Raise value, avert risk, focus on form

The current commodity driven system is prone to boom and bust cycles. Form-based planning facilitates the holistic development of enduring, diverse neighborhoods.

SCOTT POLIKOV

Before the mid-20th Century in the US and abroad, housing combined with street-level retail as well as other walkable neighborhood patterns were commonplace.

This development pattern did not just achieve a neighborhood aesthetic; it also off-set real estate risk during economic cycles by diversifying and synergizing markets in terms of uses, ages, incomes, and generational cohesion. We abandoned this pattern through single-use zoning and streets designed just to move traffic. Financing policy followed suit, and securing equity and qualified debt for walkable urbanism became more difficult.

Similarly, cities are no longer effectively structured—as they once were—to engage developers who would like to design, finance and construct complex, enduring neighborhoods. Engineering, zoning, capital budgeting, building codes, and parks are often set within specialized municipal silos. That structure is antithetical to a holistic approach to developing resilient, diverse neighborhoods. A holistic approach is critical for the development process predictability necessary for the financial markets to believe that risk will be low and returns can be sustained.

Lost in the development process today is the ability for a developer to act as a town founder once did—to bring together all the elements of a neighborhood through integrated design, architecture, engineering, finance, marketing, and construction to create a durable economic unit. That void has been replaced by a commodity-focused approach to real estate development.

The current commodity-focused system encourages homogenization at the expense of neighborhood development so that specialists can efficiently deliver entitlements, roads, mortgages (for resale in the secondary securities market) and real estate "product." The resulting loss of the neighborhood has contributed to profound social dysfunction and, more significantly, has placed a structural cycle of boom and bust into the economy.

This structural challenge can be remedied in part through a reset in the role of local government from regulator to partner with the developer through form-based planning and coding. This reset will enable landowners and investors with a desire for longer, more reliable returns to reposition themselves as town founders, enabling the return of the master developer in the classic sense in a modern context. Such a structural reset entails many facets -- Three in particular should be considered in any effort to deliver better neighborhoods:

TRANSITIONS RATHER THAN BUFFERS

Modern Euclidean zoning separates land uses and promotes buffering them from one another. Traffic engineering, sometimes with landscape buffers, exerts a dominant influence over neighborhood character. The boundaries formed by separation, buffers, and automobile-oriented thoroughfares prevent neighborhood elements from supporting each other's success and contributing to a unified design. The careful implementation of form-based planning and zoning at the neighborhood and sector levels, initiated by the public or private sectors, will enable developers to take advantage of adjacency predictability.

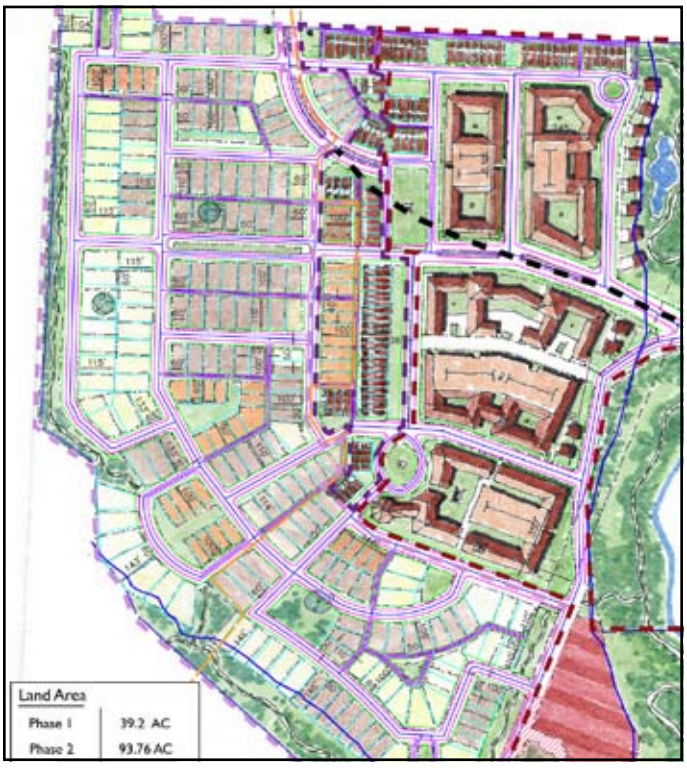
The form-based approach enables an owner to sell off parcels or lots to specialized vertical developers, knowing that disparate property interests within the neighborhood will be adding incremental value through design continuity to adjacent real estate without the need for common ownership. Design continuity is ultimately facilitated by urban design elements that treat edges as transitions rather than buffers.

Instead of cordoning off a commercial retail center with a masonry wall and a landscaped buffer, for example, the buffer area can be developed into townhouses with an alley to transition to an adjacent single family neighborhood.

HOUSING CHOICE IN A NEIGHBORHOOD

Housing markets are once again responding to choice rather than amenity. Five years ago, the granite kitchen counter was the key. Today, a neighborhood offering different housing depending on one's station in life has become a driver of neighborhood value, Housing markets today no longer fit neatly into the categories of "families with children" and "singles." Rather they fall into more specific categories such as well educated, employed single mothers and retired couples who want to live in a place with the same community benefits as the ones that

The plan for Montgomery Ridge, in an infill location in Allen, Texas, uses a transition zone between mixed use single family houses.



PLAN BY GATEWAY PLANNING, A VIALTA GROUP PARTNER

they require when they travel for leisure. In that context, the developer who offers housing variety will be better positioned to profit from a nuanced and constantly changing housing market.

The form-based approach allows the community, public "regulator," and the market to deliver that variety. How? Form-based codes facilitate design that uses transitions to integrate a range of housing types into the neighborhood fabric. This enables the entitlement process to focus on the enduring structure of a neighborhood rather than, for example, whether or not there should be "apartments."

STREETS DRIVING VALUE

Whether in a redevelopment context or a greenfield, street design has once again become a critical focus in the delivery of good neighborhoods. To design the street cross-section after establishing the block structure and buildings was once unthinkable. Yet today our system has evolved into the separate specialties of zoning and public works. The New Urbanism has effectively reconnected those elements into a unified design approach. Nevertheless, many local governments and developers still reinforce the separation of those critical elements of the neighborhood, because that is all that they know.

The form-based approach offers a tool to, profitably and politically, design the streets along with the overall neighborhood. The form-based palette provides a visual design context to simultaneously test street function, context, and safety for the driver, cyclist, and pedestrian.

The landowner, builder, planning director, city engineer, and banker can communicate and work together. This integrated conversation allows the designer to ensure that each facet of the street reinforces its function both within and outside the right-of-way. The neighborhood value is then aligned with the core function of the street.

Ultimately, our highly specialized development system can be pieced back together into an integrated whole, reviving the classic notion of a master developer. The form-based approach provides that opportunity when properly understood and implemented. ◆

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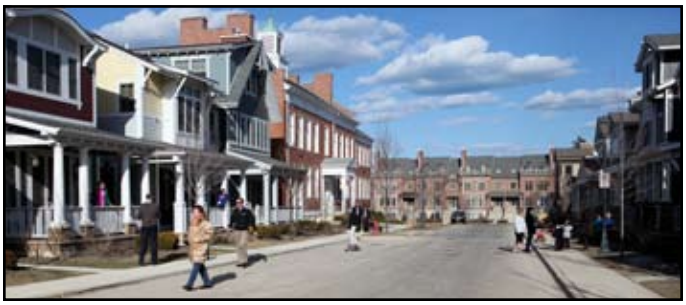
'The End of the Suburbs'

Fortune editor Leigh Gallagher's popular book of that title, published in August 2013, is not to be taken literally. Suburbs are not disappearing. Rather Gallagher argues that suburbs have lost much of their luster and primacy in American life. The reasons are rooted in economic and social trends, but primarily driven by a growing market for walkable places. A great transformation is now under way, Gallagher argues. A chief aspect of this transformation is a decreasing desire to get around by car and a growing demand to have most of the armature of everyday life within walking distance. "I think we're going to get out of the car because it doesn't make any social sense," Gallagher quotes Eric Dumbaugh, a transportation engineer at Florida Atlantic University, as saying. "There's a cultural shift going on right now, and I think that … is going to be the game changer."

Automobile-dependent suburbs have lost the loyalty and affection of much of the younger generation. Who wants to drive? In 1980, Gallagher points out, "66 percent of all seventeen-year-olds had their driver's license; by 2010, that had dropped to 47 percent, despite the huge swell in the population of millennials." The average American aged 16 to 34 drove 23 percent fewer miles in 2009 than the average young person in 2001, Gallagher says.

Though millennials have an appetite for urbanism, this doesn't mean that all of them insist on living in central cities. "The right urbanized suburbs will do the trick just fine for many in this generation," she says. Close-in suburbs with walkable business districts not far from pleasant streets of houses and apartments are benefiting from this trend, and will continue to do so. ◆

The new urban School Street Neighborhood built by John McLindon in Libertyville, Illinois.



SOURCE: THE END OF THE SUBURBS, BY LEIGH GALLAGHER

Per-acre tax advantage is persuasive across the political spectrum

First reported in *Better! Cities & Towns* (then called *New Urban News*) in September of 2010, compact, walkable places generate *much* higher land value than conventional suburban development. This reality, which has been documented in cities across the US, has profound implications for municipal revenues and is persuasive across the political spectrum — from the relatively liberal Smart Growth America, which published its nationwide report *Building Better Budgets*, to conservatives at the Cato Institute and the blog *Bacon's Rebellion*.

Much of the August 2013 issue of *Government Finance Review* (*GFR*), published by the Government Finance Officers Association based in Chicago, is devoted to the idea that planners and consultants Peter Katz and Joe Minicozzi first promoted in this publication — that per-acre tax revenues are substantially higher in mixed-use walkable places than in drivable suburbs. (See graph on page 5 of this report). The per-acre analysis is key to understanding the fiscal advantages of smart growth, a range of authors contend.

In *GFR*, the idea reaches an audience of municipal budget officers and CFOs. In the main article, Katz proposes a "fiscal