

The Economics of Sustainable Development Practices

Payoffs to Local Action

***Sustainable Development
in the **Ohio River** Valley***

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Overview

- Why bother with **Sustainable Development**?
- **Market Returns** to citizens and communities
- **Non-Market Returns** to localities
- **Long-Term Environmental Payoffs** that are experienced at the local level

Why bother with Sustainable Development?

- Community Image Concerns
- Regional Collaborative Agreements
- Regulatory Requirements from other governmental units
- Risks or Retroactive Requirements
- Local Political Imperative

*... just maybe, it makes **economic sense***

Real Estate Demand Changes

"Baby boomers are trading in their big houses for condos closer to town. *These folks are demanding walkable neighborhoods. We need to pressure governments to give them choices.*"

-- Smart Growth America
Executive Director Don Chen

Right ... True ... Wrong

RIGHT – the evidence suggests that there is a growing demand for condos and infill as baby boomers age

TRUE – many of the baby boomers (and many others, want walkable neighborhoods)

WRONG – We *don't* need to pressure governments – its in their interest to get the returns from providing choice

Market Returns ... page 1/2

- New property values and on-site economic activity
- Off-site impacts from revitalization on property values
- Off-site impacts from revitalization on housing provision and/or job creation
- Neighborhood effects lowering subsidy needs – interactions involving multiple ‘brownfield’ sites

Market Returns ... page 2/2

- Public policing and site monitoring costs avoided or reduced
- Infrastructure efficiencies and costs avoided: roads, sewer, water services
- Emergency service delivery costs (or slower response rate costs) avoided
- Household travel costs avoided for work, play, and shopping trips – both monetary cost and time lost

Aside: Green Design

- Urban Land Institute says construction cost for green building no longer costs more
- Margin on business buildings is still 5%+
- Energy savings, other reduced operating costs for occupants – ***and communities***
- Infrastructure Costs for generating, transmitting power add to everyone's power bill – including governments' bills
- Babylon, NY, requires LEED certification for commercial buildings of over 5000 sq ft

Aside: Automobile Crash Deaths

- Congestion: Population grows faster than infrastructure in almost all US metro areas
- Emergency Response to accidents takes twice as long outside cities
 - Accident victim death rate is 67% higher in the most vs. the least sprawled metro areas
 - Increased residential density drives down accident death across Region 4 metro areas
 - Same finding for ambulance response times
- Crash deaths – and time in traffic jams – can be lowered by denser development

Aside: Large Lot Zoning Effects

- Lower population densities and a more “rural” feel to landscapes
- Long distances between homes, with
 - Excessive costs for public sewer, water lines
 - More expensive municipal service delivery
 - Long travel times for school busses
- Cul de Sacs and long driveways, with
 - Delays in emergency services provision
 - Higher fire, accident loss risks
- Limited potential for further development

Non-Market Returns ... page 1/2

- Neighborhood community stability effects and social interactions preserved or gained
- Recreational facility access and utilization benefits
- Aesthetic benefits experienced on undisturbed landscapes
- Health risks, damages, avoided by site mitigations

Non-Market Returns ... page 2/2

- Air quality improvements from reduced private auto travel miles
- Potential for mass transit generated by density
- Speculative farm conversion incomes and property value gains *lost* and new truck farm markets potentially *gained*
 - Demand for farm conversions falls
 - Demand for local produce may grow

Aside: Public Service Demands

- Genuine “Communities” provide for their members, reducing demand for publicly-provided assistance
 - Senior citizens get help from neighbors
 - Informal childcare systems reduce need for public daycare services
- Real communities have fewer problems that create a need for public intervention
 - High home ownership maintains housing quality
 - People out on the streets reduce crime
 - Walking contributes to better health status

Aside: Quality of Life – Choices

- Aging in Place should be available as an alternative to institutional care
- Not ***having to*** drive offers options
- Less travel time means more “free time”
- Quality Infill raises residential choices
- Recreational facilities offer new options
- Specialized retailers can provide goods and services to neighbors, not metros
- Rural lifestyle choices better preserved
- *Farmers may lose some options*

Long-Term Environmental Payoffs

- Avoiding more vehicle-miles traveled
 - Current development patterns will raise total miles driven by 59% by 2030
 - That will wipe out gains from vehicle efficiency and low-carbon fuels
 - That will significantly worsen air quality
- Global Warming is a **Real Threat**
 - We don't know what that will do to:
 - Local climates and livability for human beings
 - Crop yields, food supplies and incomes
 - Species changes, disease threats, etc.

The Precautionary Principle

“When an activity raises threats of harm to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically. In this context the proponent of an activity, rather than the public, should bear the burden of proof.”

-- Wingspread meeting, Wisconsin, 1998

**That's a Really Nice
Theoretical Principle**

Who Needs a New Theory?

**We need Practical Ideas to
Guide Local Decision-
Making**

But in other words

“an ounce of prevention is worth a pound of cure”

“better safe than sorry”

“look before you leap”

-- These aphorisms are applied to private and family matters – why not to public and community affairs?

Return to the Economics ...

In economics, the precautionary principle has been analyzed in terms of the effect on rational decision-making of the interaction of *irreversibility* and *uncertainty*

Status quo Development

Guiding Principles might be

“Nothing ventured, nothing gained”

“Let the devil take the hindmost”

-- But some municipalities don't like these aphorisms as guides

1. Under the ***US Conference of Mayors Climate Protection Agreement***, participating cities commit to take following three actions:
 - Strive to meet or beat the Kyoto Protocol targets in their own communities, through actions ranging from anti-sprawl land-use policies to urban forest restoration projects to public information campaigns;
 - Urge their state governments, and the federal government, to enact policies and programs to meet or beat the greenhouse gas emission reduction target suggested for the United States in the Kyoto Protocol -- 7% reduction from 1990 levels by 2012; and
 - Urge the U.S. Congress to pass the bipartisan greenhouse gas reduction legislation, which would establish a national emission trading system
2. ***ICLEI—Local Governments for Sustainability*** is an international association of local governments and national and regional local government organizations that have made a commitment to sustainable development.

Cities on the record for Smart Growth

Indiana

US Conference of Mayors:

Mark Kruzan, Bloomington
James Brainard, Carmel
Fred Armstrong, Columbus
Jonathan Weinzapfel, Evansville
Graham Richard, Fort Wayne
Scott King, Gary
Bart Peterson, Indianapolis
Chuck Oberlie, Michigan City
James Garner, Sr., New Albany
Sally Hutton, Richmond

ICLEI

Fort Wayne
Indianapolis

Kentucky

US Conference of Mayors:

Elaine Walker, Bowling Green
William May, Jr., Frankfort
Teresa Isaac, Lexington
Jerry Abramson, Louisville
Michael Sadouskas, Villa Hills

ICLEI

Louisville-Jefferson County Metro
Government

Why did they sign up?

There must be some payoff ...

- Community Image Concerns
- Regional Collaborative Agreements
- Regulatory Requirements from other governmental units
- Risks or Retroactive Requirements
- Local Political Imperative

... it makes economic sense

But why haven't others joined?

Possible reasons include:

- They don't think there's a need for action now on the problem
- They haven't been asked
- They want to do harm
- They don't care
- They assume they can't do anything to change trends

But they CAN act ...

... there are many US local examples of ways of promoting local economic development and denser settlement ...

And there are organizations and institutions that can help them to act – to develop the needed political will and to guide and support their innovative efforts

For Additional Information

Practice Guides

<<http://cepm.louisville.edu>>

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