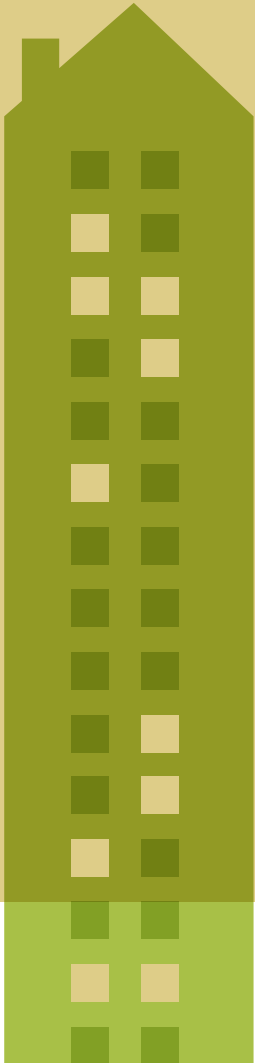


the EVOLUTION of the planned community

SEVEN PROVOCATIVE DISCUSSIONS

Distilled by [Jim Heid](#)

Over an eight-month period in 2011, a group of industry professionals gathered to discuss the future of planned communities. One Advisory Panel, one Think Tank, one national survey, and a host of individual interviews later, we're still at it, looking for more input and dialog. We started out with a feeling of anticipation...and trepidation. **Would we uncover the next big idea that revives the industry and shapes planned communities for the coming decade? Or would we find that the planned community is actually a thing of the past?** Clearly, the discussion was going to be an interesting one...



Urban Land
Institute

Contributors.

TASK FORCE

Gayle Berens, ULI
Erica Bose, Cox Castle & Nicholson
Lauren Hanson, ValleyCrest Landscape Companies
Jim Heid, UrbanGreen
Sandra Kulli, Kulli Marketing
Taylor Mammen, RCLCO
Seth Merewitz, Best Best & Krieger LLP
Bob Sharpe, Rancho Sahuarita
David Waite, JMBM

ADVISORY PANEL

Facilitator

Jim Heid, UrbanGreen

Capital Markets

Eric Brooks, iStar Financial
David Taussig, David Taussig & Associates
Kev Zoryan, Morgan Stanley Merchant Banking

Regulators

Richard Bruckner, Los Angeles County Department of Regional Planning

Consumer/Market Researchers

Peter Dennehy, John Burns Real Estate Consulting
Sandra Kulli, Kulli Marketing
Taylor Mammen, RCLCO
Sean White, Nokia Experience

Production Builders/Developers/ Master Developers

Greg Bielli, Newland Real Estate Group, LLC
Con Howe, CityView
Randy Johnson, Playa Capital Companies
Rudy Kadlub, Costa Pacific
Gerard McCallum, Wilson Meany Sullivan
Erik Pfahler, Shapell Industries
Jim Suhr, James Suhr & Associates, LLC
Bob Taunton, Mogul Advisory Group

Land-use Attorneys

Erica Bose, Cox Castle & Nicholson
Preston Brooks, Cox Castle & Nicholson
Seth Merewitz, Best Best & Krieger LLP
David Waite, JMBM

Alternative Energy/Infrastructure

Vincent J Battaglia, Renova Energy Corp.
Brian Cullen, PERC Water

Retail

Rob York, York Consulting Group

Urban Land Institute

Gayle Berens, ULI

THINK TANK

Facilitators

Gail Goldberg, ULI Los Angeles
Jim Heid, UrbanGreen

Capital Markets

Charmaine Atherton, Bank of America Merrill Lynch
Greg Fink, Moss Adams Capital, LLC
Eileen Gallagher, Stone & Youngberg
Kev Zoryan, Morgan Stanley Merchant Banking

Regulators

Richard Bruckner, Los Angeles County Department of Regional Planning

Consumer/Market Researchers

Carina Hathaway, Brookfield Homes Southland
Taylor Mammen, RCLCO
Malee Tobias, Newland Real Estate Group, LLC

Production Builders/Developers/Master Developers

Clare De Briere, The Ratkovich Company
Adrian Foley, Brookfield Homes Southland
Andres Friedman, Shea Properties
Ayahlushim Getachew, Thomas Properties Group
Stephen Harding, The Kosmont Companies
Stephen James, Kennecott Land / Rio Tinto
Jody Leidolf, Newland Real Estate Group, LLC
Randall Lewis, Lewis Operating Corp.
Heidi Majerik, Forest City, Stapleton, Inc.

Design

Claire Bonham-Carter, AECOM
Kurt Buxton, ValleyCrest Design Group
Roger McErlane, McErlane Associates
David Sargent, Sargent Town Planning
Matt Shawaker, ValleyCrest Design Group
Alan Ward, Sasaki Associates, Inc.

Land-use Attorneys

Seth Merewitz, Best Best & Krieger LLP

Infrastructure

Brian Cullen, PERC Water Corporation

Innovators

Jim Ehrlich, Hyundai Motor America
Kyle Glanville, Intelligentsia Coffee & Tea
Sandra Kulli, Kulli Marketing
Catherine Quinlan, University of Southern California
J. Walker Smith, The Futures Co.
Strada Advertising, LLC

Advisors

Gadi Kaufmann, RCLCO
Robert Lang, Brookings Mountain West UNLV, The Lincy Institute
Bob Sharpe, Rancho Sahuarita

Urban Land Institute

Gayle Berens, ULI

Good news.

Based on our discussions to date, we can report that the planned community model—that is, land development at a scale to create great neighborhoods in which to live, work, and play—is still alive. And while we did not find one radical idea that singularly defined the future, we did find a series of ideas and definitional shifts that present an increasingly diverse and hopeful future for the planned community concept.

But this isn't a "findings" publication. It's an attempt to capture the breadth of our discussions to date. And it's an invitation to join the conversation. For this reason we chose to highlight what we feel may be the leading edge of thinking about planned communities. Even if these ideas represent only a small percentage of the work underway today, they provide a provocative glimpse of where the industry could be in ten years.

At the same time, we can't create a brighter future without recognizing the lasting lessons of those who helped make the planned community genre what it is today. The creativity of this industry's pioneers—constantly evolving new techniques and design concepts while fashioning enduring places to live—is the foundation on which we build. So read on. Chew it over. **And join our conversation.**



SEVEN DISCUSSIONS (AND A TOOLKIT) FOR THE NEXT DECADE.

{ discussion #1 } The new, made better with the tried and true.

At the first gathering, the Advisory Panel participants agreed that the traditional definition of the planned community was changing. New projects were emerging closer to the core, on smaller sites, and with new kinds of sponsors—hallmarks of a new breed of planned community development. And yet the established tools for planned communities—comprehensive systems design, a quiver of creative finance tools, and constantly improving product segmentation—have much to offer the new kids on the block.

The skills that turned greenfield sites into great places and photogenic cover stories are valuable resources that should not be diminished in these times of disruption.

The lessons learned in the greenfield by our industry's pioneers should be brought to bear on smaller, more complex, and more dense projects in the urban core or inner ring. And, in fact, the best ideas of the last decade's planned communities are being applied in unlikely locations, including dead inner ring shopping malls, defunct railyards, and closed military bases. Conversely, many inspired and challenging ideas are being put forward by the next generation of urban community builders.

All of which is to say, our industry cannot afford to waste energy taking sides—greenfield vs. infill, new urbanism vs. traditional suburbanism, and so on. We need to openly discuss and share the best practices and lessons of all to ensure that the next decade of community building is financially successful, socially responsible, and the best it can be.

“...there will be a fundamental shift in how and where we live. This change will be evolutionary, not revolutionary, but will no less be persistent and will impact planned communities for the foreseeable future.”

Richard J. Bruckner, Director,
Los Angeles County Department of Regional Planning

{ discussion #2 }

Sustainable capital: a realistic approach. Members of the Advisory Panel saw sustainable capital as the biggest impediment to achieving our industry's potential. "All we need is a sustainable capital structure—a long-term partner who doesn't need a high return, is there through the good times and bad, and understands that this is a long-term business."

Our Think Tank panelists responded with a dose of cold realism. "Get over it," they said. "Ain't gonna happen."

The wish for one-stop sustainable capital is just that—a wish. What is perhaps more realistic is a patient capital strategy. Something you will carefully construct and continually refine, with multiple partners along the timed phases of development.

Kev Zoryan of Morgan Stanley noted that the front end of the community development process is analogous to venture-capital-level risk and hence requires a similar level of reward. Especially in high barrier-to-entry markets, the protracted agency processes require significantly higher returns given the uncertainty of approval. But as a project is approved and moves from entitlement to execution, both risk and reward are noticeably decreased. By the time products start construction, capital costs should be at their lowest. Planned community developers of the future must organize and time their capital needs appropriately to the stage of development and corresponding risk.

{ discussion #3 }

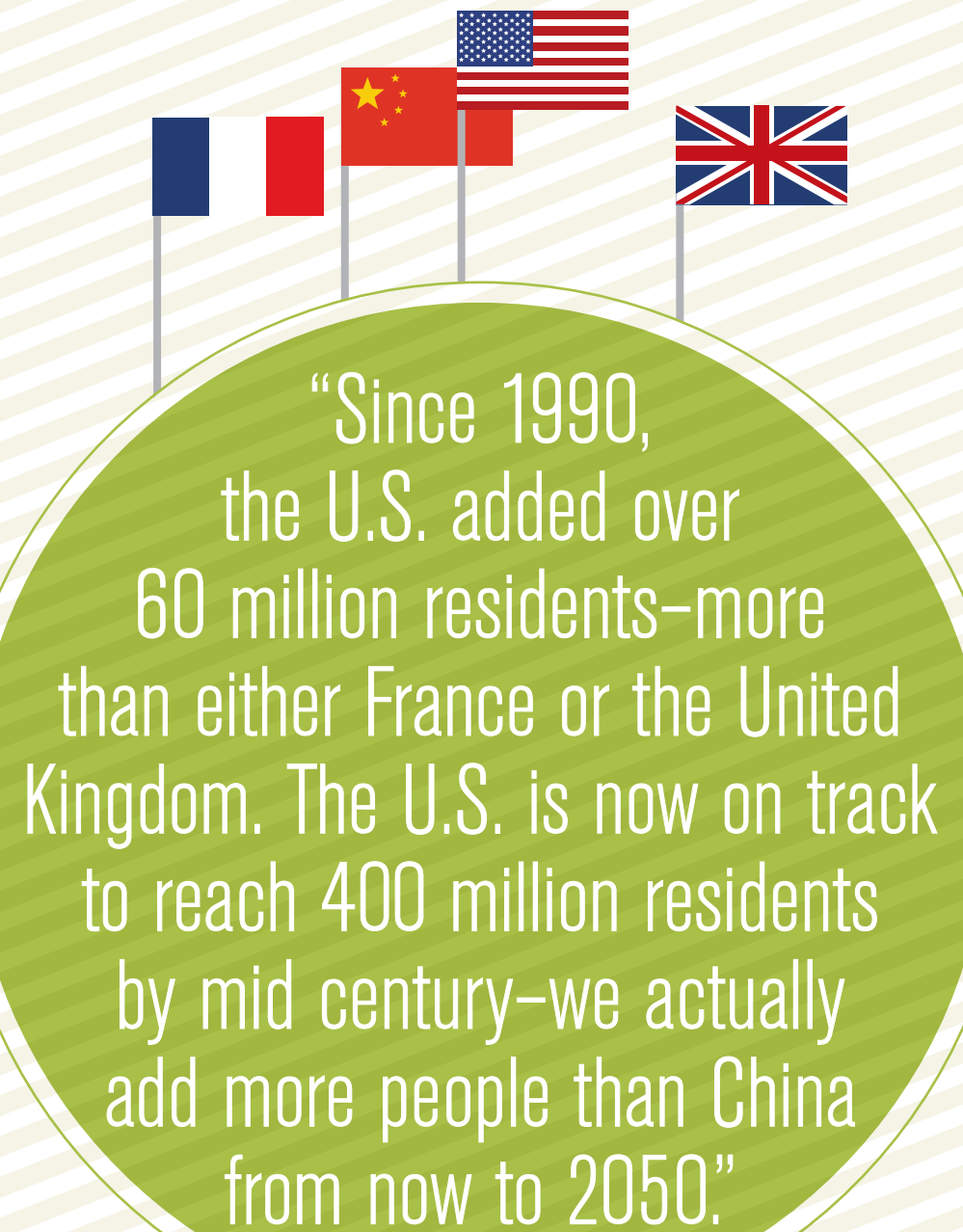
The changing face of partnerships. Historically, it was pretty clear. A private landowner sold land to a developer who designed and planned the community. The public sat on the sidelines, ultimately reviewing and approving the plan. As time wore on, the public role expanded to provide more input to ensure that public benefits were optimized. This linear, siloed approach is now a quaint artifact of our industry's early stages.

Today the development of a planned community requires complex partnerships that include the developer, the surrounding community, public agencies, nongovernmental organizations, capital markets, and even the initial landowner.

Recent examples include approaches where a public agency established the goals, tone, and direction of the development before the developer was even selected (e.g., Stapleton). Or where citizens concerned about long-term regional growth and natural resource protection came together to define the most appropriate place for a planned community to be built (and not built) and then created development rights transfers to ensure as-of-right values were not compromised (e.g., Chattahoochee Hill Country Alliance/Serenbe).

As a result, planned community developers of the future may be evolving from sole entrepreneur to enlightened facilitator—inviting conversation, coordinating aspirations, managing expectations, or initiating bold solutions. All the while trying to satisfy their capital partners' demands and achieve success in a way that is measured beyond IRR and sales velocity.

But as the role of the developer changes, the contributions of public agencies may grow and become more integrated into the entire process, from helping to shape the grand vision or supporting innovative infrastructure solutions through unique public-private partnerships or providing necessary relief in codes and standards.



“Since 1990, the U.S. added over 60 million residents—more than either France or the United Kingdom. The U.S. is now on track to reach 400 million residents by mid century—we actually add more people than China from now to 2050.”

Robert E. Lang, Professor and Director, Brookings Mountain West, University of Nevada, Las Vegas, The Lincy Institute

EVOLVING THE PLANNED COMMUNITY

A TOOLKIT FOR THE NEXT DECADE

The Advisory Panel and Think Tank identified a number of issues that face the development of planned communities, from the pragmatism of capital structure to the more ephemeral aspects of how one “crafts community.”

As our conversation unfolded, it became clear that the development of any planned community, regardless of location, requires a menu—or toolkit—of common elements and strategies. What varies is how these elements and strategies are deployed in response to the project’s location and context and the target market’s desires.

As a result of our work to date, what was once thought of as a single approach to creating planned communities is now an evolving portfolio of tools and solutions whose form, size, place-making response, and social programming will vary depending on a planned community’s geography, density, and surrounding regional culture.



NEW COMMUNITIES

RETROFIT COMMUNITIES

INFILL COMMUNITIES

EXURBAN/EMERGING

MATURING SUBURBS

INNER RING SUBURBS

URBAN CORE

STATUS OF MODEL

Established

Emerging

Evolving

Evolving

ENGAGEMENT STRATEGY

Create new context

Add what's missing to existing context

Enhance existing context

Leverage existing context

TOOLS FOR CREATING CONTENTMENT AND MEANING

- ★ Parks and open space
- ★ Education and recreation facilities
- ★ Community life programs

Addition of third places

- ★ Enhance or develop missing parks and schools
- ★ “Heal” broken urban fabric

- ★ Add needed open space
- ★ Leverage urban place dividend
- ★ “Heal” broken urban fabric

CHALLENGES FOR THE DECADE

- ★ Access to patient capital
- ★ Increasing timeline for environmental approvals
- ★ Increasing attention to transportation burden

- ★ Assembly of land/fragmented ownership
- ★ Lack of character (dilemma of “too old, too new”)
- ★ NIMBY opposition to densification

- ★ Assembly of land/fragmented ownership
- ★ NIMBY opposition to densification
- ★ Cost of exactions for social objectives

- ★ Land basis
- ★ Potential inadequacy of infrastructure to support increased density
- ★ Perceived lack of safety
- ★ Poor quality schools and public facilities

PUBLIC/PRIVATE REQUIREMENTS FOR SUCCESS

- ★ More flexible entitlements and requirements to meet rapid market shifts
- ★ New approaches to infrastructure funding

- ★ Public to lead visioning and approval processes prior to developer investment
- ★ Take political risk for densification

- ★ Public to lead visioning and approval processes prior to developer investment
- ★ Take political risk for densification

- ★ Lead public approval process prior to developer investment
- ★ Carry land costs during development

SUSTAINABILITY GATEWAYS

- ★ Conservation of large open space
- ★ Introduction of high-performance/low-carbon infrastructure options
- ★ Introduction of renewable energy in a decentralized fashion

Reduced vehicle miles traveled (VMT) through addition of daily goods and services

- ★ Harnessing of locational advantage and mobility alternatives to reduce VMT
- ★ Social enrichment contributions
- ★ Green building strategies more aligned with market interest

- ★ Brownfield redevelopment
- ★ Jobs housing balancing
- ★ Harnessing locational advantage to reduce VMT
- ★ Green building strategies more aligned with market interest

INVESTMENT OUTLOOK

0-5 YEARS
6-10 YEARS

LIMITED
GOOD

POOR
MODERATE

STRONG
STRONG

GOOD
GOOD

{ discussion #4 }

And what about sustainability?

Interestingly, after years of increasing fervor surrounding sustainability, the “S word” kept a relatively low profile in our dialog. When panelists were probed, it became clear that most felt sustainability was here to stay and not a new frontier. It was a given for planned communities, just like open space and homeowners associations.

However, there were discussions about various innovations, such as third-party developed distributed energy systems and water/wastewater infrastructure.



In a few urban locales, even more progressive applications are being conceived in the form of eco-districts and climate-benefit districts. Both hold the potential for lower initial infrastructure costs to the developer, while creating higher-performing/lower-carbon outcomes for the community at large.

{ discussion #5 }

Greenfield or infill?

Yes.

The 2004 ULI publication *Greenfield Development Without Sprawl*[†] noted that even with great change in public policy and market sentiment, urban infill and suburban redevelopment were probably not going to see the lion's share of the next decade's housing development. Recent data mined from the 2010 Census by Robert E. Lang, Professor and Director, Brookings Mountain West UNLV, The Lincy Institute, showed this to be partially true. The decade saw similar levels of absolute growth in the exurbs (9.7 million new residents) as in the inner ring suburbs (9.0 million new residents).

While the new-home market dozes for the next few years, we have an opportunity to align policy with market reality so that we're prepared when demand reawakens. In the coming decade, greenfield development may claim a smaller share of the pie than it has historically, but it will not go away. Conversely, infill—especially inner ring suburban regeneration—will increase its share of the pie, but it cannot provide the sole solution. So the issue is not an either-or proposition. It is “how do we do both best?”

And “best” means first and foremost shifting the dominant form of residential development—incremental, ad hoc sprawl—into a more sustainable, socially constructive form (i.e., the planned community).

What we need now is a balanced discussion that clarifies the value of, and the market demand for, different locations and types of housing.

A thoughtful discussion on how both greenfield and infill will continue to play a valuable role in housing the next generation of homeowners and renters. And, most importantly, how each mode of planned community can best evolve to meet the need for more sustainable, socially responsible forms of settlement.

[†] Heid, Jim, *Greenfield Development Without Sprawl: The Role of Planned Communities* (Washington, D.C.: ULI—the Urban Land Institute, 2004).

{ discussion #6 }

The search for meaning: think connections.

At our July Think Tank, we were graced by a private conversation and presentation by J. Walker Smith, the seminal industry futurist and interpreter of trends. Smith's research concluded that consumers are still consumers. The new frugality is a tactic to survive tough times, not a long-standing reality. The more substantial and lasting change—both because of the economic downturn and an aging and increasingly introspective population—is that consumer priorities are shifting from *materiality* to *meaning* as they pursue personal fulfillment.

The communities we built in the past decade were “hardware driven,” as one panelist called it, “an arms race of clubhouses, parks systems, and main streets.” We thought that by building better hardware, community would naturally spring forth. Whether subconsciously or explicitly stated, the notion was “we are builders, not social engineers.” And for the period from 1980-2007, that worked fine because buyers were first and foremost just looking for *stuff*. They could imagine how that stuff would support the lifestyle they were seeking.

Smith's primary challenge to our industry is that this relationship between stuff and lifestyle has reversed in consumers' minds.

People are now looking first and foremost for meaning. And how they find meaning as individuals informs what stuff they buy.

This suggests a fundamental change in how we approach the business of planning community. Our industry needs to think less about hardware and more about software—more about connections. It's not just about movies in the park and weekend barbecues. And it won't start with tracing paper and image boards, but a deeper conversation about how people want to connect with one another (or don't) and where they obtain their sense of fulfillment.

The answers will vary by region, target market, and even setting. Infill communities may very well use a different set of tools to build community than those on the exurban edge. The sophistication and nuanced application of these tools will be what makes the difference between a successful community and one that languishes—both as a real estate endeavor and as a community ecosystem.

{ discussion #7 }

Doing the right thing should be easy. Right?

No issue in our discussion seemed to evoke as much emotion as the Herculean task of getting projects approved. While the reasons cited for so much heartache and unproductive spending of capital varied, we all agreed that planned communities, due to their size and makeup, received a disproportionate share of organized opposition. Why is it easier to obtain approvals for ten 100-unit subdivisions than one 1,000-unit planned community?

For some, the challenge lay squarely in what they believed was a capacity issue within public agencies to grasp the financial complexities of projects of this magnitude or provide innovative thinking and entrepreneurial solutions. To move beyond administering processes and become enlightened partners would help result both in a better tax base and better communities.

Others believe the problem isn't that the public sector lacks the capacity, but that the approval process is fundamentally broken. Communities should not be determining what they want on the back of a single project. The “vision thing” and accompanying conversation should occur long before a single developer comes forward with a proposal. Community visioning is what public agencies should do best. In some cases NGOs are working to fill the void and help create a vision for the community and a development program for developers, who can then step in and do what they do best—after the community has agreed on what it wants.

The point was also made that even in the best instance—where an open and transparent partnering with the public leads to unanimous political support of a project—it can still be stopped by one individual's lawsuit. The time it takes to clear the courts could mean the difference between coming to market during the best of times or the worst of times.

The discussion wasn't completely gloomy. Successful cases were cited, where an enlightened, rational public and private sector had worked together to establish project goals, clear the citizen approvals, and then bring in the developer.

Having the public sector clear out much of the uncertainty before a land deal is transacted could greatly reduce risk and lower the cost of initial capital during entitlement. But this only works if developers or financial specialists are included in the process so the realities of project economics are clearly represented during the process.

Can we get our **mojo** back?

Beat up. Kicked around. Lackluster demand. Uncertain future. Changing rules and more complex approvals. Who would possibly want to undertake the development of a planned community at this point in our industry? But this is what we do best. We get to the most creative outcomes when the challenges loom large.

Regardless of today's dark clouds, we will still need housing...lots of it. But more than just housing, this next generation is also demanding community. The planned community business may be slowed down, diversifying its platform, and testing new approaches, but it is not dead. Far from it. In fact, it is more relevant than ever.

What we can't afford is to wait for the good times to return. They won't. A very different market environment and consumer require that we develop new skills. We must build upon the experience and success that created this industry, but move to adapt it to today's savvy buyers who are seeking meaning (a.k.a. community) in very different ways.

A RECAP: FIVE THINGS WE CAN DO NOW

1) Embrace what we did well and eject what we did not. We must get better at distinguishing between enduring strategies and tired formulas. And we must willingly explore entirely new modes of building community in order to ensure that our industry stays relevant.

2) Shift from hardware to software. Become anthropologists *and* real estate developers. That messy people stuff is critical to building real communities instead of just roads and houses.

3) Shed light on the harmful barriers that have been built into the approval process, but also be open to hearing the concerns of the public at large. Seek mutual solutions that allow everyone to move forward more effectively and efficiently, and allow capital to go into public-benefitting improvements, not drawn-out legal battles.

4) Acknowledge that we're all in this together. The objective is better places to live, work, and play. Whether working in the urban core, inner ring, or greenfield edge, we need to communicate the significant value of the planned community's comprehensive approach to planning, design, and development as the key antidote to soulless, unsustainable sprawl.

5) Keep the conversation going and make each other better. Share ideas. Build upon best practices. Send an email to Gwen.McCall@ULI.org to learn how to join the discussion. And take part in transforming the communities of the future.

OUR SPONSORS



ABOUT THE URBAN LAND INSTITUTE

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialog, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has nearly 30,000 members in over 90 countries, representing the entire spectrum of the land use and development disciplines. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

1025 Thomas Jefferson Street, NW
Suite 500 West
Washington, DC 20007
202.624.7000
ULI.org