

# Greater Greater Washington

The Washington, DC area is great. But it could be **greater.**

DEVELOPMENT

## Live chat with Christopher Leinberger

by [David Alpert](#) • June 3, 2010 12:45 pm

Welcome to our live chat with Christopher Leinberger, "Metropolitan Land Strategist," developer and author.



Mr. Leinberger is affiliated with several scholarly organizations including the Brookings Institution. He argues that market forces are shifting our "built environment" is from "driveable sub-urbanism" to "walkable urbanism," but that several non-market forces stand in the way, including public and private lenders' rules that limit real estate investment to "19 standard product types."

Mr. Leinberger discusses these ideas in his book, *[The Option of Urbanism: Investing In a New American Dream](#)*, which is one of the "great books" featured on our right sidebar. (We don't get any money for that; I just loved the book.)

Greater Greater Washington live chat: Christopher Leinberger

(06/03/2010)

**Close**

12:48

**David Alpert:**

Welcome to our live chat with Christopher Leinberger.

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12:48

**David Alpert:**

Mr. Leinberger will join us in a few minutes. Meanwhile, please submit your questions. We'll try to get to as many of them as possible.

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12:54

**Chris Leinberger:**

David, I am on line. Chris

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12:54

**David Alpert:**

Welcome!

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12:56

**David Alpert:**

In The Option of Urbanism you talk a lot about how structural barriers make it hard to build walkable urbanism, from banks that want to only lend for specific cookie-cutter projects (usually not mixed use) to federal agencies whose rules don't allow funding mixed-use.

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12:56

**David Alpert:**

Can you explain that a bit? And has that problem gotten any better since you wrote the book?

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12:58

**Chris Leinberger:**

The financing problem has obviously gotten worse...worse for all real estate and possibly especially for walkable urban development. The reason for this is that WU development is by its very nature more risky and the banks are scared stiff, hence looking for safer loans. Whether this will change as progressive developers bring only walkable urban deals to them and the continued failure on the fringe, we will see.

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12:59

**David Alpert:**

What you call "driveable sub-urbanism" (and others call sprawl development) seems to have lost more value than core projects. Are banks still more afraid to build mixed-use in a strong market like central DC than a strip mall in, say, Prince William County?

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1:02

**Chris Leinberger:**

We do not know enough yet since the banks are just beginning to wake up from their long sleep. Some WU in-fill projects are rumored to be close to getting going and a couple have started but it is too early to say.

Fringe sprawl homebuilders (Toll, Ryan, etc.) pretty much only know how to do one thing...drivable sub-urban stuff so they just want to keep on doing the same ol', same ol'...only cheaper and faster and dumbed down. The next couple years will tell us if these old dogs will ever learn new tricks.

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1:03

**David Alpert:**

Thanks. I recently heard that a childhood classmate is building standard subdivisions at the fringe of the Boston area. It's disappointing that that is still happening.

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1:03

**David Alpert:**

What about public institutions? Has the Obama Administration improved things at all around federal criteria from Fannie Mae, HUD, etc.?

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1:04

**Chris Leinberger:**

As I say, teaching old dogs new tricks is difficult. My analogy is that drivable product is like driving a NASCAR and WU is like flying fighter jets...two different skillsets.

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1:06

**Chris Leinberger:**

big questions about the F/Ms and FHA...HUD knows they have to make major reforms but from what I hear from my friends on the inside, they do not have a clue about how to do it and do NOT want to tamper too much with the fragile economy....the homebuilding industry going down a second time would be a disaster for the country and the administration.

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1:06

**David Alpert:**

Thanks. I hope they find the courage to be bold. Ken Archer has a good question:

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1:06

[Comment From Ken Archer]

You argue that suburban sprawl is the result of the govt tipping the scales and not free market forces. Smart growth advocates are divided between those who think the solution is for the govt to tip the scales towards urbanism and those think the solution is to simply remove govt interference from planning decisions, the free market. What do you think?

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1:09

**Chris Leinberger:**

I would prefer the latter since we will always screw up the incentives and will distort the market in some way. Putting new incentives in place to offset the old incentives seems pretty silly to me. Having said that, gov't has a HUGE role in making transportation investments since TRANSPORTATION DRIVES DEVELOPMENT. Those decisions are gov't and we have basically been building roads...think the stupidest highway project of our day, the ICC, and we have to fundamentally reform that.

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1:10

**David Alpert:**

Thanks. Speaking of transportation driving development, let's talk about streetcars.

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1:10

**David Alpert:**

First of all, you recently wrote in the Atlantic that public-private partnerships could help drive light rail/streetcar lines. Can you briefly explain for those who didn't get to read the piece?

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1:11

**David Alpert:**

(And [here's the Atlantic article.](#))

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1:11

**Chris Leinberger:**

I love streetcars...I lead a Brookings study of the H Street streetcar line, using the case studies of Portland, Seattle and Tampa. Great real estate value creation and the potential for that increased value to help pay for a portion of the construction cost. Plus, streetcars will help put in the lateral rail transit, connecting the radial Metro lines.

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1:13

**Chris Leinberger:**

Transportation has always added real estate value for the last, oh, 6,000 years. DC was built as a giant real estate play; the lot sales paid for the road improvements. We as a country are broke and we have to go back to how we paid for rail transit a hundred years ago; having the increasing land values help pay for the rail transit.

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1:14

**David Alpert:**

I understand that DC is considering a value capture scheme to pay for part of streetcar development. Can those raise enough money to fund new lines, even with the higher environmental and labor standards we have today compared to 1900?

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1:19

**Chris Leinberger:**

We are 3 times as wealthy in real per capita terms than folks a hundred years ago so the concept that it was possible since we had cheap labor I don't buy. Plus the cost per square foot or per unit is so much cheaper for walkable urban infrastructure, like streetcars and even Metro, that we can afford it today.

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1:20

**David Alpert:**

Great. [Jarrett at Human Transit](#) likes your suggestions about doing value capture by governments but isn't sure private entities on their own would run lines because they can't own enormous swaths of land right next to cities like they did in 1900. What kind of structures (BIDs?) will it take to make private transit lines work in today's world?

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1:23

**Chris Leinberger:**

I am not necessarily suggesting that we repeat exactly what the streetcar/ real estate companies did 100 years ago. I am just saying to link transportation and land use in some manner; there are hundreds of ways, such as assessment districts, limited ownership of the real estate by the transit agency, etc. We need to use the concept but not the exact mechanism used a century ago.

And I like BIDs being an intermediary between the transit agency and the land owners in these financing schemes. As a developer, I would not like sharing my books with City Council or the transit board.

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1:23

**David Alpert:**

Lance isn't so sure about value capture:

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1:24

[Comment From Lance]

Don't property taxes reflect increases in value to a property irrespective of their source ... which would mean that a 'value recapture scheme' is effectively 'double taxing' the increased value due to transportation improvements.

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1:24

**David Alpert:**

What do you say to that argument?

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1:27

**Chris Leinberger:**

Property taxes on average are about 1% so you can capture only about 1% of the upside. Tax increment financing (TIFs) are not financially powerful enough on its own. Plus, it means those tax revenues are not available for the area affected by the street car for the life of the bond (+/- 20 years) so the rest of the jurisdiction would have to subsidize the police, fire, and other city services for this district. TIF is part of the 'layer cake' finance solution but private sector value capture can be part as well.

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1:28

**David Alpert:**

Thanks. Before we wrap up on streetcars, any specific thoughts or advice regarding DC's planned system? What would you say DDOT should make sure to keep in mind?

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1:32

**Chris Leinberger:**

They have defined the system but they should divide it up into 5-6-7 different lines and tell the property owners along those lines that if they want the next line, what will they do regarding value capture to make it happen. Those that see a benefit will pony up the most upside value capture and they get it first. There should be competition.

BTW, it will not favor the rich parts of town. H Street will have far more upside from today than Dupont does...it is starting at lower values and will increase on a percentage basis far more so the SE and NE parts of town should actually be in a competitive advantage.

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1:33

**David Alpert:**

Transportation may drive development of housing and retail, but if people can't afford to live in any of it, it doesn't help a lot of folks:

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1:33

[Comment From Ted]

Similar to Ken's free market question, do you think that free market brownfield development and letting supply/demand lower prices will be enough to keep cities affordable, or is incentivizing/mandating affordable housing part of government's job in this?

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1:37

**Chris Leinberger:**

Yes, government needs get involved in affordable housing far more than it does now. The reason for gentrification is the lack of supply of walkable urban places and land...but we have plenty of land just not enough walkable urban places. The problem will eventually be 'solved' by more supply but that will take at least a generation. Therefore, we need a conscious affordable housing policy to replace our current one, which is 'drive until you qualify'.

Arlington and Montgomery County are two great role models. They are using serious annual investments in creating more PERMANENT affordable units and inclusionary zoning to create a fairly impressive number of units...more must be done even in these two jurisdictions.

BTW, value capture could be used for affordable housing as well....gentrification can be used to pay for affordable housing...take from the rich for the not as well off.

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1:37

[Comment From Kevin]

Alexandria is in the midst of approving the plans for redevelopment of the Potomac Yard retail center. There a promise of a mixed-use transit oriented development. You sat on a panel last year (or the year before) at the beginning of this process to provide some input. We never got to see the full results of that, but I was impressed by your knowledge of the Yard. So, I'm wondering if you've followed it all since then. Happy? Disappointed?

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1:41

**Chris Leinberger:**

I have been working on Potomac Yards for 20 years...working with the RR which used to own it. I was VERY disappointed with the power center (Target anchored) at first. But then I found out that that is basically an interim land use and those same stores may be the anchors for a huge mixed use walkable urban TOD. Brilliant...so I was wrong.

The developer gets it and is willing to work on paying for the station (a form of value capture) since he sees the power of TOD...he is the same developer who did the retail in Clarendon. The city is quite behind it...the mayor lives within walking distance and is probably looking forward to walking there for lunch some day.

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1:41

**David Alpert:**

Great! Ken has another question about different "free market" approaches:

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1:41

[Comment From Ken Archer]

You and Randal O'Toole of Cato are both free market advocates in Washington think tanks. Yet you have very different views of what the free market looks like in transportation and development. If you've read O'Toole's work, can you explain what you think is the main distinction between your respective views?

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1:45

**Chris Leinberger:**

O'Toole mistakenly thinks we are seeing the free market at work today in drivable sub-urban development...as does David Brooks, Joel Kotkin (who I have recently and will again debate...next time in NYC next month) and others. It is a massively subsidized system today that has engaged in the largest social engineering experiment in US history.

If the subsidies would be taken away and we were given a CHOICE in how to get around and how to live, you would see a very big difference in what land use patterns would look like. How do I know this: The huge price premiums in walkable urban places vs drivable sub-urban...that is the market telling us something profound.

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1:47

**David Alpert:**

It seems that many business leaders are often not as supportive of walkable urbanism as they could be. Recently a bunch of Virginia business leaders sent a letter to Arlington asking them to stop their opposition to HOT lanes. What do you think is the obstacle to more business leaders, especially in inner-ring suburbs, being more enthusiastic about walkable urbanism?

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1:53

**Chris Leinberger:**

I will be honest...I have not given much thought to the usefulness of HOT lanes. I am more focused on building the second half of the transportation system...rail transit, bikes, walking and improved bus service.

RE: business leaders, I have the impression most in-fill/inner suburban business people get it. However, even in Arlington, I know there is unnecessary bad blood between business leaders and government. I personally think we should take a corral approach: build a literal and figurative corral around these walkable urban places and tell business, do not even think about going outside the corral but inside, it is a free market.

Too many times, government leaders get into decisions they should not have to bother themselves about and add uncertainty to the business decision making. That raises costs and might have some businesses steer clear of those jurisdictions.

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1:54

**David Alpert:**

When I talk about exurban development in the DC area, I often cite statistics from your presentations about how the total amount of drivable sub-urban development basically meets the current demand, especially with 88% of population growth being singles, childless couples, and empty nesters. Therefore, even when people say "many people want suburban houses," that might be true and they can buy some, but that doesn't mean we need a lot MORE suburban houses.

However, those are national stats. Our region is growing a lot. Do the same trends hold true? Do you think the demand for drivable suburban houses is basically already met here in our region?

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2:01

**Chris Leinberger:**

Yes I do. This region is the national model for how America is building the built environment since metro DC is the best educated and the ultimate knowledge-based economy in the country. Number 2 is San Francisco and #3 is Boston....which have the 2nd and 3rd most walkable urban places per capita to #1 DC. BTW, 70% of DC's walkable urban places are in the SUBURBS (thank you in particular, Arlington).

So I have little doubt that the fringe drivable sub-urban demand has been quite satisfied...there will always be people who want during certain times of their lives and maybe their entire life a drivable sub-urban life style. It is just there is a generation of pent up demand for walkable urban...hence the huge price premiums and all the concern about gentrification, which is a direct consequence.

If I could be the beneficent dictator (sort of like Mayor Daley), I would stop the ICC and drivable sub-urban development and focus all transportation spending on rail transit, bike, walking, bus service and repairing the road system we already have. We as a region would find our infrastructure costs reduced by 1/4rd to 1/3rd over the next generation and we would be more economically competitive...not to mention healthier and not contributing as much to climate change.

Thursday June 3, 2010

2:02

**David Alpert:**

Mr. Leinberger has time for one more. Kevin has one little trepidation still about value capture and affordable housing:

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2:02

[Comment From Kevin]

With respect to value capture for affordable housing...which I agree with in theory...I think, in practice, it tends to tax the middle class more than "the rich" as you put it. Most of the subsidies tend to come from new development, which by and large are condo and townhouse. The old money...large landowners... generally escape having to pay. The subsidies are hard to apply at the margin: it's hardest for instance to subsidize what we are calling workforce housing than it is to subsidize very low income housing (because low income housing has other federal and state subsidies). And since property tax are somewhat regressive the middle income folks....who might be only barely be able to afford their homes are hit the hardest.

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2:08

**Chris Leinberger:**

You raise very good points...any government intervention has to be thought through very carefully. There are 8-10 mechanisms I have been working on to achieve a conscious affordable housing strategy. Inclusionary zoning, value capture, direct local government subsidies, Federal and state subsidies, granny flats (a great, low cost and beneficial to the middle class approach) and many others.

I do not have all of the answers but know that if we have the intention to address this challenge, there are plenty of tools available. The intention is the issue, however. There are some very smart people working on this; Enterprise (I am on one of their boards), LISC, etc. At Brookings we are looking at the connection between social equity and economic performance of walkable urban places...stay tuned.

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2:08

**David Alpert:**

Thanks. We look forward to seeing your research.

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2:08

**David Alpert:**

And that's (more than) all the time we have. Thank you so much for joining us today.

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2:15

**David Alpert:**

What do you think about Mr. Leinberger's suggestions? Feel free to continue the discussion in the comments