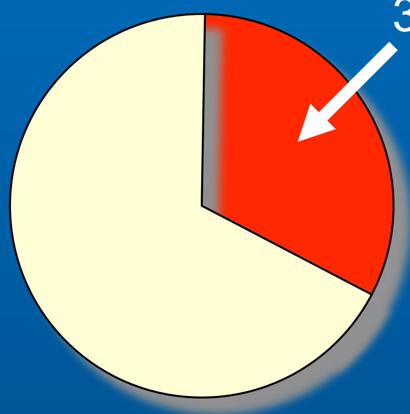
# The Brookings Institution

## Metropolitan Policy Program

# Financing Smart Growth

**Changing how we finance 35% of our economy**

# Size of Built Environment Vs US Assets




Economically Dead-in-the-Water
MUST be Activated for a Sustainable Economy



*Source: Roulac Global Places, LLC

# Financing Sprawl VS Smart Growth


Difference Between Night
And Day

# Contrast the Financing of
# Sprawl Versus Smart Growth

| Sprawl | Smart Growth |
|---|---|
| • Legal | • Illegal |
| • Project-focused | • Place-based |
| • Minimum of equity (cash) | • Patient equity (20-40%) |
| • Maximum of debt | • Much less debt |
| • Build & Flip | • Build & Hold |
| • Low Risk (on paper) | • High risk (on paper) |
| • Short-term orientation | • Long-term orientation |
| • DCF drives projections | • DCF does not work |
| • Lucky timing: hit occasional homerun…& strike out a lot | • Can ride out the cycles: hit consistent singles and doubles |

# Walkable Urban Places are Different & Complex to Manage

- Teaching a NASCAR Driver to be a Fighter Pilot
- Must Have a Strategy & Be Managed to Succeed, e.g., BID
- 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 & Workforce Housing Policy Required

# Six Requirements for Financing Smart Growth

- Commitment to long-term place strategy
- Make the right thing easy: make it legal
- Development of a conscious affordable/ workforce housing strategy
- Potential ‘catalytic development firm’ to assemble land/transit provision/parking
- Patient equity (land, cash, deferred fees, tax credit programs, credit enhancements, etc.)
- Place management