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Written Testimony Submitted for the Record by Robert Davis, Founder of Seaside, FL and Partner of Arcadia Land; and Steering Committee Member of LOCUS – Responsible Real Estate Developers

Transportation and Infrastructure Committee Field Hearing in Maitland, FL

March 14, 2011

Chairman Mica, and Ranking Member Rahall, on behalf of LOCUS – Responsible Real Estate Developers and Investors, I am pleased to submit written testimony about the transportation re-authorization bill. Our coalition is a broad group of real estate developers and investors who advocate for sustainable, walkable development in our towns and communities. We believe that smart investments in transportation are critical to development and the health of the national economy.

As a Floridian real estate developer, I have seen first hand the direct impact that walkable neighborhoods like Seaside, Seagrove, Grayton Beach, Rosemary Beach, Watercolor and Alys Beach have on the level of economic development and land value in our community, but I have seen numerous instances where taxpayers' money was squandered on roads which rapidly became choked with traffic due to poor planning..

In places like Arlington, Virginia, however, I've seen high-value, walkable neighborhoods developed around metro stops. New investments in metro systems, streetcars, bus rapid transit and even highway interchanges should, in the future, be made in conjunction with new, higher-value, walkable neighborhood development.

Members of LOCUS strongly urge members of the Transportation and Infrastructure Committee to include the following policy recommendations that would positively affect the real estate development community and spark economic

growth from a sector of the economy that represents over 35% of the country's assets, the largest assets class in the economy.

1. Live within our means: Better planning equals greater economic development.

As developers, we understand that “transportation drives development”; the transportation system a society chooses to build dictates the kind of real estate development it builds. Since the 1950s, the country's transportation policy has in fact mandated one kind of transportation system and therefore one kind of development, drivable suburban development, which is what the market wanted in the mid to late-20th century. However, all across America, the market has shifted, resulting in an overproduction of drivable suburban development, which has been a significant catalyst of the recent financial meltdown.

Around the country, real estate developers and investors are seeing a pent-up demand and market shift toward walkable neighborhoods and sustainable developments. However, poor transportation and land use planning and policies on the Federal, state, and local levels interfere with the real estate development community's ability to create a stronger economic recovery and a cleaner, more sustainable future.

In an environment where Congress is contemplating a 6-year bill that is the only slightly bigger than what many in the transportation community believe is an annual need, LOCUS believes it is critical that the next transportation reauthorization require better strategic planning and increased accountability, and reduce the Federal subsidies for poor land use and transportation investment decisions.

Today, states and regions develop 20-year long range transportation plans to guide transportation investments and meet future development needs. Point-in-time predictions are made about how and where development will occur. However, development patterns change over time due to market demands, while transportation plans remain largely unchanged.

When a business develops a plan to expand they do not just look at where to add more stores – they do strategic planning that considers other factors like the actions of competitors, future supply chain demands, and potential economic and market trends.

The new transportation bill should empower regional and community stakeholders to plan and build the multi-modal transportation systems that are appropriate for their state or metropolitan economy through a “strategic planning” process that looks at several scenarios for future travel demand and transportation investments, and then selects a scenario based on what best meets the needs of the community after considering factors like congestion, cost of infrastructure and pollution.

By implementing strategic plans, our communities can have less traffic and lower taxes. They can find innovative ways to do more with less, while reducing the pressure for the Federal government to raise additional revenues. Diverse communities across the country – Nashville, Tennessee, Salt Lake City, Utah and Charlottesville, Virginia – have found ways to realize significant cost savings through this type of planning. Strategic planning equips our communities with the information they need to make smarter decisions about transportation spending and future economic development.

2. Engage the private sector and provide Federal credit enhancement for transportation improvements

During the 19th and early 20th centuries, American highways and transit systems were partially or entirely funded by the private sector, especially real estate developers.

Developers financed these transportation improvements out of the land development profits generated from these very transportation improvements. Today, we call this approach “value capture”.

Value capture, either private sector or public sector (tax-increment financing), should be encouraged in the transportation bill to help bridge the substantial funding gap between federal and state resources and the cost of required transportation improvements.

Relying upon future private land development profits or increased public tax revenues made possible by the transportation improvements will put discipline into underwriting transportation investments while raising the desperately needed funds for construction.

It will also put the real estate development industry into the decision-making process since they will be committing financial resources. What is needed is partial federal credit enhancement for the construction bonds, since most local government or transportation agencies have limited access to the bond market for such large projects, especially today.

We urge the Transportation and Infrastructure Committee to consider these recommendations to the current draft bill. The real estate development and investor members of LOCUS believe that these recommendations can save Americans money and engage the private sector to create long-term and sustainable economic growth while building a 21st century transportation system. We look forward to working with you and your Committee to implement these recommendations into the transportation re-authorization bill.

A handwritten signature in black ink, appearing to read 'R. Davis', with a large, sweeping flourish at the end.

Robert Davis
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