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Barriers to Developing Walkable Urbanism and Possible Solutions

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Introduction

Walkable urbanism is compact, mixed use development that offers many of life's daily needs within walking or transit distance (generally defined as 1500-2000 feet), connected with one another in a safe, continuous manner. There are many forms that employ the idea of *walkable urbanism*, including revitalization of downtowns and suburban town centers, New Urbanism, in-fill development, transit-oriented development and lifestyle centers¹. Smart growth is the public policy that promotes these forms of development.

There are two different levels that walkable urbanism takes place in the metropolitan area; regional-serving and local-serving districts. Regional-serving walkable urban districts are where export functions² and regional functions³ locate, competing with drivable sub-urban locations for these functions. In King County, examples of regional-serving walkable urban districts include the downtowns of Kirkland, Redmond, Bellevue, Renton, Burien, and Seattle. Local-serving walkable urban districts are bedroom communities with local functions⁴ that surround regional-serving walkable urban districts, are connected by transit to the regional-serving districts or have been developed in drivable-only locations.

This paper will focus on the financial barriers to developing both forms of walkable urban places; regional and local-serving. The potential solutions, particularly those that could be undertaken by the public and non-profit sectors and banks looking to satisfy their Community Reinvestment Act requirements, are also outlined. Barriers and solutions are outlined together below.

¹ There is some controversy about lifestyle centers, due to their competing with traditional downtowns. Lifestyle centers originally emerged as retail only, pseudo-downtowns with a Main Street with retail stores adjacent to sidewalks and parallel parking on the street. The bulk of the parking was in conventional parking fields surrounding the center. According to internal research done at The Brookings Institution, about 80% of lifestyle centers built prior to 2006 were retail only; in essence an alternative to regional malls. Recently lifestyle centers are emerging as mixed-use, truly walkable urban places with office, hotel and residential above the retail or within walking distance of the town center. According to the same internal Brookings research, nearly 2/3rd of lifestyle centers planned or proposed in 2006 were mixed use. This marks the beginning of private sector walkable urbanism that may have better access to conventional funding. Lifestyle centers also appeal to market segments that would not normally be attracted to traditional walkable urban places, such as downtowns, due to their safety, lack of diversity and predictability.

² Export functions and the jobs they produce export goods and services out of the metropolitan area (the fundamental place-based unit of the economy), thus bringing in new cash for investment and spending. They tend to locate in regional-serving places. Examples include major industrial plants, headquarters of corporations, many colleges and universities, Federal concentrations, state government, some hospitals and professional firms, etc. Export functions provide the reason for a metro area to exist, create most wealth and generally create the highest paid jobs.

³ Regional functions and the jobs they produce serve the economic, service and governmental needs of the region and tend to concentrate in regional-serving places. Examples include most professionals, bankers and real estate companies, most hospitals, bakeries, warehouse distribution and other light industrial and much city and county government.

⁴ Local functions and the jobs they produce serve the needs of households, such as school teachers, store employees, police and fire, etc.

1. High Costs of Land and Construction

Barrier: Walkable urbanism has demonstrated that it is a more costly development option, particularly regarding construction costs and land. For example, a survey of comparable for-sale housing throughout the country showed that the market premium paid for walkable urbanism is 40% to 200% more than drivable suburban product on a dollar per square foot basis. Even given the additional density that can be built in these areas, the cost of walkable urban development is greater due to:

- Greater load-carrying need for a multi-story building, for example, three to four story wood frame construction is higher cost than one-two story wood frame construction on a cost per square foot basis, mid-rise re-enforced concrete construction is higher than wood frame and high rise steel frame is more expensive than re-enforced concrete.
- Increased quality of construction for buildings built right up to the sidewalk for aesthetic and wear and tear reasons rather than for those set back from the street, like drivable development, which are experienced from a distance
- Internal hallways and elevators decrease efficiency of many walkable urban buildings, especially those that are single-loaded hallway, “liner” buildings “burying” big boxes behind.
- Dramatically increased land prices

Solutions: There are many ways that the market and developers adjust to this barrier which include:

- The market tends to accept less per unit square footage than expected in a drivable sub-urban alternative. Dwellings, hotel rooms and office space can all be relatively decreased in walkable urban locations.
- Own fewer cars and drive them much less. Dropping one car out of the household budget, using the AAA’s average annual cost of car ownership and maintenance in 2006, would support an addition of \$120,000 in mortgage. In other words, transfer a portion of the 19% Americans pay for car transportation (a depreciable asset) in their annual household budget to the 24% they pay for housing (an appreciating asset).
- Adopt location efficient lending policies such as those spearheaded in the form of an optional program by the Center for Neighborhood Technology in Chicago, Seattle, and other areas. Under such a scenario, home buyers are able to borrow more money in lieu of lower transportation costs. It is arguable that predictable variations in household transportation costs associated with specific locations should be built into lending formulas and that this should not be an optional program.
- “Unbundle” parking requirements from development making it optional to include a parking space with a given unit. This would serve to significantly reduce the cost of a more central location (estimates range between \$15,000 and \$25,000) and would result in a much more transit and pedestrian oriented travel pattern. This would be much more popular in areas with high levels of transit service and when coupled with on site spaces for car-sharing programs.
- Build more walkable urban product since the relative scarcity is driving up land prices. While walkable urban land prices will be higher due to the

increased intensity of use to which it is put, the price per square foot is much higher than it needs to be due to a combination of pent-up demand for walkable urban development and less supply than needed.⁵

2. No “There There”

Barrier: There is a need to identify and support regional-serving and local-serving walkable urban districts since they are fundamentally different kinds of places than the bulk of the metropolitan area. Walkable urban districts should be thriving destinations for a variety of activities and creating “critical mass” takes significant time; generally 5-10 years

Solutions: Create districts that have a “there there”. Regional-serving districts will be between 200 to 500 acres in size, will have a unique role to play in the economy of the metropolitan area and should be physically identified through a mapping and community input process. The Vision 2020 regional planning process led by the Puget Sound Regional Council, which designates a network of regional and local centers, is one example. Steps to implementing walkable urban districts include:

- Create districts that are designated for walkable urban development, either regional-serving or local-serving.
- Develop strategic plans for each district.
- Form an organization to oversee and help implement the strategy. This may take the form of a business improvement district (BID) to perform the “clean and safe” services at a minimum. However, the responsibilities of the BID could be expanded tremendously to include strategic oversight, catalytic development, equity fund, parking and traffic management, involvement with transit station design, investment in infrastructure, improvement of schools serving the district, branding of the district, etc.
- Assemble market statistics for each district that will provide guidance to investors, developers, bankers, politicians, appraisers, etc. about the performance of the district and the near-term market demand for additional development.

3. Walkable Urbanism is Often Illegal

Barrier: Conventional “Euclidian” zoning separates land uses and generally makes mixed-use, walkable development illegal⁶. This is reinforced by traffic and parking

⁵ Nelson, A.C. (2006). Longer view: Leadership in a new era. *Journal of the American Planning Association*, 72(4), 393-406. Levine, J, Frank L. D. (2007) “Transportation and Land-Use Preferences and Residents' Neighborhood Choices: The Sufficiency of Compact Development in the Atlanta Region.” *Transportation*, VOI 34 No. 2, p. 255-274. Belden Russonello & Stewart (2004). “American Community Survey National Survey on Communities.” For Smart Growth America and National Association of Realtors.

⁶ Jonathan Levine, *Zoned Out: Regulation, Markets, and Choices in Transportation and Metropolitan Land-Use, Resources for the Future*, 2006.

codes that basically mandate vast amounts of parking and huge arterial streets to carry all the anticipated traffic, which makes walkable development impossible. While a number of the larger downtowns and older neighborhoods in the County have adopted zoning codes that support more walkable development, many of the smaller or more recently developed centers are less consistent in their approach. Parking regulations tend to result in an oversupply of parking in most places in the county.

Solutions: There are a number of solutions that can overcome the legal impediments to walkable urbanism, including:

- Throw out Euclidian zoning, particularly in the designated regional-serving and local-serving walkable urban districts.
- Develop overlay zoning for each walkable urban district following a form-based code that “makes the right thing easy”, i.e., encourages walkable urban, mixed-use development. An example is the Albuquerque Model (<http://www.cabq.gov/planning/publications/>) in the 2010 Downtown plan (walkable urban district) and the East Downtown (local-serving district) plan. In addition, see the form based codes outlined in www.cnu.org.
- Adopt the 2004 International Building Code.
- Adopt the New Jersey historic rehabilitation building code (see <http://www.state.nj.us/dca/codes/rehab/pioneerart.shtml>).
- Reform parking and traffic codes to put the pedestrian first (see more below).

4. Parking and Travel Demand Codes/Concurrency and Investment Promotes Only Drivable Sub-urban Development

Barriers: Transportation has always driven metropolitan development since urban civilization was born 5,500 years ago. The parking and traffic codes put in place over the past 50 years have unintentionally mandated abundant parking in surface parking lots, over-capacity for most roads during the majority of the day (“building the church for Easter Sunday”) and a hierarchy of roads which funnel all traffic from local streets to arterials to limited access highways, effectively guaranteeing traffic congestion. In addition, the vast expense of the highway building program for our society has meant that there are few resources for transit, biking and walking infrastructure development from the Federal or state level. For example, most Federal highway matching funds still provide 80% of the funding while the new Denver light rail transit systems only received 18% Federal funding. The balance is coming from a metropolitan area tax increase that the voters approved.

Solutions: Solutions are based upon the adage, attributed to Christopher Alexander, that the amount of urban land dedicated to moving and parking cars is 100 times the land required for someone walking; a tremendously powerful lever to either create sprawl or walkable urbanism. The solutions are going to be a combination of policy reforms at all levels of government, including:

- A major reform of the Federal transportation bill, due to be re-authorized in 2009, with a major shift of resources from highways to transit, bikes and walking improvements. There is a need to link climate change, peak oil and

- “petroism” (Tom Freidman’s term for subsidizing the Terrorists with our oil purchases) in order to create a major policy shift that allows gas taxes (the source of the Federal transportation program) to pay for transit, bikes and walking infrastructure investments.
- Governors taking control of their state Department of Transportation. Many state DOTs are the most powerful bureaucracy in the state government, able to wait out any reform governor or ignore the governor’s leadership. The Washington State Department of Transportation was changed to a cabinet agency, reporting to the Governor, in 2005.
 - Empower the Metropolitan Planning Organizations, the Federally mandated transportation planning organizations (many times housed in the Council of Governments), to have more control over metropolitan transportation spending.
 - At the local level, remove parking minimums (noting that some cities already have done so in certain areas) and move towards a market based approach that dictates the amount of parking a project requires.
 - Manage parking assets in each of the walkable urban districts to more efficiently take advantage of the possibility of double and triple using each parking space during the course of a day. The goal is to share parking assets to the maximum extent possible.
 - Create places that have an ever decreasing percentage of people that get there by automobile, employing the principle that “the best defense is to not be there”⁷...

5. NIMBYism

Barrier: The rise of aggressive neighborhood groups has generally meant that obtaining required entitlements to development can be stalled or cancelled at many points along the way. The neighborhood activists have generally experienced drivable sub-urban development, where more development generally lessens the quality of life of an area due to the increased traffic, reduced open space and increased pollution. In addition, putting restrictions on development sometimes increases existing homeowners’ home values.

Solutions: Smart growth inspired walkable urbanism works under a fundamentally different principle. When more walkable urban development takes place, the place gets a higher quality of life; more is better. Therefore, the most important set of actions revolve around education:

- Using smart growth advocates, such as FutureWise, Transportation Choices Coalition, and other environmental groups, to educate the general population about the need for concentrated high density mixed-use development as an answer to curbing sprawl, reducing green house gas emissions, reducing dependence of oil and increasing fiscal health of local government.

⁷ Miyagi, Kesuke., *The Karate Kid*, Universal, 1984

- Designate walkable urban projects with awards that can encourage neighborhood activists and government bodies to support their development, such as what 10,000 Friends of Pennsylvania and ULI are doing in the Philadelphia area.
- Educate neighborhood activists in the benefits of walkable urbanism by showing them examples in the metropolitan area and even in other metropolitan areas. Let them experience walkable urbanism for themselves.
- Bring neighborhood activists into the project or district planning process early.
- Pay attention to the walkable urban/drivable sub-urban interface so as to protect the homes surrounding the district from cut through traffic, parking on the streets, noise, etc.
- Significant changes to existing communities (e.g. increased density) can be perceived as a loss of control and result in perceived and real increases in vehicle traffic, more localized air pollution, and will often be met with resistance. Therefore, it would be ideal to have some form of incentive in terms of funding for parks, schools, sidewalks, that can be used in areas that are targeted to accept more development. Moreover, a flexible source of funding for transit is critical yet does not exist at present. Without increased resources, communities will resist these changes.

6. Patient Equity

Barrier: An argument can be made that either gap funding or patient (longer term) equity is needed for smart growth walkable urban development to proceed, particularly before critical mass has been achieved. Patient equity is investment equity that has a mid-term (@5-12 years) or long-term (12 + years) return expectation that is used to increase construction quality, allows a project to mature performance over time or have a lower risk when dealing with the ups and downs of the real estate cycle. The major question is who will provide that gap financing or patient equity.

Solutions: There are many potential providers of patient equity or gap financing. There is also a need for an organization to underwrite the various investments. Potential solutions include:

- The land or the building(s) to be redeveloped should be part of the equity investment, preferably in a patient manner. The city/county, the existing private land owner or the acquirer of the land/building should consider a patient equity investment.
- Off-site infrastructure, tax abatement and parking provided by the city/county should be invested in the project as patient equity, not as a subsidy.
- Development and professional fees
- Cash from investors
- An equity fund should be established for cash investments in walkable urban projects. The investment capital could be provided by the government, banks (seeking Community Reinvestment Act investments) and foundations. The fund should expect little in the way of short-term returns and significant participation in mid to long-term cash flows. As a revolving fund, it has the

potential to dramatically grow in size and influence over the next one to two decades.

7. Land Assembly/Catalytic Developer

Barrier: Walkable urban districts give the false illusion to existing property owners that their property has magically increased in value through little effort or risk taking on their part. There is a tendency to let others do the hard work of planning, re-zoning and undertaking the initial projects. Then these property owners expect extra-ordinary financial returns for their property.

Solutions: There are no perfect set of solutions to this barrier. However, there are a series of solutions that include:

- Create a catalytic developer (non-profit, private/non-profit joint venture, public, etc.) to demonstrate to the private sector the market viability of walkable urban development in the district. This allows for the “first mover” position in an emerging market to be assumed by other than a strictly private developer.
- The catalytic development organization generally engages in “horizontal” development. On occasion, particularly in the early years, the catalytic developer may have to also engage in “vertical” development to demonstrate the viability of the market. In later years, the catalytic developer may enter into joint ventures with private developers; the catalytic developer assuming a mid- to long-term position in the development deal structure.
- Have the city/county contribute surplus land to the catalytic developer or to other developers as early in the redevelopment process as possible.
- The government should strengthen and/or enforce building codes on owners of surface parking lots, underutilized or vacant property to “encourage” the owner to redevelop the property, sell to an active developer or contribute the property to a joint venture for redevelopment. These properties may be a major drag on the redevelopment process.
- In certain extreme cases, condemnation should be considered in favor of the catalytic development company, hopefully avoiding concerns about private to private condemnation proceedings.
- Streamline the permitting process for the reclamation of Brownfield sites.

8. Affordable Housing

Barrier: As critical mass is achieved in walkable urban districts, the cost of housing and commercial space begins to spiral upward to be among the highest in the metropolitan area. This price premium is a reflection of the pent up demand for walkable urbanism presently and a reflection of the ‘more is better’ principle. In drivable sub-urban development, affordable housing is provided using the principle of “driving until you qualify”, hardly a sustainable process. The major issue is: who subsidizes the affordable housing and whose responsibility is it to provide affordable housing, the new residents or existing residents?

Solutions: This is an unintended consequence of walkable urban development and the ‘more is better’ principle. As a result, assuming a “ride transit until you qualify” does not become the solution, mimicking the current approach to providing affordable housing, a combination of many solutions is required:

- Create a 15-20% inclusionary housing ordinance for as large an area as possible, ideally for the entire metropolitan area but certainly for the largest county. Targeted inclusionary areas, say downtown Seattle, penalizes those areas at the expense of other competing areas so it makes the most sense to broadly define the area where affordable housing should be encouraged. Inclusionary zoning will subtly lower land prices for a few years but then the upward price pressure on land will resume, effectively hiding the cost of the program. It is best if the inclusionary housing is provided on site, not a buy-out program that tends to “ghettoize” the housing.
- Prioritize surplus property for future affordable housing development. King County is one example of this practice.
- Lobby for an expansion of the low income housing tax credit and housing voucher program at the Federal level and also encourage the creation of a “workforce housing tax credit” program. There is far more demand for low income and workforce housing than the current program can support.
- City/county government should yearly invest 1-3% of the annual budget for the creation of affordable housing in their community.
- Dedicate the mid- to long-term payback of various patient equity investments (refer to the section on affordable housing above), made by city/county government and the equity fund to providing financing for affordable housing development. This is a process known as “value-latching”. In other words, let gentrification pay for affordable housing.

9. Increased Complexity

Barrier: The real estate industry has commoditized the business (35% of the assets in the economy) over the past 15 years, working in partnership with the financial markets. What had been commoditized were the drivable sub-urban development patterns prevalent in the early 1990s. This has allowed for well understood, relatively easy to develop, single purpose, disconnected development to occur. The real estate industry has made the provision of housing, industrial and commercial development to be simplified and to be delivered “faster and cheaper”. This allowed for real estate to qualify for inexpensive financing, increased liquidity and significant ease of trading assets. Walkable urbanism is much more complex, lacks an established track record and has not been commoditized to date. This makes it harder to develop, finance and trade.

Solutions: In a phrase, get over it and adjust. The market, society and the environment is demanding a different kind of built environment and we in the real estate industry have to respond. It is critical that training and educational programs be

updated to prepare new professionals that go into the real estate lending industry for changing real estate finance needs.

This has not been an easy adjustment, but the market, economy and environment demands that we change. Solutions that are being implemented include:

- Continual education and research into how to develop the more complex walkable urban development pattern. This includes the education and research of the ULI, Congress for the New Urbanism, International Council of Shopping Centers or other progressive industry organizations that are leading the way to this new development pattern.
- Documentation of the walkable urban projects for investors to demonstrate the viability of this development pattern.
- Continual market and consumer research to understand the demand for walkable urbanism.
- Continued coalition building, particularly with government, neighborhood groups and environmental organization, that can help implement the solutions listed above.
- Maintain humility, a rare attitude in real estate development. Remember that we do not know all of the answers as we re-discover how to build walkable urbanism.
- Implement predictable permitting processes and fast-track permitting as an incentive for walkable urban development (also referred to above in the section #3 on making walkable urbanism legal).

In conclusion, no one solution will be sufficient to encourage walkable urbanism. It requires many solutions being advocated by many people and levels of government. This is not a linear process. It is important to achieve “critical mass” in a walkable urban place as soon as possible, which will lower market risk considerably, though the unintended consequence of affordable housing must be addressed with increasing effort at that point.

Resources for Further Information:

Links to other articles by Christopher Leinberger:

<http://www.cleinberger.com/AdminHome.asp?ArticleID=205>

Brookings Institution website on Walkable Urbanism:

www.brookings.edu/metro/walkable_urbanism.htm

Local Government Commission www.lgc.org

Congress for the New Urbanism, www.cnu.org

Smart Growth Network, www.smartgrowth.org

Regulatory Reform / Implementation

US Environmental Protection Agency Smart Growth Policy Database.

<http://cfpub.epa.gov/sqpub/browse.cfm>

A database of codes, programs and policies related to Smart Growth, compact development and infill development.

Oregon Transportation and Growth Management Program Publications webpage.

<http://egov.oregon.gov/LCD/TGM/publications.shtml>

Links to a number of documents related to compact, mixed use or infill development codes, as well as transportation-related reforms such as narrower streets and parking management.

Duany Plater-Zyberk & Company, Smart Code Files

<http://www.smartcodefiles.com/>

A model form based development code from one of the pioneering firms of New Urbanist development.

Municipal Research & Services Center of Washington. Flexible Regulatory and Non-Regulatory Incentive Tools.

<http://www.mrsc.org/subjects/planning/FlexIncentivesEnviron.aspx>

Still partially under construction, but nonetheless useful discussion of incentives to encourage infill and redevelopment.

International City and County Management Association (ICMA) and the Smart Growth Network (2001). Getting to Smart Growth: 100 Policies for Implementation.

<http://www.smartgrowth.org/pdf/gettosg.pdf>

International City and County Management Association (ICMA) and the Smart Growth Network (2001). Getting to Smart Growth II: 100 More Policies for Implementation.

<http://www.smartgrowth.org/pdf/gettosg2.pdf>

Puget Sound Regional Council (2003). The Development Toolkit: Success Stories from the Regional Growth Centers. Describes the strategies and actions pursued by six

regional growth centers (Bellevue, Bremerton, Everett, Kent, Renton and Tacoma) in implementing their visions for their centers.

www.psrc.org/projects/growth/toolkit/index.htm

Financing, Lending and the Costs of Development

Smart Growth Network – Issue Area: Economics

<http://www.smartgrowth.org/about/issues/issues.asp?iss=3&res=1344>

Links to a number of economic and finance – related case studies, tools and reports related to Smart Growth implementation.

Transportation

State of Maryland, Governor's Office of Smart Growth. Driving Urban Environments: Smart Growth Parking Best Practices

<http://www.smartgrowth.state.md.us/pdf/Final%20Parking%20Paper.pdf>

ITE, Integrated Transportation / Land Use Publications

<http://www.ite.org/planning/landuse.asp>

Links to a number of ITE recommendations and standards that have been updated to reflect multimodal street design, streets and parking for compact/mixed use/walkable development, and traffic calming practices.

American Planning Association (2005). Smart Growth Street Design

<http://www.planning.org/apastore/Search/Default.aspx?p=3472&a=1003>

Discusses new standards for multimodal streets that slow traffic.

Affordable Housing

Smart Growth Network Subgroup on Affordable House and the National Neighborhood Coalition (2001). Affordable Housing and Smart Growth: Making the Connection.

www.smartgrowth.org/pdf/epa_ah-sg.pdf

Regulatory Barriers Clearinghouse, U.S. Department of Housing and Urban Development

www.huduser.org/rbc

Links to information about regulations, processes and policies that can affecting the cost of development – primarily from an affordable housing perspective.