

UPCOMING

ULI

EVENTS

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February :

2/9 Call for Smart Growth Award Nominations Kickoff
www.ulisd.org

2/17 11:30am ULI @ Lunch Green Tax Incentives Luce in Carmel Valley

2/18 7:30am ULI Young Leadership Partnership Kickoff University Club

March:

3/9 7:30am ULI Monthly Breakfast University Club

3/17 11:30am ULI @ Lunch Retrofitting Buildings Green Location TBA

April:

4/8 ULI/Hines Student Design Competition Jury Location TBA

May:

5/12 6pm ULI Smart Growth Awards In conjunction with San Diego Architectural Foundation's Community Vision Award Location TBA

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Update



February 2010

SAN DIEGO SITE CHOSEN FOR STUDENT URBAN DESIGN COMPETITION

The East Village neighborhood in downtown San Diego has been chosen as the site for the eighth ULI Gerald D. Hines Student Urban Design Competition. An ideas competition for university students, the program was created to honor the legacy of urban development pioneer Gerald D. Hines, chairman of the Hines real estate organization and a laureate of the ULI J.C. Nichols Prize for Visionaries in Urban Development.

Through the competition, now underway, interdisciplinary teams of graduate students have been challenged to offer a practical, workable scheme for the design and redevelopment of a 73.5-acre site in East Village that will brand the

neighborhood as an appealing destination, attract future investment, and improve the overall prospects for downtown economic prosperity.

The competition is based on a hypothetical scenario in which San Diego's CCDC has issued a RFP for the East Village redevelopment and which assumes that the owners of individual parcels making up most of the 73.5 acres wish to combine their parcels into one site. Each student team is required to act as a master developer for the group of owners, designing a master plan for the site and supplying financial projections to support the master development plan.

The Hines competition strives to encourage cooperation and teamwork, necessary

talents in the planning, design and development of sustainable communities, among future land use professionals and allied professions.

A \$50,000 prize will be awarded to the winning team and an additional \$30,000 will be split among the remaining finalist teams. This year, applications were submitted from 132 teams representing 48 universities in the United States and Canada, with some 660 students participating in total.

The competition is focusing on East Village because while CCDC's redevelopment efforts have revived other downtown neighborhoods, East Village remains largely bypassed.

For more information, visit www.udcompetition.uli.org.

U.S. HOUSING MARKET AT INFLECTION POINT: THE "OLD NORMAL" WILL NOT BE PART OF THE RECOVERY

As the U.S. economy recovers, emerging trends in demographics and consumer behavior will become major drivers of new housing opportunities, resulting in a residential market vastly different from the one that existed prior to the recession, according to *Housing in America: The Next Decade*, a

new research paper authored by John K. McIlwain, senior resident fellow, Urban Land Institute/J. Ronald Terwilliger Chair for Housing.

In a presentation of the research to ULI trustees during the Institute's Midwinter Meeting in Washington, McIlwain discussed the implications of the rising numbers

of foreclosures re-establishing a private-market residential finance system, as well as shifts in housing demand triggered by baby boomers, their children, and by immigrant households.

"The old 'normal' will not return," McIlwain predicted.

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THE "OLD NORMAL" (continued)

"Over time, a new mode of metropolitan development will emerge, presenting opportunities and stiff challenges. Those who fail to understand these new trends will find themselves building what is no longer in demand."

Despite the housing stabilization that has begun in the nation's strongest employment markets, overall home prices will likely decline an additional 10 percent this year, contributing to what is already an unprecedented number of foreclosures and "underwater" mortgages, McIlwain said. The growing number of consumers who are choosing to walk away from those mortgages suggests a fundamental change from the long-held notion of homeownership as the ultimate American Dream, he explained. This disillusionment over homeownership as a way to build wealth could persist for decades to come, as those entering the housing market will be more apt to rent longer, and to place

more emphasis on buying for shelter rather than investment purposes.

Two key predictions from *Housing in America* for the decade ahead: home appreciation will slow considerably, to about 1 percent to 2 percent annually; and the current U.S. homeownership rate, now at 67 percent (a decline from the record high of 69 percent at the height of the housing boom) will fall further, to about 62 percent.

According to McIlwain, the lasting stability of the U.S. housing market depends on how, and when the private home mortgage finance system is revived and how such a system might be structured.

The federal government now supplies virtually all new mortgage funds through mortgage purchases or securitization. Reducing this massive support, he said, will entail revamping or replacing mortgage suppliers Fannie Mae and Freddie Mac, and tightening

risk requirements for mortgage issuers to restore investor confidence in mortgage-backed securities.

"Re-establishing a robust private mortgage market will require both strong market fundamentals and a reformed mortgage securitization structure that eliminates past abuses," McIlwain said.

Such reform will influence the flow of capital, affecting the volume of debt, its cost and to whom it will be available, he noted. While reform efforts are still sketchy, the end result "will have a fundamental impact on housing markets for years to come."

The report goes on to cite four major U.S. demographic waves to watch in the new decade: aging baby boomers, younger baby boomers, generation Y and immigrants and each group's desire to live in more pedestrian-friendly, transit-oriented, mixed-use environments that de-emphasize auto dependency.

THE BEST OF SMART GROWTH: 2000-2010

ULI is now accepting nominations for our Smart Growth Awards program. This year we will be focusing on the best of the decade.

- Nominated projects are to have been built or significantly redeveloped between 2000 and 2010.
- Nominated projects should represent smart growth concepts and represent ideas and standards from which future projects can be modeled.



- All past nominees to this award program will be automatically nominated. Previous nominees and winners are encouraged to submit an updated entry to showcase the evolution and progression of the project.

- The committee also encourages nominations for smart growth leaders, policies, events, plans, programs or initiatives that have or are yielding smart growth benefits.
- The jury will be selecting three to six winners.

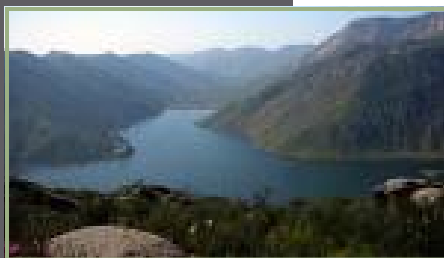
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District Council
Contacts:

Mary Lydon
Executive Director
Phone:
619.252.0295
Fax:
866.879.4963

Melissa Williams
Associate
Phone:
858.344.1034
Fax:
866.879.4963

Council Offices:
1249 F Street
San Diego, CA
92101



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Reservoir
San Diego County

- Awards will be presented on May 12, 6:00 p.m.
- Projects, policies, leaders, and even events and initiatives in the field of Smart Growth and Sustainability are evaluated for their response to ULI's Smart Growth Principles. Nominees for the award may be submitted if they represent smart growth ideals, as described below.

Attributes of a Smart Growth Project

Smart growth is a positive response to years of policies and practices that have contributed to traffic congestion, an inadequate supply of affordable housing, the jobs-housing imbalance and a loss of green space. Smart growth policies and practices are economically sound, environmentally responsible, and supportive of community livability—growth that enhances quality of life. Smart growth is not “no growth,” but rather a series of strategies for harnessing the economic energy of growth or redevelopment to improve community livability.

Visit www.ulisd.org for the online nomination form.

ADAPTING TO A DRIER WEST: WATER, GROWTH AND BETTER DEVELOPMENT PRACTICES

By David Stocker, ULI Center for Balanced Development in the West

Water scarcity proved to be a development deal-killer in some communities during the last market upswing -- and is likely to create more pressure on project entitlements and economics with the continued onset of global climate change.

The ULI Center for Balanced Development in the West launched a new initiative to

address these costs and risks, to explore the opportunity for creating high quality urban places that are compatible with the reality of finite and, in some cases, diminishing water supplies. ULI kicked it off with a symposium, “Adapting to a Drier West: Water, Growth, and Better Development Practices,” held in Las Vegas during December 2009.

George Nolte, president and CEO of Nolte Engineering (Sacramento), and symposium chair, emphasized a proactive stance, “if we cannot secure

predictable sources of quality water, we cannot deliver the real estate products that our society needs in the future.”

The severity of the current western drought, the worst 10-year episode in recorded history, has stunned even some seasoned water managers despite pervasive aridity in the region.

Jeffrey Kightlinger, the Metropolitan Water District of Southern California’s general manager, supplies water to 19 million people in the Los Angeles and San Diego regions. Kightlinger reported, “We plan for droughts but nonetheless expect to get a reliable baseline supply from the Colorado River and California Aqueduct. These assumptions really started to change in 2003, when we lost half of our supply because of a tremendous drought on both systems.”

Municipal users, and the real estate development industry, in particular, face the greatest risks. Clay Landry, managing

director of WestWater (Boise), a leading water marketing firm, commented “Municipalities are simply running out of water supplies in their portfolios... so they are now requiring that developers acquire and transfer new water rights before granting land use entitlements.” This can be a lengthy process with high costs and regulatory hurdles. A more comprehensive strategy is possible but will require water utilities, municipal governments, and the development industry to embrace new land use and development practices as part of the solution.

Despite the current industry focus on capital flows, symposium participants expected that water flows would eventually take a more prominent role in charting the future for western communities and real estate development.