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Creating a Framework for a Green Economy

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DEVELOPMENT IN THE post–World War II era has prospered within a policy framework that targeted transportation investments toward opening up land for development while supporting low fuel prices, liberal credit (mortgage interest deductibility, relaxed eligibility, low cost of capital) and free (unpriced) roads. In this environment it became feasible to build new developments almost anywhere within driving distance of any population center. Homeowners seeking mortgages were willing to "drive until you qualify." Businesses located back offices in remote locations with lower labor costs. Retailers cut inventories through "just-in-time" deliveries that used highways as warehouses. For more than 60 years, the U.S. government provided the infrastructure needed to support this development model.

That era is over and it will not return, primarily for two reasons: climate change and energy security. As more economies adjust to a carbon-constrained world, this post–World War II development model is fast becoming obsolete. Going forward, a price will be placed on carbon emissions. Buildings and transportation, which respectively represent 43 and 33 percent of total U.S. carbon emissions, will be screened for carbon performance. In addition, the near-term global prospect of peaking oil supply—the point when new oil reserves coming on line no longer keep pace with global consumption—will further increase energy costs. The cost of credit will also increase, and the ability of government to provide infrastructure to far-flung exurbs will decline. This all leads to an obvious conclusion: the cost of getting access to land and serving development will trend higher—then stay there.

Remarkably, this could all be good news for developers. Demographic, cultural, and economic trends point to a future where the following holds true:

▷ the most climate-friendly communities win;
▷ transportation services and land are codeveloped;
▷ carbon pricing places a premium on location efficiency;
▷ banks favor loans to mixed-use, mixed-income, mixed-age, and transit-oriented developments;
▷ infrastructure costs are minimized while access to social and economic exchange is maximized;
▷ trails and greenways outnumber greens and fairways; and
▷ children can again, in the words of social commentator Joel Garreau, be "no more than a five-minute bike ride from a popsicle."

This is the world people now want to live in. Research by Arthur "Chris" Nelson, professor at the University of Utah Metropolitan Research Center, and recent polls by the National Association of Realtors reveal that transit-oriented developments close to opportunities to work, shop, and play

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are in high demand. Aging baby boomers want to live in cities or close-in suburbs. Young couples with children want foreclosure-resistant neighborhoods where transportation costs are low (about 9 percent of household expenditures) rather than foreclosure-risky neighborhoods in the exurbs where transportation costs are high (25 percent of household expenditures). Singles want diversity, not monotony; stores and restaurants close to home, not strip malls; sidewalks and bike paths, not roads and speedways. All these new preferences are infrastructure and energy efficient, as well as climate friendly, thus reducing developer costs in impact fees or carbon offsets.

However, the path to providing climate-friendly, infrastructure-efficient communities is not easy. The canard that "the only thing people hate more than sprawl is density" still holds sway over the minds of many decision makers. The federal government fails to recognize the land use impacts of transportation spending policies. Leadership is also rare at the regional and local levels, where the art of the deal still trumps coherent, self-reflective policy. Yet such leadership is urgently needed to create a new paradigm for sustainable development in a climate-constrained world.

The development community, in its own self-interest, can help provide that leadership. This year, Congress is debating two new initiatives—governing climate protection and transportation spending—that will significantly affect the quality and profitability of future development. The present federal transportation spending bill expires this September, requiring new authority to fund federal government–backed transportation programs. The Obama Administration has also listed climate protection as a top legislative priority. U.S. Representative Henry Waxman (D-CA), a strong advocate of climate protection, now chairs the House committee that will decide the extent and content of any climate protection law. Over 30 states (and more than 800 cities) have adopted climate action plans. Change is in the wind.

Developers thrive when transportation and development decisions are made within a clear, predictable policy framework. Climate and transportation policy can provide that framework. As Congress debates climate and transportation legislation this year, targets for developer attention include the following:

▷ programs that provide waivers from certain process requirements if developments conform to sustainable development criteria (see "Connecting Climate Change and Land Use," page 66);

▷ support for transportation policies, including investments in transit and programs that promote more compact land use, as well as financing arrangements that reduce infrastructure costs while increasing land values (see "Transportation Solutions," page 54); and

▷ offsets or carbon emission credits for location-efficient development that can be sold for cash on emerging carbon markets.

There is a saying in Washington that "if you are not at the table, you are on the menu." The urgency and scale of the transportation, finance, and climate challenges facing the United States mean action will be taken by Congress on these linked issues—and soon. Now is a good time for developers to take their rightful seat at the banquet. **ULG**