

Spring Forward—or Fall Back

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There is nothing more difficult . . . than to take the lead in the introduction of a new order of things.
Niccolò Machiavelli

THE SELECTION of the next president of the Urban Land Institute is vitally important—due, obviously, to the crisis that both the real estate industry and the economy are in. What is actually *more* important is that the way we build the built environment is undergoing a structural change.

This is not another cyclical downturn like that witnessed during the early 1990s or the early 1980s. Time, by itself, will not cure the effects of this downturn; the structural change taking place is a once-in-a-half-century game-changer.

ULI occupies a unique position in the built environment: it is a real estate organization respected by all three major components of society—the private, the public, and the non-profit. It even has the respect of many of real estate's adversaries: social equity advocates and environmentalists. No other real estate organization can say that.

ULI has recently built the District Council network throughout the United States and ULI now has international reach. The councils have done an impressive job in education, networking, and building a local base for the Institute. The international initiative takes advantage of global perspectives and opportunities, reinforced by the selection of Jeremy Newsum from the U.K. as the next chairman of ULI, following Todd Mansfield.

The leadership shown by the current ULI president, Rick Rosan, has been crucial for these domestic and international advances; his leader-

ship has been transformational for the organization. Rick will be a tough act to follow but an equally transformational leader is needed.

ULI has been on the forefront in predicting the structural change in real estate, which can be summed up as a shift from building almost exclusively drivable suburban development for the past half century to building walkable urban development that the market, society, environmentalists, and public financing are now demanding, providing consumers a choice of how to live and work. As ULI's *Emerging Trends 2009* points out, real estate needs to "reorient to mixed use and infill," "go green," and "be patient" in financing. These have not been phrases synonymous with the real estate industry.

The Urban Land Institute needs to build upon its current powerful base and take a major step toward metropolitan, national, and international leadership. The built environment represents more than 35 percent of the assets in any developed economy—the largest asset class in the economy. Is it any wonder that real estate is the primary cause of the current recession, an unfortunate role it has played many times before?

ULI has been among the first to call for increased investments in infrastructure, required for building the walkable urban developments of the future. This means building the "other half" of the transportation system, rail, biking, and pedestrian infrastructure, while repairing the existing road network. Investments like these not only will get real estate moving in a sustainable manner, but are also essential

for economic recovery. Real estate is not the only answer to regaining economic growth, but it is a large part of the answer—and a catalytic first mover.

However, there is fragmented political and business leadership representing real estate and infrastructure, particularly where it is most needed—at the metropolitan level. Real estate leadership is in product silos, reflected in real estate investment trust (REIT) product specialization and most ULI product councils. This is also true in the U.S. government, where different cabinet posts oversee the built environment: transportation, housing, health, education, and the environment—independently influencing the built environment while fighting to protect their turf.

Real estate leadership should revolve around five issues that are the heart of domestic policy in any country where ULI is active:

▷ **Advocacy.** ULI should take positions on current domestic issues, such as climate change, energy, health care, and particularly transportation legislation, since transportation drives development.

There is a pressing need to determine how transportation investment will be financed. Real estate developers should consider sharing a small portion of the future value created by their projects to help pay for infrastructure, thus bridging a huge funding gap while guaranteeing us a seat at the table.

ULI should also be engaged on energy and climate change legislation since the built environment uses and emits over 70 percent of energy and climate change gases. Likewise



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for health care: obesity, asthma, and diabetes have been related to how we build the built environment.

▷ **Making the right thing easy.**

Building walkable urban development is generally illegal in the United States and faces major NIMBY (not in my backyard) opposition. A first step is getting overlay zoning that encourages walkable urban development.

▷ **Regional strategy/management.**

ULI can catalyze an economic strategy for each metropolitan area, working with municipal planning organizations (MPOs), councils of government (CoGs), chambers of commerce, utilities, and government to drive a regional transportation plan and network that would custom-fit the economic strategy. This would build off of the ULI Reality Check process.

▷ **Finance.** Real estate is now the fourth asset class, joining stocks, bonds, and cash. For centuries, real estate has been a long-term asset,

yet the finance industry has insisted it be financed as if it were a short-term asset. Real estate is barely beginning the residential workout process and dire action is needed to avoid a commercial mortgage meltdown in 2010. ULI leadership is crucial for crafting a recovery plan while guiding the new regulations that are sure to come.

▷ **Affordable and workforce housing.**

The current strategy in the United States for affordable and workforce housing is “drive until you qualify”—hardly a sustainable strategy. The ULI J. Ronald Terwilliger Center for Workforce Housing is an important starting point, but much more needs to be done. Each metropolitan area must have a conscious affordable/workforce housing strategy.

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ULI should be even more willing to cooperate with allies. The size and complexity of changing 35 percent of the economy means there is enough for many organizations to do. Much good work is being done by the Pension Real Estate Association, Enterprise Partners, Smart Growth America, Brookings Institution, Congress for the New Urbanism, Real

Estate Roundtable, Transportation for America, International Downtown Association, Reconnecting America, among others.

The rise of university real estate programs, fostered by ULI, is also a powerful asset to be further leveraged.

The Institute is unique in its ability to create a broad organizational network for change.

As is often noted in Washington these days, a crisis is a terrible thing to waste. ULI would be wasting an opportunity if it did not fill the leadership vacuum that exists at the metropolitan, national, and international levels for reforming how the real estate industry builds the built environment. **UL**