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SMART GROWTH: A CATALYST FOR PUBLIC-INTEREST INVESTMENT

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Looking back, my leadership as mayor of Seattle was shaped by three core principles: social equity, economic opportunity and environmental stewardship. These principles, the result of an extraordinary community collaboration, guide the development of the Seattle into the twenty-first century. I believe the greatest challenge facing urban society is maintaining our commitment to these ideals as we seek to manage the significant growth in urban America, while limiting the effects of the flight to suburbia, commonly termed "sprawl."

From 1990 to 1997, I had the honor of serving as Mayor of Seattle, one of America's greatest cities. Seattle earns international acclaim on so many fronts: quality of life, economic vitality, recreation opportunities and cultural life, to name but a few. It has topped multiple lists in recent years of "America's Most Livable Cities" and "Best Cities for Business."

The overall quality of life in Seattle has resulted in steady population growth. Predictably, accompanying this population increase has been traffic congestion, skyrocketing housing prices and a scarcity of open space. And like many other urban centers, extensive development on the city's outer fringes, coupled with slower investment in the urban core, threatens to jeopardize Seattle's future. A solution to this problem is emerging in the "smart growth" movement and the strategies it sets forth for sustaining the livability of large urban centers into the twenty-first century.

I. Smart Growth

The overarching mission of this program, "smart growth" is to create viable urban neighborhoods that address a multitude of community needs in a convenient, cost-effective and environmentally conscious way. Urban government can attain this goal

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through increased citizen participation in development decisions, and a constructive dialogue about overall regional development and its impact on individual neighborhoods. The results of implementing these changes are compact, mixed-use urban development, pedestrian and public-transit friendly neighborhoods, mixed-income communities and open spaces.

Smart growth seeks to attract new investment, residents and jobs to our urban neighborhoods by making these areas attractive to work and live in, thus combating the decentralization of economic and residential life away from city centers. Because smart growth demands that society sacrifice many of the benefits afforded by sprawl, such as low-density residential neighborhoods, dependence on the automobile and the ability for middle- and upper-income households to separate themselves from the problems of poverty commonly found in city centers, it can foster social equity. Indeed, by lessening the physical distance between rich and poor, smart growth makes everyone partners in the prosperity of their urban community. Consequently, the economic disparity between rich and poor will lessen as well.

A. International District Village Square

Over the past two decades, Seattle's International District, which is home to a large Asian population, was bruised by a number of civic projects including the construction of sports stadiums and highways. The neighborhood's perimeter had been particularly hard hit. One notable eyesore was an empty lot where the county's public transit authority once kept buses. Following extensive community dialogue, negotiations with city and county officials and the resulting development of a complex financing package, this vacant lot was transformed into International Village Square, a 112,000 square-foot, mixed-use facility.

The building combines seventy-five apartments for low-income elderly, retail business and community organizations providing multilingual and culturally appropriate services including healthcare and childcare. The site is easily accessible by public transportation. In addition, the site employs more than two hundred health and human service professionals who speak forty-three different languages and dialects. International Village Square is the largest multi-ethnic project in the Pacific Northwest.

The importance of International Village Square is the example it serves of community cooperation and smart growth. Sue Taoka, executive director of the Seattle Chinatown International District

Preservation and Development Authority captured the significance of the project:

> We want to reclaim this neighborhood's history of support for individuals and families who immigrate to this country, by providing culturally familiar sights and sounds, goods and services. Most of all, we want to ensure that the basic necessities — education, health care, jobs and homes — that enable us all to live in dignity, remain available regardless of a person's income . . . .

B. Holly Park

Holly Park was a public housing community built in the 1940s to provide housing for defense industry workers during World War II. The community spanned 110 acres and consisted of nine hundred housing units laid out in a disjointed street grid that separated it from the surrounding neighborhood. By the early 1990s, it had become the city's most distressed public housing community, harboring severe poverty and crime and offering little hope of better lives for the families who lived there.

In 1993, the Department of Housing and Urban Development awarded a planning grant that energized the city government, housing authority, neighbors and residents to transform Holly Park into a vibrant, mixed-income community. Emerging from their collaboration was a plan to create NewHolly, an area of 1200 homes, various community facilities, learning centers, a library and a new college campus. In addition, there will be a Head Start program, childcare, job training programs, small business loan funds and employment opportunities that will allow residents to earn living wages.

Many of the principles of smart growth are represented in NewHolly: mixed-income and mixed-use development, an increased population density and accessibility to public transportation. The homeownership units are next to, and indistinguishable from, the public rental housing. The apartments will be priced for very low-income residents, as well as those with moderate incomes. With the additional three hundred units of housing, as well as the many other facilities sited on the property, this redevelopment increased the density of land use. NewHolly also is located adjacent to a proposed new regional transit center, which is convenient for residents and a magnet for new development in the surrounding neighborhood.

II. Public-Interest Investment

Both of these projects demonstrate how the most successful neighborhoods are those in which everyone accepts responsibility and in which everyone is willing to invest money and time. The innovation and community cooperation behind International District Village Square and NewHolly were very inspiring, but what was equally noteworthy was how these two housing developments were financed through public/private partnerships. Government funding was absolutely essential in both projects, but so too was the private investment provided through grants, low-income housing tax credits and loans.

For example, the enormity and complexity of NewHolly required a blend of public and private financing. The anchor funding for the redevelopment was a $48 million grant from the Department of Housing and Urban Development. The Seattle Housing Authority is currently leveraging this grant with funding from state and local government and extensive private investment from financial institutions, including loans, grants and tax credit equity. When the redevelopment effort is complete, the Seattle Housing Authority will have leveraged the federal grant with more than $160 million.

The International Village Square, too, serves as an example of the power of using various funding sources. The Seattle Chinatown International District Preservation and Development Authority developed the $19.5 million building. City, county and federal government contributed the bulk of the $7.1 million in public dollars supporting the project. Tax-exempt bonds backed by the city will provide another $9 million and the remaining $3.5 million was raised through private donations.

Two decades ago, developments like these would have been financed solely through government funds. Now, local governments and local citizens and businesses alike can share in these endeavors. The most exciting dynamic emerging from public/private partnerships today is the role of local financial institutions in community change and development. Communities are engaging local banks in the planning process and presenting them with sound investment opportunities that benefit their business interests. Financial institutions, long the cornerstones of their communities, are embracing the opportunity to help their cities and towns thoughtfully manage their development.

By recognizing the positive impact the project would have on the neighborhood, a number of financial institutions supported International Village Square with donations to the capital gifts campaign. Local banks invested heavily in NewHolly, providing construction financing and permanent mortgages for families who would become the first homeowners in the neighborhood's history. Tax credit equity and grants from Fannie Mae and the Federal Home Loan Bank of Seattle leveraged the sizable investments from the local financial institutions.

Financial institutions also enrich these partnerships in other ways. They provide fiscal reason and analysis to ensure that smart growth developments make economic sense as well as fulfill a community's goals. The fundamental mission of smart growth is to build sustainable communities, a goal plainly compatible with a business whose profitability — and survival — hinge on making long-term financial investments.[1]

Conclusion

The role of local financial institutions will evolve as we enter the twenty-first century. Communities will rely more than ever before on private sector investment, and local banks will be looked to provide financial support for community-inspired smart growth development. The wave of consolidation among financial institutions in recent years only heightens the importance of local lenders in planning for overall community development and participating in public/private financing partnerships.

Building communities and successful cities requires that citizens understand what they value most, define their own collective future and actively participate in creating it. Smart growth and the public-interest investment opportunities it generates foster this style of community building and provide the tools to help our cities manage urban sprawl, the biggest challenge now facing urban society. It also enables communities to tap the full potential of their citizenry — government, residents, businesses, banks and others — in an effort to build prosperous partnerships for the twenty-first century.

1. As communities seek out greater private investment for neighborhood redevelopment, however, they must overcome the one great myth about public/private partnerships, namely, that the private sector foots the bill and the public reaps the benefits. All partners in these endeavors must prosper, albeit at different levels, to be a "partnership."