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Sustainable Growth Management: A Market-Based Approach

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Executive Summary

The “Smart Growth” movement has received significant attention recently as proponents use the label to justify a wide variety of market intervention to manage growth of urbanized areas. While not unacceptable per se and the motivations of the champions of the call are generally well-intended, we believe the “smart growth” movement has some inherent limitations, triggers unnecessary emotional reactions (i.e., the analog is stupid growth), and in a number of instances, has been inappropriately applied. Furthermore, we believe there is limited empirical research into the efficacy of various manifestations of the movement, with proponents content to rely on anecdotal evidence and normative values. Given the fact the movement is over a decade in the making, we believe it is time to step back and objectively assess what we know, what we don’t know, and what we need to know. The objective of this paper is to present such an analysis, with the goal of encouraging advocates on various sides of the issue to step back and approach the stewardship challenge we face in accommodating growth in a collaborative manner, building on shared values rather than relying on normative, potentially naïve beliefs.

Based on our secondary research in preparing this paper, we recognize that much needs to be done to ensure we are doing a better job of balancing competing interests when we establish programs and policies to guide the growth of our urban areas. We are particularly concerned that the application of some growth management principles has been inappropriate. In some cases, these extensions have been benign, with limited impacts on the built environment. In other cases, however, they have disrupted market forces, resulting in the creation of individual developments, market areas and communities that may not be sustainable and may not achieve the underlying goals and objectives upon which they were based. In this context, sustainability is referred to as a market-based concept in which attention is paid to current and future demand for the underlying space, and the ability of that space to satisfy the spatial requirements of the ultimate users of the space without compromising the greater public good. That is, it is relatively easy to regulate the market or provide incentives to encourage certain manner. However, it is more difficult to ensure that the resultant space will have sufficient “effective demand” (i.e., the will and ability to pay) to ensure occupancy and appropriate utilization for future generations of tenants. Based on our research, we present an alternative formulation that can be used to guide our efforts to better manage growth. We have tagged the new approach “Sustainable Growth Management: A Market-based Approach.” We realize that it will be a challenge to change the momentum that has built in existing growth management programs and convince those with a vested interest in the status quo to change their fundamental approach. However, we also believe the principles presented in Sustainable Growth Management can provide more holistic solutions based on improved collaboration among various parties as we struggle for better solutions.

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Introduction

Background

Over the past decade, much attention has been focused on the deterioration of our cities. This concern has been triggered by a number of issues ranging from the severe traffic congestion that plagues many of our cities to the urban sprawl that is blamed for cannibalizing our rural areas. While these issues can be attributed to a number of factors, much of the blame has been attributed to unbridled development. Regardless of the validity of such claims, they have been embraced by many as the primary agent; one that must be curtailed with the utmost speed to avoid even more devastation. This situation has created significant tension between pro-growth advocates and managed, or in some cases, no-growth proponents.¹ Unfortunately, the two camps have taken their positions to heart, eschewing arguments for a more balanced position as inherently biased and a threat to our very essence as a country. The end result is a loggerhead that has forced both sides into an emotionally charged corner, one in which there is no middle ground, creating a lose-lose proposition in which the interests of both current and future generations are both compromised. The retail industry is increasingly caught in the gap and being forced to confront the issue as it seeks to respond to market growth and shifting consumer demand. The purpose of this article is to step back and take an objective look at the issue, to try to understand the rationale behind the situation in hopes of finding some objective foundation that can be drawn upon to resolve the myriad issues that arise without triggered heated exchanges and confrontation. Alternatively, this article will explore the literature in search of empirical evidence that can be used to evaluate the efficacy and impacts of alternative approaches to growth management, providing an objective foundation that retailers and others can use in addressing growth management issues.

¹ Kelman, Harold, Bringing Smart Growth Back to its Roots, *Real Estate Forum*, 2002.

Up to this point, use of the “smart growth” moniker that has become synonymous with the managed or slow growth side of the argument has been avoided.² This decision has been based on a number of factors: First, use of the term “smart growth” to label one end of the growth management continuum is in itself inflammatory. That is, it forces the other side to adopt a “stupid growth” position; a no win situation that is like attacking motherhood, apple pie and other icons of American life. Second, the term “smart growth” connotes that it is a knowledge-based position, one that is built on a solid foundation of empirical research. Alternatively, it suggests that it is theoretically valid, that it draws on established axioms and postulates that make it logically consistent. Based on our survey of the literature, this assumption does not appear to hold; there are very limited references to any underlying theoretical foundation. Third, it is a nebulous term that can be pushed and pulled until it satisfies the beliefs or positions of the speaker who utters it, presenting it as a truism, something that is axiomatically true. Fourth, it has become marginalized by overuse, cited as a mantra for those who embrace to defend some growth management position or initiative. On the other hand, it is widely used by opponents of growth management of any form who set it up as the enemy, a construct that stands in the way of progress and the ability to serve the legitimate real estate needs of the country to accommodate the inevitable growth we face. Finally, the term suggests a dichotomy, a black vs. white state of nature that has no viable middle ground.

Despite concern over the negative fallout associated with the use of labels to help clarify various growth-oriented positions, they can play an important role in the inevitable debate that will rage over the issue. That is, due to the complex urban system that defines the context within which growth management decisions must be made, it is important to provide some organizational

² Katz, Bruce and Amy Liu, Moving Beyond Sprawl Toward a Broader Metropolitan Agenda, *The Brookings Review*, 2000.



structure that can be used to simplify the discussion. In addition, appropriate labels can help eliminate some of the ambiguity surrounding the debate by reducing it to a common denominator that can be understood by the market and the broader population. After carefully surveying the literature, reviewing the various positions that have been taken by different interest groups and exploring the limited empirical research that addresses the underlying issues, use of a new label for the construct seems appropriate. In particular, the phrase “Sustainable Growth Management: A Market-Based Approach” presents a more comprehensive, meaningful phrase that can be used to move forward with a more objective approach. Before dissecting this phrase and explaining why it represents an important concept, it is useful to step back and discuss the evolution of the debate and the various issues that have been explored. At the same time, attention can be placed on identifying areas of oversight—the areas that have not received sufficient attention or for which the empirical evidence is either non-existent or less than compelling. Based on this background, the knowledge base can be critiqued, including what is known, what is presumed or assumed to be known, and what needs to be explored through more research. This discussion will lead to the genesis of the new terms, as well as provide insight into the research agenda that needs to be carried out to help develop a constructive approach to the issue.

Evolution of Growth Management

Despite the recent increase in interest surrounding growth management and “smart growth,” its contemporary iteration, the topic is not new. Indeed, the seeds of growth management can be traced back to Common Law and the Constitution of the United States. While legitimizing private ownership of land and endowing landowners, our forefathers also recognized that private rights should be limited by an over-reaching concern for the public good. With respect to real

estate, this private/public balance has taken a number of forms, beginning with zoning codes. In their initial iteration, zoning codes were based on an assumption of a hierarchical pyramid of land uses, with certain favored uses (e.g., residential) placed at the top and then lower order uses arrayed downward, beginning with commercial and ending in industrial. In essence, zoning codes were developed to ensure that landowners were faced with a fair, equitable and consistent array of use options, while protecting certain uses from the negative externalities associated with less favored, conflicting land uses. This “homogeneity” and the consistency of uses was seen as a means of ensuring that the ultimate urban form would be in harmony, with the market having constructive notice of the type and intensity of entitlement that various properties enjoyed in the broader market. To guide the delineation of zones and to provide a broader framework or “map” that the market could use to anticipate how growth would be accommodated, planners were charged with creating “master plans.” In essence, these master plans were urban use overlays that indicated what fit where in the urban mosaic and, more importantly, how the pattern of the market would unfold over time.

In the 1940s and 50s, the United States experienced a major surge in ‘suburbanization,’³ characterized by the out-migration of households—led by the more affluent—and accelerated by the development of regional malls. Since this urban growth was unanticipated in zoning codes and master plans, fundamental land use controls were stressed to accommodate changing needs. In essence, to accommodate unanticipated development, the land use control system defaulted to an adversarial relationship, where individual landowners were forced to petition zoning

³ Rome, Adam, *The Bulldozer in the Countryside: Suburban Sprawl and the Rise of American Environmentalism*;

Teaford, Jon C. Book Review. *American Planning Association. Journal of the American Planning Association*. Chicago: Summer 2002. Vol. 68, No. 3; p. 329, 2 pp.



administrators to amend local codes and/or modify a master plan. Since such requests were met with varying levels of approvals, the venue for contested decisions quickly migrated to the courts. The courts turned their attention to constitutional issues associated with private ownership and equal treatment doctrines. To avoid such conflicts, some communities modified their master plans, building in explicit updates that would change the rules of the game to adjust to emerging market dynamics while avoiding the chaos that could be triggered by “equal treatment” doctrines.

During the 1960s, the management of growth received a significant boost from the Federal Government with the provision of funding for the development of master plans provided by the Department of Housing and Urban Development. The formalization of the planning process and attention placed on accommodating future needs without violating constitutional protections resulted in a number of initiatives, including the emergence of economic development bodies that focused on the regional economy. Beginning in the late 1960s and carrying into the mid-1970s, Washington began to pay more attention to the issue of growth management, manifested in the passage of a number of bills that addressed the environment, air and water quality, and management of our coastal zones. During this period, some 20 states passed environmental legislation that addressed local issues; while 37 states passed legislation to better regulate the planning process, especially at the regional levels.

In the 1980s, the Federal Government began to retrench on the environmental front, cutting back on regulations, especially those that impinged on private rights and/or the self-determination of cities. Under delegated authority, states began to assume a more active role in management of growth, placing emphasis on strategic plans and dispute resolution to provide a more stable and harmonious environment for managing growth. During the late 1980s and early 1990s, a third wave of

growth management emerged, with emphasis shifted to such esoteric topics as “smart growth” movement. At the same time, there was a rising tide of interest in states’ rights and regionalism, as well as rekindled interest in clean air and other critical environmental issues.⁴ It was during this period that the smart growth movement was born, as punctuated by the 1992 formalization of the American Planning Association’s “Growing Smart” movement; a decade-long experiment in managing growth at the state and local levels. By the end of the late 1990s and early 2000s, efforts shifted to implementation and expansion of growth management, with a greater emphasis on collaboration, grass-roots initiatives and support, and normative approaches.

Over the last five years, growth management in general, and smart growth in particular, has received significant attention among policy makers, regulators, planners and others with a vested interest or social consciousness. During this critical period, advocates of smart growth focused on collaborative efforts and normative values. The collaborative efforts involved the creation of diverse, broad-based consortia of like-minded growth management *aficionados*. These groups of “kindred spirits” began to search for evidence of the validity of their beliefs, which were manifested in the creation of “best practice” awards and normative models. While not unacceptable *per se*, the emphasis on how it “should be done” rather than on how the market will react—or lead—became a snowballing, self-fulfilling prophecy in which smart growth begat more smart growth. On the other hand, pro-growth advocates and others who were not involved in the debates were forced to assume a defensive posture, having to over-react in order to achieve some semblance of balance when the “jury was in” and the market finally spoke.

⁴ Carruthers, J. and G. Ulfarsson, Fragmentation and sprawl: Evidence from interregional analysis, *Growth and Change*, 2002, Vol. 33, No. 3.



Recent Trends in Smart Growth

A number of recent trends in the smart growth movement are noteworthy to a discussion of the “state of the art.” These trends can be grouped into two categories: strategic trends and tactical trends. On the strategic level, advocates rallying behind the call for smart growth have engaged in a number of “visioning” exercises that have focused on identifying a normative state of affairs. To complement these efforts, emphasis has been placed on “collaborative” approaches that engage a range of vested interest groups and supporters of the broader movement. To extend the collaborative efforts, attention has focused on regionalism, to broaden the geographic scope of smart growth initiatives and to close loopholes that stem from jurisdictional gaps. In addition to “regionalism,”⁵ proponents of smart growth have focused their attention on “livable” communities⁶ that also satisfy sustainability criteria. Finally, smart growth advocates have continued to focus attention on normative outcomes; rather than pursuing empirical evidence of the efficacy of various programs as called for by some critics of the movement.

On the tactical level, trends in the smart growth movement focus on a variety of implementation issues.⁷ One of the primary areas of attention has been promulgation of the APA Model Code, the decade-long effort to extend the smart growth movement across the country. In addition, efforts have been extended to refine implementation processes to close loopholes and expand the scope of smart growth movement

⁵ Stephen M Wheeler, The new regionalism: Key characteristics of an emerging movement. American Planning Association, *Journal of the American Planning Association*, Chicago: Summer 2002, Vol. 68, No. 3.

⁶ Cole, Rick, Nancy Bragado, Judy Corbett, and Sharon Sprowls, Building livable communities: New strategies for Promoting Urban Infill, *Urban Land*, 1996, Vol. 55, No. 9; 3 pp.

⁷ Adams, George, The Smart Growth Tool Kit: Community Profiles and Case Studies to Advance Smart Growth Practices / The Smart Growth Tool Kit Video / The Practice of Sustainable Development, *Journal of the American Planning Association*, 2002, Vol. 68, No. 2.

and accelerate its implementation. Proponents have also developed “best practice” cases to raise awareness of smart growth principles and provide prototypes that others can emulate. Finally, there has been a flurry of activity to mobilize “grass root” efforts, including initiatives to use “ballot box” efforts to promote smart growth principles by appealing directly to the general public. Despite the considerable interest in both strategic and tactical efforts to extend smart growth practices and the resources that have been expended, little attention has been focused on empirical research. While not unacceptable *per se*, continued reliance on a normative support for the smart growth movement raises some question as to the efficacy of specific policies, as well as to the adverse impacts they may unknowingly interject in the market.

Major Players on the Smart Growth Frontier

As might be expected with a decade-plus effort to promote smart growth, a number of interest groups and organizations have weighed in on the movement. In many cases, these participants are characterized as established, reputable, adequately funded and politically astute parties. For example, advocates of smart growth, include such organized bodies as the Congress for New Urbanism, American Planning Association, National Society for Preservation Trust, as well as less formalized environmental groups, neighborhood associations, citizens’ action groups, state agencies and interested academics. Included on the opposite side of the spectrum—or, more appropriately, those on the pro-growth side and those arguing for more balanced approaches—are most of the national real estate associations (e.g., National Association of Industrial and Office Parks, Building Owners and Managers Association, the National Association of Realtors), as well as a number of economic development agencies, housing advocates, urban economists and academics.



There are two distinctions between the two camps. On the one hand, smart growth advocates tend to be organized and politically connected, ranging from grass-roots supporters to elected officials. In many cases, they are also emotionally attached to their positions and are on the offensive, actively promoting new approaches to smart growth.⁸ On the other hand, pro-growth or balanced growth advocates are generally unorganized, with the exception of the national trade associations, and tend to be on the defensive, reacting to smart growth initiatives on a case-by-case basis. While also emotionally attached to their positions, the driving rationale behind their position is often derived from a concern over the violation of constitutionally based private property rights, or for some economic interest that is, or may be, compromised by smart growth initiatives. The retail industry is somewhere in the middle ground on the issue, having closely monitored the evolution and spread of the smart growth movement, but not actively entering the fray with a unified vote until it understands both sides of the equation and the impacts on the industry as a whole. As a result, individual retailers and developers have been left to struggle with the issue on a case-by-case basis, resulting in an uneven and inconsistent pattern of success. Without arguing the merits of either of the approaches, or taking sides with the various interest groups, it is clear that neither side has the benefit of unimpeachable evidence of the efficacy and/or consequences of smart growth in particular, or of growth management in general.

The absence of an empirical base of research underlying growth management is unacceptable for several reasons: First, growth management and the future of our cities is so important to a number of vested interests, so intertwined with American values and so emotionally charged that it must be approached from a dispassionate, objective perspective. Second, the reliance on normative support for various positions and initiatives vests political

⁸ Duany, Andres, Transect Planning, *Journal of the American Planning Association*, 2002, Vol. 68, No. 3.

processes and institutionalized practices with a level of entrenchment that is difficult to modify based on rhetoric or lobbying alone. Third, the general public is largely unaware of the battles underlying growth management, in terms of the fundamental issues, the alternative courses of actions and the consequences of various approaches. Fourth, the land use control system in this country is an inherently adversarial model, pitting landowners and developers against regulators and others charged with protecting the public interest. Fifth, in the absence of data upon which to base positions, there is no objective foundation that can be used to support various positions. Granted, some of the differences in the positions the major players assume can be understood by the inherent conflict between private rights and public interests. However, the absence of empirical research thwarts the appeal to shared values that might be used to ameliorate many of the differences and reach some middle ground. Sixth, there is no unified theoretical base upon which the various smart growth and pro-growth positions can be built. Finally, the smart growth movement has been around for over a decade, suggesting that there should be sufficient data to objectively assess the movement, both in general and in particular, with respect to specific policies and practices.

A Search for Shared Values

Overview. At a superficial level, it is easy to position the smart growth movement along a continuum anchored by the extremes of no-growth on one end of the spectrum and pro-growth on the other end. While there are undoubtedly, a number of vocal advocates that embrace these extremes, there is some evidence that the schism may be more perceptual than real. This situation was articulated by the late James A. Graaskamp, a professor of real estate and an early proponent for approaching land use from a stewardship positions. In an article written in the 1980s, Graaskamp argued:



“Man is the only animal that builds his terrarium about him as he goes and real estate is the business of building that terrarium. So we have a tremendous ethical content, tremendous social purpose. The student is looking for a field in which entrepreneurship and a way of life can be integrated into social purpose. We like to argue that the entrepreneurship of tomorrow is going to be the individual who can inventively implement social policy.”⁹

It is interesting to note that, at the time Graaskamp made this observation, the Real Estate Program at the University of Wisconsin (which he chaired) retained a strong link to the Planning Program—especially, to the Urban Land Economics specialization that was founded by Richard T. Ely, and carried on by Richard U. Ratcliff and Richard B. Andrews. Graaskamp argued that a preferred model for educating students in real estate would involve the commingling of students in planning and real estate departments, coupled with students in business, design, public policy and consumer advocacy, which would result in a situation where “...the lambs will have the abilities needed to deal with the lions, and the lions will have the consciousness of the professional in dealing with the lambs.”¹⁰

A Retail-Side Survey. In some circles, the dichotomy between smart growth proponents and real estate/business professionals has been painted as a chasm, one that exists axiomatically as a result of the inherent differences in values and vested interests. Since the accuracy of this portrayal is fundamental to a determination of whether it is possible to develop a middle ground, we conducted some empirical research into the belief system of a group of real estate professionals regarding a number of “smart growth principles.” This survey was targeted at members of the Research Steering Committee of the International Council of Shopping Centers

(ICSC) to solicit their opinions regarding elements of the growth management movement. The survey was conducted in August 2003, resulting in 32 usable questionnaires, for a response rate of some 60 percent of the targeted members. Although the sample size was fairly limited, the diversity in membership within the committee suggested that it tapped into a fairly wide array of real estate professionals including consultants, retailers, developers, investors and Wall Street analysts. It was assumed that the topic would be of special interest to those on the development side, who more likely had been forced to confront the issue and, to a lesser extent on the investor and Wall Street side, who tend to be somewhat removed from the trenches. To test this hypothesis, the Internet-based survey included a series of questions regarding their familiarity with the smart growth movement, including agreement with the underlying values, familiarity with the various approaches and beliefs regarding the efficacy of the techniques. The survey also included a number of open-ended questions to gather more insights into the issue.

⁹ Jarchow, Stephen P., editor, Graaskamp on Real Estate, *The Urban Land Institute*, 1991. P68

¹⁰ *ibid*, Jarchow, P 72.



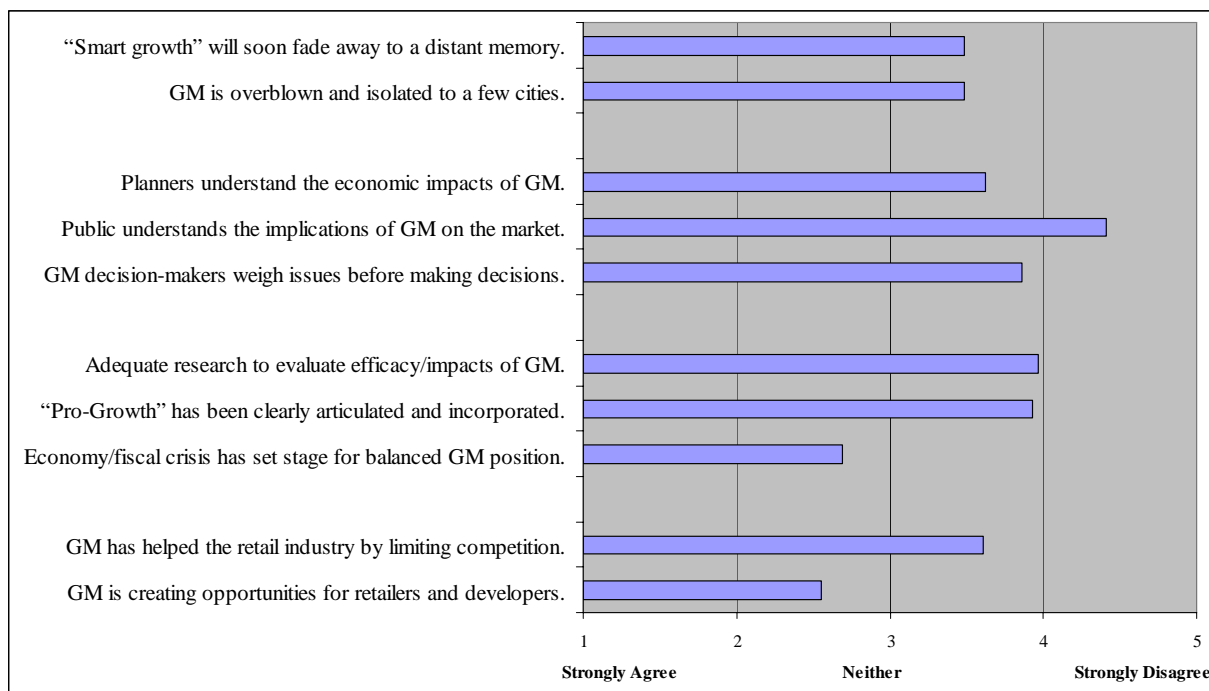


Exhibit I: Observations on the Growth Management Movement

In general, the survey revealed a fairly high level of awareness of the smart growth and the individual tools that are being employed under its umbrella. To help qualify the overall trend, one of the first questions posed to the respondents related to the durability of the smart growth movement and whether it had an enduring nature. Respondents contended that the issue was indeed real, disagreeing with the statement that it was a cyclical issue that would soon fade away to a distant memory. They also disagreed with the statement that the issue is overblown and isolated to a few cities. This response is consistent with the national scope of many of their businesses, as well as the growing tide of the smart growth movement that can be observed from the literature. With respect to support for the movement, the respondents felt that the general public did not fully understand the implications of growth management initiatives, and that planners generally did not understand the economic impacts of the movement. They also felt that decision-makers who were involved in smart growth did not adequately weigh all of the issues before making

decisions. However, they also felt that the “pro-growth” or balanced growth position had not been clearly articulated and incorporated into growth management programs, suggesting a lack of representation of a “business” mind-set in the movement rather than any explicit attempt to exclude such considerations. Finally, from their “research orientation,” they disagreed with the statement that there was an adequate base of research to fully analyze the efficacy and impacts of smart growth.

To determine whether the attitudes of the respondents were predisposed against growth management by their business orientation, the respondents were asked to rate the importance of some of the key smart growth principles. Interestingly, the respondents generally agreed with the importance of the individual elements, including some of the mainstays of smart growth: promotion of orderly growth and development; provision of sustainable/efficient energy and natural resource use; and promotion of consistency of state and municipal comprehensive plans. Not surprisingly, the respondents also favored the smart growth principles that dealt with the vitality of the urban economy, including: provision of a strong and diverse economy;

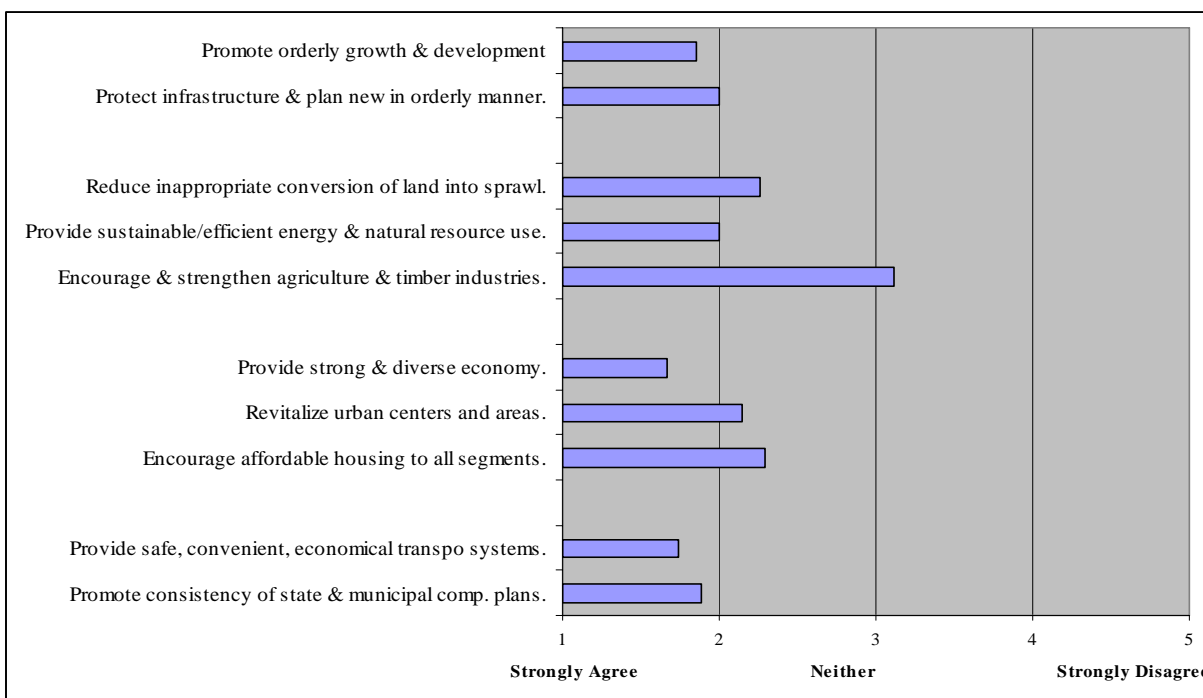


protection of infrastructure and planning for new growth; revitalization of urban centers and areas; encouragement of affordable housing to all segments; and, provision of safe, convenient, economical transportation systems. The weakest rating was on the encouragement and strengthening of agricultural and timber industries, although this element rated a “neutral” vs. negative and was largely offset by agreement regarding the importance of reducing inappropriate conversion of land into sprawl.

With respect to the various tools used to manage growth, the respondents were generally familiar with the major techniques. They agreed that most of the techniques were somewhat effective in achieving “balanced” growth management based on their modal responses. They also demonstrated some concern over a number of practices, especially urban growth boundaries and, to a lesser extent, impact fees and adequate public facilities standards. With respect to some of the newer trends, they had moderately positive to mixed perceptions, including place-making, sustainable development, densification and regionalism. ***Exhibit II: Rating of Smart Growth Principles***

Based on some comments provided in a feedback session, ratings on these latter attributes were softened by the ambiguity surrounding them and their generally nebulous nature.

Based on the results of this exploratory survey, the attitudes and beliefs of at least some segments of real estate and business interests are aligned with those of proponents of the smart growth movement. Indeed, the results suggest that it would be difficult to distinguish differences between the respondents and some of the more vocal smart growth *aficionados*. While this situation might be surprising to some, it can also be supported by several factors: First, the respondents were generally drawn from the retail industry one that tends to apply sophisticated analytical approaches to store location decisions and benefits from a stable environment and managed growth. Second, the health of retail is positively correlated with the health and vitality of communities, suggesting that retailers would be concerned with policies and practices that affect the markets in which they operate. Third, the retail industry is pervasive, touching many ancillary industries and a significant portion of



the overall economy and populace. Thus, it is reasonable to expect that they would share values with the greater public, a body in which they are significantly represented. Finally, retailers are more attuned to “competition” and to the need for cities and markets to remain attractive, to residents, tourists and employers who drive the local economy. Although the results of the survey cannot be generalized beyond the respondent group, their link to the broader market suggests that there may be more shared values with respect to growth management than the conflicts that are suggested by the debates that rage around the issue, both in public forums and in the courts.

Support for the Smart Growth Movement

The debates promoting the smart growth movement hinge on two types of arguments: positive arguments that cite the benefits of smart growth and negative arguments that cite the anti-sprawl position, which the smart growth movement is focused on eliminating. With respect to the positive case, a number of key benefits are cited, including several that deal with the spatial element of the city: revitalization of downtowns, relief of traffic congestion, improvement in social equity with higher density reducing housing costs, enhanced efficiency in the provision of public services and better stewardship of scarce natural resources. In terms of the quality-of-life dimension, it is contended that smart growth-related initiatives can advance place-making¹¹ and help build a sense of community, facilitate increased and improved interactions, enhance communications and create a greater sense of synergy. The negative case for smart growth revolves around sprawl-related symptoms of urban decline including quality-of-life issues (e.g., sucks life out of downtowns, leaves older cities with high concentrations of poverty, making them difficult to revitalize, reduces the opportunity for face-to-face interactions associated with scattered activities and destroys community character and

¹¹ Bohl, Charles C., Place Making, *Urban Land Institute*, Oct 21, 2002, 305 pp.

the countryside).¹² Sprawl is also blamed for wasting scarce natural resources and leading to declining air quality and greater congestion by pre-empting alternatives to automobile travel.

As might be expected, the issue of traffic congestion has become one of the rallying points behind the smart growth movement, attracting the attention and support of commuters faced with the outlook for ever-increasing gridlock and few prospects for resolution through traditional channels. Given the importance of this issue to the rationale behind more aggressive growth initiatives, the general area of traffic congestion has captured significant attention and fostered a number of empirical studies. While none of the studies are definitive, they do suggest that the problems surrounding traffic congestion and urban gridlock are well engrained and the result of a number of long-term trends rather than some recent, unexpected phenomenon. In particular, it is generally recognized that funding for roads and infrastructure improvements has lagged growth in demand, creating a pattern of “under-investment” in resources and leading to an inevitable deterioration in urban transportation systems. While investment in mass transit has offset some of the capacity issues triggered by population growth and business expansion, the reality is that such investments have a limited impact on the overall situation. This limitation stems from limited funding for infrastructure, as well as a continued preference for automobile transportation that is more flexible and dedicated to individual or small group travel. Even in situations where highway capacity has been expanded to keep up with population growth, the situation has not improved markedly, due in part to a phenomenon referred to as “induced travel”—the shifting of modal choice in response to reduced congestion and the promise of increased efficiency of automobile travel.¹³

¹² Ihlanfeldt, K.R., The importance of the central city to the regional and national economy: A review of the arguments and empirical evidence, *Cityscape: A Journal of Policy Development and Research*, 1995, Vol. 1, No. 2.

¹³ Cervero, Robert, Road expansion, urban growth, and induced travel: A path analysis, *Journal of the American Planning Association*, 2003, Vol. 69, No. 2.



This confounding effect punctuates the need for more market-based solutions, as well as the importance of understanding consumer choice in response to various market dynamics.

While the positive and negative arguments surrounding the smart growth movement are somewhat compelling on the surface, this position quickly erodes when one turns to the empirical research that supports the underlying premises. With few exceptions, advocates of smart growth rely on normative statements, rather than on hard, empirical research. This situation stems from the seminal research by Real Estate Research Corporation, completed in 1974, which supported the contention that sprawl-type development is more expensive than compact development—in both the provision and support of infrastructure and professional services. Interestingly, the authors of the original research provided a disclaimer that clearly limited the application of their research, a caveat that was largely ignored as the market acted on the results as though they were gospel. Similarly, a survey of the literature reveals strikingly little empirical support for claims regarding either the positive or negative assertions upon which the movement has been built. Indeed, some researchers have found different relationships, positing the existence of a U-shaped relationship between spending and density. According to this research, the end result is that, with the exception of sparsely populated areas, higher density typically increases public sector spending, a finding that runs counter to many arguments supporting managed growth.¹⁴

Growing Smart Project: American Planning Association (APA)

In the early 1990s, the APA launched its “Growing Smart Project,” a decade plus initiative to develop, promulgate and expand the application of smart growth principles. The project was formally launched in 1992, with an

¹⁴ Ladd, Helen F., Population Growth, Density, and the Costs of Providing Public Services, *Urban Studies*, 1992, Vol. 29, No. 2.

emphasis on laying a legal/political foundation¹⁵ upon which the broader initiative could be based. These efforts culminated in the passage of enabling legislation at the state level, ultimately affecting a majority of the states. The second phase was to create regional models for smart growth and develop a governance structure that could guide efforts and withstand the scrutiny of the courts with respect to private property rights. The third phase focused on implementation issues, concentrating on the creation and promulgation of model city codes that could be embraced by local jurisdictions and municipalities to extend the reach, and accelerate the penetration of smart growth initiatives. The fourth phase, which is currently being implemented, was the training and overseeing of compliance programs, including monitoring, infrastructure support and funding.¹⁶

As suggested in the discussion of trends emerging in the growth management movement, the APA’s smart growth project has benefited from broad-based support. Indeed, the project directorate includes: The American Planning Association; The Council of Governors Policy Advisors; The Council of State Community Development Agencies; The National Conference of State Legislatures; The National Association of Counties; The National Association of Regional Councils; The National Association of Towns and Townships; The National Governors Association; The National League of Cities; The U.S. Conference of Mayors; Member-at-Large for the Built Environment, the chair of NAHB’s Land Development Committee; Member-at-Large for Local Government Law; and a Member-at-Large for the Natural Environment. While the extensive listing of major parties active in the smart growth movement is interesting in terms

¹⁵ Freilich, Robert H., From Sprawl to Smart Growth: Successful Legal Planning, and Environmental Systems
Weitz, John J., Book review, American Planning Association, *Journal of the American Planning Association*, Chicago: Winter 2001, Vol. 67, No. 1, p. 112, 2 pp.

¹⁶ Godschalk, David R., Growing Smart Legislative Guidebook: Model Statutes for Planning and the Management of Change, *Journal of the American Planning Association*, 2003, Vol. 69, No. 1.



of representation and diversity, in reality the list is less than ideal in terms of inclusiveness. The most glaring oversight, which is conspicuous by its absence relates to the general lack of involvement from key business and real estate interests. While this could be cited as a fatal flaw in terms of representation and depict a desire to “stack the deck,” the reality is likely that the lack of inclusion of business and real estate interests was more of a failure of the latter groups to interject themselves in the process, than it was an overt action to exclude them.

This imbalance in the historical involvement in the debates surrounding smart growth is both troubling and problematic in terms of seeking a more balanced position on the many issues embedded in the debate. That is, the general lack of involvement of business interests likely created an intellectual void that was largely ignored as policy makers and others debated the issues. Given this void, the lack of sensitivity of some of the pro-business and/or economic arguments embedded in the current state of the art is somewhat understandable. Unfortunately, to the extent this factor is true, it does not provide sufficient grounds to break down some of the previous positions and soften up the proponents of the movement to a more inclusive approach. Rather, the fact that the assumptions have not been subjected to a balanced debate and rigorous scrutiny explains some of the emotion and defensive attached to the debate. On the one hand, proponents of smart growth have championed diversity and inclusiveness, and have formulated positions and action plans based on their knowledge of the issues. On the other hand, those with business interests who have not participated for various reasons are now on the defensive, arguing for a more balanced view that, to cynics on the other side, are something of an unexpected attack.

Smart Growth: Unintended Consequences

Despite the absence of a unified body of thought on the smart growth movement and limited empirical evidence, a number

of studies do suggest that there are some unintended consequences or collateral damages associated with various initiatives. The emergence of such market phenomena is particularly important to the development of more efficient solutions to the myriad growth-related challenges that must be resolved. That is, in predicting market responses to various interventions, it is important to develop sufficient empathy with the affected parties to determine how they will likely respond to various initiatives. These impacts can be grouped into a number of categories including market processes, especially housing markets, quality of life, economic competitiveness and political/legal processes.

With respect to market processes, a growing body of empirical research suggests that several smart growth initiatives disrupt the market and exacerbate already difficult situations. The housing market is one sector in which the adverse impact of restricted growth, either smart growth or managed growth, has a significant and largely negative impact on housing affordability.¹⁷ This finding is somewhat expected, since a number of smart growth initiatives either prolong the timing of housing delivery, or raise the cost of housing by creating a monopoly on land. Both of these market reactions place an upward pressure on prices.¹⁸ In addition to making housing generally less affordable, such consequences are somewhat regressive, impacting most on moderate-income buyers and minorities who are often squeezed out of the market in terms of housing affordability.¹⁹ On a similar note, housing choice is often compromised as a result of growth restrictions emanating from smart growth programs, once again falling the heaviest on economically challenged or otherwise

¹⁷ Downs, Anthony, and David R. Godschalk, Growth Management: Satan or Savior? Regulatory Barriers to Affordable Housing, *Journal of the American Planning Association*, 1992, Vol. 58, No. 4.

¹⁸ Levine, Ned, The effects of local growth controls on regional housing production and population redistribution in California, *Urban Studies*, 1999, Volume 36.

¹⁹ Staley, Samuel R. and Leonard C. Gilroy, Smart Growth and Housing Affordability: Evidence from Statewide Planning Laws, *AICP, Reason Public Policy Institute*, Policy Study 287, 59 pp.



disadvantaged buyers.²⁰ On the other hand, the call for densification represents a normative position that, while well intended, might merely result in forcing the market to pay more for less, with the spread being made up of a windfall for landowners who can cram more housing on less land. Finally, the emphasis on infill development can have adverse impacts on neighborhood life cycles, accelerating the pace and depth of gentrification, which drives out older, more stable residents vs. younger, more mobile residents.

One of the key drivers behind the smart growth movement and the support it has garnered is the assumption that it leads to an enhanced quality of life. Alternatively, it is seen as an essential step to ensure that there is no further erosion in the existing quality-of-life measures, especially in stressed urban centers. This general factor is so central to the smart growth movement that it would appear that it would be adequately addressed in the literature. While the issue is indeed addressed in most discussions regarding the movement, there is limited empirical research that supports the various contentions that are made. Part of this void stems from the somewhat normative nature of “quality of life”—although the interest this factor has received over the years would suggest that there are a number of measurable attributes in the broader literature. These attributes include such items as cost of living, housing opportunity, environmental quality, access to the arts and amenities, educational attainment, access to health care and a number of accessibility measures related to congestion and commuting times. Interestingly, the empirical research that has been conducted on this factor presents a mixed bag. Of particular note is the research into commuting and traffic congestion; some research suggests that the implementation phase of smart growth initiatives can actually exacerbate an already difficult situation, with little unimpeachable evidence that it ultimately leads to improvement. Similarly, with respect to

²⁰ Pendall, Rolf, Local land use regulation and the chain of exclusion, *Journal of the American Planning Association*, 2000, Vol. 66, No. 2.

cost of living in general and housing costs in particular, research suggests that some forms of growth management that fall under the smart growth umbrella are counterproductive, placing more pressure on economically stressed households. Furthermore, some research suggests that efforts to increase densities within cities, should be extended to suburban areas to accommodate the impending growth and enhance overall quality of life for residents.²¹

While a number of studies address some of the other factors, very little research exists into the effect of smart growth initiatives on the area of economic competitiveness of communities, regions and countries.²² In general, it is assumed that the resultant improvement in quality of life and other amenities will translate to a more attractive market, both for companies and households. Despite the intuitive appeal of this position, the reality may indeed be the opposite. This situation is especially plausible in the competitive economic environment in which most entities operate, which shift emphasis to lower-order needs including economic survival and such basic needs as food, clothing and education. While this situation is somewhat cyclical and amplified by the current recession, there is also a growing body of evidence that such competition will endure regardless of economic cycles.²³ In particular, in a global economy many companies have been forced to look at the “total cost of business” which includes business expenses, taxes, productivity, wages and real estate costs. While it is difficult to trace these costs directly to smart growth initiatives, anecdotal evidence suggests that high labor prices become institutionalized in high cost-of-living markets, placing them at a disadvantage relative to lower cost options. This phenomenon was at the heart of the declines in

²¹ Farris, Terrence, The Barriers to Using Infill Development to Achieve Smart Growth, *Housing Policy Debate*, 2001.

²² Farr, W. Ken and Richard A Lord and J. Larry Wolfenbarger, Economic Freedom, Political Freedom, and Economic Well-being: A Causality Analysis, *The Cato Journal*, 1998, Vol. 18, No. 2.

²³ Romer, Paul M., Why Indeed in America? Theory, History, and the Origins of Modern Economic Growth, *The American Economic Review*, 1996, Vol. 86, No. 2.



the rust-belt markets in the 1970s as the economy shifted from a manufacturing base to a service base, with jobs shifting overseas. In a historical context, this market reality has also periodically manifested itself in previous movements in which planners shifted attention from regulating to promoting growth.²⁴ To a certain extent, the recent trend toward exporting white collar, service jobs to markets overseas with low cost labor, may be *deja vu*, suggesting that domestic markets may be forced to address their competitiveness and assess how various policies and practices, including smart growth, affect their relative appeal to companies and households.²⁵

The final area of concern surrounding the smart growth movement is the impact that it has on established political and legal processes. Despite the efforts of the APA's Growing Smart Model to work through the system, there have been some breakdowns. This is illustrated in two particular situations: The first situation is the growing occurrence of grass-root efforts that have mobilized community, neighborhood and other interested parties to band together to resist individual projects including development and redevelopment opportunities. This type of activity is obviously politically charged and leads to further dissension and polarization between interests groups that are against certain developments and proponents who seek to satisfy some perceived market demand. In addition to thwarting the market process with respect to individual projects, such activities have a much broader impact on the ability to arrive at some middle ground, with consumers and the broader public caught in the middle.

²⁴ Anderson, Terry L. and Donald R. Leal, *Enviro-Capitalists: Doing Good While Doing Well*, Rowman & Littlefield, 1997.

²⁵ Chinitz, Benjamin, Growth Management from an Economist's Perspective, *Journal of the American Planning Association*, 1989, Vol. 55, No. 3.

The use of "ballot-box" zoning,²⁶ which is occurring across the country at an accelerating rate, poses another threat to political processes with respect to checks and balances. While one could argue that the use of ballot-box zoning—where individual projects are taken to the voters in the form of referenda or initiatives—is a natural manifestation of political processes and public will, the reality is quite different. That is, rather than relying on established lines of authority, communication and expertise, the movement circumvents the system and reduces the process to one of rhetoric and public debates. While such scrutiny is helpful at some level, the fact that the underlying positions are so emotionally charged and the absence of empirical support or sense of balance, can lead to public decisions based on hearsay or extremist claims that address short-term issues rather than long-term solutions.²⁷ In order to understand the success of ballot box voting, it is necessary to explore the sophisticated organizational models and extended support systems that are drawn on to support such market interventions. This sophistication is exemplified by the development of a number of prototypes, including the creation of "anti-sprawl" toolkits that have been developed to mobilize resistance efforts. These toolkits take several forms, covering such fundamental areas as early warning systems, process flowcharts to model stages of review and deadlines, and the creation and mobilization of public campaigns. In some cases, the infrastructure and processes on the "anti-sprawl" side of the equation are more formidable, and thus more effective, than isolated resistance launched by pro-development entities or groups that can easily be discounted as self-serving.

²⁶ Staley, Samuel R., Ballot-box zoning transaction costs, and urban growth, *American Planning Association, Journal of the American Planning Association*. Chicago: Winter 2001, Vol. 67, No. 1, p. 25, 13 pp.

²⁷ Staley, Samuel R., Ballot-box zoning transaction costs, and urban growth, *Journal of the American Planning Association*, 2001, Vol. 67, No. 1.



Empirical Evidence

To this point, the discussion has focused on normative approaches to growth management and smart growth, focusing on the expected outcomes and consequences of various market conditions, opportunities or interventions. While some authors have taken on this charge, there is a dearth of research on the topic.²⁸ Indeed, conspicuous in its absence—especially for the high-stakes situations affected by such actions is a solid body of empirically based research that can provide an objective basis upon which such actions can be based.²⁹ One might be tempted to ascribe this research void to a lack of caring and a willingness to rely on normative arguments. However, the reality is that the general lack of empirical support is more a reflection of the inherent market complexities that inhibit such analysis.³⁰ Several factors support this conclusion: First, real estate markets are extremely complex urban systems that are subject to a number of internal and external forces that affect growth and change. Second, the real estate market continues to be a largely private market, with an absence of readily available data on the pricing and market behavior, especially with regard to individual transactions that occur over time. Third, despite the advances in the use of Geographic Information Systems (GIS) and the emergence of more advanced tools for spatial analysis, the ability to model urban growth and change is somewhat limited, especially when one is trying to isolate cause-and-effect relationships. This situation is exacerbated by the fact that there is a limited body of theory that can be used to guide the application of such tools. Unfortunately, the

²⁸ Carruthers, John I., Evaluating the Effectiveness of Regulatory Growth Management Programs: An Analytic Framework, *Journal of Planning Education and Research*, 2002, Vol. 21, No. 4.

²⁹ Staley, Samuel, Jefferson Edgens and Gerard Mildner, A Line in the Land: Urban-growth Boundaries, Smart Growth, and Housing Affordability, Growth Management Effects on Real Estate, *Washington Research Council*, 1999.

³⁰ Schwartz, S. and P.Zorn, A critique of quasiexperimental and statistical controls for measuring program effects: Application to urban growth control, *Journal of Policy Analysis and Management*, 1988, Volume 7.

failure of the real estate discipline to develop its own theoretical foundation, and its focus on the money-time dimension of the market, has provided limited help. Furthermore, many established real estate academicians and researchers do not include urban growth and change in the scope of their interests, creating an intellectual void that has caused the situation to fester with little academic support. Fourth, despite the explosion in demographic and real estate data associated with the Internet and the emergence of the public markets over the past decade, adequate data access remains a fundamental issue. This is particularly true with respect to the longitudinal data necessary to empirically test the markets' reaction to various policies and procedures associated with long-term application of growth management programs. Finally, many of the claims for uncontrolled growth vs. managed growth are based on subjective beliefs, on normative positions regarding some idealized state of nature rather than on objective evidence that can be subjected to empirical analysis. To the extent that individual positions can be won based on such evidence, and that progress appears to be made, there is little reason to push the empirical envelope. The latter caveat underlies some of the recent attention that has been placed on case studies and "best practice" examples. While such approaches might seem innocuous and helpful in the sense they provide meaningful guidance that others can follow, unless backed up by empirical or theoretical support, they can easily make the situation worse. That is, to the extent they are not subjected to rigorous cost/benefit analysis, their unintended consequences cannot be known. Furthermore, since many of them are relatively new, but have been widely emulated, there is little evidence that they will withstand the test of time and that there will be a market that can make them sustainable developments.

The risks associated with the lack of an empirical orientation to smart growth—on either side of the issue—can be illustrated by reference to the proliferation of mixed-use developments. On an intuitive level,

mixed-use development for infill locations has a lot of appeal. However, from a “market” side, it quickly becomes clear that it is difficult to pull off successfully since the overall project has to act in harmony, within itself and with the broader market context in which it sits.³¹ While professionals can resolve these design and management issues, the enduring nature of demand remains a much more elusive case. Unfortunately, from a research perspective, the market is operating with a sense of blind faith, creating a cookie-cutter model that is rippling across communities with little evidence of whether they represent a prudent commitment of scarce resources. This situation is becoming apparent in the Seattle market area, where the introduction of entitlement bonuses for residential projects that include retail on the first floor has created a *de facto* market standard that has skewed development toward such packaged real estate solutions. Anecdotal evidence suggests that the market has been buying the entitlement bonus with the incentive, and then back-filling the retail after the project has been substantially completed. In a number of cases, the retail use that winds up on the first floor has little connection to the building or to the neighborhood, thus violating some of the premises upon which the model was based. Furthermore, the potential for a glut of excess, vacant retail space in scattered locations with little infrastructure support and limited parking can pre-empt retailers from entering an urban market, since market research will tend to show that the area is overbuilt and may not support new retail development. Whether this situation unfolds in Seattle and in other markets, the spread of the mixed-use phenomenon as a panacea for urban infill challenges creates a real risk that could be avoided if a more empirical approach was being taken. Similarly, if the evidence suggests that when mixed-use projects are likely to be successful, it will be easier to obtain financing and thus remove an impediment

³¹ Grant, Jill, Mixed use in theory and practice: Canadian experience with implementing a planning principle, *Journal of the American Planning Association*, 2002, Vol. 68, No. 1.

that might otherwise thwart efforts to provide viable solutions to urban needs.³²

Void in Performance Measurement

Given the limitations that inhibit the application of empirical research to many questions emanating from the smart growth movement, the reliance on subjective values and normative statements is somewhat understandable. However, the stakes are simply too high in terms of unintended consequences and collateral damages to defer to such excuses. Thus, before endorsing a particular assessment model, it is important to consider, and to identify, some of the issues surrounding performance measurement. While this caveat might appear to be obvious and rather straightforward, in reality it has a number of implications for researchers attempting to get an objective handle on the myriad issues surrounding the general line of inquiry: First, performance measurement must include both economic and non-economic factors. Second, assessment could pursue several lines of inquiry: (1) Normative research that would be focused on community or shared values; (2) Descriptive research that presents case studies and “best practices” regarding how such issues have been, or could be, measured; and (3) Empirical research that involves the testing of various assumptions that have been proposed to explain certain market transactions. Third, the sparse data issues must be resolved, either through greater commitment of resources by governmental bodies and planning agencies, or through the collection of primary research. Fourth, research design must be sensitive to the inherent complexity associated with the underlying subject matter; the growth and evolution of urban markets. This complexity stems from several sources, including urban market dynamics, and the existence and impacts of lagged effects, especially with regard to externalities that create shocks to the existing

³² Frankston, Janet, Atlanta Lenders Show Mixed Feeling on Mixed-Use Development, *Atlanta Journal Constitution*, 2002.



market balance. Finally, there are a number of institutional interventions that create shocks to the urban system, skewing market forces toward some state of nature.

In addition to the barriers to empirical research identified in the previous discussion, a number of other market phenomena inhibit the application of empirically based performance measurement models to the smart growth movement: First, funding is rather limited, both in terms of public agencies that would have to reallocate scarce resources to a potentially shop-worn topic, and private enterprises that would trust market signals. Second, assuming funding can be captured, in many cases it is subject to normative values and vested interests that could distort research design and results in invalid and unreliable conclusions. Third, a survey of key literature on the general topic of growth management reveals a relative dearth of interest in fundamental market analysis, suggesting that the market will have to explicitly allocate resources to support empirical research into the underlying issues. Fourth, given the domicile of mainstream real estate programs, there is little “academic” interest in such topics that are seen as more in the domain of planning and economic development rather than real estate.

Smart Growth: An Action Plan

As noted in the previous discussion, the smart growth movement has been largely predicated on a presumption of validity and less on solid, empirical research. While this situation might have been acceptable in the past, in the current environment it fails on a *prima facie* basis. That is, an approach that is as standardized as the smart growth movement must be based on a solid foundation of empirical research and affirmative action. As such, several actions are recommended which, in the aggregate, will adequately address the underlying issues and opportunities: First, proponents of a “balanced growth” model should band together to create some market

momentum that furthers the “state of the art” based on solid empirical support. Second, efforts should be extended to determine how various property sectors, including retail, fit into the urban system, both as it is currently configured and as it expands and changes to accommodate growth. Third, collaborative research agendas and projects should be identified, including a description of the “ideal” team partners who can help ensure success in general, and with regard to the underlying smart growth issues. Fourth, proponents of balanced growth management should be more proactive, taking ownership of the related issues to ensure that they are resolved in a timely manner. Fifth, professional trade associations affected by the debates surrounding smart growth should be lobbied, both to keep them engaged in the discussion to provide a backup funding system that can create more support for empirical research and to help sustain the dialogue that has begun to appear. Finally, researchers should seek out a theoretical foundation that can be used to approach the general issue, allowing the industry to avoid mistakes that could have been anticipated had issues been approached from a proper context. The area of urban land economics, which has largely fallen by the wayside, is a particularly fruitful area in terms of theoretical insights that could be drawn upon to approach the issue.³³

Sustainable Growth Management: A Market-Based Approach

Given the emotion, rhetoric, and institutionalized reaction the smart growth moniker evokes, it is probably time to coin a new phrase that builds on the progress which has been made, but that leaves the emotional baggage and opposition behind. To that end, it is proposed that the operative phrase going forward should be “Sustainable Growth Management: A Market-Based Approach.” The term “sustainable” is important to the label since it recognizes the temporal

³³ Andrews, Richard B., *The Urban System*, Center for Urban Land Economics Research, University of Wisconsin, 1977.



nature of real estate decisions. That is, real estate development represents a capital-intensive commitment of resources, one that is often irretrievable due to the durability of the underlying asset, and the fact that recycling real estate is often cost-prohibitive. For example, in addition to the price of land, the imputed cost of tearing down an inappropriate solution and replacing it, is the loss of the value of the income stream that would be abandoned. The net impact is to raise the “effective cost” of land for development to such a level that new investment is often financially impossible to support. As a consequence, the “temporal” nature of real estate solutions must be carefully factored into decisions. Thus, to be sustainable, real estate must satisfy a demand today, as well as future demand over the life cycle of the asset. To the extent that such enduring elements of real estate are ignored, one is left with near-term solutions that are not supportable, or sustainable, over the long term.

The “Market-Based Approach” is a critical element of the label since it reflects that, over the long term, one cannot dictate to the market. That is, market forces will ultimately prevail despite efforts to skew it to a certain direction that are not backed up by police power or other mandates that prevent the market from satisfying its demands. This competitive nature of real estate has been well established in the retail arena, suggesting that some of the pressure that such “market-oriented” players are under to respond to the forces of growth and change to help develop a more efficient solution for the retail needs of a community and consumers. While some might argue that market-based approaches to growth management are inherently flawed and doomed to failure, others contend that the market actually works.³⁴ Indeed, within planning circles a number of authors argue that planners and communities must embrace market-oriented principles and concepts, enabling them respond to the fact that

³⁴ Richardson, Harry W, Peter Gordon, and Tridib Banerjee, Market planning: Oxymoron or common sense? Market planning, market planners, and planned markets, *Journal of the American Planning Association*, 1993, Vol. 59, No. 3.

cities are constantly evolving and must respond to external forces and that the deference to the market is a critical variable in being able to meet consumer expectations and preferences.³⁵ Similarly, some resource economists continue to claim that market-oriented solutions can provide an effective means of managing resources, with an eye toward property rights and individual decision-making. With respect to markets, there is a growing recognition of the fact that cities must begin to think in terms of competitive advantage, to remain attractive and viable in an increasingly global environment.³⁶ In addition to addressing the spatial side of the equation, the efficacy of market-based growth management programs will depend on the ability of targeted projects to capture capital. This requirement is particularly important with respect to mixed-use projects and other creative real estate approaches with which lenders have little historical performance that can be used to model risks and develop pricing models.³⁷ Since capital flows are critical to sustain both the public and private markets, the reliance on market-based approaches over time is a critical element to the success of any attempt to manage growth.

³⁵ Staley, Samuel and Lynn Scarlett, Market Oriented Planning: Principles and Tools for the 21st Century, in *Compactness or Sprawl: America's Future vs. the Present*, Harry W. Richardson and Peter Gordon, UCLA, 1998.

³⁶ Lang, Robert, E., James W. Hughes, and Karen A. Danielsen, Target Marketing Can help Attract City Residents, *Housing Facts & Findings*, 2000, Vol. 2, No. 1.

³⁷ Gyourko, Joseph, E., and Witold Rybczynski, Financing New Urbanism Projects: Obstacles and Solutions, *Housing Policy Debate*, 1999, Vol. 11, No. 3.



Conclusion

This article has explored the area of growth management in general, and the smart growth movement in particular. It began with a review of the evolution of the movement, to provide a historical setting that could help explain how the current situation developed, as well as the path that will likely unfold in the absence of new interventions or directions. With respect to the smart growth movement, the key rationale behind it were reviewed, as well as the response that it has elicited from those on the other end of the debate. To determine if the apparent gap between smart growth advocates and “pro-growth” or “balanced growth” proponents are real, the results of a survey of researchers involved in the competitive retail industry were reviewed. The results of this survey help “debunk” the general perception that there is some inherent schism between the two sides, revealing the existence of shared values. This finding is not surprising, since both sides live in the same terrarium that is being created in our urban settings. Based on an identification of the claimed benefits embedded in the smart growth movement, attention shifted to reviewing the empirical support into the efficacy of the overall movement, as well as individual components.

Interestingly, the search for empirical research revealed a significant void; the relative lack of objective research as well as theoretical support for the various initiatives and positions embedded in the movement. While such a gap might be understandable in the early stages of a movement, the fact that smart growth has been actively promoted for more than a decade argues that this void must be closed. This caveat is especially true in the capital-intensive real estate market in which mistakes that are made due to market interventions, often represent irretrievable commitments of resources. Based on a review of the literature, some recommendations were made as to how the issue of growth management should be approached in the future. These recommendations included the use of a more appropriate label that can be used to build on the foundation that has been laid, while moving forward to a better, more collaborative situation. This label is “Sustainable Growth Management: A Market-Based Approach. While the label is likely to resonate with retailers and others on the “business side of the equation,” it is also intended to appeal to planners, regulators, policy makers and interest groups who realize that we must ultimately respond to the market. This is not to say that there is no need for market interventions, since some guidance is clearly needed to ensure resources are carefully stewarded with an eye to future generations and that urban areas are livable, dynamic and economically viable. Rather than relying on normative beliefs to the difficult tradeoffs that must be made, such decisions should be based on objective facts and insights into the “will of the people” upon which a democratic system depends. Ignoring such market processes, or trying to dictate to them without adequate empirical support, will ultimately fail. This would create unnecessary inefficiencies including the possibility of a spate of surplus real estate that, while developed for well-intended reasons, ultimately is not sustainable in terms of supply and demand forces.