

ULI Senior Resident Fellows Update:

Finding Certainty in Uncertain Times

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The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs by:

- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving.
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development.
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments.
- Sharing knowledge through education, applied research, publishing, and electronic media.
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

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Letter Dear Reader:

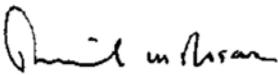
ULI and the ULI Foundation, with support from Bank of America, BASF, and Vornado, are delighted to present a new offering from ULI's five senior fellows, *Finding Certainty in Uncertain Times*. As the world economy climbs out of the recession, discerning which business elements to watch and which markets to invest in becomes more challenging than ever. The senior fellows have gathered research and offer their insights on the future and growth prospects. This is the second in a series of ULI Senior Resident Fellows Update publications combining and integrating their opinions into one document. We hope these are useful to members, investors, and policy makers as they consider development of new business strategies.

The senior fellows primarily focus on topics in ULI's priority areas: housing with special emphasis on workforce housing, infrastructure and urban development, capital markets and finance, leadership, and sustainability and the environment.

Together we recognize the crucial role land use and real estate must play in shaping the communities of tomorrow, both in the United States and worldwide. We hope these essays provoke discussion and offer insight into how land use professionals incorporate these provocative ideas into their business strategies. We look forward to any feedback you may wish to offer.



Patrick L. Phillips
Chief Executive Officer



Richard M. Rosan
President, ULI Foundation

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Introduction

Drivers of Certainty in Uncertain Times

Maureen McAvey, Executive Vice President, Initiatives

In this age of uncertainty and change, people often wonder what is certain besides the proverbial death and taxes. In our view, there are several trends that are certain. We believe these trends will continue regardless of location, regardless of which political party is in power, regardless of how quickly the economy recovers from the recession. Taken collectively, they will help shape the “new normal.” There may be variations and degrees of strength from place to place, but the trends will not be stopped over the next decade.

Keep an Eye on Long-Term Demographics

Population growth combined with regional migration and expansion of emerging markets combine to produce a new pool of middle-class, metropolitan area-dwelling consumers. Beyond the broadly acknowledged countries China, India, and Brazil, the United States stands out as the only industrialized country that will increase its population by another 30 percent in the coming decades.

Overwhelmingly, people across the globe are moving to cities to find jobs. Whether cities can be nimble enough to produce those jobs and the necessary housing, schools, health care, and infrastructure is unknown. Those countries with rising population will have many more economic choices to make than those countries losing population. Growing countries generally welcome immigrants and value

diversity. New births and immigration feed change. Countries losing significant population—including Russia, much of Europe, and Japan—will need to define new models of economic sustainability.

In the United States, about half the people are either baby boomers (age 45 to 65) or members of generation Y (age 18 to 32). These two groups account for 150 million people. Both represent lifestyle change. Boomers will begin moving to retirement, downsize, and make increased demands on the country’s health care system. Gen Y will form new households, pair up, try to find more permanent jobs, have children, and set new patterns of consumption. Both groups will embody market preferences that break from recent-past and pre-recession expenditures. All these demographic changes will materially affect land use outcomes and real estate product types.

Metro Regions Will Continue to Differentiate Themselves . . . and Continue to Sprawl

Virtually all new land use worldwide will be in and around metropolitan areas. China estimates that 400 million people will move to its cities over the next 30 years. In the United States, 130 million additional people will either grow up in or move to metropolitan areas, joining the 250 million people who are already there. Large metropolitan areas grew at double the rate of smaller communities over the

past decade. Despite a sizable uptick in urban housing, outer suburban areas grew close to three times faster in population than central cities and inner suburbs. The *regional* challenge of building and repairing infrastructure and developing reasonable governing structures to speed public decision making will be immense.

Communities able to make land use decisions in rapid, responsible, and strategic ways will attract investment. Those bogged down in small-unit bickering will simply be passed over. The high foreclosure rates on the outer edges of recent “hot markets”—the Inland Empire, Phoenix, etc.—raise questions about their medium-term competitive prospects. One economic development scenario sees cheaper housing as a strength that will help spur new job development at lower wages; other scenarios see these communities as a drag on their local region until supply and demand rebalance.

The Knowledge Economy Is No Longer Just Cocktail Banter

Venture capital and research and development funding will increasingly be integrated into regional competitiveness strategies. Higher-education and medical institutions have long been employment anchors in urban areas. The additional linkage between these institutions and the money they bring in for advanced research and development will become critical to

economic sustainability. How locales leverage these research funds alongside enterprise startup resources and how easy they make life for small business and entrepreneurs will be critical to metro growth and innovation. These will be the essential ingredients leading to coordinated strategies that spawn “creative class” communities.

Transparency and Tolerance Attract Capital

Government regulation will expand at all levels, but improvements in transparency paired with stakeholder inclusion will better attract resources. Whether forging new sustainable development constraints or setting new rules for the international flow of capital, more regulation is a certainty. International accounting rules will begin governing decisions at publicly held corporations and usher in more uniformity in the treatment of capital and investments. The global marketplace will demand a different set of base accounting criteria, and those who embrace them will be able to act on international opportunities. Those who do not wish to play on the global stage will lag in growth, investment, and development. Uncertain transitions in leadership—whether they involve choosing a new mayor in Chicago or crafting new power structures in postwar Iraq—will spook risk-averse investors around the world.

Values- and culture-based debates will continue worldwide and in local communities alike. What do people want from their

government? What are people willing to pay for? What can people agree on as good for the country? How much intrusiveness do people want or need? How do people define and redefine local, national, and global communities? These debates will continue, at times with great acrimony. Those places that peacefully manage—and even harness—these debates while still focusing on growth will instill investor, consumer, and citizen confidence and will prosper. Democratic process, when practiced through NIMBYism and ultrapartisanship, will be challenged by those countries and regions with visionary political-economic governance that moves in a market-responsive manner—notably Singapore, China, South Korea, and perhaps Brazil. The challenge involved in growing newly structured economies in a rapid manner is the overwhelming pace of change and the need to improve the lives of many millions of people—in very material ways.

Green Is Good (and It Will Be Required)

Resources are limited. People will incrementally move to “alternative” vehicles, energy sources, and forms of communication. Green is not a bell and whistle; it will be measured by investors, regulators, and savvy consumers. From housing to retail space to offices, and both for existing real estate portfolios and new construction, the market will simply require greater

efficiency and accountability. Efficiency will encompass location as well as building performance. Sustainable economies will embrace the externalities of water, energy, and waste, and recognize the responsible use—and reuse—of land.

Planning variables—whether urban, site, or project metrics—will explode to include once-divided disciplines and will bridge time by embracing operations and life-cycle accounting through ever more complex modeling. The need to optimize performance by downsizing demand and upsizing new forms of supply will be a constant and dynamic flywheel of opportunities to capture value. Operate a building with 50 percent less energy? Run a city with no congestion? Create a new line of business with virtual staff? The question is not *if*, but *how*.

Differentiation and Disparity

Boston is anchored by more than 40 colleges and universities; San Jose has more technology than any other region. Los Angeles relies heavily on entertainment, Houston on energy, and New York City on financial services. This clustering of economies leads to strategic differentiation, but also challenges those communities that have not found a durable economic anchor. For more than ten years, global gateway communities have emerged as favored locations of investment and development. At the bottom of investors’ lists are

those perennial laggards that require substantial intervention and sustained life support.

Community differentiation will echo the growth of income disparity between household haves and have-nots. Those born “on the wrong side of the tracks” have always found it more difficult to succeed. Now more communities and even countries will plead for a bigger share of the pie as they bring their populations into the ranks of the global middle class. The response to natural disasters, whether in Haiti, Pakistan, or New Orleans, will become a new measure of people’s willingness to connect globally, or their retrenchment into smaller, more parochial interests. The chasm between the better off and less well off will increase within local communities, regions, states, countries, and continents. Left unchecked, enormous tension and great conflict will arise.

Prerequisite: Leadership

True leadership will be more important than ever in order for communities to succeed. Communities and organizations will need individual leaders who are able to nurture and galvanize diverse stakeholders around positive visions for the future. Those leaders who do will have a positive impact on future growth. Collective leadership and organizational leadership will be more significant for success than in the past. Personal leadership will be necessary, but the new yardstick will be the ability to create multi-jurisdictional, multidisciplinary, sustained teams that endure and adapt over time.

As part of the 2010 ULI Senior Resident Fellows Update, we have analyzed a variety of lists and surveys, a series of data, and indicators, and offer up the accompanying list characterizing North American cities to watch. Metropolitan-level factors that were considered include economic indicators, measures of creativity and entrepreneurship,

regional leadership clues, and social disparity factors. Any list carries subjectivity, so compare this against your own watch list.

Heads Up for Metro Markets

- **Global gateways** appear on all lists of good investment prospects and reflect the consensus that these metro areas are winners on the world stage. They are characterized by a strong and diverse economy, a diverse set of economic anchors, world connectivity, and status as a magnet for the best and brightest of all ages.
- **International hubs** are confident and connected, and rank as stars in their own right. These metro areas have seen outsized and sustained growth over decades. While some are currently overbuilt and facing setbacks—Miami comes to mind—the strength of their anchor institutions, corporate headquarters, and vibrant workforce will continue to make them strong.

Heads Up for Metro Markets

Global Gateways	International Hubs	Creative and Nimble	Comeback Kids?
Chicago	Atlanta	Austin	Cleveland
Los Angeles	Boston	Coastal Carolinas	Detroit
New York	Dallas/Fort Worth	Charlotte	Las Vegas
San Francisco/San Jose	Denver	Minneapolis/St. Paul	New Orleans
Washington, D.C.	Houston	Nashville	Philadelphia
	Miami	Portland	Phoenix
	San Diego	Raleigh/Durham Triangle	Pittsburgh
	Seattle	Tampa/Orlando	Sacramento

□ **Creative and nimble** metro areas have remade themselves in material ways over the past decades and often offer a unique quality of life. Pittsburgh grew away from steel to embrace research, Charlotte became a major financial center, and technological know-how has put Raleigh/Durham and Tampa/Orlando on the map. These cities have the leadership, embrace of change, and quick action needed to capitalize on global trends.

□ **Comeback kids** represent the X-factor of America's ability to reinvent itself. Many of these markets currently have commercial rents substantially below replacement costs, yet had outsized population growth from 2000 to 2008 (Phoenix with 32 percent, Las Vegas with 36 percent). They may have hit the floor hard, but their dogged spirit of reinvention lives on, and all that vacancy and speculation may give rise to the *next* next great thing.

An Era of Less

Stephen Blank, Senior Resident Fellow, Finance

“The problems are obvious, but the solutions oblique.”

After a hard crash, the real estate world reluctantly is entering a new “Era of Less,” characterized by a shrunken industry, lower return expectations, restrained development prospects, reduced credit availability, and crimped profits. Adding to unnerving short-term pessimism, commercial lenders and borrowers finally accelerate recognition of substantial losses—30 to 50 percent haircuts on asset values—from frenzied deal making in the years before the

recent steep worldwide recession. Suffering high vacancies and rolling-down rents, limping assets face problematic workouts and uncertain refinancing prospects as hundreds of billions of dollars in loans mature in each of the next four years. Housing, meanwhile, remains mired in a dead zone of reduced demand: many Americans cannot afford new homes, even with record-low mortgage rates and slumping prices. But owners of the sliver of cash-flowing properties in prime gateway markets enjoy significantly better outlooks—a capital flight to quality buttresses prices and balance sheets—and, not surprisingly, everybody falls in love with rental apartments, the king of core-style income-generating investments.

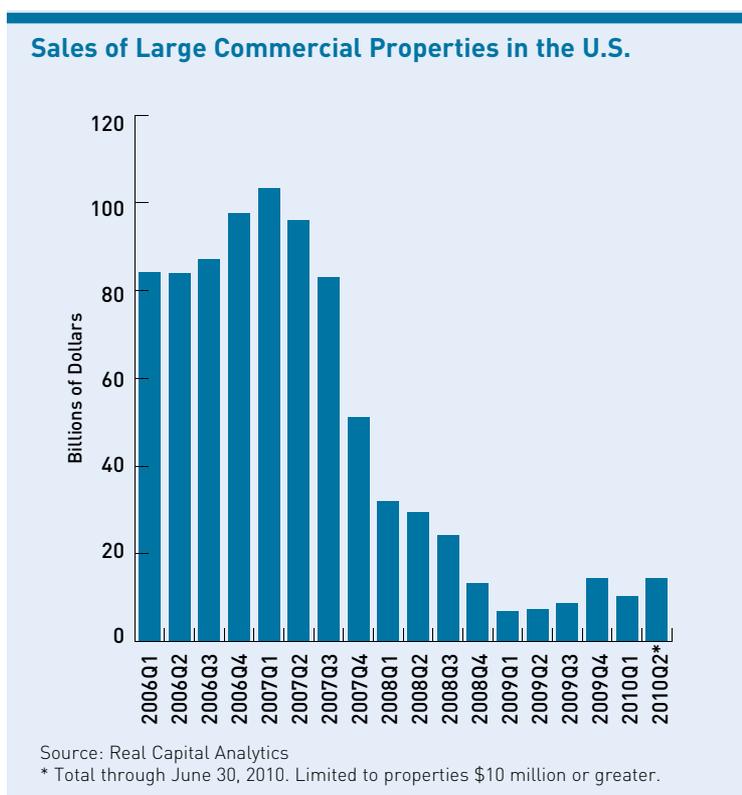
These observations come from interviews with dozens of leaders across all sectors of the real estate industry, conducted for ULI’s annual *Emerging Trends in Real Estate® 2011* report.

Over the next year, some real estate players will gain significantly. The smart investors who sold near market tops, avoided overleveraging, and kept powder dry are extremely well positioned to take advantage of legions of credit-starved competitors who overborrowed and overpaid. Now, the haves can attract new capital, poach tenants, and lure talent away from the have-nots. Cash-flush investors and reviving lenders will have plenty of opportunities to recapitalize debt-starved, have-not players



and take preferred investment or loan-to-own positions in asset capital stacks, eventually reaping excellent risk-adjusted returns. For lenders back in the game and good-credit borrowers, the bottom of the cycle offers the best environment to employ leverage, especially on high-quality assets, and low interest rates only magnify the opportunity for owners. Investment managers and real estate investment trusts (REITs) with teams to lease properties and nurse asset income streams back to health can bulldoze aside many opportunity fund boutiques, which had depended on cap rate compression and leverage to reap appreciation. “You can no longer make money off flipping,” one person interviewed says. “You must be able to manage assets at the property level.”

Gradually, extreme negativity in the commercial real estate universe will abate. For 2011, debt markets will thaw further as money-center banks continue to strengthen balance sheets, take their losses, and step up lending, leading to higher transaction volumes. In addition, left-for-dead conduits will increase activity. This reconstituting marketplace should position real estate once again as an attractive yield-producing asset class for those investors who recalibrate investment expectations rationally. What’s wrong with delivering unleveraged high-single-digit returns or low-teens performance for conservatively



financed assets? Well, nothing, especially when you consider the dismal record of the stock market over the past decade.

Still, doubts and uncertainty remain about the future and especially the subdued outlook for the U.S. economy, which not only flounders in consumer and government debt, but also struggles to create high-paying jobs competing in a more technology-enabled global marketplace. “Our problems are much bigger than real estate, and solutions are well beyond the scope of our industry,” an interviewee says. Americans and their government have been living large off

borrowing for several decades, and now the staggering bills have come due. The housing debacle, precipitated by easy credit, has shaken confidence to the core, undermining personal wealth and the sense of a secure financial future. Consumption is taking a necessary breather as people retrench to pay off sizable debts—home mortgages, car loans, and credit cards—and increase savings rates from record-low levels.

The unemployment picture appears more worrisome: even before the recession, wages and benefits had stagnated for the average American.



Manufacturing jobs have leached to lower-cost overseas markets since the 1970s, slowly decimating bedrock blue-color jobs. Now the internet and telecom advances allow companies to outsource more professional and service jobs overseas at reduced wages, and various computer applications eliminate office and administrative positions. Many corporate productivity gains and enhanced profits come at the expense of dampening appetites for new hires, and now government belt tightening, especially at the state and local level, eliminates more jobs as stimulus funding begins to run dry. At the same time, corporations cut

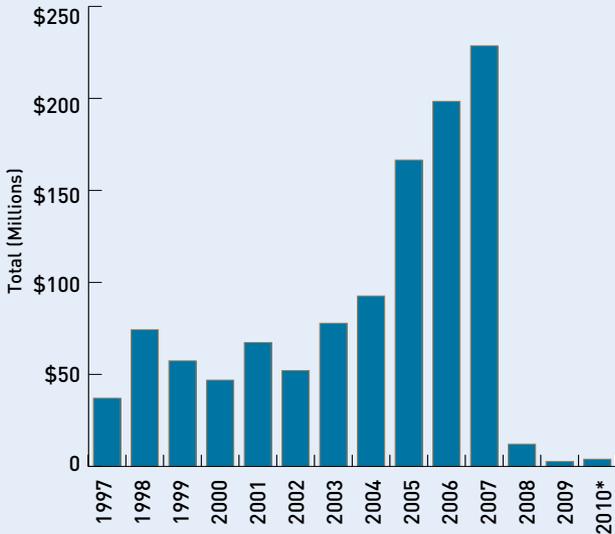
back on pensions, states grapple to reduce public employee benefits, and just about everyone pays more for health insurance coverage. Again this year, those interviewed for *Emerging Trends* enter a familiar echo chamber, repeating emphatically how real estate recovery “is all about jobs,” but suddenly turn silent trying to identify America’s high-growth, employment-creating industries of the future.

Homebuilding and commercial real estate construction certainly do not offer much hope for jump-starting jobs or the economy in the near term. “We really don’t need much new of anything,” an

interviewee says. Housing led the economy into the dumpster, and increasing home loan defaults and foreclosures curtail any chance for a sudden rebound. Sobered lenders now expect homebuyers to make down-payments and have solid credit histories before they extend mortgages. Coming out of this recession, many Americans just cannot meet these basic requirements or turn too skittish to take a chance.

Eventually population growth will absorb the overhang in housing supply, but location preferences show signs of shifting away from bigger homes on the suburban

U.S. Commercial Mortgage-Backed Securities Issuance



Source: Commercial Mortgage Alert.
* Issuance total through August 31, 2010.

fringe to infill locations closer to 24-hour markets. Reversing decades of moving away from city centers, "more people will regroup in areas where life is easier, more efficient, and less car dependent"—closer to shopping districts and workplaces—one interviewee says. In the approaching cycle, expect to see more high-rise and mid-rise apartments and townhouse projects built around shopping centers and commercial districts. Failing retail space will be converted to accommodate other uses, often with residential components, and more underoccupied suburban office campuses will be transformed into mixed-

use properties. "Coming years will focus on readapting real estate to people's revised goals, priorities, and expectations," one person says. "We'll be working longer, saving more, and looking for greater efficiencies in how we live and work."

Put simply, an Era of Less replaces an era of bigger and more.

Fragmentation and Reform

John McIlwain, Senior Resident Fellow, ULI/J. Ronald Terwilliger Chair for Housing

In the midst of the worst housing market in 70 years, and with the timing of recovery uncertain, several certainties can serve as a foundation for the future rebound of housing markets.

The U.S. population is growing, albeit more slowly.

Despite continued population growth—over 2.5 million people are added each year—U.S. household formation has crashed, dropping to less than one third of the long-term average of 1.4 million a year. While several million people are waiting in the wings to form new households when jobs come back, the two big questions are what they will be able to afford and whether they will buy or rent. Most market analysts believe that because of the recession, falling wages, high college debts, and overburdened parents, the rental market will be stronger and the for-sale market will decline, returning to historic homeownership levels of 62 to 64 percent of households from the recent high of 69 percent in 2004.

An unknown element in the population forecasts is the sharp decline in both immigration and births in the past two years. It is unknown whether this response to the duration and severity of the recession, as well as anti-immigration legislation and sentiment, is just a blip or will persist as jobs come back. Some communities—including Phoenix, Miami, Houston, Dallas, and San Diego—will continue to keep an eye on whether the phenomenon will change local growth forecasts.

Diversity is increasing.

Almost half the growth in the U.S. population will be among immigrants and ethnic minorities, which have different consumer habits and historically lower educational attainment and incomes. It is essential that housing affordable to members of this emerging share of the market is built near where their jobs are located.

Market segmentation is growing. Those with wealth and high incomes are feeling more conservative, buying smaller first and second homes. Meanwhile, hourly wages are flat or falling for the bottom 80 percent of the population. The trend of rising incomes for the best off and flat or falling incomes and wealth for the rest of American households suggests that a large portion of new households will rent, contributing to a falling homeownership rate. This also means that construction of more efficient and less-expensive housing is needed.

The baby boomers are debt burdened, and many have homes that are worth less than what is owed on mortgages. In January 2011, the oldest boomers will hit age 65. Many lost considerable wealth in the past few years and are attempting to rebuild retirement savings and substantially reduce their debt. Many say they want to age in place, perhaps presenting a business opportunity both to those who can renovate homes to make them accessible for the frail, and to those who provide services that

support a suburban population unable to live as actively as they once did. There also will be new developments in the growing suburban town centers designed for aging boomers who want to stay in their community but do not want to live in large single-family homes. Other boomers will continue the steady trend of moving to the central city, which began in the mid-1990s. The mass regional migration to the Sunbelt is over as boomers seek to live closer to their kids and grandkids.

The children of the boomers—generation Y, or the echo boomers—now constitute the largest demographic group in U.S. history. They also are among the hardest hit by the current recession, with an unemployment rate topping 30 percent and saddled with student loan debt. Studies show that it can take a decade or more for people coming of age in a recession to recover financially. Add large school loans and parents with constrained finances, and the result is a generation limited in what it can pay for housing. Thus, even those who want to own a home will rent far longer than people of previous generations. When they do buy, their homes will be smaller, less expensive, and more energy efficient in order to manage tight monthly household budgets. The days of the McMansion are over.

Housing appreciation is slowing. Once housing markets recover, the rate of appreciation for home values will return to its long-term norm—just 1 percent

Top 20 U.S. Standard Metro Areas for Foreclosed Homes, 2Q2009–2Q2010

Rank	Standard Metropolitan Statistical Area	Properties with Filings	Rate of Foreclosure	Percent Change from 2Q2009
1	Las Vegas–Paradise, NV	53,525	1 in 15	-8.8%
2	Cape Coral–Fort Meyers, FL	18,179	1 in 20	-29.9
3	Modesto, CA	8,034	1 in 22	-14.0
4	Merced, CA	3,742	1 in 22	-34.6
5	Riverside–San Bernardino–Ontario, CA	63,717	1 in 23	-22.6
6	Stockton, CA	9,999	1 in 23	-21.8
7	Phoenix–Mesa–Scottsdale, AZ	73,352	1 in 23	-1.0
8	Orlando–Kissimmee, FL	37,352	1 in 24	-1.2
9	Vallejo–Fairfield, CA	5,885	1 in 26	-12.2
10	Miami–Fort Lauderdale, FL	94,466	1 in 26	10.6
11	Reno–Sparks, NV	6,804	1 in 27	4.4
12	Bakersfield, CA	10,010	1 in 27	-17.8
13	Naples–Marco Island, FL	6,251	1 in 31	-10.6
14	Sacramento–Arden–Arcade–Roseville, CA	27,275	1 in 31	-7.0
15	Deltona–Daytona Beach–Ormond Beach, FL	7,664	1 in 32	15.5
16	Port St. Lucie, FL	6,343	1 in 33	-23.1
17	Lakeland, FL	8,132	1 in 35	9.8
18	Palm Bay–Melbourne–Titusville, FL	7,473	1 in 36	18.3
19	Visalia–Portersville, CA	3,751	1 in 37	-5.0
20	Tampa–St. Petersburg–Clearwater, FL	35,835	1 in 37	5.7
United States		1,654,634	1 in 78	8.3

Source: RealtyTrac, July 2010.

or so over the rate of inflation. This will vary among markets and submarkets, of course; some markets, such as many outer-tier exurbs, will see house price declines again from time to time. This will eliminate the opportunity for people to use growing equity in their homes as a substitute for real savings and will act as a damper on consumer spending. It also will slow the rate of mobility for homeowners—and, thus, for the labor market—because it will not make economic sense for them to move in less than five to seven years.

The suburbs are morphing.

The days of cut-and-paste suburban housing developments are past. The new generation of homebuyers, when it emerges, will want more customization, while at the same time needing housing to be more affordable than it has been for decades.

Energy efficiency is the new granite countertop. The market will focus increasingly on those items that save energy, especially where there is a real, short-term payback. Watch this trend expand quickly if the price of energy rises again, as it did in 2008.

Master-planned communities will evolve into new forms. Larger town centers with a limited increase in office space and a diverse range of housing options built in a mixed-use, walkable environment will out-sell those with Potemkin village facades. Amenities will cost less and involve more walking and biking trails and fewer expensive golf courses. More communities will promote the conservation of natural lands. Creating a real sense of community will trump glitz and glamour in selling new developments.

Resort and second-home markets are fragmenting further.

Resort development is becoming highly segmented. Access to fly-to resorts will be limited to those who can afford to fly or charter their own planes. Middle-market resorts will center on major urban centers within a two- to three-hour drive.

The second-home market will downshift in size and location for all buyers, even the wealthiest. Sustainability will be central to second-home developments. Preservation of the natural environment and energy efficiency will be key selling points, as will the ability of all generations of the family to reach the home by car for the weekend.

Financial reform has only just begun.

The first act of the play is over, but no one yet knows the ending. Financial reform began with passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act this summer. The bill requires over 400 studies and new regulations to be completed and two critical new agencies to be established. Its impact on housing finance will remain unclear for years.

Under Dodd-Frank, securitizers generally will be required to retain at least 5 percent of the risk on pools of single- and multifamily mortgages, with details of how this risk retention is to work left up to federal agency rulemaking. An exception to the retention of risk is provided for securities backed solely by

“qualified residential mortgages” or mortgages backed by the Federal Housing Administration (FHA) or U.S. Department of Veteran Affairs (VA). The definition of qualified residential mortgages also has been left up to federal regulators.

Fannie Mae and Freddie Mac will continue their central role in financing housing until the housing market recovers. Their future will be hotly debated but not resolved until 2013 at the earliest. Long term, these government-sponsored enterprises (GSEs) will look nothing like they have in the past.

The residential mortgage-backed security (RMBS) market will not fully recover until the federal role in housing finance has been redefined by GSE reform and the new Dodd-Frank rules, and mortgage interest rates rise with the recovery of the housing market. Fifteen- and 30-year fixed-rate mortgages will continue to exist, but they will require federal support of some kind and their underwriting will be more conservative than in the past decade. Other forms of mortgages will be carefully limited by federal regulations and more expensive.

With deflation a bigger risk today than inflation, mortgage rates will remain low for several more years—until unemployment returns to 6 to 7 percent—supported by an active federal government policy backed by FHA and the GSEs. This, in turn, will continue to suppress the RMBS market.

New rules to protect homebuyers from mortgage fraud will increase the cost of mortgages somewhat—an inevitable result of much-needed protections. In time, a new trend of market deregulation will emerge, but not for the next five to seven years.

Multifamily finance will continue to depend on the GSEs for years to come, with some support from FHA. This is a critical issue for the multifamily industry, which risks being lost in the heated debate about single-family mortgage finance. After all the reforms are in place, the federal government will continue to provide a guarantee in some form for much of the rental housing market, most likely including all but the luxury segment. This will be crucial to meeting the greater need for rental housing, given the decline of homeownership.

The Bottom Line: Major Shifts, But Opportunities Ahead

As the housing markets recover, the trends outlined here will significantly increase demand for smaller, greener homes; more rental housing than in the past; and more compact, walkable neighborhoods, even in the suburbs, as well as in many, but not all, central cities. The biggest challenge will be finding suitable, affordable locations for this housing. Developers will seek sites near jobs and services, but the price of these sites will need to be modest in order to respond to a market defined by a generation of young people with

constrained finances. Otherwise, local governments will need to partner with developers to fill the gap and make urban housing attainable for young households.

There will be winners and losers in housing markets within metropolitan regions and also among broader regions of the country. Some metro areas will attract the brightest and the best and will continue to grow and provide opportunities for development. Within these and other metro regions, some local markets will thrive, just as they have through the current recession. Those that prosper will be the compact walkable communities, often in the suburbs, which find increasing demand as people look to new ways to define affordable livability.

Major new housing initiatives are unlikely in the next several sessions of Congress because of partisan politics and concerns over the federal deficit driving the policy debate in Washington. Dodd-Frank will be modified by amendments—some to avoid unintended consequences, some to tighten restrictions, and some to loosen them. The U.S. Department of Housing and Urban Development will implement various regulatory reforms to help preserve affordable housing and to improve the effective-

ness of FHA, but new money for bold new programs will be scarce. While “mixed-use, mixed-income” communities remains the new mantra, it is unlikely that new federal programs will be created to make this type of housing easy to finance. Public and subsidized housing will continue to lose units, while the low-income housing tax credit will continue for the next several years even as it comes under increased congressional scrutiny.

Put simply, housing is fragmenting further, and winners and losers will emerge.

Green Is Here to Stay

Edward McMahon, Senior Resident Fellow, ULI/Charles E. Fraser Chair for Sustainable Development and Environmental Policy

It has been a brutal year for weather. Hellish heat and smog in Russia. Apocalyptic floods in Pakistan. Monstrous mudslides in China. The biggest snowstorms ever in Washington, D.C. And in August, the National Oceanic and Atmospheric Administration (NOAA) announced that the planet has just come through the warmest decade, the warmest year, and the warmest summer ever recorded.

Nine nations registered all-time record-high temperatures in 2010, including Russia, at 111 degrees Fahrenheit; Sudan, 121 degrees; Saudi Arabia and Iraq, 126 degrees; and Pakistan, 130 degrees, which was also an all-time record high for Asia. Then in July, the U.S. Senate decided to do exactly nothing about climate change—this on the heels of unsuccessful international climate negotiations in Copenhagen last December. As U.S. environmentalist and writer Bill McKibben recently wrote, “Congress didn’t do less than they could have—they did nothing, preserving a perfect two-decade bipartisan record of no action.”

Congressional Inaction

One certainty in an uncertain world is that Congress will not act to address difficult and costly problems until it is absolutely forced to do so. Does this mean that the era of sustainability and green building is at an end? Certainly not. What it means is that the leadership on this difficult issue is coming from cities,

states, and most definitely from the growing chorus of the private sector.

Even though the scientific consensus is clear, it is important to acknowledge that there are those who doubt the reality of climate change, and others who recognize that the climate is changing, but believe that the changes are not anthropogenic—that is, man-made. Regardless of what one believes the causes to be, the market trends described here are real and will certainly grow over the next decade.

The Shift to Sustainability

Despite the recession and inaction by Congress, ample evidence exists to support the conclusion that the transition to green buildings and sustainable development is here to stay. A recent report by RREEF Research makes this clear: “The recession will slow but not fundamentally alter the market shift to sustainable real estate.” Likewise, the U.S. Green Building Council reports that every day, even with the recession, it is certifying about 870,000 square feet (81,000 sq m) of space under its Leadership in Energy and Environmental Design (LEED) program.

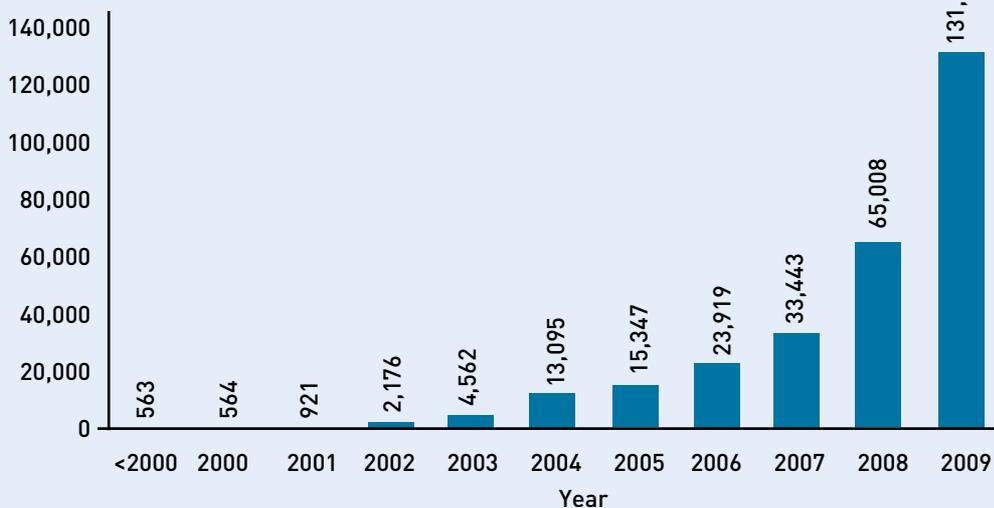
This trend toward embracing investments in green buildings appears to hold in Europe, as well. A survey of key decision makers at 185 German, French, and U.K. property and institutional investment companies found that 64 percent

have already embedded sustainability criteria in their real estate investment strategies, *EU Property News* reported in June. In addition, the survey found that 62 percent of investors plan to invest more in green buildings in the future; 55 percent intend to invest in green buildings over the next 12 months; and 52 percent expect to enhance or retrofit existing assets to perform in a more energy-efficient manner.

ULI’s 2009 *Climate, Land Use, and Energy (CLUE)* report, which surveyed major investors, bankers, and asset managers, found that they overwhelmingly are now looking at energy efficiency as they underwrite new acquisitions and investments. They are beginning to consider climate change, as well. The ULI Energy Efficiency Forum, held in June at the Empire State Building in New York City, highlighted the state of the advancing art of financing energy-efficient retrofits of existing buildings.

Both in the United States and abroad, it is clear that investors increasingly recognize that sustainability, particularly energy efficiency measures, makes financial sense. What’s more, various market forces, regulatory incentives, and mandates will continue to pressure real estate owners and property managers to enhance the sustainability of their portfolios. One market force that will drive the future is demographics. Generation Y is by far the most environmentally aware generation in history, followed by generation X.

Cumulative LEED-Accredited Professionals by Year

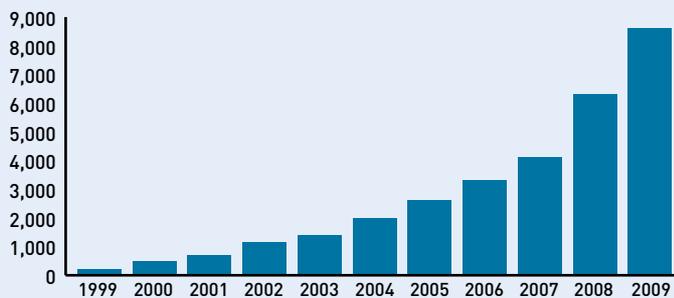


Source: Green Building Certification Institute, CoStar Group, 2010.

Local Mandates

At the local level, more than 1,000 cities have signed the U.S. Conference of Mayors Climate Protection Agreement—a pledge to meet or beat the emissions reduction goals developed under the Kyoto Protocol, equivalent to 7 percent below 1990 levels by 2012. Another 600 local governments have joined the International Council for Local Environmental Initiatives (ICLEI) Cities for Climate Protection Campaign, and by the end of 2009, at least 141 cities and counties had developed detailed climate action plans. All this adds up to a certainty that in the age of economic uncertainty, the efforts to go green are only going to grow. “Every place wants to become the greenest city in the state or nation” says Juan Matute, director of the Program on Local Government Climate

Energy Star–Labeled Commercial Buildings in the U.S., 1999–2009



Source: U.S. Environmental Protection Agency, Energy Star Program, 2010.

Action Policies at the University of California at Los Angeles.

Given the fact that buildings account for over 40 percent of U.S. energy consumption and energy-related greenhouse gas emissions, it is clear that no U.S. city can reach its emission goals without engaging the real estate community. Cities like New York,

Washington, D.C., San Francisco, and Boston have all enacted aggressive new legislation designed to improve energy efficiency in buildings. It is certain that other cities will follow their example.

In Boston, all new buildings of more than 50,000 square feet (4,600 sq m) are now required



LARA SWIMMER PHOTOGRAPHY

to adhere to LEED standards. Likewise, Washington, D.C.'s Green Building Act requires both public and large private buildings to meet green standards. Even smaller cities like Pasadena, California, are now requiring privately owned buildings to achieve LEED certification. Design and performance standards established by the Energy Star, LEED, and Enterprise Green Communities programs are not perfect, but they are also not going away, and the industry can expect them to evolve and improve as the market is transformed. In all likelihood, this evolution will result in stricter, not looser, standards.

Experience Goes Up, Costs Go Down

The concerns about the increased costs of going green are slowly dissipating and can be expected eventually to disappear. There is now plenty of evidence to suggest that it costs little or no more to build a green building than a conventional building. Costs have gone down as experience has gone up. In 2000, there were only 563 LEED-accredited professionals worldwide. Today, there are more than 143,000 such professionals. In addition to people having greater experience with green building, green products and procedures have greatly improved.

Disclosure and Transparency

The latest trend is energy use disclosure. For example, Austin, Texas, now requires sellers of residential, multifamily, and commercial properties to complete an energy audit and disclose the findings to prospective buyers. The most aggressive legislation to date was recently passed by the New York City Council. It requires energy audits and retro-commissioning to be performed once every ten years for privately owned buildings exceeding 50,000 square feet (4,600 sq m) of space and public buildings over 10,000 square feet (930 sq m). It also

calls for annual Energy Star performance benchmarking and public disclosure of energy and water consumption information. Finally, it calls for the creation of a new citywide energy code that all existing buildings must meet upon renovation.

At the federal level, the U.S. Securities and Exchange Commission (SEC) has issued a new guidance requiring publicly traded companies to disclose to investors climate change-related risk factors. The SEC guidance builds on existing requirements that companies disclose environmental risks, including violations of U.S. Environmental Protection Agency (EPA) regulations.

Another certainty is that diverse policy initiatives both inside and outside traditional land use planning regulation are rapidly coming to recognize that the location of a building is as important to energy efficiency as how that building is designed and built. This is why states like Maryland, Massachusetts, and California are working to find ways to encourage more compact, transit-oriented development and why the federal government is placing a growing emphasis on coordinated transportation and land use planning.

The Bottom Line

It seems like only a matter of time before author and consultant Charles Lockwood's prediction in the June 2006 issue of the *Harvard Business Journal* comes true. He wrote, "As green buildings become more common, conventional buildings will rapidly lose value and become obsolete." Perhaps the 2008 edition of ULI's *Emerging Trends in Real Estate* report put it best when it said, "Stay on top of green or eat everyone's dust. There will be differentiation. Over the long run, adapt or get crushed." Congressional inaction notwithstanding, it seems certain that the market will ultimately favor the greenest buildings in the greenest locations in the greenest cities.

Put simply, the market will ultimately favor the greenest buildings in the greenest locations in the greenest cities.

Succeeding by **Innovation**—or Not

Tom Murphy, Senior Resident Fellow, ULI/Klingbeil Family Chair for Urban Development

Cities and metropolitan regions today are in a far more competitive environment than ever before. American states used to be dominated by one or two large cities. There was regional competition for jobs, corporate expansion, and the highest quality of life. But the game has changed forever. Today, competition is fierce—among metropolitan areas, regions, countries, and continents. Whereas diverse employment opportunities and quality-of-life issues have been the two imperatives for cities to succeed, today, the ability to create and reinvent economic engines, marketplace synergies, and corporate enterprise offshoots is required. For many years, the emphasis was on job creation—often at the expense of the quality of life. The rules have changed. The forces of global trade, new requirements for energy and infrastructure, climate change impacts, technological innovation, and demographics are redefining the critical elements cities need to compete and succeed.

Beyond Safe and Clean

The ability of a city to provide effective and efficient traditional public services such as roads, trash pickup, and public safety is a bare threshold requirement on which to build other successes. Without safety and cleanliness, no city can excel at providing these new benchmarks of economic competitiveness. Some communities have always been challenged to meet these basic performance standards.

High crime and inadequate fundamental services have deterred investors and existing business expansion. Recent state and local budget cutbacks may threaten these basic essentials even further in some communities.

Land use decisions, infrastructure, ease and quality of development, housing, and open space all determine the desirability of a place to work, live, and play. Amenities such as open space, parks, plazas, and a vibrant community life play a part in investment decisions, whether that investment is being made by a young graduate seeking a job, or a business or corporation looking to expand. The quality and responsiveness of local government encourages, or deters, growth and creativity. Local leaders and governments can embrace major institutions and civic leaders, or they can assume that they are to be fought with at every opportunity.

Sustained Economic Growth

Every community with a hospital or a university believes it can create a “new” economy. State and local governments have partnered with research institutions and private investors to nurture homegrown, startup technology companies and to encourage major research institutions to relocate and engage local business communities.

While the investment of research dollars in institutions is an important ingredient in develop-

ing a new technology sector, it does not ensure that venture capital and startups will follow. The mix also includes such elements as the amount of early-stage capital available, the emphasis at the institutions on commercializing research, patent control, and the availability of the right type of real estate. Local governments can assist by providing surplus land, small business lending programs, fast-track zoning, and approvals.

Diversity Is Resilience

In many ways the ability of a community to nurture a diverse economy and not be dominated by one sector has become the challenge. While real estate development and economic activity continue to be overwhelmingly initiated by private entrepreneurs, increasingly there is an expectation that public officials will be more entrepreneurial for both real estate development and the promotion of economic activity. Communities will succeed where the civic and public leadership come together to share a common vision in the creation of a competitive, diverse economy and a vibrant community.

Two years ago, Charlotte was becoming one of the largest banking centers in the United States. Thirty years ago, Pittsburgh was the steel production center of America, and Detroit was the auto center. Each of these cities is in the process of major change. As has been the case for thousands of years, successful cities and

societies are reinventing themselves continually.

The communities that have these anchor institutions have some *certainty*. The price of moving a major campus, hospital complex, or substantial government center is prohibitive. As the economy continues its movement to “brains, technology, and service,” these anchor institutions become critical.

More Slices of Innovation in America

The table on the following page highlights obvious success stories, such as San Jose, the San Francisco Bay Area, and Boston. Of real interest are the up and comers—communities that have made major gains in attracting both research dollars and venture capital companies over the past decade. In many ways, growth in the larger and older new-economy cities was organic, attributable to the amount of research and innovation and the ready availability of venture capital. In 1980, almost 90 percent of the venture capital invested in the United States was placed in only two states—Massachusetts and California.

The up and comers like Pittsburgh and the Research Triangle of North Carolina are communities where the civic and public leaders made a clear decision to intervene in the market with the goal of diversifying the economy. For the Research Triangle, the story goes that back in the 1950s, six business leaders in Raleigh had been rained out of their golf game

and were sitting in the clubhouse. They were lamenting the fact that they were sending their sons and daughters to college only to have them move elsewhere because employment choices in the Raleigh area were limited to tobacco, lumber, and furniture. These visionaries proceeded to organize the Research Triangle—buying 4,600 acres (1,850 ha) of land, creating a plan for a new local economy, forming university partnerships, and exercising public leadership—and the rest is history.

Cities with a strong university and medical research presence—including the California cities—have generally done better in this recession. Regions like Austin, Seattle, Pittsburgh, Boston, Denver, and the Research Triangle have tracked lower unemployment rates than the national average. In addition, these cities receive such accolades as mention on the “hot” lists of most livable cities. As an example, Pittsburgh—which 30 years ago was one of the most environmentally degraded cities in America—this year has been ranked by the *Economist* and *Forbes* magazine as the most livable city in America.

Other communities like Cleveland and Baltimore with world-class research and medical institutions have not seen the same success. They have not gathered the leadership and entrepreneurship, both in the public and private sectors, to create a climate of innovation, shared vision, and progress.

“The markets that will drive the economic recovery over the next 18 months and set the stage for the next cycle of sustainable growth and developments are those with a heavy energy presence, those with small cap and biotech clusters, and those with a heavy education, medical, or federal government presence.”

—John F. Sikaitis, director,
North America research,
Jones Lang LaSalle

The Bottom Line: the Pace Is Accelerating

Why is this important? The country is facing historic changes. What if in ten years the United States is not using oil as its primary source of fuel for transportation? Where will the innovations happen? Where will the new products be manufactured? Winchester, Virginia, now located squarely in the exurbs of the Washington metropolitan region, just witnessed the closure of the last incandescent lightbulb manufacturing facility in the United States. New compact fluorescent, energy-efficient bulbs are all being manufactured in China. The powerful convergence of global trade, energy needs, climate change, technological innovation, infrastructure needs, and demographics is going to change

Leaders in Venture Capital, Companies, and Investment, 1997–2007

	U.S. Regions	Number of Venture-Funded Companies			Total Venture Investment (Millions)			University Research Expenditures* (Millions)
		1997	2007	Percentage Change	1997	2007	Percentage Change	2007
Long-Term Leaders	San Jose	497	669	35%	\$3,514	\$7,581	116%	N/A
	Boston	222	314	41%	\$1,165	\$3,174	173%	\$2,057
	San Francisco/Berkeley	194	303	56%	\$1,135	\$2,521	122%	\$2,390
	New York Metro	187	216	16%	\$1,283	\$1,695	32%	\$3,245
Emerging Leaders	San Diego Metro	83	129	55%	\$496	\$1,990	301%	\$2,450
	Washington Metroplex	105	180	71%	\$558	\$1,282	130%	\$2,868
	Seattle	65	132	103%	\$403	\$1,253	211%	\$967
	Los Angeles	72	124	72%	\$450	\$1,150	155%	\$1,797
	Austin	46	65	41%	\$243	\$675	178%	\$446
	Research Triangle, NC	48	53	10%	\$208	\$509	145%	\$1,776
Market Movers	Philadelphia	83	88	6%	\$427	\$665	56%	\$1,056
	Denver	63	70	11%	\$351	\$537	53%	\$521
	Dallas	51	42	-18%	\$334	\$487	46%	\$388
	Atlanta	61	52	-15%	\$327	\$457	40%	\$922
	Chicago	61	48	-21%	\$333	\$426	28%	\$1,193
	Minneapolis/St. Paul	54	39	-28%	\$227	\$402	77%	\$624
	Portland	28	28	0%	\$125	\$251	101%	\$477
	Houston	35	27	-23%	\$247	\$243	-2%	\$1,015
	Baltimore	N/A	32	N/A	N/A	\$225	N/A	\$2,442
	Pittsburgh	12	44	267%	\$32	\$198	513%	\$889

* Major research universities: Seattle: University of Washington; Pittsburgh: University of Pittsburgh, Carnegie Mellon; Chicago: Northwestern, University of Illinois at Chicago; Baltimore: Johns Hopkins, University of Maryland at Baltimore.

Sources: PriceWaterhouseCoopers, National Venture Capital Association.

Employment by Industry and Percentage Change in Select U.S. Metro Areas, 1990–2010

Industry Area	Seattle	Washington, D.C.	Baltimore	Pittsburgh	Chicago
Total (Nonfarm)	27%	34%	9%	8%	3%
Mining, Logging, Construction	-50%	5%	-18%	N/A	-27%
Manufacturing	-24%	-29%	-53%	-35%	-44%
Trade, Transport, Utilities	17%	2%	-5%	-6%	-6%
Information	157%	-4%	0%	-9%	-21%
Financial Activities	5%	5%	-7%	12%	-3%
Professional and Business Services	61%	88%	50%	24%	23%
Education and Health Services	80%	77%	64%	45%	60%
Leisure and Hospitality	46%	56%	22%	27%	35%
Other Services	31%	67%	20%	15%	19%
Government	36%	20%	6%	-6%	12%

Source: Bureau of Labor Statistics, Occupational Employment Statistics (OES).

the rules. Those communities that respond effectively to these forces will be well positioned to succeed in the 21st century.

ULI has an important role to play in educating public officials about real estate and economic development. The new environment requires these officials to be more entrepreneurial in their response to development and public/private partnerships. A shared vision at the local level must leverage the leadership of anchor universities, medical insti-

tutions, public sector officials, and private entrepreneurs in order to forge new economies with which to sustain communities.

Put simply, America's communities will succeed by innovation—or not.

Great Leadership = Great Cities

Michael Horst, ULI Senior Resident Fellow, Leadership

Certain cities and regions consistently rank in the top 15 in terms of both real estate investment and development prospects in ULI's *Emerging Trends in Real Estate* reports. They attract people and jobs, which drive demand for offices, industrial and retail space, and housing. Many of these top-tier cities have politicians and citizens who are also thinking ahead, mapping their future in terms of land use patterns that create long-term good investments.

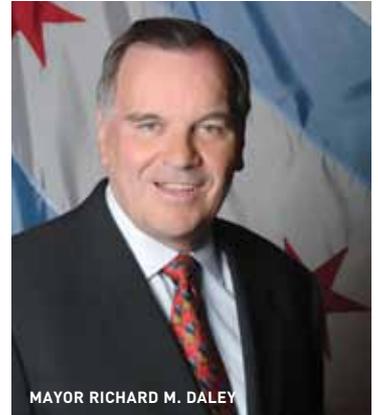
Investors and developers looking for future opportunities could add insight to their selection by focusing on local leadership—in addition to the traditional supply and demand factors. Strong political leadership and responsible and empowered citizen leaders can be key aspects of great leadership. In other words, bet on great leadership when trying to enhance certainty in an uncertain environment.

Strong Political Leadership

New York City, Los Angeles, and Raleigh owe their success not only to the ability to attract jobs and residents, but also to mayors and other political leaders who have been able to foster growth in the good times and persevere in the downturns. Michael Bloomberg in New York City, Charles Meeker in Raleigh, Pat McCrory in Charlotte, and Chuck Reed in San Jose have all managed to steer their communities through the challenges of the past few years so they can

continue to rank high as attractive investment and development opportunities. In several of the top-tier cities such as Washington, D.C., and Seattle, mayors have recently been defeated because they were willing to take on the tough issues such as education and major infrastructure at the risk of losing an election. Even cities with low *Emerging Trends* rankings have suffered less when there is strong political leadership. Pittsburgh, Indianapolis, and Nashville are all rapidly moving up in the rankings as other cities falter.

In Chicago, Mayor Richard M. Daley has demonstrated his leadership skills time and time again. As the 2010 laureate of the ULI J.C. Nichols Prize for Visionaries in Urban Development, Daley is being recognized for his transformative role in Chicago. His long-term vision, and his ability to achieve results and incorporate sustainability and urban amenities in the city have remade Chicago into a desirable place on all fronts. He has used public/private partnerships to build Millennium Park, bolstered the city budget by privatizing infrastructure, added myriad new jobs (including attracting Boeing Corporation, among other firms), and instituted policies that led to creation of 7 million square feet (650,000 sq m) of green roofs. During his years in office, the city has vastly improved the schools; reduced crime; built, improved, or maintained 170,000 units of affordable housing; streamlined



MAYOR RICHARD M. DALEY

the government; added gardens and parks; and put Chicago on the list of world-class cities, especially environmentally conscious ones.

Chicago has also benefited from strong civic leadership. A decade ago, Chicago developed a plan for the future, Chicago 2020, which brought together the private and public sectors, including ULI, to map a vision for a two-decade horizon. The next iteration of the plan, GO to 2040, is currently being developed. Chicago is one of many regions focusing on regional cooperation as a means to ensure long-term viability.

Strong Citizen Leadership

Those regions with a clear plan for how they are going to grow, a plan that has broad-based support from the private, nonprofit, and public sectors, will have a key competitive advantage.

Some of the best examples of strong citizen leadership involve communities that do regional visioning and create alliances

among diverse groups of stakeholders. In many cases the private citizens provide leadership, even when politicians fail. In Boston, for instance, local leaders from the private and public sectors have attracted technology and education to keep Boston on the leading edge of knowledge-based economies.

Envisioning a Collective Future

Virtually all the top 25 cities and regions among those 50 ranked in *Emerging Trends* over the past seven years have or are planning to do regional visioning. These efforts will help shape and ensure their future. While some communities have yet to see definitive results, each has demonstrated the willingness to bring all stakeholders together to envision the future. The top 15 ranked cities and regions and their regional cooperation initiatives are listed in the table at right.

ULI Plays a Key Role

While citizen leadership can come from many places, ULI's members have played a leading role in carrying out the ULI mission of "creating and sustaining thriving communities" through such district council community outreach tools as Reality Check and Smart Growth Alliance initiatives. It is a process that begins with a vision of where and how future development should occur, followed by an implementation strategy that

City and Region	Regional Cooperation Initiative
Washington, D.C.	Washington Smart Growth Alliance
Los Angeles	Southern California Compass Blueprint
New York	NYPlan 2030
San Diego	City of Villages
Seattle	Quality Growth Alliance
San Francisco	FOCUS Strategy
Honolulu	Hawaii 2050
Raleigh	Research Triangle Quality Growth Initiative
Austin	Envision Central Texas
Charlotte	Centers, Corridors, and Wedges Growth Framework
San Jose	Envision San Jose 2040
Boston	MetroFuture
Portland, Oregon	Greenprint
Sacramento	Sacramento Regional Blueprint
Orlando	Myregion.org

relies on regional cooperation and cuts across jurisdictional and functional lines. These regional coalitions serve as catalysts for changing development patterns so they can create a more sustainable future. Because they embrace all stakeholders, these alliances can:

- make the case for change;
- demonstrate broad-based support for a sustainable growth strategy;
- articulate a preferred vision and plan to guide future development;
- establish a forum where public leaders can address regional issues;
- advocate shared goals that promote sustainable land use strategies;
- incorporate preferred growth visions with long-range transportation plans;
- follow through with technical assistance and other aid to local jurisdictions; and
- support private sector projects that meet sustainable criteria.

“What was surprising about Reality Check was the consensus. We had a broad cross-section of people representing conservation groups and development companies, yet they agreed on so much. The Smart Growth Alliance is building on that consensus.”

—Pat Callahan, CEO, Urban Renaissance Group, and first chair of the Alliance

For instance, the regional coalitions that ULI members initiated in Seattle, Los Angeles, Raleigh and Washington, D.C., have established a framework by which each region can continue to thrive.

In Washington, D.C., from the time of the first six-hour visioning workshop convened by ULI in January 2000, diverse participants were in fundamental agreement on 80 percent of the issues facing the region. From this “impulse of cooperation” emerged the Washington Smart Growth Alliance, one of the first such alliances to be incubated by a ULI district council.

ULI Los Angeles led the way with Reality Check in 2002. Working closely with the Southern California Association of Governments (SCAG) and the University of Southern California, the consortium did extensive preparation, then held a charrette with community leaders to consider how and where the six-county region should grow. The principal outcome has been development of a long-range Growth Vision—a land use and transportation plan and program that supports sustainable growth. More than 100 regional smart growth projects have been identified and are moving toward implementation. SCAG continues to support development of demonstration sites and to provide technical assistance to local officials planning and implementing California Senate Bill 375, which mandates regional sustainable communities strategies as a means to reduce greenhouse gas emissions.

Other cities have also “moved the needle” toward a more sustainable future. ULI’s district councils in Austin, Sacramento, Orlando, Tampa, Arizona, Baltimore, and Minnesota are part of regional coalitions that have created smart growth futures for their communities. ULI members have greatly contributed to generating a more certain future in their own communities.

Regional Cooperation Can Pay Off

Opportunities for leadership by ULI members continue to open up. A recently announced U.S. Department of Housing and Urban Development (HUD) grant program offers consortiums of public, private, and nonprofit organizations funding to develop a regional sustainable development plan, with a total of \$150 million in grants to be made in the initial year. The goal is to maximize the investments of federal expenditures in housing, transportation, and environmental programs for the purpose of building healthy, thriving communities. Through the consortium process, there will be more opportunities for citizen leadership to shape where and how regional growth and development will occur, provide more certainty and clarity for the real estate market, and ensure long-term economic stability for the region. ULI district councils are involved in 20 consortiums around the country, placing the private real estate community at the table for making decisions about plans and policies for regional development.

If great public and citizen leadership is not actively engaged in setting the course for how a region is planning to grow, developers and investors should consider it a red flag.

Put simply, when looking for future opportunities, and other factors are equal, bet on great leadership.

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