basic tenets that have been grouped together under the heading "smart growth": to shape growth and development so as to encourage more efficient use of existing water, sewer, transportation and other infrastructure; to encourage compact development that requires less new infrastructure; and to attend to the quality of life concerns that keep existing residents and attract new ones.

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In fact, the failure to follow those basic principles is one underlying cause of the current fiscal crisis, contends Christopher Leinberger, a longtime real estate expert and a visiting fellow at the Brookings Institution. In a recent article for The Washington Monthly, Leinberger made the case that governments overextended themselves building infrastructure and expanding schools and services to support developments where overextended financial institutions provided credit so that overextended families could buy houses in distant suburbs with increasingly expensive commutes.

"The systemic reason for why we are in this situation is that a half-century of building drivable suburban development came to an end, but no one realized it," said Leinberger. "They massively overbuilt." In his 2007 book, "The Option of Urbanism: Investing in a New American Dream," Leinberger contrasts "drivable suburban" landscapes — the familiar subdivisions and strip shopping centers — with "walkable urbanism" — neighborhoods with shopping, offices and other destinations close at hand.

The overbuilding of "drivable suburban" development is evident in the abundance of empty or half-completed new subdivisions and the high foreclosure rates on the exurban fringe of many metros, where demand is so low that families in financial trouble can't find buyers, said Scott Bernstein, president of the Center for Neighborhood Technology in Chicago. Bernstein, whose group has studied the relationship among property values, foreclosure rates and commute costs around the country, said that high — and rising — gas prices are another drag on these places with long car commutes. Countless stories have covered the fallout, including a recent story in the Minneapolis Star-Tribune recounting how the decline has devastated the once-booming northern exurbs of the Twin Cities.


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Local governments planning for both their physical layout and fiscal future should note that rising gas prices are combining forces with two powerful demographic trends that are reshaping the markets for housing and commercial development, Leinberger said. “The two largest demographic groups in the country, the baby boomers and their children — together comprising half the population — want homes and commercial space in neighborhoods that do not exist in anywhere near sufficient quantity,” Leinberger contends in the Washington Monthly piece. “The coming demographic convergence will push construction inward, accelerating the rehabilitation of cities and forcing existing car-dependent suburbs to develop more compact, walkable and transit-friendly neighborhoods if they want to keep property values up and attract tomorrow’s homebuyers.”

Meeting this rising demand for places where people can do more, while driving less, is one way that localities, working with private-sector developers, can help the economy while also reducing energy consumption and climate-harming emissions, said Steve Winkelman of the Center for Clean Air Policy. Winkelman is the author, along with Chuck Kooshian, of the recent “Growing Wealthier: Smart Growth, Climate Change and Prosperity,” a report marshalling reams of academic and real-world data on the economic and fiscal impacts of policies that allow for more compact and less driving-intensive development.

“We set out to do the Growing Wealthier report because we kept finding more evidence of economic benefit,” Winkelman said. The Sacramento region had evaluated several development scenarios in its Blueprint planning exercise and discovered that local and state governments could save billions in infrastructure through more careful planning of transportation and development. In Portland, a partnership of local government and real estate interests had built a streetcar line that improved property values and attracted development that is paying back the transit investment several times over. Arlington, Va., had managed to create new “downtowns” around its Metro rail stations so that 7 percent of the land area was generating more than a third of its property taxes. New residents, meanwhile, are driving significantly less, while the pre-existing single-family neighborhoods remain unchanged.

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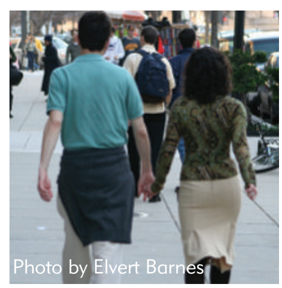


Photo by Elvert Barnes

Arlington's experience is one that Peter Katz hopes to learn from in Sarasota County, Fla. His desire to do so was given a boost by a recent study in his region showing that, on a per-acre basis, mixed-use, multi-story development yields far more tax revenue than big box retail, such as Walmart or single-use residential. After seeing a similar study for Asheville, N.C., Katz commissioned J. Patrick Whalen Jr. and Joseph Minicozzi of Public Interest Projects to evaluate the property tax revenue generated by several types of development in Sarasota County. While the county receives some revenue from a sales tax, the property tax delivers more than three times that to local government coffers.

"What we found was that Walmart is only yielding a little more per acre in taxes per acre than typical city residential," Katz said. "Local officials take a lot of heat when they approve big box stores. They think they're doing it for big tax receipts, but in overall revenue it doesn't net much more than a house." And houses, he noted, don't cover the full cost of the infrastructure and services they require.

What did well? The Westfield Southgate Mall, with three department store anchors, generated about $22,000 per acre each year, as opposed to the $8,400 produced by Walmart. That was pretty good, but paled next to a downtown mixed-use building. A building, at 17 stories high with retail on the bottom and offices and condominiums above, sitting on three-quarters of an acre, yields $1.01 million in local taxes. It would take about five Walmarts on 145 acres to equal that amount, Katz noted.

"The funny thing is, nobody has looked at it this way before," said Katz. "When urban land seemed infinite, nobody thought about maximizing the revenue for each developed acre. Now, urban land is in finite supply so people need to think about it. In most regions you have constraints on land, and concerns about preserving farmland or other limitations."

Katz isn't advocating that the county permit only high-rise development. He noted that a mid-rise town center tapering down to single-family residential at the edges would more than pay for itself on a per-acre basis. If localities focused on creating these "smart growth districts," typically around transit stations, they would find them far more economically self-sustaining — and sustainable — than the shopping centers often courted with permissive, "fiscal" zoning.

Courtesy of Arlington County, Va.

If localities focused on creating "smart growth districts," typically around transit stations, the communities would be far more economically self-sustaining.

Photo by Patrick Dirden

The money not spent by local and state governments could be as important as the revenue generated by certain types of development, Katz said. A study by the Florida Department of Community Affairs found that the infrastructure needed to serve a house in spread-out, conventional suburban development cost nearly twice as much ($15,316 in today's dollars) as it cost to serve a house closer to existing job centers. In years past, building a new highway in virgin territory, although an expensive proposition, raised property values for land that previously had been inaccessible. But today highway projects are more likely to involve widening roads in already developed areas, an act that can devalue adjacent property, Katz said. "We spend a great deal of our tax dollars building wide arterial roads. But people don't want to live near those."

The opposite is true of high-quality public transportation, such as light or heavy rail, streetcar or rapid bus ways. Not only do they improve property values, but the corridors they serve also offer the opportunity for mixed-use development that yields higher tax revenue. And there is some hope that private sector contributions can actually help to build the transit service itself, said Leinberger. He noted that the streetcar lines that were ubiquitous 100 years ago were built mostly by developers, often in partnership with utility companies. Those went away when the government subsidized the competitor highways that drew development farther into the countryside, he said. Today, the experience with Portland's streetcar and elsewhere has shown that property owners often are willing, even eager, to invest in transit lines that benefit both them and the population as a whole.

If such new transit lines and surrounding neighborhoods become more commonplace, they could help the nation meet a goal of reduced oil consumption, Bernstein said. "The evidence is that by providing enough transportation choice, people will drive less, spend less on cars, use less oil and have more money in their pockets." And the evidence further shows that local governments can save money and collect more money by encouraging a style of development that will meet a large and growing demand.

However, Bernstein cautions, the economic chasm that created the collapse of the former real estate paradigm is far too deep for easy outs. "Smart growth by itself may not be enough to make up for some egregious market failures," he said. It remains to be seen, he added, whether financial institutions and their regulators learned the right lessons from the crisis. Extreme caution, even fear, is stymieing most development, and underwriters continue to lean on the "tried and true" formulas that fueled development in a now bygone era.

Still, the pause in development may be just what local and state governments need to be able to put the zoning, infrastructure investment and other policies in place to support the needed change, Winkelman said. "Right now, there might not be much money for redoing older infrastructure or building new, but at some point we will be making these investments. We have the chance to take a breath and plan for the kind of walkable density that will save money and make it possible to reduce energy consumption and greenhouse gases."

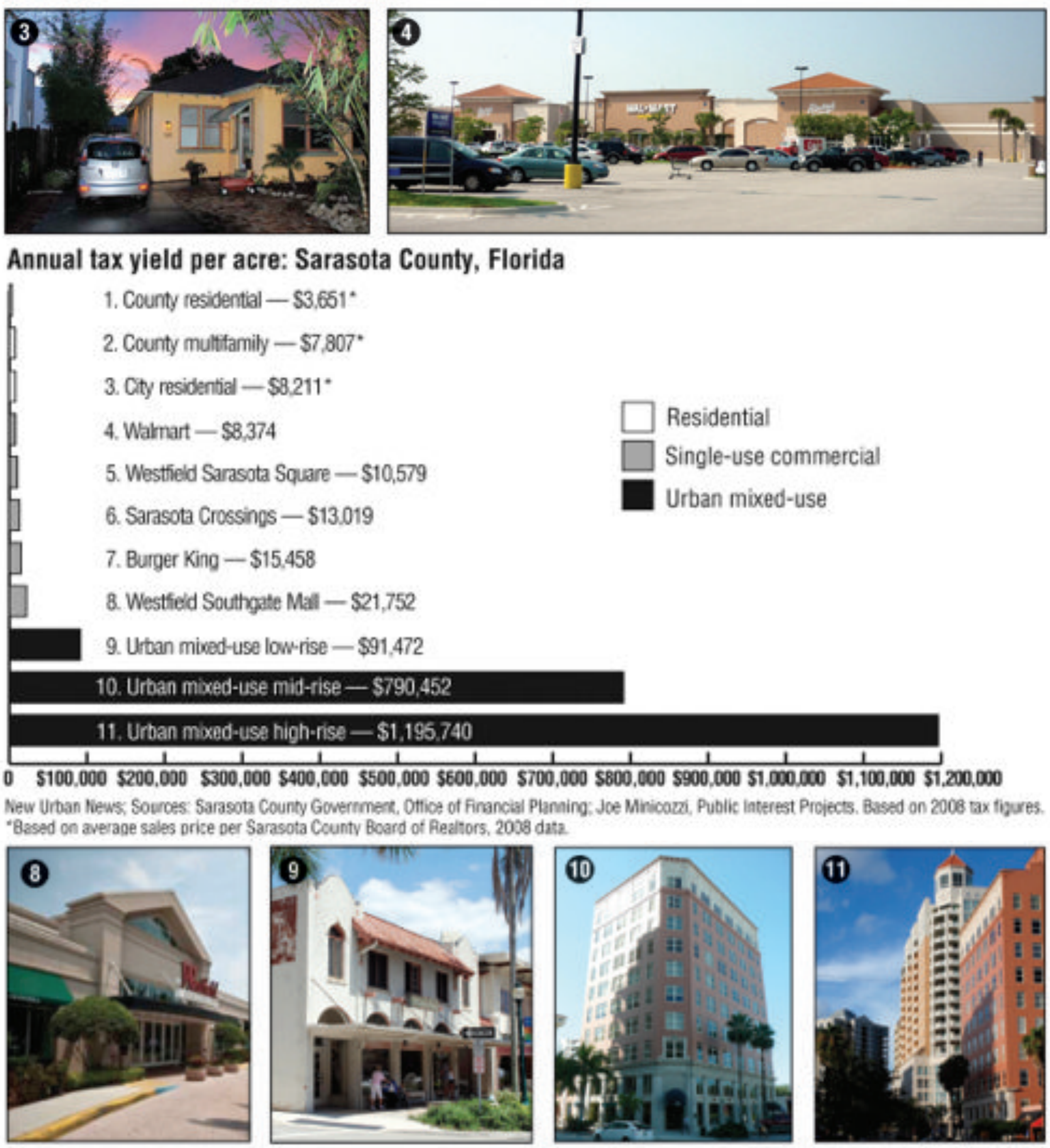
Katz believes more and more local governments are getting the message. "You don't have to use the terms density or smart growth or walkability to make your case. It's solely about good government and fiscal pragmatism."

David A. Goldberg is the communications director for Smart Growth America, a nationwide coalition based in Washington, D.C. that advocates for land-use policy reform. In 2002, Mr. Goldberg was awarded a Loeb Fellowship at Harvard University, where he studied urban policy.

Courtesy of flickr.com/photos/mulad

We spend a great deal of our tax dollars building wide arterial roads. But people don't want to live near those. They want to live near high-quality public transportation, which improves property values, and the corridors served by transit also offer the opportunity for mixed-use development that yields higher tax revenue.

This graphic, courtesy of New Urban News, illustrates the property tax revenue generated by several types of development.



What's On Deck?

Retail Development

Retail development has been and will remain scarce, though redevelopment of existing retail space will continue to evolve.

Courtesy of Colorado Tourism

By G.M. Filisko

The retail sector has taken a beating over the past few years, leading to a 13 percent vacancy rate in 2010, according to George Ratiu, an economist at the NATIONAL ASSOCIATION OF REALTORS®. Consumers are only now beginning to cautiously pry open their wallets and purchase not only what they need — but what they want.

Still, what was once normal in retail development is a thing of the past. "We'll see big changes in retail development in the next five years," says Edward Shriver, AIA, a 30-year retail veteran and principal with Strada, a Pittsburgh-based architecture and urban design firm. "Because of the great recession, we're losing retailers, and the whole economy has to make changes in how retail is done in terms of who's doing what and where."

Courtesy of VisitRaleigh.com

Courtesy of www.chicagorealestatelocal.blogspot.com

Women, Government, "Zoomers" to Drive Retail

Change in retail is starting with the transformation of malls. "We've overdeveloped our retail in this country, so there's been very little development," says Midge McCauley, a principal at Seattle-based Downtown Works, which performs market research, retail merchandise mix strategies, and plans for street-oriented retail in urban and neighborhood centers. "Instead of new construction starts, you're seeing the remalling of America, which is the redevelopment of existing properties. It goes a step beyond renovating. Some malls have run their economic lifespan and now have to reinvent themselves. The land is worth so much more than when it was purchased that it's worth it for the owners."

Enclosed malls are passé, and owners of less-successful malls are turning their properties into lifestyle centers. "They're open-air centers with upscale tenants that generally have more amenities than strip centers, which in my opinion means some trees and plantings. Developers have been trying to recreate what has occurred naturally in towns, and many have been called town centers because they're really faux town centers."

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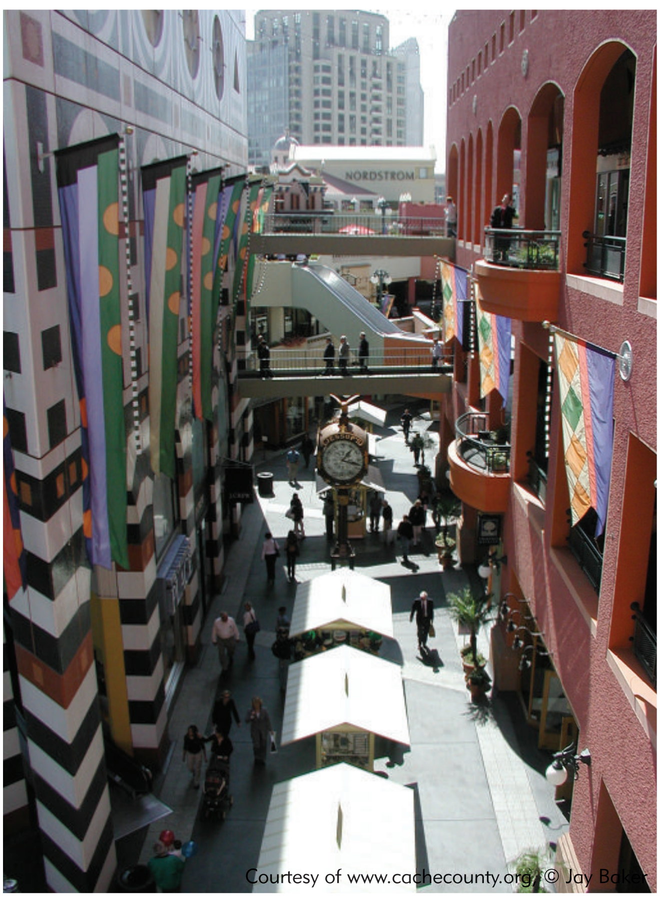
Courtesy of www.cachecounty.org, © Jay Baker



Courtesy of www.cachecounty.org, © Jay Baker


Courtesy of www.cachecounty.org, © Jay Baker

The future will be dominated by retail nested in those natural or synthetic towns. "There's a major shift for people to want to live, work, go to school and play right in urban centers," says Max Reim, co-managing partner and founding principal LiveWorkLearnPlay, a consulting and development group in Montreal. "Within urban centers, the most vibrant of all are urban villages. Think of the series of urban villages that make up New York City. The same is true of cities like Paris, London and Chicago. We're seeing that happening in much smaller, mid-sized cities, where small neighborhoods are integrated with each other and create a much healthier ecosystem."

Courtesy of www.cachecounty.org, © Jay Baker

There's a major shift for people to want to live, work, go to school and play in urban centers.

Courtesy of www.cachecounty.org, © Jay Baker

What's driving the shift toward urban villages? Young women — whom Reim says represent 63 percent of the college population in North America — are taking on more decision making and want to shop in urban villages. "Cities, towns and states," adds Reim, "are developing and enticing businesses, colleges, health care facilities, and much, much more to their downtown cores, which brings in people 24/7/365."

And because of their massive numbers, "zoomers" — or 45-and-older "boomers with zip," as Reim describes them — are also propelling the growth of villages. "This is an essential mass of demographic that's seeking to live, work and recreate in mixed-use and urban villages," he says.


Courtesy of www.cachecounty.org, © Jay Baker

The opportunity for socializing is at the heart of mixed-use and urban villages. They'll retain fundamental concepts like the great coffee shop and bakery, along with the great inn, pub or hotel, says Reim. They'll also include unique local retailers and mom-and-pop restaurants that can be found only in that village.

Courtesy of EPA Smart Growth


Courtesy of Afton Village

If You Involve Them, They Will Come

Developers will supplement new urban villages with entertainment and activity-based retail. Entertainment activities have been growing in malls, but retail centers have only recently begun to include activity-based retail. "Very few leasing and planning companies or developers even think about how you get people to use your centers on a daily basis and stay much longer," says Reim. "Today the most successful retail centers are those that encourage people to spend more time and visit with more frequency. Whether they spend no money or as much as possible, people beget people."

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Reim says developers should be programming at least 20 to 40 percent of experiential retail concepts into their centers. "Those include fitness centers and yoga studios, health-care centers for things like physiotherapy, and much, much more so it's not just about selling something but about things to do," he explains. "A running club might be affiliated with a local running shop, or a bicycle club might start with the retail bike shop so that every Saturday morning you're meeting friends for breakfast after a bike ride. You're then creating a center that becomes part of people's lives, and they start using the retail on a daily basis."

Bill Morris, a principal at the retail acquisition firm Morris Capital Partners in Fort Worth, Texas, says retail is mirroring the trend of "placemaking" in residential development. "Malls have to offer something different than they did 30 years ago," he says. "They have to be a 'place' for the whole family, not just for teenagers. That can be accomplished by adding restaurants, entertainment, grocery stores and discounters. Malls will also have more appealing amenities, such as open-air components, outdoor seating areas, water features, soft-seating areas, and other 'placemaking' ideas."

Morris says malls that are out-positioned by a nearby lifestyle center, that lose their anchors, or that don't reinvest and reinvent themselves will fail. "However, malls aren't dinosaurs, and well-located fortress malls will continue to thrive well into the future," he says. "If every other mall in the country goes dead, malls like NorthPark Center and Galleria Mall in Dallas will continue to thrive because they're well insulated from future competition. The area's demographics have continued to get better, and there's a limited amount of land on which to build. Even if you could get land, developing a competing mall wouldn't make economic sense because replacement costs are high, and the rents wouldn't justify it."

The future will also bring more retail space being repurposed to nontraditional retail. "It's not quite retail but kind of retailing," says Shriver. "A MedFirst medical center makes perfect sense in a grocery-anchored strip or small-town main street space where there's a pharmacy or grocery store because there's some synergy. The silver lining in the recession is that it's forced people to try things they wouldn't have tried before. Some of them are going to pan out well."

Courtesy of Colorado Tourism AND Photo by Denise Chambers/Weaver Multimedia Group


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Leases: Shorter and for Smaller Spaces

The trend in leasing is to downsize. "What we've observed in the last year and a half is the emergence of small retail space," says Ratiu. "For example, some former Circuit City stores have been partitioned into smaller retail spaces, and even traditional malls have shifted to leases that can be much shorter than a year, particularly during the holidays. With the emergence of popup stores, there have been leases shorter than a day. It's not uncommon — at least in New York City — for apparel merchandisers to use Facebook and Twitter to broadcast an 'event' and have a one-day sale."

The popup store concept will continue to grow. "They reside in two categories, and both are about bringing the brand to the consumer in an unusual place that's totally unexpected," says Jim Polowy, vice president of retail environmental design at TPN, a Chicago-based retail marketing agency. "One is more demonstration: 'Here's our product line, and we'll

The whole process starts with a creative and logical vision of what the neighborhood should be.

demonstrate it to create brand affinity, but not sell it in this space.' Because it's a surprise, it'll be in a high-traffic urban area that draws the product's demographic."

Sony rented an empty corner retail space on Chicago's Michigan Avenue and displayed cameras, stereos and TVs. "They had a 60-inch 3D TV screen and 3D glasses," says Polowy. "People were lining up to experience it."

The second type of popup will sell products. "Target set up in the same Michigan Avenue spot for only two weeks," explains Polowy. "It sold unique products that could be impulse buys for people walking around during lunch. It kept everything at a reasonable price reference — I think there was nothing over $50 — and all you could see were red Target bags, which was very telegraphic on Michigan Avenue."

Leasing brokers will also reduce the number of leases that involve co-tenancy. "You'd get a major tenant like Gap, and its leasing specialists would say, 'We're interested, but we won't come unless you also have this and that tenant; if you don't have them, we can break our lease,'" explains Shriver. "Retailers like it because it drives the kind of customer they're looking for to that market. The problem is that co-tenancy requirements really constrain developers. Your whole leasing strategy can unravel very quickly, especially if your center turns out to be less than A-plus quality, the retailers aren't doing as well as they expected, and now there's an opportunity for tenants to get out."

Overall, brokers will be forced to become much more selective. "The traditional leasing process is completely irrelevant, unintelligent and mediocre," says Reim. "Brokers give incentives to large companies that don't need them. They also put up a 'for lease' sign and sign whoever comes in without caring about the quality of the operator or the use. The end losers are the developers and people who live in the neighborhood."

Instead, the best brokers will target the best tenants. "We have some of the best restauranteurs, retailers and entertainment operators working to find the best-of-the-best operators for each use," he says. "The whole process starts with a creative and logical vision of what the neighborhood should be. You get one or two anchors to reinforce that vision, and then the secondary uses also will have a dramatic effect on the success of retail and whether your end users will spend time and money at your development."●

G.M. Filisko is an attorney and freelance writer who writes frequently on real estate, business and legal issues. Ms. Filisko served as an editor at NAR's REALTOR® Magazine for 10 years.

Courtesy of www.cachecounty.org, © Jay Baker

Courtesy of www.cachecounty.org, © Jay Baker


Recycle, Reuse: *"Discarded"* Big Boxes Reborn

Empty big box sites are nothing but bad news for a local economy. "They create a kind of blight that can depress surrounding property values and foster a negative impression of the local economy," says Stacy Mitchell, senior researcher at the Minneapolis-based New Rules Project, a program of the Institute for Local Self-Reliance that promotes community-based economic development.

But it's not easy to retool an empty big box store. "The problem is that these buildings were constructed for a single purpose, and they're not terribly well suited to other uses," says Mitchell. "They're big, windowless, and have huge parking lots. They're often not suitable for residential, and while you can put an office in one, that means people won't have any windows."

If big boxes are in high-traffic, desirable locations, their prospects for reuse are better. "It can be worth it for a developer to go to the expense of tearing down the building and starting new," explains Mitchell. "But the vast majority of empty malls and big box stores are in locations that aren't good enough, and it's much more economical to build on a green site in another location. Cities also aren't offering incentives to redevelop these grayfield sites."

The biggest obstacles, however, may be built-in restrictions on the use of such facilities. "Leases can be tied up in future-reaching stipulations dictating what they can and can't be used for," says Julia Christensen, an artist, writer and art professor at Oberlin College in Ohio who drove the country documenting the reuse of such sites. She published her findings in a 2008 book, 'Big Box Reuse.' "A lot of corporations would rather pay to keep a big box empty than to allow competition to move in. For that reason, I became interested in community and civic reuses of big box sites. A library doesn't compete with a Walmart."

Christensen's anecdotal research found that charter schools are the most common civic reuse. Christensen also saw developers break up the monolithic spaces into

Developers break up the monolithic spaces into multi-use spaces that center around a particular need.

A renovated Walmart in Wisconsin Rapids, Wis., is now the Centralia Senior Resource Center.

multi-use spaces that centered around a particular need. “I saw a senior resource center in Wisconsin Rapids, Wis., that was really interesting because the developers broke up the space into a number of different organizations orbiting around senior health care, including a Social Security office, an adult day care center and an eyeglass shop,” she says. “Another example was the Head Start facility in Hastings, Neb., where there’s been a large influx of immigrants from Mexico. It became a center for needs beyond child care and early childhood education. It included an immunization facility, an English as a second language facility and various agencies that helped with the legal immigration of people from other countries.”

There were also quirky reuses. “I saw the Spam Museum in a renovated Kmart in Austin, Minn.,” she says. “That was especially interesting because the designers got Leadership in Energy and Environmental Design certification for the building.”

The Jen Library is open to students and the general public. The renovation was a $7 million project, and was completed in May of 1999.

The Spam Museum in Austin, Minn., takes up half of the 32,000 square foot renovated Kmart. The Hormel Headquarters sits in the other 16,000 square feet.

The Snowy Range Academy is a charter school in Laramie, WY. The Walmart was abandoned in approximately 1997, and was renovated in the summer of 2002 for the Academy.

The Jen Library at the Savannah College of Art and Design is certainly one of the most exquisite libraries on any college campus throughout the South. In fact, Savannah is certainly one of the most exquisite towns in the South, so it is no surprise that this art school’s library, which resides in a renovated department store, should be as artfully designed and aesthetically pleasing as the surrounding homes and shops. The library occupies an 85,000-square-foot building, and houses about 42,000 books, 11,000 bound volumes of periodicals and more than 1,600 videotapes.

Courtesy of Colorado Tourism; Photo by Matt Inden/Weaver Multimedia Group

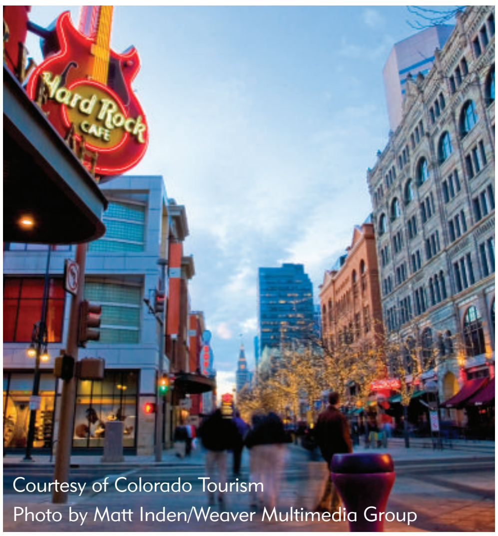
The Future of Office Development

Are businesses shifting from the suburbs to downtowns?

By Judy Newman

Prestigious addresses at lower prices may be luring companies back to big-city downtown digs for now. But in the long run, price will not be the only factor determining where businesses locate. An easier commute, environmentally-sensitive buildings, and good-quality housing and neighborhood amenities may also play an important role in office market decisions in many cities, experts say.

Downtown office buildings are experiencing a renaissance with big, corporate tenants flocking back to city centers.



Courtesy of Colorado Tourism
Photo by Matt Inden/Weaver Multimedia Group

In the post-recession economy, downtown office buildings are experiencing a renaissance with big, corporate tenants flocking back to city centers, leaving swaths of empty offices in the suburbs, the Wall Street Journal reported in December.

In Chicago, for instance, United Continental Holdings, parent company to the merged United and Continental Airlines, is moving into the 110-story Willis Tower in the West Loop from its sprawling office complex in Elk Grove Village near O'Hare Airport. United Continental has said it will fill 12 floors of the Willis Tower, formerly known as the Sears Tower, and eventually, will have 13,000 employees in Chicago.

In Detroit, Blue Cross Blue Shield of Michigan plans to start moving 3,000 employees from suburban Southfield to the GM Renaissance Center in May, doubling the health care organization's work force in Detroit's central city.

"The pendulum has swung the opposite way," said Victor Calanog, vice president of research and economics for Reis, Inc. "Cities are, basically, back and it's fascinating."

But others are not so sure. "We have heard the same thing, that there are big deals going on in downtown markets," Arthur Jones, senior managing economist for CB Richard Ellis, said. "Nationwide, the data just don't show it."

NATIONAL ASSOCIATION OF REALTORS®' George Ratiu said some cities are seeing a downtown rebound, but many are not, at least, not yet. "There is a shift toward central business districts, but I would not say it is as uniform as it would be portrayed. New York, Chicago and Washington, D.C., to some extent, but other markets are not going in the exact same direction," Ratiu said.


Courtesy of www.flickr.com/photos/studio-d

In his fourth-quarter 2010 analysis, issued in January, Calanog said office occupancy rates improved in 48 of the 82 primary office markets around the U.S.

In New York City, office vacancies dropped during the last three months of 2010, while effective rents increased 1.5 percent. It was the second consecutive quarterly rise in rents, following nearly two years of declines, including a fall of about 20 percent in 2009 — more than twice the deterioration in the 12 months after the Sept. 11, 2001 terrorist attacks that destroyed the World Trade Center, Calanog said.

With decreases that sharp, the spread between rent rates in the central business district and those in the suburbs has narrowed. "It also means class A office space in New York City is suddenly more affordable now than across the river in New Jersey," he said. As a result, tenants are finding less expensive space in more desirable locations.

In Washington, D.C., CoStar Group pulled up stakes in Bethesda, Md., last October and bought a 10-story office tower from the Mortgage Bankers Association. CoStar, a commercial real estate research organization, touted the bargain price, at less than half the median market rate, and government incentives such as $6.1 million in tax abatement over 10 years if the company hires 100 D.C. residents.

CoStar CEO Andrew Florance probably summed up the feeling of many companies getting in on recession bargains when he said, at the time, he felt lucky to get "a historic opportunity to secure an exceptional asset at a greatly reduced price."

Chicago is another city where companies are taking advantage of reduced rates to upgrade their address, said Deena Zimmerman, senior associate with Jameson Commercial. "Absolutely, yes, 100 percent. All the deals I've done lately are suburban offices coming into the city," she said.

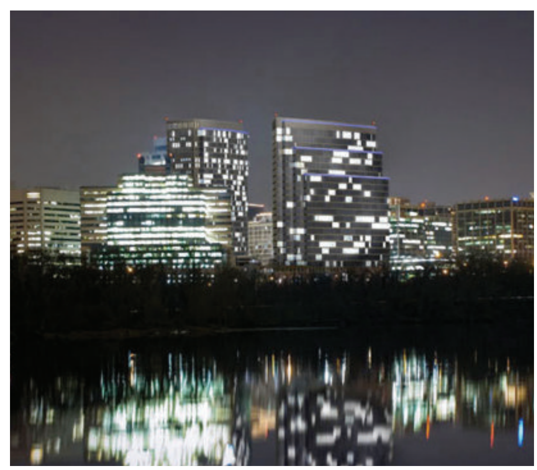
In most cases, businesses moving from the suburbs are lured by the cachet of a downtown Chicago location. "The address means a lot. Michigan Avenue or Wacker Drive absolutely helps their business," Zimmerman said. United Continental's decision to migrate to the Loop probably was not the catalyst that prompted companies to follow suit, but it may have lent some support to the idea, she said.

"I really think the downtown surge is just a signal of things to come," Zimmerman said.

Reis economist Calanog said price is not the only reason, though. "On a macro (economics) scale, cities have done a really good job repositioning themselves as highly livable, highly

Tenants are finding less expensive space in more desirable locations.

Courtesy of www.reconnectingamerica.org



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attractive places for businesses and individuals to flourish. This was certainly not the case in the 1980s or early 1990s," he said.

Denver's downtown also is seeing new sparks of interest from the business community now that rents have dropped, said John Propp, of John Propp Commercial Real Estate. "It's most definitely a trend," he said.

But the downtown migration touched Denver well before the recession hit in late 2008, he said, and has proven to be more of a long-term change. In the early 2000s, executives and young families started to return, renovating Victorian houses, and old warehouses were rejuvenated as condominiums and lofts. "And all of a sudden, preservation and reurbanization of older buildings became hip," Propp said.

At the same time, Denver was embarking on a series of public improvements that included turning 16th Street into a pedestrian mall with free buses; ramping up what has become a major light rail system; and building the Pepsi stadium for the Denver Nuggets basketball team and the Colorado Avalanche hockey team downtown. Transit-oriented developments began appearing around light rail stations in the environmentally conscious community, with housing, retail and some offices.

Last July, DaVita, a kidney care services company, announced plans to build its new headquarters adjacent to Denver's Millennium Bridge, at the west end of the 16th Street Mall. The 15-story, $100 million project — counting the cost of both land and office building — will sit across from Union Station, a rail-

> There are certain elements of sustainability and overall environmental consciousness that contribute to the return to downtown office space.

road station with roots that date back 130 years, now targeted for a major redevelopment as a multi-modal transit hub for Amtrak, commuter trains, light rail, buses and shuttles, as well as a public promenade and gardens and private development.

When DaVita decided to leave California for Colorado in 2009, chief executive officer Kent Thiry cited Denver's good business atmosphere and "an environment where our people could live great lives." Propp said the downtown's revitalization, its emphasis on parks, transit, bike and car-sharing programs, and its LEED (Leadership in Energy and Environmental Design) certified housing have made the central city inviting to companies like DaVita and their employees. "Our city has really, really embraced that piece," he said.

DaVita is not alone in considering smart growth policies a "plus" in potential locations. "There are certain elements of sustainability and overall environmental consciousness that contribute to the return to downtown office space," but it is hard to quantify how much they play into those decisions compared to


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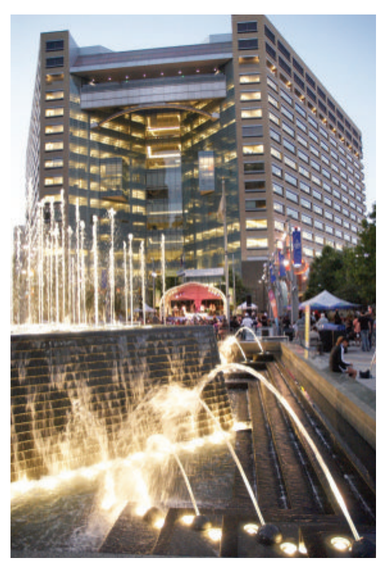

other factors, said Heather Payson, a portfolio manager for Ecological LLC, of New York.

Many companies now include “green issues” among the items they consider, she said. “They put more weight on what will enable them to attract and retain young and forward-looking employees. For this generation, the ability to “live a green life” is a factor that is increasing in importance,” Payson said.

In some cities, companies are moving into urban boundaries from the suburbs, but they are not necessarily aiming for downtown digs. Atlanta, for instance, has three urban markets: downtown, midtown and Buckhead, said John Ferguson, president of the Atlanta Commercial Board of REALTORS®. He said while there has been somewhat of an influx back to the city from the Central Perimeter — the ring around Atlanta that comprises the area’s largest office market — the downtown area has not been the biggest beneficiary.

“We’ve seen this trend for about 18 months — accounting, advertising and professional firms that have relocated back into urban centers to take advantage of the market conditions. But what we haven’t seen is a total flight back. Most of the absorption is really in midtown and Buckhead,” said Ferguson, who also serves as executive managing director of CB Richard Ellis for the Southeast.

For the Washington, D.C. area, the trend toward urban environments has been apparent since the mid 2000s, driven largely by traffic congestion and the high cost of gasoline, said Susan Pepper, senior vice president of Grubb & Ellis’ Washington, D.C. office. But there, too, companies have not all chosen downtown sites.

“Certainly downtowns have benefited, but in the greater Washington area, we’ve seen equal growth in northern Virginia and in the Bethesda, Md., area,” Pepper said. “What tenants are really seeking is proximity to public transportation, getting out of their cars and availing themselves to Metro access, rather than the almighty car.”

As the Metro system expands, development — including offices — is expected to follow, Pepper said. “This region really doesn’t have a discernable trend of businesses leaving the District of Columbia nor a wave of businesses leaving the suburbs for the city. There’s

What tenants are really seeking is proximity to public transportation, getting out of their cars and availing themselves to Metro access, rather than the almighty car.

a healthy ebb and flow throughout the region of businesses moving to urbanized environments with direct Metro access, inside the Beltway," she said.

With gas prices quickly rising toward $4 a gallon, that's likely to be the case elsewhere, as well, said NAR economist Ratiu. "If the trend in gas prices continues, it will become simply more expensive to have an hour's worth of commute to your work versus being able to take public transit," he said. Suburbs can also be on transit lines. "In some areas, the layout of the metro area is centered a lot more on suburban than central business districts," Ratiu said.

It will probably be three or four years before the large inventory of office space is absorbed enough to see construction of new buildings ramp up, he said. But when it does, more buildings will incorporate "green" architecture principles, which already have proven their value, Ratiu said. "That, I believe, will become a lot more prevalent. Landlords recognize they are able to attract better tenants and extract higher rents."

Reis economist Calanog said the nationwide office vacancy rate —which has been the highest in 17 years — is finally starting to inch down slowly, at 17.5 percent for the first quarter of 2011, down from 17.6 percent the previous quarter, and the first decline since the third quarter of 2008. He expects vacancies to be at 14.3 percent in 2015, dropping to 12.5 percent by 2019. "So we're not projecting massive improvements in the office sector given recent trends towards the more efficient use of office space, etc.," he said.

As for where the demand for office space will go over the next decade, Calanog offers this reminder: "Trends tend to move in cycles. If central business district office space becomes so attractive that rents start spiking to high levels, suburban office space may once again become an attractive option for businesses that are priced out of ritzy downtown locations."

Judy Newman is a newspaper reporter in Madison, Wis.

Courtesy of www.flickr.com/photos/studio-d

The Shrinking Home
Is it a trend for the future?

By Christine Jordan Sexton

Homes with ornate entry foyers, formal living and dining rooms and large, outdoor kitchen spaces may be a common sight on home and garden television shows.

In reality, though, they are quickly becoming a thing of the past, and it's a trend that could impact the direction of smart growth in the future.

Results of a National Association of Home Builders (NAHB) study called "New Home 2015" show those spaces will — just like brown linoleum and harvest-gold appliances — fall by the wayside as builders focus on smaller, energy efficient homes with flexible spaces.

Warwick Grove, N.Y.
Courtesy of LeylandAlliance

Seventy-four percent of home builders believed the most likely trend in home construction is smaller spaces.

As compared to 2,438 square feet in 2009, the expected average square footage of a home in 2015, those responding to the survey said, is 2,152 square feet, begging the question, are small homes the next big thing?

NAHB researcher Rose Quint said builders are responding to Americans' concerns over high energy costs and the realization that smaller homes cost less to operate. She said that a constricted financing market, where homebuyers are required to bring to the table 20-percent down payments, has played a role in the decision to downsize the square footage of homes.

"It makes it very real for them, how much house they can afford," Quint said of the tight mortgage underwriting requirements.

The National Association of Home Builders survey was sent out to 3,019 builders, designers, architects, manufacturers and marketing specialists. There were 238 responses, mostly from the builders of single-family homes, from across the nation.

The majority of those responding to Quint's survey — 74 percent — believed the most likely trend in home construction is smaller spaces. "Green features" was the second highest ranked trend among builders, with 68 percent saying that going green will be important to many future homebuyers.

In addition to addressing future homes, the NAHB survey also takes a snap shot of what is being built today. Just 22 percent of builders who responded to the 2010 survey said they were building new homes between

2,400 and 2,999 square feet. That's a 19 percent drop from a similar survey the National Association of Home Builders conducted in 2007.

While the number of builders working on larger homes in 2010 dropped, there was a near corresponding increasing percentage of homebuilders working on new homes in the 2,000 to 2,399 square foot range. According to the survey, 63 percent of those building new homes were building houses between 2,000 and 2,399 square feet.

So, are the tight real estate market and the economic downturn the only reasons for the trend toward building smaller homes? It depends on whom you ask.

NAHB researcher Quint said demographics also are a contributing factor. U.S. Census figures show that there will be an additional 13 million people living in the United States by 2015 and that the population as a whole will be older and more diverse.

Twenty-seven percent of the population will be 55 years old or older, with 14 percent of the population 65 years old or older. With children gone and retirement in sight, Quint said, that segment of the home-buying market wants to downsize.

Travis Parman, vice president for corporate communications for the Pulte Group, agrees that an aging population has played a role in the shift toward smaller homes. Pulte builds homes under a handful of brand names, including Pulte, Centex, DiVosta and Del Webb, which specializes in 55-plus retirement communities. Parman said that home size is shrinking across all of those brands, with each offering more floor plans with smaller square footage.

In the last five years, the square footage for Pulte Group homes dropped from 2,300 square feet on average in 2005 to 2,200 square feet in 2010. While it sounds like a small decrease, Parman noted that half of the drop has occurred over the last 18 months, and it's occurring on a smaller volume of homes being sold.

"That kind of tempers these numbers a little bit," Parman said.


Courtesy of www.flickr.com/photos/studio-d


Courtesy of www.flickr.com/photos/studio-d


Courtesy of www.flickr.com/photos/studio-d

Not only are the newer homes smaller, they are being designed with more flexible, warm spaces. Separate formal rooms that are used once a year are being replaced with larger, open rooms.

Unlike their parent's generation, Parman said, today's retirees and mature homebuyers remain active, spending time entertaining their neighbors or at community centers.

"As they socialize with their friends, the well-planned home uses the same or less space in a smarter way — more open entertainment space with great flow," said Parman, noting that square footage is less of an issue when you optimize it with more open and functional design. "That's another thing that augments this trend."

While the United States Census shows an increasing maturing population, there also is an influx in homebuyers who are part of "Generation Y," or "Echo Boomers." Not only are they buying their first homes, they have an eye on the budget and they want to be energy efficient.

And while some may be married, they generally don't have big families and aren't looking for homes with a lot of square footage.


Courtesy of www.flickr.com/photos/studio-d


Photo by David Blair

Hammond's Ferry in North Augusta, S.C.

Not only are the newer homes smaller, they are being designed with more flexible, warm spaces.

Designer Marianne Cusato agrees. She said while they are at different stages in their lives, the mature homebuyer and the Generation Y homebuyer have similar needs. The retiree wants to be in a place where they aren't always required to drive. Twenty-somethings, Cusato said, want to be in a place where the hassle factor is kept at a minimum and they can quickly grab a beer after work.

"They both want to live in places where they can easily walk," she said noting that "connection to the community" is strongly desired by both groups.

Cusato made her mark in the designing world with Katrina Cottages, initially built for displaced Hurricane Katrina survivors and now sold through Lowe's. Plans are for as small as 308 square feet and as large as 1,807 square feet.

She also designed the New Economy Home, a four-bedroom, 3.5 bath house that was the Builder magazine Concept Home 2010. The trade magazine annually endorses a house design as a model for the industry.

While she is associated with the smaller home movement, Cusato said she doesn't focus on "small homes." There is no magic about square footage, she said. It's how a family lives and uses its home and how adaptable the home is to the family's needs that counts. Finding the square footage "sweet spot," for livability, she said, is the key.

Cusato notes that during the housing bubble when people were buying large 5,000-square-foot homes in hopes of selling and making huge profits, they were less particular about the homes they bought. Since the goal was to "flip it," they didn't focus on what was important to them. With no incentive to build with quality, Cusato said, homes weren't well built and planned.

The mature homebuyer and the Generation Y homebuyer have similar needs. They want to be in a place where they aren't always required to drive.

An April 2011 Pew Research survey on homeownership underscores that sentiment. The survey found that nearly a quarter — or 23 percent — of homeowners would not buy their current home again. Those with buyer's remorse didn't cite cost as the source of their feeling of regret. Forty-three percent cite the home, itself, while 17 percent said they dislike the location. Only one in three lay the blame on the price tag that came with the home.

Cusato said today's homebuyer is more concerned about the performance and quality of the home. "Even if somebody has money, they are not so free to part with it. They want to make sure the home performs well. There has been a heightened awareness about performance."

Courtesy of www.flickr.com/photos/studio-d

Not everyone agrees the move to small is something that will last, though. A February 2011 story in Builder magazine written by Jonathan Smoke, senior vice president at Hanley Wood, suggested that larger houses would rebound. Smoke said that since 1973, when the U.S. Census started tracking the information, there always has been an increase in square footage following a recession.

Smoke told On Common Ground that he's gotten "a lot of reaction" from the article, among a growing nation of believers in smaller houses. But to assume the trend to smaller homes has staying power well into the future turns a blind eye to history, he said.

On the average, the smaller home is going to play a big role in offerings.

Smoke said the decline in size and cost is strictly a reflection of who was buying homes. In 2009-10 there was a dip in the average household income among homebuyers. According to Smoke's article, the average income of the new homebuyer in 2010 was $66,770; a decline of 8.5 percent from 2008.

"The facts suggest that the decline in size and price are less a reflection of a rise in austerity by households, but rather that a substantial change has occurred in the type of households buying new homes," Smoke said, adding "history suggests that as the economy recovers, new homes will trend larger."

Smoke said there's "definitely a demand for homes that are larger than the medium sized-homes that have been reported over the last few years."

He also said there always will be a segment of society that is going to want more space and land in the country. "There is going to be demand for large homes on larger lots," he said.

Smoke says the housing crash is just going to require the builders and developers in exurban areas to plan smarter.

Pulte's Parman agrees with Smoke that when the economy recovers, there will be people who buy more expensive homes. But for him that doesn't necessarily mean big.

"A certain number of homebuyers, if they can afford more, will buy more. But when you look at the sheer numbers of people and the big trends, on average, the trend is that Generation Y is buying first homes and [baby] boomers are making retirement moves. So I think, on the average, the smaller home is still going to play a big role in offerings. You're not going to see a swing back to the McMansions."

Cusato wholeheartedly agrees.

"I can't imagine a case in which we are 'recovered' where we go back to 2005," she said. "The smaller home isn't going anywhere."●

Christine Jordan Sexton is a Tallahassee-based freelance reporter who has done correspondent work for the Associated Press, the New York Times, Florida Medical Business and a variety of trade magazines, including Florida Lawyer and National Underwriter.

Does the Nation Have Money for Its Infrastructure Challenges?

By Gary Fineout

In the months following the 2010 elections, three Republican governors scrapped plans for high speed rail lines in their states.

Ohio and Wisconsin rejected their shares of high speed rail funding first, followed by Florida, where the decision by Gov. Rick Scott to reject $2.4 billion for a line linking Tampa to Orlando sparked an outcry from business leaders and politicians from both parties.

Scott, however, refused to budge from his initial position that the high speed rail line could someday cost the state money, even though most of the funding was coming from the federal government. But he also decried the use of federal stimulus dollars to help pay for the project.

The decision by Scott just highlighted the problem that transportation advocates across the nation may have in the immediate future. What was once a conversation about needed transportation infrastructure has transformed into a bigger partisan-tinged debate about deficit spending and what's needed to help keep alive the recovery.

"Fasten your seatbelts, we are going to hit some turbulence," remarked James Corless, director of Transportation for America, a broad coalition of groups, including the NATIONAL ASSOCIATION OF REALTORS® and Smart Growth America, that are pushing for a better transportation system.

An extensive report from the American Society of Civil Engineers estimated that the nation needed to spend as much as $930 billion on bridges and roads over a five-year period.

Courtesy of DART

This debate, however, is coming even though a string of recent reports and studies have painted a dismal picture of the nation's transportation needs. The American Society of Civil Engineers did an extensive report in 2009 that rated the nation's infrastructure needs as a D overall, with a C grade given for bridges, a D for transit and a D for roads. That report estimated that the nation needed to spend as much as $930 billion on bridges and roads over a five-year period.

Transportation for America, in March of this year, released its own comprehensive report on bridges that pointed out that 11 percent of the nation's more than 69,000 bridges have been ranked as "structurally deficient" by the Federal Highway Administration.

Corless tries to be upbeat about the future, saying that what's happened with high speed rail in the last few months has at least elevated attention to transportation issues.

"I think it's actually a good thing and a healthy thing to have a national debate about where infrastructure lands and how much a priority it is for the 21st century," he said.

But he's quick to add that the debate shouldn't just be about fixing bridges and repairing existing roads. He said that Americans should also be discussing what else needs to be done to improve its transportation system, including linking airports with high speed rail and local transit service to connect communities and make them more livable.

Courtesy of TravelLaneCounty.org

People are going to need more transportation options, especially if gas prices continue to rise as they have in the last few months.

Courtesy of DART

"People are going to need more options than ever," Corless said, especially if gas prices continue to rise as they have in the last few months.

But the prospect of long-term commitments by the federal government to transportation improvements appears unlikely. In fact, it's been nearly two years since the previous federal transportation spending packages expired.

A new six-year transportation plan was recently proposed by President Barack Obama. While the plan calls for spending $556 billion over six years, it is anticipated that transportation revenue over that same period will only be $220 billion. This approximate $336 billion funding gap emphasizes the need to explore and find alternate funding sources. That may prove to be too difficult, and a divided Congress also makes it much harder for all sides to reach an accord.

The battles at the federal level also affect transportation spending in most states since they rely heavily on federal funding to augment state resources. And a key problem for transportation spending has been a decline in gas tax revenue that the states and federal government depend on to pay for such projects.

The National Conference of State Legislatures noted in March, that 21 states cut transportation programs in the 2010 fiscal year and that at least 11 plan to do so in the 2011 fiscal year, including nine that did it in 2010.

The ongoing financial woes have left Gary Toth, the transportation initiatives director for the Project for Public Spaces, with a more pessimistic viewpoint than Corless.

Toth works with a group that tries to emphasize the need to plan transportation improvements to enhance the quality of life and the community instead of trying to solve congestion. And he said that the continual battles at the state and federal level appear unlikely to be resolved anytime soon.

"What I see is that leadership isn't coming from the federal or state level, it's coming from metropolitan areas," Toth said.

Toth indicated that while items such as high speed rail might be considered the "sexy" type of alternative transportation right now, there are plenty of examples of other types of innovative thinking going on in places such as Boise, Idaho; Seattle, Wash.; Detroit, Mich.; Denver, Colo.; and Charlotte, N.C.

Charlotte, for example, launched a light rail system in November 2007 that is now nearly 10 miles long. One of the main financial sources for the Charlotte-area mass transit system is a half-cent sales tax that has been approved by voters.

Governments and citizens alike should take note of the effect of decisions made long ago on future planning.

Seattle has emphasized the need for alternatives to driving, connecting public places and helping build neighborhoods. The city has embraced transit-oriented planning, and in 2006, voters passed a referendum that increased funding for transportation as well as money to create safe routes to schools and to plant trees to increase the urban canopy. Money has been used for such things as sidewalks and bike lanes and bridge repairs.

Corless, who hails from California, says what's happening across the nation when it comes to transportation funding reminds him of what happened in the Bay Area nearly 50 years ago.

Some of the counties surrounding the San Francisco Bay Area decided to withdraw from plans for a mass transit system that would link communities in the region. Three counties, however, stuck with the plan that led to the creation of the Bay Area Rapid Transit (BART).

That system now covers 104 miles and links the cities of San Francisco and Oakland as well as many other communities in the greater Bay area. But the rail system excludes Marin County and those cities north of San Francisco and experts indicate these areas, where the debate continues into present-day politics, are now seeing the error of this decision.

Measures to bring BART to the surrounding cities are as recent as 2006, as many environmentalists, planners and developers cite the heavy congestion on the Golden Gate Bridge and the urban sprawl whittling away at the surrounding agricultural land and open space as the necessity for system expansion.

Governments and citizens alike should take note of the effect of decisions made long ago on future planning.

"That was the wrong decision 50 years ago and they paid the price," Corless said. ●

Gary Fineout is an award-winning journalist who covered politics and government for nearly 20 years. He previously worked in the Tallahassee bureau of The *Miami Herald* and his work has also appeared in *The New York Times* and several other Florida newspapers. He is now an independent journalist.

Courtesy of Christopher Lewis Cotrell, www.flickr.com/photos/gousgous

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REALTORS® Take Action

Making Smart Growth Happen

Ft. Lauderdale REALTORS® Champion the Smart Growth Cause

"Live, work and play" is the mantra of the smart growth movement. Ft. Lauderdale, with its refreshing Atlantic waters and reputation as a beach and resort area, has no problems living up to the "play" billing.

Completing the trinity, though, is vital for the southeast Florida county. The REALTOR® Association of Greater Ft. Lauderdale (RAGFL) has been using NATIONAL ASSOCIATION OF REALTORS® Smart Growth Action grants to help spread the smart growth word and help sunny South Florida better plan for future growth.

"As time goes on, we are educating the officials of South Florida for the 21st century," said Adam Sanders, director of government affairs for RAGFL. "We definitely believe our efforts are helping the cause."

Sanders says now is the time to champion smart growth. Broward County is the second most populated county in the state, and according to the latest Census data, had a population of 1.76 million people in 2009. Yet the county, which touches the Atlantic on the eastern border and the Florida Everglades on its western border, has little space to build out. And redevelopment is a must if the area is going to keep pace with the needs of its residents, visitors and business partners that have located firms and companies there.

The NATIONAL ASSOCIATION OF REALTORS®' grants have allowed the RAGFL to support a number of initiatives, including hosting a springtime mayoral breakfast that allows an exchange between smart growth advocates and local government officials.

There are 31 different municipalities in Broward County, ranging from ocean front Ft. Lauderdale to suburban Cooper City. Getting the mayors and their staff from all those areas to attend is sometimes easier said than done, Sanders said. "But when we ask, they always come," he said noting that 27 of the 31 municipalities had representatives at the 2010 breakfast, where about 250 people showed up.

"It really helps to promote open discussion on smart planning," he said of the event that allows residents to mingle with their local county officials.

Also, the RAGFL, in January, brought in Joe Molinaro with NAR's smart growth program to speak to its members and community leaders about placemaking and economic development. Meeting in the REALTORS®' new 10,000-square-foot, 80-percent compliant "green building," the audience included the mayor of Pembroke Pines, Fran Ortis; Oakland Park Mayor Allegra Murphy; Wilton Manors Mayor Gary Resnick; and Broward County Commissioner Tom Green.

Sanders said the presentation was so well received that even folks who couldn't make the presentation have been asking for materials. "They heard it was informative and wanted to learn more about how placemaking can create jobs in today's economy," he said.


Courtesy of Greater Ft. Lauderdale CVB

Newly elected Broward County Commissioner Chip LaMarca — who attended the meeting — said it was beneficial.

"It is clear that the incorporation of smart growth principles is crucial to the future vitality of my community, both in terms of livability and economic development," he said.

Sanders said the RAGFL has "made it its mission to educate local elected and planning officials" about smart growth. To help achieve those goals, the RAGFL also has partnered with the Smart Growth Partnership (SGP) in southeast Florida. Sanders has served on the Smart Growth Partnership Board of Directors since its inception in 2005.

SGP founder Gloria Katz said the RAGFL has helped her group with several initiatives. Katz said the goal of the group is to make Broward County residents comfortable in their spaces and places and confident that the area is a place where they can work and play and raise a family. The goal is to make sure people understand it's more than just a sunny, playground.

"I think the REALTORS® can help in making that a reality," she said. "We have similar efforts."

SGP is now focusing its efforts on implementing a "Complete Streets" policy that would ensure transportation planners and engineers design roadways with all users in mind when they plan roads, from bicyclists to mass transportation users and pedestrians.

The Complete Streets approach in planning is championed by the not-for-profit National Complete Streets Coalition. The movement, which is supported by REALTORS®, is growing exponentially. There were 80 Complete Streets policies approved in 2010, said Stefanie Seskin, state and local policy manager for the national coalition. That's a 100-percent increase from the number of policies approved the year before, and quadruple the number of policies that were approved in 2008.

The National Complete Streets Coalition has identified 10 elements to the Complete Streets policy, which include applying the standards to all agencies — state, county and local — and on all roads. Complete Streets policies are applied to all projects, from new roads to retrofit projects.

If successful with its Complete Streets campaign, Broward County would join a handful of other Florida locations that have taken the plunge, which, according to Seskin, include the city of Miami, West Palm Beach, Pensacola and Lee County.

A central theme of the Complete Streets movement is accessibility for all users. Seskin said the focus is on making the transportation system "work better for everyone who needs to be there."

RAGFL and SGP are in the early stages of working with the Broward Metropolitan Planning Organization to discuss incorporating the principles into road projects there. Sanders said Pompano Beach and Hollywood are areas that he thinks would benefit from this style of thinking.

"Well designed universally accessible streets," Sanders said, "are necessary to a safe, equitable and prosperous community."

REALTORS® Take Action

Making Smart Growth Happen

Richmond REALTORS® Use Progressive Thinking to Tackle Sprawl

Photos courtesy of Richmond Metropolitan Convention and Visitors Bureau

The United States Census Bureau's highly anticipated release of the 2010 data has those with an interest in the housing industry pouring over the data, analyzing demographics, reviewing numbers and scrutinizing the numbers for trends.

The Richmond Association of REALTORS® (RAR) is no exception. The RAR is working with its regional and state partners, as well as some housing nonprofits, to collaborate on any analyses and studies that can help line up housing with needs, said Richmond Association of REALTORS® Chief Executive Officer Laura Lafayette.

"Our goal is to use the new data to identify the housing needs with the product that is being produced," said Lafayette. "In other words, we want to see if there is a need/product mismatch and/or a mismatch of where the need is versus where the housing inventory is being located."

Charles E. Gates, communications director for the Richmond Regional Planning Commission, which is working with the RAR on the project, said the REALTORS® are "very in tune with the issue of affordable housing and workforce housing."

"It's nice to see that our REALTOR® association is in sync with that because they are the ones on the front lines of buying and selling homes. So they know," Gates said.

The collaboration on the Census project isn't the only initiative the association has underway with government partners. RAR wants to use a $5,000 Smart Growth Action Grant to help the more exurban areas of Richmond draw urban development areas — or UDAs — on their land use maps. Lafayette said they haven't had any offers yet, but the association is hopeful that the assistance RAR offered will be tapped into. UDAs are a requirement under a transportation bill passed by the state in 2007.

And in a time of having to do more with less, the RAR is lining up a study examining the return on investment (ROI) for different planning projects funded with government dollars. Lafayette indicated she wants to compare the ROI for running infrastructure 10 miles from the city center versus the ROI on revitalizing existing neighborhoods.

"The smart growth principle at work here is that rather than trying to always locate new housing further away from the urban core, we need to look closer in for infill and reinvestment/revitalization opportunities," Lafayette said. "Reinvestment in neighborhoods that already have infrastructure such as water and sewer will be far more economical than running that infrastructure miles and miles out."

The Richmond Association of REALTORS® represents more than 5,800 members who live and work in the greater Richmond area. Lafayette has been at the association for more than 18 years in several capacities and now serves as its chief executive officer.

During her tenure at the association, Lafayette has worked with the REALTORS® to develop a better understanding of the need for smart growth planning principles and, as a result, she considers the association progressive. It works closely with the Partnership for Housing Affordability, which was established as a not-for-profit charity in 2006.

The Partnership for Housing Affordability's most recognized event in the community is the annual Affordable Housing Awareness week held in April. The event has Richmond residents volunteering their time with more than a dozen local housing nonprofit partners.

RAR has worked with the Partnership for Housing Affordability on a trio of projects over the last five years that were funded with Smart Growth grants from the NATIONAL ASSOCIATION OF REALTORS®.

Last year, two reports ("Examining the Impact of Mixed-Use, Mixed-Income Housing Developments in Richmond Region" and "Sustainable Communities: Building the Future of the Greater Richmond Region")

were released and presented at the University of Richmond's Jespon Alumni Center at a symposium on affordable housing that was attended by local government officials and business leaders. The former report was researched by the George Mason University Center for Regional Analysis. The study focused on 11 sites and found that in more than half of the areas "Home prices increased more ... than they did in other parts of the county, indicating a positive benefit associated with the mixed-income, mixed-use development."

The RAR partnered with the Virginia Environmental Endowment and The Dennis Fund to produce the Sustainable Communities: Building for the Future of the Greater Richmond Region, which was researched and written by the Southern Environmental Law Center. That report argues that mixed use is what the public is demanding and that the developments could promote walkability, thereby reducing reliance on automobiles.

Lafayette added that, in 2012, the RAR will also examine how the location of new schools drives residential development and how building schools "in the hinterlands where the land is cheaper" is a factor in driving sprawl.

"We can and should all be on the same side," she said, adding that it reminds her members that planned growth works to their benefit, too. "Without sustainability, none of us live to work another day," she said.

REALTORS® & Smart Growth

on common ground

NATIONAL ASSOCIATION *of* REALTORS®

REALTOR®