

LINDA STEPHEN

Q&A with Catherine L. Ross on Megaregions

The director of Georgia Institute of Technology's Center for Quality Growth and Regional Development and an adviser to the Obama administration's White House Office of Urban Affairs discusses the implications of megaregions for future development and how best to develop to compete globally.



LINDA STEPHEN is a director of IWPR Group, a public relations and marketing firm specializing in smart growth, sustainability, and design, headquartered in Miami, with regional offices in California, Nebraska, and Connecticut.

CATHERINE L. ROSS is Harry West Professor at Georgia Institute of Technology's College of Architecture and director of its Center for Quality Growth and Regional Development. An adviser to the Obama administration's White House Office of Urban Affairs and a ULI fellow, she is the author of the recently published book *Megaregions: Planning for Global Competitiveness*.

The global economy has shifted in a way that cities like Nashville need to worry more about competing with places like China rather than Atlanta or Charlotte. How can regional cooperation facilitate economic competitiveness and how does this cooperation affect real estate development?

The role and importance of cities and regions in the global economy are increasing. Recently, the U.S. government articulated a need for cities to work cooperatively within regions by linking planning and economic activities to achieve economic success. Moreover, the federal agenda embraces competitiveness, sustainability, and regional cooperation as the focal point of its new urban policy. In a global economy, it is the region that has gained increasing prominence and attention as the economic basis for attracting resources. There is increasing recognition that water resources, air quality, and natural disasters are not restricted within political boundaries but rather affect a region in its entirety.

Consequently, it is imperative that cities embrace models of regional cooperation that focus on mutual benefit. Regions must identify the specific markets within



which they can compete and honestly assess their strengths and weaknesses. The population of cities is increasing, and we are witnessing redevelopment in the heart of cities throughout the world, creating a demand for innovation and creativity in both residential and retail construction.

This redevelopment is occurring at a time when there are changing preferences for living and lifestyle among urban dwellers, increased demand for transit and other mobility alternatives connected to housing and employment centers, and an increasing preference for local products and services. These factors affect retail footprints. While job growth is the primary driver of real estate demand, these trends will have a profound effect on real estate development now and into the foreseeable future.

What is a megaregion and where are future ones identified?

By 2050, the U.S. population is projected to increase by another 130 million people. Over the next

20-plus years, more than half of America's population growth, and perhaps as much as two-thirds of its economic growth, will occur in several "megaregions." Megaregions are extended networks of metropolitan centers and surrounding areas of influence. They cross county and state lines and are linked by transportation and communication networks. These regions of connected cities [urban core] and their surrounding areas of influence generally have a population of about 10 million.

Currently, seven megaregions have populations of 10 million: California, Florida, the Midwest, the Northeast, Piedmont Atlantic, the Texas Triangle, and D.C.-Virginia metropolitan area. The major cities in the Midwest include Chicago, Minneapolis, Detroit, Cleveland, Pittsburgh, Cincinnati, Indianapolis, and St. Louis. The Central Plains megaregion includes Kansas City, Tulsa, and Oklahoma City.

By 2050, three more megaregions will have populations of 10 million: Arizona, Cascadia, and Central Plains. While all three had populations of less than 10 million as of 2007, only the Central Plains megaregion is projected to have a population of less than 10 million by 2040; however, by 2050 its population will be over 10 million. In the United States, the ten largest megaregions represent 80 percent of the country's economic activity.

What are the implications for future development in megaregions and how does the model facilitate urban redevelopment and infrastructure modernization?

A megaregion offers a framework for cooperation, planning and development, funding decisions, and policy priorities. Cities anchor megaregions and form an economic unit in world markets that serve a vital and expanded role in the functioning of communities and regions. Interstate highways within megaregions are more congested than those in non-megaregions. The global economy has revolutionized the functionality of cities' transportation systems by forcing reconsideration of development, freight and passenger movement, and expanded mobility alternatives.

The question is how do we use these economic engines to expand economically sustainable growth and redevelopment to areas that are performing poorly? How do we address specialization within regions, reduce inefficient competition, and develop strategies that take advantage of economies of scale and product and service differentiation?

International trade has grown at a pace that is twice the rate of the world's gross domestic product. This is true of foreign investment in other countries, which has grown even faster; consequently, the new functionality of cities must embrace spatial configurations that are distant, foreign, and constantly changing. Enhancing selected trade corridors and accompanying agreements is one example of a strategy that links infrastructure investment with economic growth, and that focuses on production, transformation, mobility, and access even across national boundaries, resulting in the competitive repositioning of regions.

In an ideal world of megaregions, what would tomorrow's cities look like? How can developers prepare for such changes?

The future of our cities and urban regions will be dramatically different. With increased population, we can expect more compact development, and the need for more green infrastructure and open space serving a number of differ-

ent purposes. Megaregions offer the opportunity to explore the link between expansion in cities and the growth and development of their areas of influence. We need to be more explicit in the design and sustainable redevelopment of our cities and regions, linking economic opportunity to efforts from both the public and private sectors. It will be even more important to implement mixed uses linking residential and employment centers to cultural amenities to achieve greater sustainability.

Tomorrow's cities and regions will enjoy the benefit of coordinated transportation, housing, and energy policies and improved natural resources management, thereby greatly expanding their sustainability footprint. The demand for housing within walking distance of transit-oriented developments will continue to rise, allowing us to continue to improve transportation technology and increase mobility options. The demand for housing near transit will increase from 15 percent in 2000 to more than 25 percent in 2020, requiring the development community to become more proficient and creative in weaving transit into the design and development of cities and communities.

The development community will be designing communities for different stakeholders with various living styles and preferences, making it even more critical to integrate clients and residents in the planning, design, and construction processes. About 26 percent of our population has some level of disability, which will figure prominently in the design and accessibility of communities in the future.

Expanding green space will increase carbon dioxide storage and reduce the effect of urban heat islands. It will also increase our ability to engage in physical activity and enhance our social capital, while enabling other travel modes and improved natural resources management. Tomorrow's cities will have more extensive public transit systems and greater modal

diversity. Using cleaner fuels, these systems will be more efficient and reliable. New infrastructure districts will be created, allowing [for] limited single-purpose annexation. This will achieve greater efficiency and reduce costs for travel and other urban services.

What are some practical solutions that would give cities the necessary funding for adding or improving infrastructure and serve as a catalyst for new urban development?

Different financial tools and strategies are needed to finance different infrastructure needs. In 2008, when the vast majority of transportation funding proposals on ballots passed, cities indicated their willingness to pay for infrastructure.

We need to be more explicit in the design and sustainable redevelopment of our cities and regions, linking economic opportunity to efforts from both the public and private sectors.

Municipalities are increasingly renting space within publicly owned buildings, rights-of-way, and other public assets to finance improvements and generate development. In concert with the private sector, cities can implement different financial initiatives, including concessions, build-operate-transfer (BOT), tax increment financing (TIF), and transit-oriented development (TOD).

Programs such as "Eco-Logical: an Ecosystem Approach to Developing Infrastructure Projects," created by the Federal Highway Administration (FHWA) and other agencies, encourage federal, state, tribal, and local partners to use flexibility in regulatory processes and establish a conceptual groundwork for urban development and infrastructure to

be linked and undertaken by multiple jurisdictions. Congestion pricing, bonding, and sales taxes all offer the ability to finance infrastructure when linked with innovative development policy.

However, the greatest opportunity may have yet to unfold through the creation of an even closer linkage among urban development, natural resource management, land use planning, and infrastructure investment. As the discussion on climate change and cap-and-trade moves forward, the inclusion of cities and local governments that reduce their emissions in that program would create a large and dependable revenue stream. These resources are of a magnitude larger than most financing options currently under consideration. These monies could then be plowed back into the financing of sustainable infrastructure and urban development in cities.

Where will there be the most opportunity for developers?

The development community will be charged with increasing carbon storage in many different ways, including in the use of construction materials and products for use in residential interiors. This will expand the use of natural materials and the benefits of their increased use in urban areas, and could involve linking urban-based businesses with small-scale rural-based businesses to satisfy consumer preferences for locally produced products and services.

Developers will be called upon to ensure affordable housing, and to integrate health and physical activity in their design and construction. This will involve creating linkages to civic spaces, adopting complete street principles and right-of-way standards to meet the needs of pedestrians, cyclists, and transit users. Greater connectivity and the ability to design Americans with Disabilities Act-compliant intersections and walkways will be of primary concern to urban dwellers. Closer working relationships with schools will be important to urban dwellers

in an attempt to promote childhood and community physical activity. The shrinking size of families, new living arrangements, an aging population, the use of more energy-efficient appliances, and changes in residential preferences will all contribute to opportunity and challenges for the development community.

What is the significance of Warren Buffett's recent purchase of Burlington Northern Santa Fe (BNSF)? How important are freight, high-speed rail, and transit corridors to future residential and commercial development, as well as to America's strength as a global economic player?

Buffett, Berkshire Hathaway's chairman and chief executive, whose acquisition of BNSF was the biggest ever for his storied investment fund, noted that the "country's future prosperity depends on its having an efficient and well-maintained rail system." There's no clearer indication of the increasing importance of high-speed rail, freight movement, and transit than the recent acquisition of the BNSF rail line by Berkshire Hathaway. Buffett is recognized to be among the world's most successful investors because he is a visionary: he understands before anyone else does where the economic opportunity is going to be and how those opportunities are linked to something so important that it has to succeed.

There is substantial indication that the preference for rail transportation will increase among urban dwellers as well as suburbanites given the distance between their place of residence and employment. So, whether we are examining the increasing need for passenger rail transportation, the need to move greater amounts of commodities by rail, or the chance occurrence that gasoline prices will rise again, it is logical to anticipate an increasing role for rail, including high speed and transit. These considerations, coupled with an increasing need to reduce carbon emissions and increase green infrastructure, make Buffett's recent acquisition a safe bet. **U**