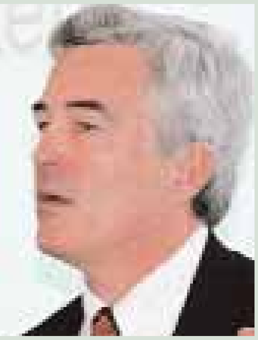
Q&A with Christopher B. Leinberger



"Satisfying market demand for walkable urbanity in the United States can represent trillions of dollars of development over the next 20 years. In my experience, you do not mess with Mother Market or Mother Nature."

Christopher B. Leinberger is a land use strategist, the author of award-winning real estate articles, professor of practice and director of the Graduate Real Estate Program at the University of Michigan, a fellow at the Brookings Institution in Washington, D.C., and a founding partner of Arcadia Land Company. Much of his research and practice has been dedicated to helping cities and suburbs achieve "walkable urbanity" (see box). In this Q&A, Leinberger discusses current green challenges and trends.

As rising oil and gasoline prices, air pollution, and climate change prove, we can no longer afford the post–World War II development patterns created 50 years ago that depend on cheap gas. We need to rethink suburbia and other conventional (and wasteful) development. What alternative development patterns do you recommend, and why?

The current development pattern of low density, car-dependent sprawl basically is modular, focused on single products, relatively simple to develop, and "commoditized" with floor/area ratios [FAR] of under 0.3.

The alternative development pattern that many people want but have a hard time finding is high-density, integrated, mixed-use, quite complex development that provides everyday basic services and maybe even jobs, all within walking distance, which I call "walkable urbanity." With a FAR ranging from over 1.0 to 10.0 and higher, walkable urbanity has a density that is five to 50 times higher than conventional sprawl development.

Will the general public—particularly SUV-addicted Americans with large exurban homes—accept and support walkable urbanity? Isn't the environmental support of many people just a mile wide and an inch deep?

Recent studies show that a third to maybe even half of the households in this country want walkable urbanity, and not always for environmental reasons. First, they have realized the built-in flaw of conventional development: more is less. As more suburban development takes place, the very reasons people were drawn to the suburbs in the first place—open space, ease of commuting, safety—are degraded.

Second, the market fundamentally has changed. More than 75 percent of U.S. households have no school age children, so yards and schools have become less important.

Third, many empty-nester baby boomers and young generation-Xers find the suburbs sterile. They want the hustle and options of walkable urbanity. As empty-nester baby boomers, my wife and I live within blocks of all our basic needs and our workplaces. Not one of our kids, who are in their 20s and 30s, has yet even considered a suburban home. They all live and work in cities. This will probably change for them over their lives but having the options is what counts.

Fourth, there is the commute. Contrary to the car company commercials showing a carefree motorist driving up the only road in California that has absolutely no traffic, driving is now a grinding and increasingly expensive chore.

Finally, people are just beginning to realize that removing one car from the household budget frees up as much as $125,000 that can be applied instead to an additional mortgage. The AAA reports that the average annual cost for the care and feeding of a car is $7,800 after taxes. Drop a car out of the household and, with a 6 percent mortgage, you can buy quite a bit more house. We in the real estate industry should be fighting harder for our customers to switch their household spending from a depreciable asset—the automobile—to the appreciable asset that we sell—real estate.

What is the connection between walkable urbanity and environmental and fiscal (government financial) sustainability?

Preliminary research shows that reducing the number of car trips, increasing the number of activities that are within walking distance or are transit accessible, and using infrastructure more intensively (building at a much higher density) significantly reduce greenhouse gas emissions. If you construct green buildings within a walkable urbane environment, you reduce greenhouse gas emissions even further. Building walkable places is not the single solution to climate change, but it addresses one of the four major sources of greenhouse gas emissions and is a necessary component in an overall strategy.

About 20 years ago, fiscal impact analysis was invented to study the effect of development on local and state finances. A picture is emerging from that research showing that nearly all ten major categories of infrastructure—both publicly provided infrastructure like education, roads, and sewers, as well as privately provided infrastructure like electricity and telecommunications—are being mispriced.

Research reveals that low-density sprawl has been and continues to be massively subsidized by high-density development and the general taxpayer. This is the result of countless small decisions made at the federal, state, and local levels.

Getting these subsidies out of the government fiscal system and leveling the playing field are essential. Putting a heavy thumb on the scale in favor of low-density sprawl is not what a capitalist society should be doing.

With Wall Street and most local zoning codes essentially mandating the development of what you refer to as the 19 product types—neighborhood retail centers, or suburban office buildings, or entry-level single-family housing—what

can be done to overcome Wall Street's and the real estate industry's resistance to sustainable development patterns and building products?

About 15 years ago, Wall Street became the guardian of real estate finance. Wall Street must trade like for like, so it "commoditized" real estate into what I refer to as the 19 standard product types. Nearly every one of those product types builds low-density sprawl. If you wanted to build anything other than one of those 19 product types—anything mixed-use or higher density—you had to arrange unusual and generally much more expensive financing, if you could do it at all.

Two factors, however, are finally helping to overcome Wall Street's resistance to anything different. First is the financial success of the new urbanist development in the suburbs. Second—and probably more important over time—is the turnaround of downtowns and the emergence and success of higher-density mixed-use suburban town centers and lifestyle centers.

In working on projects throughout the country as a consultant and developer, have you found government-level resistance to green development, and if so, how have you overcome that resistance?

The greatest resistance has come, not from government, but from NIMBY opposition to high-density development. And the battles are getting even nastier. My development company's associates now go to public meetings with bodyguards. Another developer working on a mixed-use project outside of Philadelphia regularly receives death threats.

Our company has overcome even this level of resistance by working with the community upfront and educating people about the many benefits of walkable urbanity, from an improved quality of life to increased real estate values and tax revenues. And the low-density housing owners adjacent to a walkable place actually get a double benefit: they continue to live in low-density suburban splendor, but within walking distance of urban amenities and services. We also take neighbors on bus tours of comparable new urbanist communities so they can see the benefits of walkable urbanity firsthand.

I believe, however, that the environmental community needs to become an ally in our battle for mixed-use, high-density, walkable urbanity. From an environmental and social perspective, we have a moral imperative to concentrate human settlement patterns, stop car-fueled sprawl, rezone existing transit stations, build greenfield lifestyle centers like Reston Town Center, and continue the crucial redevelopment of existing downtowns and suburban town centers. But to be credible in making these arguments, we need the envi-

What Is "Walkable Urbanity"?

One of the new buzzwords in planning and development, "walkable urbanity" is a descriptive term that encapsulates the pleasure derived from walking through a well-designed, interesting, and safe urban area. The November/December 2004 issue of *Urban Land* featured an essay written by Christopher Leinberger explaining the concept. Below is an excerpt:

"Just what is walkable urbanity? Since the rise of cities some 8,000 years ago, humans have tended to be willing to walk about 1,500 feet before pursuing an alternative means of transportation—a horse, a trolley, a bicycle, or a car. This distance translates into the equivalent of the amount of walking required to traverse about 160 acres—roughly the size of a superregional mall, including its parking lot. That is also about the size, plus or minus 25 percent, of lower Manhattan, downtown Albuquerque, the Society Hill section of Philadelphia, the financial district of San Francisco, downtown Los Angeles, downtown Atlanta, and most other major downtowns in the country.

"If the upper limit of a walkable area is 160 acres, what would make anyone want to walk it? Certainly no one is inspired to walk the distance from one end of a superregional mall parking lot to the other. The reason people will consider walking that distance is to engage in an interesting streetscape experience and to people-watch along the way. It is the sights and sounds of the city that entice pedestrians to walk the many blocks of a downtown. It may even make them forget they are unintentionally getting some exercise.

"Walking in a downtown streetscape environment can be an adventure, an experience, a movable negotiating session, a stroll, a romantic walk, a time to collect one's thoughts on the way to a meeting, or—one of the best things about walking downtown—an opportunity for an unexpected street encounter with an acquaintance. Business deals have even been known to be triggered by a chance meeting on a downtown street. The experience of walking downtown can be entirely different depending on the time of day, the day of the week, or the season of the year—even if one is walking along a familiar path. A person can have a different experience nearly every time he or she takes to the streets.

"The downtown walking experience is vastly different from the mind-numbing experience one gets in a climate- and light-controlled mall, especially after walking across one of the least pleasant modern landscapes: an asphalt parking lot.

"Creation of the 'urbanity' part of walkable urbanity requires a complex mix of uses, including retail boutiques, hotels, grocery stores, housing, offices, and artists' studios, all brought close to the sidewalk, with different styles of well-crafted architecture to experience along the way—architecture that is meant to be experienced up close."

ronmental community to be on the barricades fighting for walkable urbanity.

Do you believe that government mandates on local, regional, state, and federal levels are the only way to bring green development into the mainstream, or can market forces turn our built environment green?

I don't like government mandates. I do like leveling the playing field by not subsidizing low-density sprawl.

I think the market should be encouraged to satisfy the significant pent-up demand for walkable urbanity. Arthur Nelson of Virginia Tech, one of the country's most highly regarded land use analysts, reports in a recently published paper that if the market is given what it wants, the vast majority of all housing permits over the next 20 years will be for attached or small-lot walkable product. For example, in the Washington, D.C., market—which is a bellwether for the future because of the significant impact of its subway system—70 percent of building permits over the past two years have been for attached product. In 2003, the national average selling price per square foot for attached product was higher than for detached product . . . for the first time ever.

I think the market should be unleashed and the development community allowed to satisfy the pent-up demand for walkable urbanity.

What valuable lessons do other countries offer us for developing environmentally and financially sustainable places?

Americans have always gone to European cities for their architectural and development inspirations, but lately the reverse has been true. Most European developers over recent generations have actually modeled the fringe development of their metropolitan areas after ours. Unfortunate about European fringe development is that it often combines high-density housing with surface parking around the base of the building and big-box retail or suburban office parks that can only be reached by car. It is the worst of all worlds. Today, most middle-class Europeans are not able to enjoy daily walks down their own boulevards and avenues because they are not being built anymore. The traditional European public realm usually can only be found in the expensive historic downtowns that now are reserved for upper-middle-income and upper-income families . . . and tourists. Europe also has a pent-up demand for walkable urbanity, but its developers have not yet discovered it outside the historic city.

Is it going to be "business as usual" for the real estate industry—particularly for long-term investors like REITs [real estate investment trusts]—over the next 20 years? Or should far-sighted developers and investors change their plans and activities now?

Obviously, a market change is taking place, because consumer demand has fundamentally changed. To succeed, I think that far-sighted developers and REITs would be wise to recognize some fundamental truths—that great real estate development must employ patient equity, and that we should invest for the long term. That means building higher-quality projects that are walkable and special.

I believe that over the past several decades we have cheapened the built environment—turned it into a seven- to ten-year asset class, rather than the 40-year asset our grandfathers built—thanks in large part to our exclusive use of net present value [NPV] underwriting methodologies introduced by our business schools 50 years ago this year. While it works well for short-term investments, NPV does not measure very well returns beyond seven to ten years. So, developers cut construction costs to increase their front-end returns, not caring about mid- to long-term returns. We have ended up constructing a throw-away built environment that reflects our measurement tools, not our long-term financial interests or our deeper values. Given that real estate represents about 33 to 40 percent of our nation's wealth, we have not invested that wealth as well as we should have.

Where is urban and suburban development going in the next 20 years? Will sustainable development creep forward slowly, or do you see it taking any leaps and bounds?

Most medium-sized to large metropolitan areas have a pent-up demand for 15 to 30 regional-serving, walkable urbane places right now. Currently, metropolitan Detroit has only three walkable urbane places—Ann Arbor, Birmingham, and Royal Oak. Philadelphia has only four—Society Hill, Rittenhouse Square in the Center City, Manayunk, and University City. Greater Los Angeles has five regional-serving walkable urbane places—Pasadena, Santa Monica, West Hollywood, Farmers' Market, and Beverly Hills . . . if Main Street Disneyland is not counted.

Washington, D.C., however, currently has 16 walkable places, up from two just 20 years ago. Of those, 15 places are served by the subway, and the one that is not, Reston Town Center, will be linked to the system soon. Tyson's Corner may become walkable someday! Metropolitan D.C. offers residents and business owners an incredible range of choices, from its revived downtown to neighborhoods such as Dupont Circle, Bethesda, Adams Morgan, and Silver Spring, and to a great variety of suburban and semirural areas.

Satisfying market demand for walkable urbanity in the United States can represent trillions of dollars of development over the next 20 years. In my experience, you do not mess with Mother Market or Mother Nature. The market will get what it wants, in spite of the massive subsidies that support sprawl, the zoning that makes mixed-use development illegal, and the NIMBYs. And we will have little choice but to mess less with Mother Nature. So, yes, I see sustainable development taking some leaps and bounds. This is the most exciting time in my career to be in real estate. UL

CHARLES LOCKWOOD is an environmental and real estate consultant based in southern California and New York City.