End of Sprawl: Innovations from Real Estate Developers

Rail~volution Conference
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Seattle, WA
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LOCUS | Smart Growth America
Making Neighborhoods Great Together
2nd Half of the 20th Century
Demand preference: Atlanta vs Boston

Source: Dr. Jonathan Levine, University of Michigan

- **Walkable Urbanism**
  - Atlanta: 40%
  - Boston: 29.4%

- **Liveable Sub-urbanism**
  - Atlanta: 41%
  - Boston: 30%

- **Agnostic**
  - Atlanta: 29.6%
  - Boston: 30%

Initial study: 40% 200% price/foot premium
gdp vs vmt growth: disconnect after all these years

Knowledge Economy requires fewer car/truck trips
walkUPs in the atlanta metro area: established, emerging, & potential
the 7 types of walk ups

TRADITIONAL DOWNTOWN

DOWNTOWN ADJACENT

DANCING GOATS

URBAN COMMERCIAL

URBAN UNIVERSITY
the 7 types of walk ups

SUBURBAN TOWN CENTER

DRIVABLE SUB-URBAN REDEVELOPMENT

GREEN FIELD / BROWN FIELD
walk ups vs. drivable sub-urban
average rents per sq. ft.
share of income property over the last 3 real estate cycles

2008>

50%

10%

ESTABLISHED WALKUP
EMERGING WALKUP

Income Property = Office, Retail, Apartment, and Hotel
social equity

conclusions

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<tr>
<th>Platinum</th>
<th>Economic Performance</th>
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<tr>
<td>Gold</td>
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<td>Silver</td>
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<tr>
<td>Copper</td>
<td>Social Equity Rating</td>
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LOCUS: RESPONSIBLE REAL-STATE DEVELOPERS & INVESTORS

GW Business
America Over The Next Generation

Suburban LA: Santa Monica

Suburban Denver: Lakewood

Downtown Chattanooga

Suburban DC: Bethesda
Smart Growth/Walkable Urban Places are Different & Complex to Manage

But this marketplace development requires a new skill set.

- Each New Element Adds Value to Existing Assets... IF within Walking Distance (1500-3000 feet)

- Creates a Special Place, and Significantly Greater Asset Values and Taxes = More is Better

*Upward Spiral*

- Conscious Affordable & Workable densities needed. Required
- Go straight, up, down, left, and right - no cross-overs.
Innovation #1: Crowd-source place-making
We go nowhere without public support
The Suburbs Isolated Us And The Silent Majority Was Created
The Internet Has Rebuilt Those Connections
Plan Over Process:

A Divisive and Exclusive Approach
A Brief History of Entitlement Work...
“LEAVE THE THINKING TO US.”

—THE OLIGARCHY
Traditional Approach:
Us v. Them Confrontational, Lines Drawn in the Sand, The Negotiation
HEIGHT  DENSITY  QUEENSIFICATION  URBAN NODES IN SUBURBIA  URBAN
It Will Manage You!
Process Over Plan:

An

Inclusive and Constructive Approach
Crowdsourced Placemaking: Turning Apathy into Energy

- First Of Its Kind Crowdsourced Placemaking Program
- Patent Pending
- Transparent Process
- Online Forum / Community (ala Facebook)
- Online Voting Application (ala YouTube)
- In Person Meetings
- 2000 Members Strong!
Pop Up Piazza Bristol, CT – 15,000+ !!!
Celebrating Bristol’s Approval

Bristol CT, October 11 2011: 7-0 Unanimous Vote
Crowdsourced Placemaking in Hempstead, NY

• Early Struggles and a Need to Adapt
• Digital Divide – Paper Ballots
• Need to Reach Spanish Speaking Population
• Trust Building
  • Jobs
  • Infrastructure
  • Benefits to Community
• Need for Local Champions
Crowdsourced Placemaking in Hempstead, NY

Community Involvement = Community Support

5-0 Unanimous Vote Approving Concept Plan

$5 Million Committed to Sewer Infrastructure from NYS
LESSONS LEARNED

- Community Sentiment Necessitates Bringing in the Silent Majority (not the Oligarchies)
- The “Conversation” Will Happen So Engage the Community
- It is a Dialogue, Not Just Information
- Be Earnest and Authentic
- Social Media is a Tool – Need Fertile Soil & Practitioner
- Process Over Plan
- At Root, We Are All Human, Social Beings
Innovation #2: Crowd-source financing
THE PROBLEM
REAL ESTATE FINANCE
INSTITUTIONALIZATION SINCE RTC (IN 1990’S)

- REIT Inflows
- U.S. CDO Rated Volume
- Growth of U.S. Private Equity
- Commercial Mortgage Backed Securities
DIRECT INVESTMENT & OWNERSHIP
EMPOWER THE INVESTOR

**FUNDRISE**
Bottom-up, Direct Investment in Building and Owning Your City

- **Investment Broker**
  Fee: 1-2%

- **Pension Fund**
  Fee: 1%

- **Private Equity Fund**
  Fee: 2% and 20%

- **Real Estate Brokers**
  Fee: 1-3%

**Property**
Are you interested in investing in this offering?

To make this investment available to the general public, we must first register and qualify the offering with both State and Federal regulators. Prior to undertaking the extensive financial effort to complete this process, we are “testing the waters” to ensure there is sufficient investment demand of no less than $300,000 to justify both the time and cost incurred.
What it Takes to Be A Jet Fighter Pilot:

• Patience and patient equity (Robert Davis by Seaside)
• Catalytic Developer (Steve Leeper of 3CDC in Cincinnati)
• Organizing developers and community groups to gain YIMBY support (Federal Realty in White Flint)
• Joint venturing with retail tenants (Ari Maron on 4th Street NE in Cleveland)
• Affordable Housing (Richard Baron inventing Hope VI)
Innovation #3: Policy Innovation on the Federal and State Level
Accomplishments

• Increased TIFIA funding from $120 million to $1.7 billion;

• Secured a $20 million TOD planning grant program;

• Secured TOD credit enhancement language in H.R. 7, American Energy and Infrastructure Jobs Act;

• Protected existing funding for the EPA Office for Smart Growth and the Partnership for Sustainable Communities; and

• Protected existing tax programs such as New Markets, Low-Income Housing, and Rehabilitation/Historic.
RECOMMENDATIONS FOR HOUSING FINANCE & TAX REFORM
…Old programs, new needs
Guiding Principles for Reform
Guiding Principles

1. Support balanced housing choices in suburbs, cities and rural communities.

2. Reinvest in existing communities.

3. Provide a safety net for American families.

4. Help more Americans reach the middle class.
Approach I:
Reform or Eliminate Existing Programs
Modify the National Flood Insurance Program

Projected Annual Savings: $8 Billion
Reform the Federal Housing Administration

Projected Annual Savings: $2.5 Billion
Better Target Real Estate Tax Benefits

Projected Annual Savings: $19.7 Billion
Preserve and Increase the Low Income Housing Tax Credit

Projected Annual Cost: $4 Billion
Improve the Rehabilitation Tax Credit

Projected Annual Cost: $1.6 Billion
Approach II: Addressing Gaps in Policy and the Market
Establish a Mortgage Savings Account

Projected Annual Cost: $1 Billion
Create a Community Infrastructure Innovative Financing Program

Projected Annual Cost: $100 Million
State and Local Advocacy

In 2011, LOCUS launched LOCUS Regional Initiative(s) Program include the following elements:

1. Build a coalition of developers in each state who **support and advocate** for walkable, sustainable development to provide the private sector voice to policy-makers.

1. Provide appropriate advisory services and technical assistance to **FAST FORWARD** on-the-ground implementation of smart growth and transit-oriented development.

1. Connect like-minded real estate developers to the broader smart growth and transit-oriented development community to **encourage cross-collaboration and new business opportunities**.
LOCUS Regional Initiative Overview
walkable urbanism used to be a niche market

Now Walkable Urbanism is THE market as the country is witnessing peak sprawl
Thank You!
More information, please visit: www.smartgrowthamerica.org/LOCUS

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