

Presentation to the Mid-America Regional Council

June 25, 2010

Patrick L. Phillips

Chief Executive Officer, Urban Land Institute

Kansas City is perhaps the most fitting setting for a presentation from the Urban Land Institute. It's the home of one of ULI's most famous founders, J.C. Nichols, whose holistic approach to building viable communities is one that ULI continues to embrace today. Certainly the continued success of Country Club Plaza and the surrounding neighborhoods is a testament to Nichols's vision for communities with staying power.

For those of you who may not be familiar with ULI, I'd like to offer a little background on the Institute. ULI was established in 1936 as a non-profit research and education institute dedicated to responsible leadership in land use. We began with about 200 members in the U.S., and now we have nearly 30,000 members worldwide, with offices in Washington, DC, London, and Hong Kong. ULI Kansas City is one of 51 district councils in the Americas where ULI has a local presence; plus we have 16 district councils in Europe and Asia.

Our membership crosses all land use professions, which illustrates the interdisciplinary nature of urban design and development. ULI members are developers, financiers, investors, urban planners, architects, landscape architects, urban designers, traffic engineers, academics, industry analysts and a growing number of public officials. We also like to think of our members as land use leaders who share J.C. Nichols's commitment to make a positive difference in how our communities are growing.

ULI has a culture of knowledge sharing that started with Nichols and his ULI colleagues. In the 1920s, 30s and 40s, they would take trains to meet each other, throw their blueprints on a table, and talk about what was right or wrong with how they were building or where they were building. Now, of course, we can share similar details in just a few seconds with a few clicks on our computers. But ULI's tradition of sharing lessons learned remains unchanged. This exchange of ideas plays a big role in our efforts to promote development that results in communities that are more livable, and ultimately, more sustainable.

Today, I would like to talk about some of the opportunities and challenges facing cities going forward, not just in recovering from the recession, but in the decades ahead, and how Kansas City can position itself as one of the winners. There are innumerable “best of” lists for cities – but if you drill down to what distinguishes the highest ranked cities, it’s always something related to livability and sustainability.

At ULI, we take a “big picture” view of sustainability as it applies to community building. We believe true sustainability can only be achieved if it takes into account economic, social, and environmental aspects. It’s becoming very clear that how our cities are developed, how they welcome new residents, how they accommodate all income groups, and how they use energy and natural resources are becoming more and more crucial to urban sustainability.

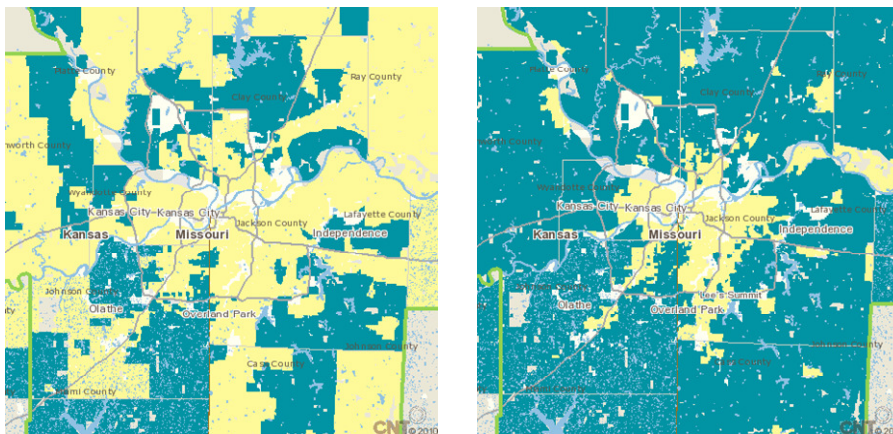
At its core, sustainability includes a variety of components, such as workforce housing, adequate transportation options, and environmentally conscious design and development. These components fit with three of ULI’s main priority areas, which are 1) mixed-income housing, 2) infrastructure, and 3) sustainability. While they are all important individually, they are all interrelated in the creation of thriving neighborhoods, cities and urban regions.

In the area of workforce housing, it’s clear that despite the housing collapse in many areas, there is still a shortage of affordable housing that is close to jobs. Yes, home prices declined, but that does not address the fact that in most urban areas, the bulk of the mainstream workforce lives far from employment. During the past decade, many workers moved to the edges of cities in search of housing they could afford. What they found was that the savings in housing costs were offset by the extra money spent on transportation to work, shopping and other areas of activity.

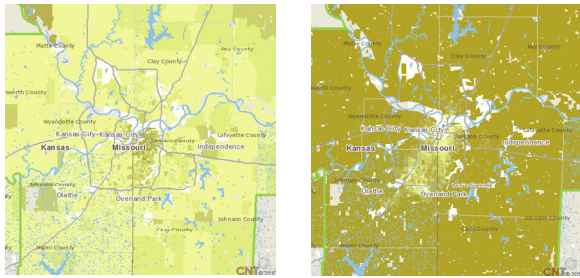
The Center for Neighborhood Technology has produced some fantastic research in this area. At the height of the housing boom in 2006, it looked at the combined housing and transportation costs – or locations costs -- for 28 metro areas, including Kansas City. It found that on average, Kansas City residents spend 23 percent of their income on housing, but 33 percent

on transportation, for a combined total of 56 percent. In fact, Kansas City transportation costs in proportion to residents' incomes were among the highest in the study, exceeding New York, Los Angeles and Washington DC.

This spring, CNT updated this research with data that shows more implications of the cost of location.

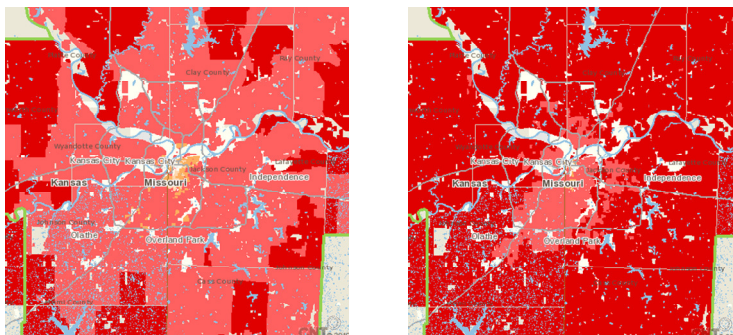


In the map on the left, the yellow areas are those in the Kansas City metro area where workers spend less than 30 percent of their income on housing. This makes Kansas City look very affordable. However, the map on the right shows what happens when transportation costs are thrown into the mix. All of these turquoise areas are where people are spending more than 45 percent of their income just for housing and transportation.



This next set of maps shows transit use and vehicle miles traveled in the Kansas City metro area. In the slide on the left, the light yellow areas represent areas where one percent or less of the population uses public transit for commuting. In the slide on the right, the dark green areas show all the areas where people drive an average of more than 18,000 miles per year for work and errands.

And, this set of maps shows the difference in costs for transportation between 2000 and 2008, primarily due to gas price increases.



The map on the left is for the year 2000, and the areas in pink are the areas in which people paid 20 to 28 percent of their incomes per year for

transportation. The slide on the right is for 2008, and the areas in red are all those where people are paying more than 28 percent of their incomes for transportation. And if you dig further, you would find that the cost burden has risen most dramatically for those living in the outermost areas. This is another indicator of the heavy toll on workers who live far away from their jobs.

All these maps give some valuable insight about the housing-jobs gap in your area. As you plan for your region's growth, think about the type of jobs that make up the bulk of the workforce. The mid-year forecast from the Greater Kansas City Chamber of Commerce is predicting that the strongest job growth for 2011 will be service jobs in dining and entertainment establishments, health services, administrative support, and professional and technology services. Where is the affordable housing in relation to the locations for these jobs? It's a big factor to consider coming out of the recession. As the economy picks up, so will the job market, but the housing-jobs imbalance will still exist.

We see similar situations in cities across America. This is not just a problem for America's most costly cities. We still have a long way to go to close the gap between housing and jobs, and the cities that tackle this issue will be the ones that come out on top. At ULI, we want to work with organizations such as yours to showcase best practices of workforce housing development, and continue to support development that places housing closer to jobs.

Three years ago, former ULI Chairman Ron Terwilliger donated \$5 million to ULI to create the ULI Terwilliger Center for Workforce Housing, which is elevating workforce housing as a national and local priority. The center is promoting mixed-income housing as the best solution, because it combines market-rate with below-market rate units.

Through collaborative projects with our District Councils and other organizations, the center is working to raise awareness of the need, gain more acceptance of mixed-income housing, and diffuse skepticism about who benefits from workforce housing.

The Terwilliger Center has studied housing and transportation costs for different neighborhoods in three markets – Washington, San Francisco and Boston, and is now focusing on solutions to get workforce housing built where it is needed in those markets and others. The center is also evolving into a resource to help communities worldwide understand the benefits of workforce housing, and how to get it built.

Now, I'd like to talk a bit about our work in infrastructure. Recently, one of our senior resident fellows, Ed McMahon, spoke to ULI Kansas City about our 2010 infrastructure report. It's an annual overview of the infrastructure challenges in the U.S., with a comparison as to how the U.S. measures against other countries. As in previous years, this year's report found that the U.S. continues to lag in terms of investments in better connections between urban areas.

Despite the economic downturn, Europe and Asia have continued to invest hundreds of billions of dollars in infrastructure upgrades. These countries are outspending the US by hundreds of billions – not just for highway construction, but for state-of-the-art rail and transit systems to improve mobility between and within urban areas.

Meanwhile, U.S. efforts have remained more limited, primarily targeting existing projects. One promising sign is the \$8 billion for new high-speed rail lines announced earlier this year by the Obama Administration. It's exciting that Kansas City is part of the line planned for the Midwest. In the decades ahead, being connected to high-speed rail will certainly help position the Kansas City region for prosperity. It is hard to imagine now, but if this initiative is successful, by 2030 the U.S. could have high-speed rail connecting Tampa to Orlando; Los Angeles to San Diego; Oakland to Sacramento; Eugene, Ore., to Seattle; Chicago to Kansas City; Minneapolis to Chicago; Charlotte, N.C. to Washington, D.C.; Washington, D.C. to Boston; New York City to Buffalo; and Philadelphia to Pittsburgh.

Of course, the reality is that the \$8 billion in federal grants covers a small percentage of what is actually needed to complete these projects. But, it is an important signal that the federal government recognizes the importance of transportation investments as a way to create jobs for the rail construction, enable cities to reach a wider employment base, and ensure that U.S. cities are globally competitive in the 21st century.

At ULI, we will continue our efforts to make the case for more infrastructure investments, and to more closely coordinate infrastructure funding at the federal level to land use planning. We are already seeing this happen with the Livable Communities program being jointly implemented by the Department of Transportation, Environmental Protection Agency and Department of Housing and Urban Development. It calls for a holistic approach to improve the linkage between housing and transportation investments, with the ultimate goal being a living and working environment that conserves both land and energy.

This commitment demonstrates a stronger focus on land use and community building than we have seen at the federal level for many years. We at ULI are committed to offering our expertise in helping this effort gel, in terms of policies, funding and programs that foster communities that are more affordable, better connected, and environmentally sound. It fits very well with our efforts at the local level to connect the dots between transportation, housing, land use planning and community livability.

Obviously, housing and infrastructure are not new issues for ULI. What is different about these topics is the context in which they are viewed and discussed. Climate change has added an important new dimension to land development issues we have been grappling with for a long time.

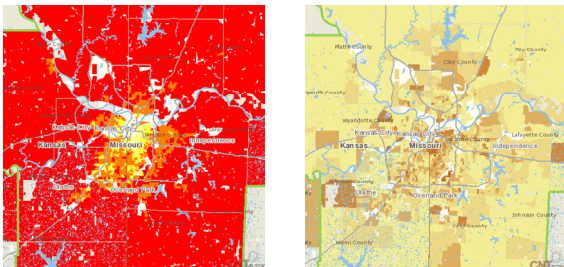
Around the globe, the impact of development on the environment is being evaluated in terms of cutting carbon gas emissions, and implementing sustainable land use patterns. I attended a ULI forum earlier this month on new financing tools for energy-efficient products. It was very clear that while there is a great need for capital to support new technology, new building types, and energy efficient retrofits, the financial industry is still slow to respond.

However, I believe this will change as we compile more proof that going green is profitable. The market will shift as demand increases for green products, and as more public policies mandate lower carbon emissions. As we work our way out of the recession, green and sustainable development will make traditional development obsolete.

Some people in the industry view this as a threat to their business. As CEO of ULI, I view all of this to be a great opportunity. We should consider this as our chance to be part of something very exciting. At ULI, we are uniquely positioned to showcase land use as part of the solution to climate change, rather than part of the problem.

Through ULI's vast worldwide reach and member expertise, we aim to show how sustainable development is good for the environment, good for the economy and good for social well being. ULI recently published a book, *Land Use and Driving*, which makes a compelling argument for land use as a key tool in offsetting the detrimental impact of climate change.

The report links concentrated, walkable development and a reduction in the number of miles driven. It contends that making a measurable difference in climate change can best be achieved through a combination of sustainable development and fuel-efficient vehicles.



 Urban Land Institute

The connection between land use, driving and carbon emissions is clearly illustrated in these last slides from the Center for Neighborhood Technology. In the slide on the left, the areas in red are where the average household emits more than 8 metric tons of carbon emissions per year. In the slide on the right, the light yellow areas are those with densities of no more than 2 households per acre.

As you can see, there is a direct correlation between density and vehicle carbon emissions. The areas with the lowest density are those with the highest carbon emissions resulting from vehicle use.

This situation is very similar in urban areas all over the U.S. And it's triggered a shift in thinking regarding land use models. In my view, the link between land use, driving, climate change and environmental preservation makes a strong case for building more efficiently throughout urban regions, particularly in suburban areas.

This has been further reinforced by the oil spill in the Gulf of Mexico. Because of the environmental disaster, we now have a heightened sense of urgency to reduce our dependency on oil. This means not just developing alternative sources of energy, but also building in a way that saves land as well as energy.

Your Transportation Outlook 2040 is an excellent example of the type of alternative growth visioning that is needed in urban areas across the U.S. This initiative will enable Kansas City to grow more efficiently. It is building support for a shift in development patterns – away from the old segregated use, car-dependent schemes -- to development that is more compact, that offers a variety of uses, is less car-dependent, and is more connected by transit.

Another great example of forward thinking in Kansas City is your Green Impact Zone. The revival you are undertaking in this neighborhood will benefit not just the residents who live there. It will contribute to the overall ability of the city to attract investors, businesses and talented workers.

More than 90 years ago, J.C. Nichols wrote, “an intelligent city plan thinks impartially for all parts of the city at the same time, and does not forget the greater needs of tomorrow in the press of today.” This is sound, relevant advice, not just for Kansas City, but for any urban area seeking to remain competitive in the 21st century. As our metro areas search for ways to accommodate growth, one fact stands out: How we use land does matter. Land use has an enormous impact, not just on the natural environment, but on the long term economic and social viability of our cities.

Our industry is on the cusp of exciting change. Consider that:

- The first wave of baby boomers is hitting 65. Most will shun retirement and stay in the workforce, and many, if healthy now, could still be alive in 40 years.
- The children of baby boomers, Generation Y (the most technologically connected generation in history) has started to enter the housing market and workforce;
- Household size is shrinking, due to more people living alone, delaying marriage and childbirth, and having fewer children; and
- The worst economic downturn since the Great Depression has caused a decline in the homeownership rate and, quite possibly, changed the perception of homeownership as the American Dream.

Collectively, these factors will influence what and where we build. Surveys of both baby boomers and Gen Y reflect a desire by many to live in more pedestrian-friendly, transit-oriented, mixed-use environments that de-emphasize auto dependency. This preference holds true whether the location is urban or suburban. In fact, many baby boomers and Gen Y are likely to prefer suburbs – but not the isolated subdivisions of the 20th century.

Suburban development in the 21st century cannot mean sprawling development; it simply is not a sustainable growth model. In the suburbs, less land will have to be used to accommodate more people. This change in how suburban areas grow will have a major influence on the environmental and economic sustainability of entire metropolitan regions.

All of this is taking place as the U.S. is becoming an increasingly urban nation, and as our urban regions are evolving into different nodes of employment, housing and recreation. As part of the evolution, piece-meal, haphazard and poorly connected development will become a thing of the past.

This is what we can expect: More dense development aimed at conserving energy, water and land. Better coordination of land use planning and transportation planning, so that more development is oriented toward transit options. And, reuse of obsolete space in a way that reflects the changing needs and desires of a much more mobile society – a society in which many citizens are likely to rent longer, and to change jobs much more frequently.

Going forward, it's important for all of you at MARC to consider how the impact of urban design and development meets your residents' expectations for livability, amenities, flexibility and choice. It's about more than just building places to live and work. It's about creating places that inspire, places with character, places that draw people through a powerful sense of identity and belonging.

Ultimately, cities are about what's best for people, not buildings, and not cars. The places that get this right will be the winners in the decades ahead.