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PAGE ONE

With Gas Over \$4, Cities Explore Whether It's Smart to Be Dense

Sacramento's 'Blueprint' for Growth Draws National Attention

By ANA CAMPOY
 July 7, 2008; Page A1

SACRAMENTO, Calif. -- Gasoline was less than \$2 a gallon when Mike McKeever brought his gospel of bikes, light rail and tightly packed neighborhoods to this state synonymous with cars, freeways and suburban sprawl.

"The development industry was very concerned," says Mr. McKeever, head of Sacramento's regional planning agency. "The environmental community was openly negative," concerned that it was "just more talk, talk."

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Sacramento Area Council of Governments, Urban Advantage
 Sacramento officials used photo imagery to show how different parts of the city could be brought in line with their pedestrian-friendly vision. See how things could change.

Seven years later, with gasoline hurtling past \$4 a gallon, Sacramento has become one of the nation's most-watched experiments in whether urban planning can help solve everything from high fuel prices to the housing bust to global warming.

"They're really the model," says Steve Winkelman, a transportation expert at the Center for Clean Air Policy.

For decades, backers of "smart-growth" planning principles have preached the benefit of clustering the places where people live more closely with the businesses where they work and shop. Less travel would mean less fuel consumption and less air pollution. Several communities built from scratch upon those principles, such as Celebration in Florida, sprouted across the country. But they were often isolated experiments, connected to their surroundings mainly by car. So, as gasoline remained cheap, the rest of the country continued its inexorable march toward bigger houses and longer commutes.

Now, smart-growth fans see a chance to reverse that.

"Expensive oil is going to transform the American culture as radically as cheap oil did," predicts David Mogavero, a Sacramento-based architect and smart-growth proponent.

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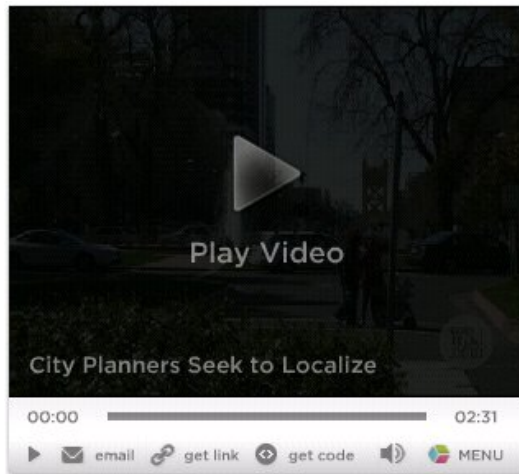
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Over the past 50 years, cheap gasoline has encouraged developers to build communities further and further away from city cores. Now, city planners are experimenting with "smart growth" that keeps work and shopping close to home.

The local governments in the area aren't compelled to follow the so-called Blueprint, but the plan -- backed by a strange-bedfellows coalition of ordinary citizens, politicians, developers and environmentalists -- shows signs of working, nonetheless.

"To me, the simplest way to test whether local governments are mainstreaming Blueprint growth principles is to look at...what is getting built," says Mr. McKeever. "The evidence there is pretty clear."

Between 2004 and 2007, the number of projects with apartments, condominiums and town houses for sale in the region increased by 533%, while the number of subdivisions with homes on lots bigger than 5,500 square feet fell by 21%, according to housing-research firm Hanley Wood Market Intelligence.

Things were different during the 1990s, as new single-family homes crept out to fill the abundant open spaces far from downtown. Traffic exploded, rising 66% from 1990 to 2003. In 2000, the American Lung Association ranked Sacramento 11th for the worst air pollution among U.S. cities -- though, with about 1.4 million people, it was 28th in population.

Drive Time

Mean commute times for metropolitan statistical areas, 2006 data; in minutes

34.1	New York-Northern New Jersey-Long Island, N.Y.-Pa.
33.2	Washington, D.C.-Arlington-Alexandria, Va.-Md.-W.Va.
31.2	Atlanta-Sandy Springs-Marietta, Ga.
30.9	Poughkeepsie-Newburgh-Middletown, N.Y.
30.7	Chicago-Naperville-Joliet, Ill.-Ind.-Wisc.
25.3	Sacramento-Arden-Arcade-Roseville, Calif.
25.0	National average

Source: U.S. Census Bureau

Facing the threat of losing its federal transportation funding because of its poor air quality, the Sacramento Area Council of Governments hired Mr. McKeever in 2001 to lead the region's cleanup effort. He brought with him an eclectic environmental résumé: He'd run a business that used a door-size fan to test homes for leaks of precious heated or cooled air; he'd become an expert in siting houses so they got the most sun possible, saving on electricity; and he'd become a planning consultant, helping Portland, Ore., create a walking city with compact neighborhoods connected by buses, streetcars and light rail.

When Mr. McKeever arrived in California, gasoline was relatively cheap and developers comfortable in building subdivisions the way they always had. He knew he would need to be able to paint a detailed, realistic picture of what life in the area would be like in 2050 if the traditional pattern of plopping one house on one acre of ground far from the owners' jobs continued.

Buildings' Impact

His staff collected information on all 750,000 pieces of property in the region, such as the number of housing units, people employed there, and return-on-investment rates generated by various building projects. They plugged those numbers into a database to be used with computer software Mr. McKeever helped develop to calculate the impact different kinds of buildings have on traffic, job growth and pollution.

In 2003, he took the computer model on the road to workshop after workshop. This wasn't the typical public hearing where officials sit in a row and take questions from the crowd. Instead, the more than 5,000 people who attended got a chance to use the computer program to play planner for a day, tweaking the mix of buildings to see what would happen.

"It sounds hokey," says the typically earnest Mr. McKeever, "but it's about making democracy work."

Wary Developers

Developers were wary. The higher density was tantalizing, but they weren't sure how to get financing and permits, how to build and market the new communities.

"My first big policy direction was, 'You need to go stop this Blueprint thing at all costs,'" recalls Dennis Rogers, a lobbyist with the North State Building Industry Association.

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Mr. McKeever persevered. He conducted shuttle diplomacy of sorts, gliding between meetings with developers and environmentalists in a golf-cart-like neighborhood electric vehicle.

Gradually, the builders began to accept Mr. McKeever's argument that adding town houses, condos and apartments to the mix of single-family homes would expose them to more markets and protect them from a downturn in any particular one. At the same time, residents were becoming more open to alternatives to the typical suburban house thanks to what they were learning at the workshops.

"The building industry is one of the most customer-driven that you can find," says Marcus Lo Duca, a lawyer who has represented builders for 20 years. "You have to adjust what you do to meet what home buyers want."

Dave Morris, an area developer, became a convert when he attended a workshop where officials presented their forecast of what the region would look like in 50 years if it kept growing in the same way. On a big screen in front of hundreds of people, they flashed traffic and air-quality figures that showed "you would commute faster on a bicycle," says Mr. Morris. The quality of life for communities without jobs nearby would nose dive.

"It was really an eye-opener," says Mr. Morris, 60 years old.

At the time, he was building two gated communities with single-family homes on one-acre lots. Mr. Morris is now working on a 171-loft project that will include shops and offices in downtown Woodland, a small city northwest of Sacramento near the university town of Davis. The site is near a courthouse, one of the main employers in town, as well as restaurants and coffee shops. It has access to public transit that can take residents to downtown Sacramento. The public library is just a few blocks away.

"I see gas prices making people take the Blueprint seriously," he says. "It's kind of like not worrying about fast food till the doctor tells you that you have a bad heart."

No. 1 Concern

A poll earlier this year by California State University, Sacramento, found that high gasoline prices were the No. 1 concern in the area and that 12% of respondents had changed jobs or moved in the past year to shorten their commute to work.

Matt Overmyer moved to a new compact development in Roseville, a city northeast of Sacramento. It now takes him 15 minutes to get to his job as a manager of a Lowe's home-improvement store, compared with the 45 minutes he drove from Folsom, a nearby town he describes as "suburbia at its finest."

Mr. Overmyer's new neighborhood sits at the western-most edge of Roseville, where cattle grazed not long ago. But unlike many of the typical suburban developments that sprouted on farmland surrounding Sacramento in previous years, his is designed around a "village square" with restaurants and shops. Once it's built out, it will be just a couple of blocks away from Mr. Overmyer's home. A school, which his 19-month-old daughter will attend once she's old enough, has already been built less than half a mile away.

Mr. Overmyer, 30 years old, now bikes to the grocery store, something he never did in Folsom. Because the houses in his new neighborhood are close together and share a back alley, he also interacts a lot more with his neighbors.

"My social life now consists of four neighbors up and down the street," he says. Before, he and his wife had to drive at least a few miles to see friends.

Mr. Overmyer says he's enjoying spending less time behind the wheel and "the bigger sense of community." He's also pleased to see that the houses around him are already selling for more than what he paid for his last year.

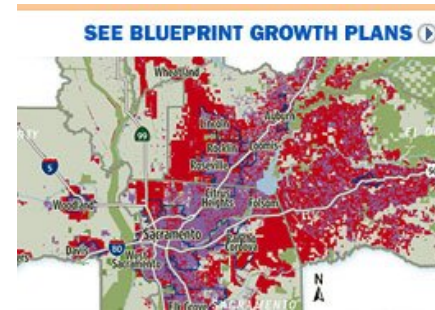
While the Blueprint is still only a guide and local governments have the final word on development, many have begun incorporating its principles into their local laws, giving them real teeth.

In Rancho Cordova, a city east of Sacramento that has adopted a Blueprint-friendly development plan, residents in densely packed town homes and small houses can walk to work at nearby office parks. The light-rail line built to commute to Sacramento now serves as a tram for local residents.

"We're a suburb that wants to become a city," says Linda Budge, Rancho's mayor.

In the spring, the regional-planning agency's board took another major step by approving a \$42 billion transportation plan designed to mesh with the Blueprint. Together, both are projected by 2035 to reduce the amount of driving per household by 8% and global-warming emissions per household by 12% from their 2005 levels.

Now, California's Transportation Department is offering grants to help other areas in the state create their own Blueprints.



Two environmental groups have co-sponsored a bill in the state legislature encouraging other areas to follow Sacramento's example. Think tanks such as the Center for Clean Air Policy are lobbying to include Blueprint methods in the federal transportation bill, which is up for reauthorization next year.

Placer Vineyards

But Mr. McKeever, who became his agency's director in 2004, still has battles to fight every day. Take, for example, Placer Vineyards, a 14,132-unit proposed housing development. It's in a good Blueprint location, close to both Sacramento and the city of Roseville, a big job center. But the proposal doesn't meet the Blueprint standard of an average 10 housing units per acre, which would translate into a 21,631-unit project. That's the necessary density to accommodate its projected future population growth within the Blueprint's boundaries.

"If you don't build those 7,000 units there," Mr. McKeever says, "they will go somewhere else," potentially onto land that the plan called for remaining undeveloped.



SACOG
Mike McKeever, of the Sacramento Area Council of Governments

Mr. McKeever negotiated with the project's developers to present two plans to the Placer County Board of Supervisors for approval -- the original plan, and the Blueprint version. But the board chose the developer's less-dense, original plan. "I felt like they were pushing those 7,000 units on me," says county Supervisor F.C. "Rocky" Rockholm.

Mr. Rockholm, one of the 32 government officials who sit on the regional planning board, voted for the Blueprint, but he argues that the denser version is wrong for the site, now just farmland dotted with cows and yellow mustard flowers. Area residents were concerned about the traffic the denser development would generate. Aside from the density issue, Mr. Rockholm says, Placer Vineyards will be Blueprint-compliant, with a bus transit center and trails and bike paths connecting homes to parks and schools, he says.

But without density, counters Terry Davis of the area Sierra Club chapter, smart growth doesn't work. His group joined the local Audubon Society to file a lawsuit against Placer County and the developers, charging them with destroying natural land with plans that "unnecessarily promote urban sprawl." The parties are in settlement talks.

Plans for Streetcar

Even projects that fully comply with the Blueprint have their problems. Mark Friedman, a local developer, is working on a mixed-use development across the Sacramento River from the California State Capitol, the heart of downtown. In his loftlike office, a retrofitted former Pontiac-dealership, Mr. Friedman points to a sleek architectural model to show how a streetcar would connect apartments, office buildings and retail, making cars unnecessary.

Except that without building housing first, there won't be enough people to justify the state and local money that will help finance a streetcar. And without the streetcar, the carless project doesn't work. "It's a chicken-and-egg situation," says Mr. Friedman.

Building in the heart of the city costs more than creating subdivisions in empty land on city outskirts, says Mr. Friedman. But with the rising price of gasoline driving up the cost of commuting, he and other developers are finding healthy demand for their city projects at a time when suburban sales are slumping.

Even though the area's housing market has been wracked by price drops of 25% in the last year and one of the highest foreclosure rates in the country, Mr. Friedman says he already has sold nine of 28 town houses near downtown that he recently completed, and three more are under contract, "which is not bad considering the dismal state of the Sacramento real-estate market."

Mr. Morris, the developer, says the housing downturn is hurting the places that have the "dumbest growth. Smart growth works when the rest of it doesn't."

Write to Ana Campoy at ana.campoy@dowjones.com

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